



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: February 16, 2021

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 ALL OR A PORTION OF THE COUNTY'S UNFUNDED LIABILITIES WITH RESPECT TO THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND THE CORRECTIONAL OFFICERS RETIREMENT PLAN OR, TO THE EXTENT NOT SO USED, TO FINANCE OTHER PROJECTS OR TO PAY OTHER EXPENSES OF THE COUNTY APPROVED BY THE BOARD AND TO PAY COSTS OF DELIVERY; AUTHORIZING NOTICE TO THE PUBLIC OF THE LEASE AND LEASE-PURCHASE

Title: OF THE PROPERTY AND PROVIDING FOR THE AWARD THEREOF TO THE HIGHEST RESPONSIBLE BIDDER; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE, A LEASE-PURCHASE AGREEMENT AND A TRUST AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF PLEDGED REVENUE OBLIGATIONS TO PROVIDE THE NECESSARY FINANCING THEREFOR, WITH LEASE PAYMENTS BY THE COUNTY TO BE MADE SOLELY FROM CERTAIN PLEDGED REVENUES IMPOSED OR RECEIVED BY THE COUNTY; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

Introduction/Background:

Pima County's public safety and corrections officer pension plans are managed by the State, each plan within the Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP) is separately funded by the employer and the employee group. Both the County and the employees are responsible for contributions; however, PSPRS and CORP employee contributions are capped by state law and the County is solely responsible for the liabilities of these plans. The unfunded pension liability is calculated by subtracting the total assets of the trust from the accrued pension liability. As of June 30, 2020, Pima County had an unfunded pension liability of \$260 million (41.1% funded) for the Public Safety Personnel Retirement System and \$83 million (46.5% funded) for the Corrections Officer Retirement Plans. In total, the plans show a \$343 million unfunded pension liability that the County is currently repaying through additional annual contributions.

Discussion:

The County's unfunded pension liability is currently considered debt of the County and is repaid through additional contributions that are made each year to PSPRS and CORP. The current additional contributions extend to 2038 and escalate in amount from \$24.8 million in the current year to a high of \$66.7 million in 2036. By issuing debt to refinance a significant portion of our unfunded pension liability, the County could reduce its annual employer contribution to PSPRS and CORP by approximately \$118 million over the next 15 years. A portion of these savings along with any budgeted savings in personnel costs in the Sheriff's Department General Fund would then be placed in a pension fund reserve and utilized to mitigate the impact of future unfunded pension liabilities.

Conclusion:

Issuing up to \$300 million in pledged revenue obligations will allow the County to refinance a significant portion of the PSPRS and CORP unfunded pension liability at a lower interest rate. This is financially advantageous for the County as it could result in estimated savings totaling \$118 million over the next 15 years.

Recommendation:

Staff recommends that the Board of Supervisors approve this resolution authorizing the sale of pledged revenue obligations for the purpose of financing a significant portion of the existing Public Safety Personnel Retirement System and Corrections Officer Retirement Plan unfunded liability.

Fiscal Impact:

Taxable pledged revenue obligations will be issued in an amount not to exceed \$300 million dollars for the funding of the County's Public Safety Personnel Retirement System and Corrections Officer Retirement Plans and paying the cost of issuing debt. The debt will be repaid over 15 years.

Board of Supervisor District:

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☒ All

Department: Finance and Risk Management

Telephone: 724-8410

Contact: Michelle Campagne

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Department Director Signature/Date: Michelle Campagne 2/1/21

Deputy County Administrator Signature/Date: [Signature] 2/1/21

County Administrator Signature/Date: C. DeMucka 2/4/21

RESOLUTION NO. 2021- ____

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 ALL OR A PORTION OF THE COUNTY'S UNFUNDED LIABILITIES WITH RESPECT TO THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND THE CORRECTIONAL OFFICERS RETIREMENT PLAN OR, TO THE EXTENT NOT SO USED, TO FINANCE OTHER PROJECTS OR TO PAY OTHER EXPENSES OF THE COUNTY APPROVED BY THE BOARD AND TO PAY COSTS OF DELIVERY; AUTHORIZING NOTICE TO THE PUBLIC OF THE LEASE AND LEASE-PURCHASE OF THE PROPERTY AND PROVIDING FOR THE AWARD THEREOF TO THE HIGHEST RESPONSIBLE BIDDER; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE, A LEASE-PURCHASE AGREEMENT AND A TRUST AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF PLEDGED REVENUE OBLIGATIONS TO PROVIDE THE NECESSARY FINANCING THEREFOR, WITH LEASE PAYMENTS BY THE COUNTY TO BE MADE SOLELY FROM CERTAIN PLEDGED REVENUES IMPOSED OR RECEIVED BY THE COUNTY; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

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

Section 1.

