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ORDINANCE NO. 2011 - 22

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA RELATING TO GENERAL OBLIGATION BOND PROJECTS AMENDING ORDINANCE NUMBER 2006-29 BOND IMPLEMENTATION PLAN, MAY 16, 2006 SPECIAL ELECTION (AS AMENDED OCTOBER 6, 2009 BY ORDINANCE NUMBER 2009-93) FOR THE PURPOSE OF AMENDING THE SCOPE AND IMPLEMENTATION PERIODS FOR CERTAIN PROJECTS.

WHEREAS, the Board of Supervisors adopted Chapter 3.06 of the Pima County Code titled "Bonding Disclosure, Accountability and Implementation"; and,

WHEREAS, in compliance with Chapter 3.06, the Board of Supervisors adopted Ordinance Number 2006-29, the "Bond Implementation Plan, May 16, 2006 Special Election"; and,

WHEREAS, the Board of Supervisors, on October 6, 2009 enacted Ordinance No. 2009-93 amending Ordinance No. 2006-29 in compliance with provisions of Chapter 3.06; and

WHEREAS, the Board of Supervisors desires to amend Ordinance Number 2006-29 (as previously amended) in compliance with provisions of Chapter 3.06:

NOW THEREFORE, IT IS HEREBY ORDAINED by the Board of Supervisors of Pima County, Arizona:

Ordinance Number 2006-29 (as previously amended) is hereby amended as follows:

A. Question 3 – Psychiatric Urgent Care Facilities

For the purpose of acquiring, developing, improving and equipping psychiatric urgent care facilities for the County, including the acquisition and construction of real and personal property or interests or rights in property for such purpose and paying all expenses properly incidental thereto and to the issuance of such bonds, shall Pima County, Arizona be authorized to issue and sell general obligation bonds of the County in an aggregate principal amount not exceeding \$18,000,000?

Location: Kino Health Campus, 2800 East Ajo Way, Tucson, Arizona 85713

Scope: To construct a psychiatric urgent care center to complement existing and proposed psychiatric facilities on the Kino health campus. The urgent care center will be located in close proximity to University Physicians Hospital at Kino Campus, including the proposed psychiatric inpatient hospital facility. The psychiatric urgent care center will be leased to and operated by the regional behavioral health authority designated in statute by the State to provide publicly funded urgent care and crisis services for Pima County. Surplus funds from the construction of the psychiatric urgent care center will be used to design, construct, and equip needed health clinics and associated labs to be build at the Kino Campus.

Benefits: Development of a psychiatric urgent care center will fill a significant gap in the mental health delivery system in Southern Arizona. It will substantially reduce the number of mental health and/or substance abuse patients currently being seen in local emergency rooms, freeing the emergency rooms to provide emergency medical care. The psychiatric urgent care center would coordinate services with all hospitals in Pima County, not only University Physicians Hospital at Kino Campus. The advantage of being located on the Kino health campus is the proximity to medical services in the event a patient requires more intensive medical evaluation or stabilization of medical emergencies. The development of a psychiatric urgent care center will also benefit law enforcement personnel and other first responders who now often respond to these individuals in crisis, by providing a location to take these individuals and a plan for streamlining the process. Newly constructed health clinics and associated labs will supplement existing inpatient and outpatient services for the betterment of patient care at the Kino Campus.

Cost: \$18,000,000 – including costs to plan, design, bid, construct and equip the new facility.

2006 Bond Funding: \$18,000,000

Other Funding: None identified at this time

Implementation Period: Fiscal Year 2005/06 to Fiscal Year ~~2010/2011~~2012/2013

Project Management: Pima County Facilities Management

Future Operating and Maintenance Costs: Approximately \$1,000,000 per year following occupancy in 2011. O&M costs include utilities, building and site maintenance, housekeeping, and security. O&M cost estimate is based on projected facility size. Responsibility for O&M costs is to be determined by separate agreement with the agency leasing the new facility.

B. Question 4 – Psychiatric Inpatient Hospital Facilities

For the purpose of acquiring, developing, improving and equipping psychiatric inpatient hospital facilities for the County, including the acquisition and construction of real and personal property or interests or rights in property for such purpose and paying all expenses properly incidental thereto and to the issuance of such bonds, shall Pima County, Arizona be authorized to issue and sell general obligation bonds of the County in an aggregate principal amount not exceeding \$36,000,000?

