



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: February 5, 2019

Title: RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, PROVIDING FOR THE EXECUTION, DELIVERY AND SALE OF SEWER SYSTEM REVENUE OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO PROVIDE UP TO \$25,000,000 TO PURCHASE PROPERTY CONSTITUTING ADDITIONS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE COUNTY AND TO PAY COSTS OF DELIVERY; AUTHORIZING THE EXECUTION AND DELIVERY OF AN OBLIGATION INDENTURE IN CONNECTION THEREWITH AND THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT PROVIDING FOR INSTALLMENT PAYMENTS BY THE COUNTY FOR THE PURCHASE OF SAID PROPERTY TO BE MADE FROM REVENUES OF THE SEWER SYSTEM OF THE COUNTY; AND AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY OF ALL NECESSARY OR APPROPRIATE AGREEMENTS OR DOCUMENTS AND THE TAKING OF ALL ACTIONS AND MATTERS IN CONNECTION THEREWITH

Introduction/Background:

Pima County routinely pays for the capital costs of its sewer system by financing them over time. In this way, the costs of the capital assets are better spread throughout the period of time the assets are providing benefits to the system's users. When adopting the fiscal year 2018-19 budget the Board of Supervisors approved the Regional Wastewater Reclamation Department's capital improvement program.

Discussion:

The Regional Wastewater Reclamation Department budgeted \$45 million in debt proceeds to fund the fiscal year 2018-19 sewer system capital improvement program. \$20 million was issued previously. By issuing up to \$25 million in sewer system revenue obligations, the cost of capital assets will be better spread over time to the existing and future sewer system users.

Conclusion:

Issuing up to \$25 million of sewer system revenue obligation is an effective way to finance the purchase of sewer system capital assets.

Recommendation:

Staff recommends that the Board of Supervisors approve this resolution authorizing the sale of sewer system revenue obligations to finance the Regional Wastewater Reclamation Department's fiscal year 2018-19 capital improvement program.

Fiscal Impact:

The funding will be made available for the Regional Wastewater Reclamation Departments capital improvement program. The obligations will be repaid over a 15 year period spreading the cost of the capital assets to existing and future system users that benefit from the use of the capital assets.

Board of Supervisor District:

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Department Director Signature/Date: M. Michelle Campagne 1/23/19

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County Administrator Signature/Date: C. J. Delaney 1/23/19

RESOLUTION NO. 2019- _____

RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, PROVIDING FOR THE EXECUTION, DELIVERY AND SALE OF SEWER SYSTEM REVENUE OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO PROVIDE UP TO \$25,000,000 TO PURCHASE PROPERTY CONSTITUTING ADDITIONS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE COUNTY AND TO PAY COSTS OF DELIVERY; AUTHORIZING THE EXECUTION AND DELIVERY OF AN OBLIGATION INDENTURE IN CONNECTION THEREWITH AND THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT PROVIDING FOR INSTALLMENT PAYMENTS BY THE COUNTY FOR THE PURCHASE OF SAID PROPERTY TO BE MADE FROM REVENUES OF THE SEWER SYSTEM OF THE COUNTY; AND AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY OF ALL NECESSARY OR APPROPRIATE AGREEMENTS OR DOCUMENTS AND THE TAKING OF ALL ACTIONS AND MATTERS IN CONNECTION THEREWITH

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

Section 1. Recitals, Findings and Conclusions.

(a) Pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended (the "Act"), Pima County, Arizona (the "County"), is authorized to purchase, construct or operate a sewer system (the "System"), including the collection, transportation, pumping, treatment and disposal of sewage and to charge fees therefor.

(b) Pursuant to Resolution No. 1991-138 passed and adopted on June 18, 1991, as amended by Resolution No. 1991-182, passed and adopted August 6, 1991, and supplements thereto, the Board of Supervisors of the County (the "Board") has authorized the sale and issuance of various series of sewer revenue and sewer revenue refunding bonds, and has authorized loans with the Water Infrastructure Finance Authority of Arizona (the "Prior Obligations") to finance and refinance additions and improvements to the System.

