



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: February 16, 2016

Title: Pima County, Arizona Certificates of Participation, Series 2016

Introduction/Background:

Certificates of Participation are a financing method where real property is transferred to a third party in exchange for an initial cash payment. The real property is then leased back from the third party and lease payments are made to the third party to repay the initial cash outlay plus interest. When the lease term ends and all amounts have been repaid, the real property reverts back to the original owner. The County uses Certificates of Participation to fund capital improvements and, when conditions permit, to refinance higher interest certificates with lower interest certificates without extending the original maturity dates.

Discussion:

This resolution authorizes issuance of Certificates of Participation in an amount not to exceed \$60,000,000. The proceeds will be used for three purposes:

1. \$20,000,000 to fund a portion of the Regional Wastewater Reclamation Department's capital maintenance and improvement program. The specific capital projects to be funded have been approved by the Regional Wastewater Reclamation Advisory Committee's subcommittee on capital improvement projects and include such projects as the Continental Ranch Pumping Station improvements and the 22nd Street sewer augmentation between Alvernon and Swan. These certificates will be repaid within three years of issuance.
2. A maximum of \$25,000,000 to refinance 2007 Certificates of Participation that had been used to purchase the Bank of America building. The refinancing of these previously issued certificates will save the County approximately \$750,000 in interest. These certificates will be repaid on or before the maturity dates of the original certificates.
3. \$15,000,000 to construct improvements authorized by the Board of Supervisors on January 23, 2016 for the World View Enterprises, Inc. project. These certificates will be repaid within 15 years of issuance.

Conclusion:

Authorizing the issuance of up to \$60 million in Certificates of Participation will allow the County to finance its capital improvements and save \$750 thousand in interest costs by refinancing higher interest certificates.

Recommendation:

Staff recommends that the Board of Supervisors approve the resolution.

Fiscal Impact:

The County will incur \$20 million of new debt that will be repaid within 3 years.
The County will save \$750 thousand by replacing up to \$25 million in existing debt with lower interest debt.
The County will incur \$15 million of new debt that will be repaid within 15 years.

Board of Supervisor District:

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(Signature)

Department: Finance and Risk Management

Telephone: 520.724.8496

Department Director Signature/Date:

[Signature] 2/3/16

Deputy County Administrator Signature/Date:

[Signature] 2-4-16

County Administrator Signature/Date:

[Signature] 2/4/16

RESOLUTION NO. 2016-__

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA AUTHORIZING THE LEASE AND LEASE-PURCHASE BACK OF CERTAIN REAL PROPERTY, INCLUDING BUILDINGS AND STRUCTURES, IN ORDER TO FINANCE AND REFINANCE CAPITAL PROJECTS FOR THE COUNTY; AUTHORIZING THE EXECUTION AND DELIVERY OF AMENDMENTS AND SUPPLEMENTS TO A LEASE-PURCHASE AGREEMENT AND A TRUST AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION TO PROVIDE THE NECESSARY FINANCING AND REFINANCING THEREFOR; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

WHEREAS, Pima County, Arizona (the "County"), as lessee, previously entered into a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Original Lease-Purchase Agreement"), which was amended by a First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009, by a Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010, by a Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013, by a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 and by a Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (collectively, and as further amended by the Lease Amendments hereinafter described, the "Lease-Purchase Agreement") with U.S. Bank National Association, as trustee under the below-described Trust Agreement (the "Trustee"), as lessor (in such capacity, the "Lessor"), pursuant to which the Lessor leases to the County, as lessee, certain leased property (the "Leased Property") as described therein; and

WHEREAS, the Trustee and the County have previously entered into a Trust Agreement, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented by a First Supplement to Trust Agreement, dated as of June 1, 2009, by a Second Supplement to Trust Agreement, dated as of February 1, 2010, by a Third Supplement to Trust Agreement, dated as of May 1, 2013, by a Fourth Supplement to Trust Agreement, dated as of January 1, 2014 and by a Fifth Supplement to Trust Agreement, dated as of April 1, 2015 (collectively, and as further supplemented by the Trust Supplements hereinafter described, the "Trust Agreement"), pursuant to which the Trustee executed and delivered \$50,000,000 principal amount of Certificates of Participation, Series 2008 (the "2008 Certificates"), \$34,400,000 principal amount of Certificates of Participation, Series 2009 (the "2009 Certificates"), \$20,000,000 principal amount of Certificates of Participation, Series 2010 (the "2010 Certificates"), \$80,175,000 principal amount of Certificates of Participation, Series 2013A (the "2013A Certificates"), \$12,705,000 principal amount of Refunding Certificates of Participation, Series 2013B (the "2013B Certificates"), \$52,160,000 principal amount of Certificates of Participation, Series 2014 (the "2014 Certificates") and \$57,025,000 principal amount of Certificates of

Participation, Series 2015 (the "2015 Certificates"), for the purpose of financing and refinancing the costs of certain capital projects of the County and amending and restructuring the County's lease payments (the "Lease Payments") under the Original Lease-Purchase Agreement; and