Location: Kino Health Campus, 2800 East Ajo Way, Tucson, Arizona 85713

Scope: To construct an 80 to 100-bed psychiatric inpatient facility and expanded psychiatric emergency department on the Kino health campus. The proposed facility will be part of University Physicians Hospital at Kino Campus and will be constructed adjacent to the existing hospital and within close proximity to the proposed psychiatric urgent care center. The proposed \$36 million in bond funds would be combined with the \$12 million of bond funds authorized in May 2004 for a total of \$48 million.

Because the project will involve the area currently used to land emergency helicopters on the campus, a new Helistop will be designed, constructed and equipped to serve the remodeled Emergency Department (ED) currently designed into the ground floor of this new Psychiatric Hospital. The Helistop will be located in the north soccer field on the Kino campus near the new ED ambulance entrance and will consist of two helicopter landing pads and associated improvements. Surplus funds from the construction of the psychiatric inpatient hospital facilities will be used to design, construct, and equip needed health clinics and associated labs to be built at the Kino Campus.

Benefits: The majority of psychiatric inpatient beds in the University Physicians Hospital at Kino Campus are currently located in areas originally designed as medical/surgical units and are inefficient from an operations and safety standpoint. Medical patients as well as patients with behavioral and substance abuse issues are treated in an emergency department that is too small, causing delays and disruptions in treatment for all patients and jeopardizing patient safety. The proposed psychiatric inpatient hospital and expanded emergency department with space specifically designed for psychiatric patients, will improve security, operational efficiency and treatment opportunities.

A new Helistop will replace the existing helicopter landing site, which is impacted by the project, ensuring safe, essential and convenient air ambulance service to an expanded and enhanced Level 3 Trauma Center. Newly constructed health clinics and associated labs will supplement existing inpatient and outpatient services for the betterment of patient care at the Kino Campus.

Cost: \$48,000,000– including costs to plan, design, bid, construct and equip the new facility.

2006 Bond Funding: \$36,000,000

Other Funding: \$12,000,000 in 2004 General Obligation Bond Authorization

Implementation Period: Fiscal Year 2005/06 to Fiscal Year ~~2010/2011~~2012/2013

Project Management: Pima County Facilities Management

Future Operating and Maintenance Costs: Approximately \$2,500,000 per year following occupancy in 2011. O&M costs include utilities, building and site maintenance, housekeeping, and security. O&M cost estimate is based on projected facility size. Responsibility for O&M costs is to be determined by separate agreement with the agency leasing the new facility.

AS AMENDED by the Board of Supervisors of Pima County, Arizona, this 5th day of April, 2011.

Tommy Blady

Chairman, Pima County Board of Supervisors

APR 05 2011

Attest:

Reviewed by:

Tom Godshman

Clerk, Pima County Board of Supervisors

C. Dunkel

Pima County Administrator

3/23/11

Regina Nassen
REGINA NASSEN
Civil Deputy County Attorney

Bond Improvement Plan

ORDINANCE NO. 2006-29

(As Amended October 6, 2009 by Ordinance Number 2009-93 and April 5, 2011 by
Ordinance Number 2011-22)

ORDINANCE NO. 2011 - 22

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA RELATING TO GENERAL OBLIGATION BOND PROJECTS AMENDING ORDINANCE NUMBER 2006-29 BOND IMPLEMENTATION PLAN, MAY 16, 2006 SPECIAL ELECTION (AS AMENDED OCTOBER 6, 2009 BY ORDINANCE NUMBER 2009-93 AND APRIL 5, 2011 BY ORDINANCE NUMBER 2011-22) FOR THE PURPOSE OF AMENDING THE SCOPE AND IMPLEMENTATION PERIODS OF THE PROJECTS.

WHEREAS, the Board of Supervisors adopted Chapter 3.06 of the Pima County Code titled "Bonding Disclosure, Accountability and Implementation"; and,

WHEREAS, in compliance with Chapter 3.06, the Board of Supervisors adopted Ordinance Number 2006-29, the "Bond Implementation Plan, May 16, 2006 Special Election"; and,

WHEREAS, the Board of Supervisors, on October 6, 2009 enacted Ordinance Number 2009-93 and on April 5, 2011 enacted Ordinance Number 2011-22 amending Ordinance No. 2006-29 in compliance with provisions of Chapter 3.06; and

WHEREAS, the Board of Supervisors desires to amend Ordinance Number 2006-29 (as previously amended) in compliance with provisions of Chapter 3.06:

NOW THEREFORE, IT IS HEREBY ORDAINED by the Board of Supervisors of Pima County, Arizona:

Ordinance Number 2006-29 (as previously amended) is hereby amended as follows:

**Bond Implementation Plan
May 16, 2006 Special Election**

**ORDINANCE NO. 2006-29
(As amended by ORDINANCE NO. 2009-93, adopted October 6, 2009 and ORDINANCE NO.
2011-22, adopted April 5, 2011)**

**AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA
ADOPTING THE BOND IMPLEMENTATION PLAN FOR THE
MAY 16, 2006 SPECIAL BOND ELECTION.**

Be it ordained by the Board of Supervisors of Pima County, Arizona, as follows:

I. Purpose

The purpose of this ordinance is to comply with Chapter 3.06 of the Pima County Code (as amended) regarding bonding disclosure, accountability and implementation. On January 10, 2006, the Pima County Board of Supervisors passed and adopted Resolution Number 2006-5, ordering and calling for a special bond election to be held in Pima County, Arizona, on May 16, 2006. Included in the resolution were two questions to be submitted to the electors. The two questions, if approved, will authorize general obligation bonds of the County in the amount of \$54,000,000 for the development of Psychiatric Care Facilities. This Bond Implementation Plan sets forth the particulars regarding each project proposed to be constructed, setting forth the amount of bond funds to be allocated to each project, along with an estimated time frame for implementing the particular project. This implementation plan also provides information on the secondary property tax impact of issuing new general obligation bond debt.

This Bond Implementation Plan may require modification in conformance with 3.06.070 of the County Code, if either question submitted to the qualified electorate of the County does not receive a majority of votes cast during the special election of May 16, 2006.

II. Background

A. Kino Hospital Transition to University Physicians Healthcare

Pima County currently has a 25-year lease with University Physicians Healthcare (UPH), a private non-profit health care organization associated with the University of Arizona College of Medicine, to operate the former Kino Community Hospital now known as University Physicians Hospital at Kino Campus. The purpose of this unique public/private partnership is to transition the hospital from one focused mainly on psychiatric services to a full-service hospital that provides comprehensive medical services to an underserved population, and to reduce taxpayer support of the hospital. This transition has been successful. Surgical cases have grown from 3 cases per month to 130 cases per month. UPH has expended over \$10 million in new medical equipment. The 13-bed intensive care unit has been reestablished, and there are now 276 credentialed physicians at the hospital.

B. Kino Campus Master Plan

Pursuant to the lease agreement with UPH, a master plan for the 70-acre Kino health campus was completed in May 2005. The primary concept for the master plan was to develop a plan for an academic research and healthcare campus to support excellent, full-service healthcare for the Tucson community, as well as state-of-the-art research and teaching programs. Future facilities discussed in the master plan include a research institute and training facility, long-term care facilities, a children and women's center, and an upgraded and expanded psychiatric facility. In May of 2004, voters approved \$25 million for the development of a Kino Public Health Center on the Kino health campus, to consolidate public health, medical, and administrative services in one location. This building is currently under construction, and is scheduled for completion by the end of 2006.

At the May 2004 election, voters also approved \$12 million to expand existing psychiatric facilities at Kino Hospital, now known as University Physicians Hospital at Kino Campus, by beginning the development of a psychiatric inpatient hospital adjacent to the current hospital. The majority of psychiatric inpatient beds in the hospital are currently located in areas designed as medical/surgical units and are inefficient from an operations and safety standpoint. During the master planning process, which took place after the 2004 election, it was determined that simply expanding existing psychiatric facilities was not in the taxpayers' best financial interest. Instead, the master plan, which balances optimal patient care delivery as well as public expenditures, concluded that a larger facility for psychiatric services on the Kino health campus was needed. A new multiple story facility, as proposed, would be part of University Physicians Hospital and would be constructed adjacent to the existing facility, allowing psychiatric patients access to secure, ground level outdoor areas, and medical care. This project would completely relocate psychiatric inpatient beds from the present medical/surgical units returning that space to its originally designed purpose. This plan is much more cost effective than leaving the existing psychiatric units in place and constructing new medical/surgical beds.

None of the \$12 million 2004 bond authorization has been spent. This authorization would be combined with the proposed \$36 million authorization for the new multi-story psychiatric inpatient facilities.