(c) In order to purchase, construct and operate additions and improvements to the System (the "Series 2010 Property"), the County authorized the execution and delivery of \$165,000,000 aggregate amount of Sewer System Revenue Obligations, Series 2010 (the "Series 2010 Obligations"), pursuant to the Series 2010 Obligation Indenture, dated as of June 1, 2010, between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Series 2010 Trustee"), which Series 2010 Obligations evidence proportionate interests of the holders thereof in installment payments of the purchase price for the Series 2010 Property (the "Series 2010 Purchase Price") to be paid by the County pursuant to the Series 2010 Purchase Agreement, dated as of June 1, 2010, as amended by the First Amendment to Series 2010 Purchase Agreement, dated as of March 1, 2011 (together, the "Series 2010 Purchase Agreement"), between the County and the Series 2010 Trustee in its separate capacity as seller.

(d) The Series 2010 Purchase Agreement provides that the County may incur obligations ranked on a parity with the payments of the Series 2010 Purchase Price that share pro

rata in payments to be made by the County from the Pledged Revenues (as defined in the Series 2010 Purchase Agreement) ("Additional Obligations") if certain requirements are met, including that the Pledged Revenues for the immediately preceding year were at least equal to 120 percent of the highest aggregate principal and interest requirements of all Series 2010 Obligations and Additional Obligations then outstanding, including the Additional Obligations to be incurred, to be due and payable in the current or any future year.

(e) In order to purchase, construct and operate other additions and improvements to the System, and in order to refinance additions and improvements to the System, the County has incurred the following Additional Obligations, all of which are titled as Sewer System Revenue Obligations:

<u>Series Designation</u>	<u>Original Aggregate Amount</u>	<u>Indenture and Purchase Agreement Dated Date</u>
Series 2011B	\$189,160,000	December 1, 2011
Series 2012A	128,795,000	December 6, 2012
Series 2014	48,500,000	February 12, 2014
Series 2016	211,595,000	July 7, 2016
Series 2017	45,000,000	February 9, 2017
Series 2018	38,205,000	April 12, 2018

(f) The requirements for the incurrence of Additional Obligations have been met and it is necessary and in the best interests of the County that Additional Obligations be incurred and sold, and the proceeds thereof be used to purchase, construct and operate other additions and improvements to the System (the "Series 2019 Property"). Therefore, the Board intends to execute and deliver a Series 2019 Purchase Agreement, to be dated as of the first day of the month of the dated date of the Series 2019 Obligations (as described herein) (the "Series 2019 Purchase Agreement"), in substantially the form on file with the Clerk of the Board, by which the County will agree to purchase the Series 2019 Property.

(g) The acquisition of the Series 2019 Property will be financed through the sale, execution and delivery of securities representing proportionate interests (the "Series 2019 Obligations") in the Series 2019 Purchase Agreement pursuant to, and secured by, a Series 2019 Obligation Indenture, to be dated as of the date of the Series 2019 Purchase Agreement (the "Series 2019 Obligation Indenture"), by and between the County and The Bank of New York Mellon Trust Company, N.A., in its separate capacity as trustee (including any successor thereto, the "Series 2019 Trustee"), in substantially the form on file with the Clerk of the Board.

(h) The Board intends for the Series 2019 Obligations to be sold either (i) directly to one or more banks, as purchaser of the Series 2019 Obligations (collectively, the "Purchaser"), pursuant to a banking lending proposal solicited by RBC Capital Markets, LLC, as bank solicitor (in such capacity as bank solicitor, the "Bank Solicitor"), pursuant to a Bank Solicitor Agreement, to be dated as determined by the parties thereto (the "Bank Solicitor Agreement"), between the County and the Bank Solicitor in a standard form, or (ii) through an underwritten offering, to one or more of the firms currently in the State of Arizona's pool of underwriters for State obligations, as underwriter (the "Underwriter") pursuant to a Purchase Contract in a standard form (the "Purchase Contract"), in either case as determined by the Director

of Finance and Risk Management of the County (the “Director of Finance”), to be the most advantageous to the County, and the County’s Procurement Director is hereby authorized to execute and deliver engagement agreements with any selected Underwriter

(i) The Underwriter, if any, is required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), in connection with selling the Series 2019 Obligations as an underwriter. In that regard, if the Series 2019 Obligations are to be sold pursuant to the Purchase Contract, the County will execute and deliver a Continuing Disclosure Undertaking, to be dated the date of the Series 2019 Obligations (the “Undertaking”), with respect to the Series 2019 Obligations, in substantially the same form as that executed and delivered by the County in connection with the Series 2018 Obligations.