WHEREAS, there are no 2008 Certificates or 2009 Certificates currently outstanding and there are currently outstanding only 2010 Certificates, 2013A Certificates, 2013B Certificates, 2014 Certificates and 2015 Certificates; and

WHEREAS, in addition to entering into the Trust Agreement, U.S. Bank National Association (the "2007-A Trustee") and the County entered into a Trust Agreement, dated as of May 1, 2007 (the "2007-A Trust Agreement"), pursuant to which the 2007-A Trustee executed and delivered \$28,765,000 principal amount of Certificates of Participation, Series 2007-A (the "2007-A Certificates"); and

WHEREAS, the County wishes to refinance certain of the 2007-A Certificates outstanding under the 2007-A Trust Agreement; and

WHEREAS, the Trust Agreement permits, under certain conditions, the execution and delivery of "Additional Certificates," on a parity with the "Certificates" then outstanding under the Trust Agreement, and permits the further supplementation and amendment of the Trust Agreement and the Lease-Purchase Agreement to facilitate such an execution and delivery of such Additional Certificates; and

WHEREAS, the County has determined that it will be advantageous to cause the execution and delivery of Additional Certificates, in a principal amount, net of any original issue discount, which will (a) produce at least \$35,000,000 in net proceeds for capital projects for the County and (b) be sufficient to refund and redeem some or all of the outstanding 2007-A Certificates (the "Certificates to be Refunded"), plus any amount approved by an Authorized Officer as being necessary to fund a debt service reserve fund and to pay the costs associated with the execution and delivery of such Additional Certificates, which Additional Certificates may be executed and delivered at different times, in one or more series, on a tax-exempt or taxable basis, under one or more supplements to the Trust Agreement, for any or all of the following purposes: (a) financing the costs of additional capital projects for the County, (b) refunding and redeeming the Certificates to be Refunded, and (c) paying the costs associated with the execution and delivery of such Additional Certificates, and to restructure the Lease Payments under the Lease-Purchase Agreement; and

WHEREAS, in connection with the execution and delivery of the Additional Certificates, it will be necessary to enter into a supplemental or restated Trust Agreement or amendments or supplements thereto, between the County and the Trustee (collectively, "Trust Supplements"), and a supplemental or restated Lease-Purchase Agreement or amendments or supplements thereto, between the County and the Trustee, as lessor (collectively, "Lease Amendments"); and

WHEREAS, upon execution and delivery of each series of Additional Certificates, all the conditions for the execution and delivery of Additional Certificates under the Trust Agreement will have been met for such series; and

WHEREAS, the Additional Certificates of each series will be offered for sale pursuant to a Preliminary Official Statement (the "Preliminary Official Statement"), which, with conforming changes, will become the Official Statement (the "Official Statement") and sold pursuant to one or more Certificate Purchase Agreements (collectively, the "Purchase Agreement") between the County and RBC Capital Markets, LLC, the purchaser of such series of the Additional Certificates (the "Original Purchaser"); and

WHEREAS, in connection with the execution and delivery of the Additional Certificates, Securities and Exchange Commission Rule 15(c)2-12 may require the County to make certain agreements for the benefit of holders and beneficial owners from time to time of the Additional Certificates, as evidenced in one or more Continuing Disclosure Undertakings from the County (the "Continuing Disclosure Undertaking"); and

WHEREAS, in connection with the refunding and redemption of the Certificates to be Refunded, it may be necessary for the County and the 2007-A Trustee, as depository trustee thereunder, to execute and deliver a depository trust agreement (the "Depository Trust Agreement"); and

WHEREAS, the County has the power and authority to enter into and deliver the Lease Amendments, the Trust Supplements, the Purchase Agreement, the Continuing Disclosure Undertaking, the Depository Trust Agreement and such additional agreements (collectively, the "County Documents") or amendments thereto and has determined that it is advantageous and in the public interest to approve the execution, sale and delivery of the Additional Certificates in order to secure the financial advantages for the County;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. The execution and delivery of Additional Certificates in one or more series, which may be executed and delivered at different times, on a tax-exempt or taxable basis, under one or more Trust Supplements, for any or all of the following purposes, is hereby approved: (a) financing the costs of additional capital projects of the County, (b) refunding and redeeming the Certificates to be Refunded, and (c) funding any amount required for paying costs associated with the execution and delivery of such Additional Certificates and to restructure Lease Payments under the Lease-Purchase Agreement.

Section 2. The Chair, Vice Chair or Acting Chair of this Board, the County Administrator of the County or the Director of Finance of the County (each an "Authorized Officer") are each hereby authorized, empowered and directed, with the approval of counsel to the County, in the name and on behalf of the County, to execute or

attest, as required, and deliver the County Documents, in such forms as shall be reviewed by counsel to the County and approved by the Authorized Officer executing the same.