(a) The Board of Supervisors (the "Board") of Pima County, Arizona (the "County"), has determined to fund all or a portion of the County's unfunded liabilities (the "Funding") with respect to the Arizona Public Safety Personnel Retirement System ("PSPRS") and the Correctional Officers Retirement Plan ("CORP") or, to the extent not so used, to acquire, construct or improve other projects or to pay expenses of the County approved by the Board (the "Project").

(b) The County, upon due investigation and consideration deems it advantageous and necessary in order finance the Project to lease at public auction and to lease-purchase back certain land, buildings, structures and improvements comprised of the Pima County Sheriff Department's complex located at or proximate to 1600-1750 East Benson Highway, Tucson, Arizona (the "Facilities").

(c) the County is authorized to lease, at public auction, after notice to the public, County property pursuant to Arizona Revised Statutes § 11-256 and, in accordance with applicable law, will request bids for the lease of the Facilities, all as more fully described in the legal notice requesting such bids (the "Request for Bids").

(d) upon receipt of sealed bid proposals and following the public auction, the County intends that the Facilities be leased and awarded to the bidder which submits the highest bid as determined by the requirements of and responsive to the Request for Bids (the "Successful Bidder"); and

(e) the County intends to lease-purchase back the Facilities through a lease-purchase agreement executed and delivered pursuant to Arizona Revised Statutes § 11-251(46);

(f) it is presently anticipated that (a) any Successful Bidder of the Facilities will finance its bid through the execution and delivery of pledged revenue obligations (the "Obligations"), evidencing and representing proportionate interests of the owners thereof in lease payments (the "Lease Payments") to be made by the County pursuant to a lease-purchase agreement (the "Lease Agreement") between the County, as lessee, and a Trustee (defined below), as lessor, and to approve and execute all required legal documents in connection with such financing, including, without limitation a ground lease (the "Ground Lease") between the County and the Trustee, as lessee, relating to the Facilities.

(g) the Obligations will be secured solely by Lease Payments received from the County under the Lease Agreement pursuant to which the County will pledge (i) the proceeds from a general excise tax of the County authorized by §42-6103, Arizona Revised Statutes, if imposed by the County at the discretion of the Board, and any amounts of revenues from fees, franchise taxes, fines, penalties or charges collected by the County or to be collected by the County, except those which by State law, rule, regulation or contractual obligation must be used for other purposes, as described or limited in the Lease Agreement ("County-Imposed Excise Revenues"), provided, however, that the County may, if permitted by law, impose other transaction privilege taxes, the uses of revenue from which will be restricted, at the discretion of the Board and which, if so restricted, will not be deemed County-Imposed Excise Revenues, (ii) revenues from excise taxes and transaction privilege (sales) taxes imposed by the State of Arizona (the "State") or any agency thereof and returned, allocated or apportioned to the County, except the County's share of any such taxes which by State law, rule or regulation must be expended for other purposes (the "State Shared Sales Tax Revenues"), (iii) revenues from vehicle license taxes imposed by the State or any agency thereof and distributed for deposit to the County's general fund pursuant to § 28-5808, Arizona Revised Statutes ("Vehicle License Tax Revenues"), and (iv) amounts remitted to the County by the U.S. Department of Interior (or any successor entity) pursuant to the federal Payment in Lieu of Taxes program ("PILT Revenues" and, collectively with the County-Imposed Excise Revenues, the State Shared Sales Tax Revenues and the Vehicle License Tax Revenues, the "Pledged Revenues").

(h) it is also presently anticipated that the Obligations will be executed, delivered and paid in accordance with the terms of a Trust Agreement (the "Trust Agreement"), between the County and a corporate trustee specified by the Successful Bidder and approved by

the Director of Finance and Risk Management of the County (the "Director of Finance"), as trustee thereunder (the "Trustee"), in connection with the Obligations.