(j) The County has the requisite power and authority to execute and deliver the Series 2019 Purchase Agreement and to cause the sale, execution and delivery of the Series 2019 Obligations. All requirements of the Constitution, the laws of the State of Arizona, and the County that are preconditions to the adoption of this Resolution have been met such that the Series 2019 Purchase Agreement will be a valid and binding limited, special obligation of the County.

Section 2. Authorization and Execution and Delivery of Documents and Obligations.

(a) For the purpose of providing funds to finance the Series 2019 Property and the related costs of the sale, execution and delivery of the Series 2019 Obligations, the Series 2019 Obligations shall be sold, executed and delivered as one or more series of obligations (determined as provided herein). The Series 2019 Obligations shall be dated the date of their initial delivery and shall (i) be in an aggregate principal amount, (ii) bear interest, (iii) be issued in such form and denominations, (iv) be payable as to interest and principal on such dates, (v) be executed in such manner and (vi) have such other provisions, including, without limitation, provisions with respect to redemption prior to maturity, as set forth in the form of the Series 2019 Obligation Indenture, (A) if sold to the Purchaser, as agreed to with the Purchaser, or (B) if sold to the Underwriter, as set forth in the Purchase Contract. The Series 2019 Obligations shall include additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Series 2019 Trustee, as evidenced by the execution and delivery of the Series 2019 Obligations by the Series 2019 Trustee.

(b) The Chairman of the Board, the County Administrator, the Director of Finance of the County, and the designees of any of them (collectively, the “Authorized Representatives”) are authorized to determine on behalf of the County and then to take any action, make any modification of documents, enter into any agreements, make any elections or certifications and pay any costs necessary to provide for the sale, execution and delivery of the Series 2019 Obligations, and to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the terms of the Series 2019 Obligations and any agreement related thereto, including causing the Series 2019 Obligations to be issued in multiple series, to the extent consistent with this Resolution.

(c) The aggregate principal amount of the Series 2019 Obligations shall not exceed the amount sufficient to provide up to \$25,000,000 to purchase the Series 2019 Property and to pay costs of delivery as provided in the agreement with a Purchaser or the Purchase Contract, the Series 2019 Obligations shall mature over a period not exceeding the term permitted by the Code in order for the interest paid with respect to the Series 2019 Obligations to be exempt from federal income taxation, but in any event not later than July 1, 2033. The Series 2019 Obligations shall be sold at such prices and shall bear interest at such rates as to result in an effective yield as calculated for federal income tax purposes relative to the issuance of obligations, the interest income on which is excluded from gross income, of not to exceed six percent (6.00%) per annum.

(d) The Authorized Representatives are authorized to execute the Series 2019 Purchase Agreement, the Series 2019 Obligation Indenture, the Bank Solicitor Agreement or the Purchase Contract and, if sold pursuant to the Purchase Contract, the Undertaking, which are hereby approved, with such additions, deletions and modifications as shall be approved by the Authorized Representatives executing and delivering the same on behalf of the County, the execution and delivery thereof shall be evidence of their approval, and of such additions, deletions and modifications. The Authorized Representatives are authorized to approve additions, deletions and modifications to the Series 2019 Obligations, the Series 2019 Purchase Agreement and the Series 2019 Obligation Indenture to accommodate the sale of the Series 2019 Obligations to the Purchaser instead of the Underwriter, including the form, authorized denominations and method of payment of the Series 2019 Obligations, and to add covenants such as providing certain information as required by the Purchaser.

(e) The Series 2019 Trustee is directed to execute and deliver the Series 2019 Obligations, the Series 2019 Purchase Agreement and the Series 2019 Obligation Indenture to accomplish the purposes of this Resolution.