C. The Need for Psychiatric Care Facilities

The Community Partnership of Southern Arizona, the regional behavioral health authority, reports that over 30,000 individuals are presently receiving some sort of publicly funded mental health service in Pima County, most with diagnosed mental health disorders. Quite likely, there is an equal number in the community who have not been diagnosed or are not receiving any form of treatment. Up to 25 percent of the 2,000 detainees in the Pima County jail are mentally ill or require mental health or substance abuse treatment. Moreover, the use of methamphetamine and the crime associated with such use in Pima County has reached crisis levels, and methamphetamine use by individuals with behavioral health problems is a growing concern.

The lack of psychiatric care facilities is a regional issue that impacts not only mental health service providers, but also hospital emergency rooms and law enforcement personnel throughout Southern Arizona. Many individuals with behavioral health problems end up in a medical emergency room, jail, or juvenile detention facility because there is no other place to take them. The co-location of medical patients in hospitals and emergency rooms with individuals having behavioral health and substance abuse problems causes delays and disruptions in treatment for both groups of patients and jeopardizes patient safety. In response to this lack of psychiatric facilities, the County is proposing the development of a new psychiatric inpatient hospital and psychiatric urgent care center on the Kino health campus.

D. Cost Savings to County Taxpayers

Development of these psychiatric care facilities will enable the diversion of non-violent persons with behavioral health issues from the jail and juvenile detention centers. It is estimated that the potential cost savings of the diversions from jail could amount to as much as \$6.5 million dollars a year, and defer the need to expend \$25 million in capital costs for constructing additional jail space. It is also estimated that the savings to health plans and individuals, as a result of the diversion of individuals from hospital emergency rooms, could add up to \$3 million annually. Finally, the diversion of individuals currently entering the Title 36 civil commitment process could save \$2 million annually.

E. Pima County Bond Advisory Committee Recommendations

The Psychiatric Care Facility bond questions that the Board of Supervisors is placing before the voters for their approval is based upon recommendations submitted by the Pima County Bond Advisory Committee on December 2, 2005. The Advisory Committee is a nineteen-member body created by the Board of Supervisors to review bond proposals for capital needs of the community. Each member of the Board of Supervisors made two appointments to the Committee; each of the seven local governments within Pima County appointed a representative; and the County Administrator made two appointments. The Advisory Committee, when considering whether to recommend the Psychiatric Care Bond Propositions, heard presentations from mental health providers, County staff, and interested citizens.

On December 2, 2005 the Advisory Committee approved a motion to recommend to the Board of Supervisors \$18 million in general obligation bond authorization for a psychiatric urgent care center and \$36 million in general obligation bond authorization for an 80-bed psychiatric inpatient hospital unit. The Board of Supervisors, at a meeting held on January 10, 2006, accepted the recommendations of the Advisory Committee. Specific project descriptions, scope of work, and benefits for these facilities can be found on page 9.

III. Secondary Property Tax Impact of Issuing New General Obligation Bond Debt

The total value of general obligation bonds being submitted to the voters for approval is \$54,000,000. If voters authorize the sale of bonds for both projects, the actual sale of general obligation bonds will be scheduled over 3 years. Both projects should be completed 5 years from the date of voter authorization. This section discusses issues relating to the issuance and management of general obligation bond debt, focusing on the impacts of issuing new debt on secondary property taxes.

General obligation bond debt authorized by the voters is secured by the "full faith and credit" of Pima County, which means the County pledges to retire the debt in an agreed upon number of years through an annual levy of a secondary property tax assessed against the value of all taxable property in Pima County. Voting for bonds at the May 16, 2006 election does not incur debt, but only authorizes the County to issue bonds and incur new debt. This section provides information as to how the County plans to issue debt and how these plans will impact secondary property tax rates.

A. Maximum Maturity and Interest Rates for General Obligation Bonds

Pima County Resolution No. 2006-5 provides that the bonds, if approved, would be issued in one or more series, maturing not more than 30 years following the date of issuance of each series, and bearing interest at a rate or rates not higher than 12 percent per annum.

Pima County includes this language on the ballot questions on the advice of counsel, in order to obtain voter authorization broad enough to cover most future circumstances. In fact, however, over the past 30

years, Pima County has only sold bonds with a maturity of no more than 15 years, so that the County's debt can be retired in a timely manner and future generations are not burdened with large debt.

Although the maximum interest rate would not be higher than 12 percent per annum, Pima County expects to sell bonds at much lower rates. In the five most recent sales of general obligation bonds by the County the average net interest cost has been below 5.0 percent per annum. In Pima County's most recent general obligation bond sale in May 2005, the net interest cost was 3.94 percent. Because future interest rates cannot be determined, the County used average interest rate assumptions of 6.0 percent per annum for planning purposes.