(i) the Obligations 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, in a principal amount not exceeding the principal amount specified in the bid of the Successful Bidder, pursuant to an Obligation Purchase Agreement (the "Purchase Agreement") between the County and the purchaser of such Obligations specified by the Successful Bidder (the "Original Purchaser") and on terms determined by the Director of Finance to be the most advantageous to the County.

(j) in connection with the execution and delivery of the Obligations, 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 Obligations, as evidenced in one or more Continuing Disclosure Undertakings from the County (the "Continuing Disclosure Undertaking").

(k) the County has the power and authority to enter into and deliver the Lease Agreement, the Ground Lease, the Trust Agreement, the Purchase Agreement, the Continuing Disclosure Undertaking 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 Obligations in order to secure the financial advantages for the County.

(l) it is hereby found and determined that the lease and lease-purchase back of all or a portion of the Facilities pursuant to the Request for Bids are advantageous to the County and in furtherance of the purposes of the County and in the public interest.

Section 2. The Board hereby directs, approves and authorizes the lease and lease-purchase back of all or a portion of the Facilities pursuant to the Request for Bids and in accordance with the requirements of all applicable laws. The County Administrator of the County (the "County Administrator"), the Director of Finance and all other appropriate officers and employees of the County are hereby authorized and directed to prepare the form of the Request for Bids. The publication and advertisement of such lease in accordance with the applicable law and the taking of all necessary steps to effectuate such lease in accordance with the applicable law is hereby authorized, approved, ratified, and confirmed in all respects.

Section 3. Upon the receipt of sealed bid proposals at the date, time and place prescribed by the Request for Bids, whether continued, postponed or rescheduled, and following the public auction and the consideration of bids received and the recommendation of the Director of Finance, the lease of the Facilities described in the Request for Bids will be awarded to the Successful Bidder by this Board acting through its Chair on behalf of the County to the highest bid as determined by the requirements of and responsive to the Request for Bids, unless all bids are rejected.

Section 4. The Chair, Vice Chair or Acting Chair of this Board, the County Administrator or the Director of Finance (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 5. 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 any document required by the Purchase Agreement.

Section 6. The execution, sale and delivery of Obligations, which in the aggregate will not exceed the principal amount specified in the bid of the Successful Bidder, 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 the Obligations, bearing interest at the rate or rates per annum not to exceed a true interest cost of 4.00% per annum, and having the other terms and conditions to be provided in the Purchase Agreement and the Trust Agreement (as executed and delivered) and consistent with this Resolution, are in all respects approved. The Obligations shall be sold and awarded to the Original Purchaser at a price of not less than 98% of par (excluding any original issue discount). The Obligations shall mature over a period ending not later than fifteen (15) years from their execution and delivery, may be subject to mandatory or optional redemption prior to maturity, and shall have such other terms, all as provided in the Trust Agreement and Purchase Agreement (as executed and delivered). The Obligations shall be executed and delivered for any or all of the following purposes: (a) financing or reimbursing all or a portion of the County's unfunded liabilities with respect to the PSPRS and the CORP or, to the extent not so used, to acquire, construct or improve other projects or to pay expenses of the County approved by the Board, and (b) paying the costs associated with the execution and delivery of such Obligations.

Section 7. The distribution of the Preliminary Official Statement by the Original Purchaser with respect to each series of Obligations 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 8. If the Director of Finance or her designee determines that the purchase of an insurance policy securing payment of any series of Obligations, or a surety bond or other reserve fund guaranty, 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 Obligations or otherwise, such an insurance policy or reserve fund guaranty, or both, 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 and/or reserve fund

guaranty. 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 and/or reserve fund guaranty, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy and/or reserve fund guaranty.

Section 9. 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 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 Agreement, Ground Lease 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 10. The proceeds received by the Trustee from the sale of the Obligations shall immediately be applied as provided in the related Trust Agreement. 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 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.

Section 11. 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.

PASSED, ADOPTED, AND APPROVED by the Board of Supervisors of Pima County,
Arizona, on February 16, 2021.

By: _____
Chair,
Board of Supervisors

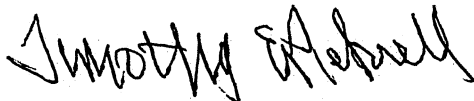
ATTEST:

Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US), LLP
Special Counsel

By:



Timothy E. Pickrell