(f) The Authorized Representatives are authorized to:

(i) cause the sale, execution and delivery of the Series 2019 Obligations, and are delegated the authority to complete any missing information necessary to consummate the transactions contemplated by the Series 2019 Purchase Agreement, the Series 2019 Obligation Indenture, the Bank Solicitor Agreement or the Purchase Contract and, if sold pursuant to the Purchase Contract, the Undertaking;

(ii) select, and execute and deliver contracts with, appropriate professionals (including outside counsel to the County) to provide professional services with respect to the sale, execution and delivery of the Series 2019 Obligations, and to provide for such other matters (including credit enhancement providers) as are necessary to accomplish the purposes of this Resolution; and

(iii) execute and deliver any instruments or documents necessary in connection with the purchase of any credit enhancement, including providing for the repayment of amounts advanced for credit enhancement.

The fees, costs and expenses with respect to the foregoing shall be paid from proceeds of the sale of the Series 2019 Obligations or any other legally available moneys. The Director of Finance of the County is authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Series 2019 Obligations.

Section 3. Acceptance of Proposal. If the terms for the Series 2019 Obligations comply with Section 2 hereof, the Authorized Representatives are authorized to determine whether to accept the proposal of the Underwriter pursuant to the Purchase Contract or the proposal of the Purchaser. If it is the former, such acceptance shall be evidenced by the execution and delivery of the Purchase Contract pursuant to Section 2 hereof. If it is the latter, such acceptance shall be evidenced by a Certificate and Receipt of the Purchaser. The Series 2019 Obligations shall be prepared, executed and delivered following the adoption of this Resolution, and shall be delivered upon payment therefor to either the Underwriter (in accordance with the terms of the Purchase Contract) or the Purchaser.

Section 4. Authorization of Official Statement. If the Series 2019 Obligations are to be sold to the Underwriter, the Authorized Representatives are authorized to:

(a) approve the preparation and dissemination by the Underwriter of a Preliminary Official Statement relating to the Series 2019 Obligations, to be dated the date of its publication (the "Preliminary Official Statement"), in substantially the same form as that used in connection with the sale of the Series 2018 Obligations; and

(b) execute and approve the preparation and delivery to, and use by, the Underwriter of a final Official Statement relating to the Series 2019 Obligations, to be dated the date of the sale of the Series 2019 Obligations (the "Official Statement"), in substantially the form of the Preliminary Official Statement with such additions, deletions and modifications consistent with this Resolution as shall be approved by the Authorized Representatives.

For purposes of the Rule, if applicable, the Authorized Representatives shall certify or represent that the Preliminary Official Statement, in original or revised form, is a "deemed final" official statement (except for permitted omissions) of the County as of a particular date and that a completed version is a "final" official statement. If necessary, the distribution and use of the Preliminary Official Statement and the Official Statement by the County and the Underwriter are authorized, ratified and approved. If necessary, the Authorized Representatives are further authorized (i) to use and distribute, or authorize the use and distribution of, any supplements in connection with the original execution and delivery of the Series 2019 Obligations and (ii) to sign and deliver, on behalf of the County, the Official Statement and such certificates in connection with the accuracy of the Official Statement and any amendment thereto.

Section 5. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., with its designated office in Austin, Texas, is appointed as the Series 2019 Trustee.

Section 6. Severability. This Resolution confers upon the County all powers set forth in the Act, and if any portion hereof shall be deemed invalid by a court of competent jurisdiction,

such judgment shall not affect the remaining provisions hereof. All prior resolutions or parts thereof in conflict with this Resolution are repealed.

Section 7. Ratification of Actions. All actions of the officers, employees and agents of the County that conform to the purposes and intent of this Resolution, whether taken before or after adoption of this Resolution, are ratified and approved. The proper officers and agents of the County are authorized and directed to do all such acts and to execute and deliver all such documents on behalf of the County as may be necessary to carry out the terms and intent of this Resolution.

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PASSED, ADOPTED, AND APPROVED by the Board of Supervisors of Pima County,
Arizona, on February 5, 2019.

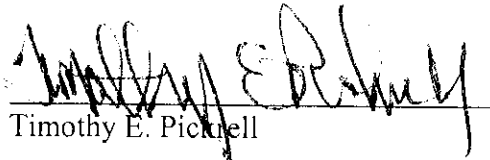
By: _____
Chairman,
Board of Supervisors

ATTEST:

Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US), LLP
Special Counsel

By: 

Timothy E. Pickrell