B. Proposed Schedule of Sale of New Bonds

If both of the Psychiatric Care Bond Propositions are approved by voters at the May 16, 2006 election, Pima County estimates that it will sell such bonds according to the following schedule.

**Table 1
Proposed Schedule of Sale of Psychiatric Care Bonds**

<u>Date</u>	<u>Issue Size</u>
January 2007	\$ 9,000,000
January 2008	\$27,000,000
January 2009	\$18,000,000

For the purpose of efficiency, and as permitted by State law, each bond sale might also include bonds approved at different bond elections and for various purposes already covered in adopted Bond Implementation Plans.

C. Management of Debt Service and Secondary Property Taxes

1. Source of Repayment

General obligation bonds are repaid from secondary property taxes levied for debt service on all taxable property in Pima County, which by statute are without limit as to rate or amount.

2. Estimated Debt Retirement Schedule for Current and New Debt and Estimated Secondary Property Tax Rates

Table 1, above, presents the estimated sale schedule of Psychiatric Care Bonds if the voters approve both of the Psychiatric Care Bond Propositions. Table 2, below, shows (1) the estimated schedule for retiring previously authorized general obligation bonds of Pima County (see column 2); (2) the estimated schedule for retiring the new Psychiatric Care Bonds, assuming they are authorized and then sold in accordance with the estimated sale schedule (see column 4); and (3) the total estimated aggregate debt service for both existing and new bonds (see column 6). Table 2 also shows the projected secondary property tax rates that would be required to finance this debt retirement schedule (see columns 3, 5, and 7).

Table 2
Pima County Debt Retirement Schedule and Tax Rate
Estimated General Obligation Bonds: Current and Proposed General Obligation Bonds

Fiscal Year	Debt Service & Tax Rate on Past Bond Debt Service			Debt Service & Tax Rate on 2006 Authorization		Projected Aggregate General Obligation Bond Debt Service	
	Column 1 Projected Secondary Assessed Value	Column 2 Projected Debt Service	Column 3 Projected Tax Rate	Column 4 Planned Debt Service	Column 5 Projected Tax Rate	Column 6 Aggregate Service	Column 7 Projected Tax Rate
2005/06	\$ 6,050,950,040	\$ 48,067,431	0.7150			\$ 48,067,431	0.7150
2006/07	6,414,007,042	45,432,760	0.7083	\$ 425,000	0.0066	45,857,760	0.7150
2007/08	6,798,847,465	45,666,705	0.6717	2,945,700	0.0433	48,612,405	0.7150
2008/09	7,206,778,313	46,702,155	0.6480	4,824,400	0.0669	51,526,555	0.7150
2009/10	7,639,185,012	49,766,705	0.6515	4,855,600	0.0636	54,622,305	0.7150
2010/11	8,021,144,262	52,438,625	0.6538	4,914,300	0.0613	57,352,925	0.7150
2011/12	8,261,778,590	53,794,025	0.6511	4,312,800	0.0522	58,106,825	0.7033
2012/13	8,509,631,948	54,933,475	0.6455	3,935,100	0.0462	58,868,575	0.6918
2013/14	8,764,920,906	55,474,025	0.6329	4,164,500	0.0475	59,638,525	0.6804
2014/15	9,027,868,533	55,227,825	0.6117	5,195,600	0.0576	60,423,425	0.6693
2015/16	9,298,704,589	55,952,406	0.6017	5,259,200	0.0566	61,211,606	0.6583
2016/17	9,577,665,727	57,037,525	0.5955	4,979,300	0.0520	62,016,825	0.6475
2017/18	9,864,995,699	57,938,025	0.5873	4,895,700	0.0496	62,833,725	0.6369
2018/19	10,160,945,570	58,609,575	0.5768	5,047,000	0.0497	63,656,575	0.6265
2019/20	10,465,773,937	58,107,150	0.5552	6,383,800	0.0610	64,490,950	0.6162
2020/21	10,779,747,155	57,382,000	0.5323	7,953,800	0.0738	65,335,800	0.6061
2021/22	11,103,139,570	57,685,200	0.5195	8,507,500	0.0766	66,192,700	0.5962
2022/23	11,436,233,757	58,241,900	0.5093	8,819,200	0.0771	67,061,100	0.5864
2023/24	11,779,320,769	67,942,800	0.5768			67,942,800	0.5768
2024/25	12,132,700,393	68,828,700	0.5673			68,828,700	0.5673
2025/26	12,496,681,404	69,734,400	0.5580			69,734,400	0.5580
2026/27	12,871,581,846	45,733,700	0.3553			45,733,700	0.3553
Total		\$ 1,220,697,112		\$ 87,418,500		\$ 1,308,115,612	