Section 3. From and after the execution and delivery of the County Documents in definitive form by the County and the other parties thereto, as required, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such agreements, documents, instruments and certificates as may be necessary to carry out and comply with the provisions thereof, including but not limited to the execution of tax compliance certificates or any other such document necessary in relation to the tax-exempt status of any series of Additional Certificates intended by the County to be executed and delivered bearing tax-exempt interest or otherwise required by the related Purchase Agreement.

Section 4. The execution, sale and delivery of Additional Certificates in a principal amount, net of any original issue discount which will (a) produce at least \$35,000,000 in net proceeds for capital projects for the County and (b) be sufficient to refund and redeem any or all of the Certificates to be Refunded, plus any amount approved by an Authorized Officer as being necessary to fund a debt service reserve fund and to pay the costs associated with the execution and delivery of such Additional Certificates, which Additional Certificates may be executed and delivered at different times, in one or more series, on a tax-exempt or taxable basis, bearing interest at the rate or rates per annum not to exceed a yield of 6.50% per annum computed in accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and having the other terms and conditions to be provided in the related Purchase Agreement and the Trust Supplement (as executed and delivered) and consistent with this Resolution, are in all respects approved. Each series of Additional Certificates shall be sold and awarded to the Original Purchaser at a price of not less than 98% of par (excluding any original issue discount). Each series of Additional Certificates shall mature over a period ending not later than December 1, 2030, may be subject to mandatory or optional redemption prior to maturity, and shall have such other terms, all as provided in the related Trust Supplement and Purchase Agreement (as executed and delivered).

Section 5. The distribution of the Preliminary Official Statement by the Original Purchaser with respect to each series of Additional Certificates is hereby ratified and approved in the form approved by an Authorized Officer and an Official Statement for such series is hereby authorized and approved, in substantially the form of the related Preliminary Official Statement, with such changes or revisions as may be approved by the Authorized Officer executing the same. Any Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the County, to execute and deliver the same to the Original Purchaser, and to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with Securities and Exchange Commission Rule 15(c)2-12.

Section 6. If the Director of Finance of the County or his designee determines that the purchase of an insurance policy securing payment of any series of Additional Certificates would be advantageous to the County, any officer, agent or employee of the County is hereby authorized to negotiate with and secure, with proceeds of such series of

Additional Certificates or otherwise, such an insurance policy from one or more institutions the claims-paying ability of which are then assigned a rating of "Aa3/AA-" or better by a nationally recognized credit rating agency at the time of issuance of the insurance policy. Each Authorized Officer is hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy.

Section 7. The Authorized Officers, and the designees of any of them, are each hereby designated and appointed as the Lessee Representative, as defined in the Lease-Purchase Agreement, and each of them is authorized to execute in the name of and on behalf of the County any closing documents, certificates, or other instruments or documents necessary or appropriate in connection with the transactions described in or contemplated by the related Official Statement, Purchase Agreement, Lease-Purchase Agreement or Trust Agreement or amendments or supplements thereto and to do all acts and things as may be necessary or desirable to carry out the terms and intent of this Resolution and of any of the documents referred to herein.

Section 8. The proceeds received by the Trustee from the sale of each series of Additional Certificates shall immediately be applied as provided in the related Trust Supplement. Pending disbursement of any such proceeds received by the County and held by the County Treasurer, the County Treasurer is directed to invest the amounts so received and held in the State Treasurer's Local Government Investment Pool (LGIP); provided, however, that the Director of Finance of the County may at any time provide other written investment instructions to the County Treasurer and the County Treasurer, to the extent that such investments are lawful, is authorized and directed to invest monies as set forth in the instructions. The County Administrator or the Director of Finance of the County are hereby authorized to transfer monies from the Regional Wastewater Reclamation Enterprise Fund, the Capital Projects Fund or any other funds, as appropriate, and in the amounts proportional to the use of the Certificate proceeds for transportation projects, wastewater projects, capital projects, or other projects, facilities or equipment, needed to make lease payments under the Lease Agreement to pay principal and interest with respect to the Additional Certificates as such amounts become due.

Section 9. Each Authorized Officer is hereby authorized to execute and deliver any instruments or documents necessary in connection with the redemption or prepayment of the Certificates to be Refunded, including, without limitation, the execution and delivery of the Depository Trust Agreement.

Section 10. All actions of the officers, agents and employees of the County which are in conformity with the purposes and intent of the foregoing resolutions be, and the same are hereby, in all respects, authorized, approved, ratified and confirmed.

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PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County, Arizona, on February 16, 2016.

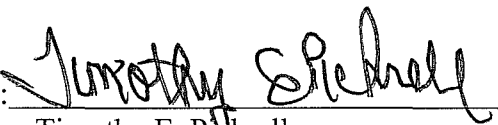
PIMA COUNTY, ARIZONA

By: _____
Chair, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

Approved as to Form:
SQUIRE PATTON BOGGS (US) LLP,
Bond Counsel

By:  _____
Timothy E. Pickrell