(1) Current Projected General Obligation Bond Debt Service includes the existing amount of outstanding bonds \$267,270,000 as reported in Table 4 plus \$519,665,000 of authorized but unissued bonds from the 1997 Bond Election and from the 2004 Bond Election.

(2) Projected secondary assessed value for fiscal year 2005/06 per Assessor's Office. Secondary assessed value is assumed to increase at the rate of 6% for Fiscal Years 2006/07 through 2009/10, at 5% for Fiscal Year 2010/11 and at 3% per year thereafter.

3. Growth in Secondary Assessed Value of All Property in Pima County

The debt retirement schedule in Table 2 is only an estimate and relies on a number of assumptions. The schedule assumes (1) that the secondary assessed value of real property in Pima County will increase at the rate of 6% per year through Fiscal Year 2009/10, by 5% in Fiscal Year 2010/11, and by 3 % per year thereafter (see column 1); (2) that Psychiatric Care Bonds will be sold according to the schedule shown in Table 1; (3) that all bonds to be sold will have a 15-year final maturity; (4) that all bonds to be sold will carry an interest rate of 6% per annum; and (5) that there are no future voter-approved bond authorizations after 2006. The County's publicity pamphlet for the May 16, 2006 election also included a projection of secondary property tax rates and impacts that is different from the analysis shown in Table 2 of this Bond Implementation Plan Ordinance. The difference is due to a requirement in state statute, which mandates that, for the purpose of the informational pamphlet, the County assume an annual increase in the secondary assessed value of only 20 percent of the average of the annual percentage growth for the previous ten years. For Pima County, that assumes a very conservative growth rate of 1.312 percent growth in the years after 2010/2011. Historically, the County has experienced growth in its secondary assessed value in excess of the assumptions outlined above. For example, the average annual growth in secondary assessed value in Pima County over the past ten years has been 6.56%, and over the last five years the average annual growth has been 7.39%. Similarly, the actual interest rates on recently sold general obligation bonds of the County have been far less than the 6.0% rate assumed in Table 2. If actual assessed valuation growth in the County exceeds the assumptions or the interest rates actually achieved by the County are below the assumed interest rate, the County will be able to substantially reduce the total interest costs projected on Table 2.

D. Secondary Property Tax Rate Will Not Increase Above Current Rate of \$0.7150 per \$100 of Assessed Value

In connection with the May 2004 Bond Election, the Pima County Board of Supervisors set a goal that secondary property tax rates for all general obligation bond debt service would not exceed \$0.8150 per \$100 of assessed value, which was the rate for Fiscal Year 2003/04. The Board of Supervisors had earlier set a similar goal for secondary property tax rates for general obligation debt service in connection with the May 1997 Bond Election in Pima County, at \$1.00 per \$100 of assessed value. Since the 1997 bond elections, the secondary property tax rate for debt service has steadily declined to the Fiscal Year 2005/06 rate of \$0.7150 per \$100 of assessed value. If both of the Psychiatric Care Bond Propositions are approved by the voters at the May 16, 2006 election and such bonds are sold on the schedule identified in Table 1 and under the assumptions shown in Table 2, it is estimated that secondary property tax rates for all general obligation bond debt service will not increase and will not exceed \$0.7150 per \$100 of assessed value.

The Pima County Board of Supervisors has ultimate authority over the timing and size of bond issues and can alter the planned schedule of sales and maturity dates to meet market conditions when it is in the best interests of Pima County to do so. The bond sale schedule in Table 1 assumes that the Psychiatric Care Bonds authorized at the May 2006 election can be sold, along with previously authorized bonds, without causing the secondary property tax rate to exceed \$0.7150 per \$100 of assessed value. The Board of Supervisors does not control the rate of increase in net assessed valuation, but the Board of Supervisors can alter the schedule of bond sales to off-set smaller increases in valuation without increasing the tax rate. No bonds, in addition to those already authorized, can be issued unless approved by the voters at an election called by the Board of Supervisors.

E. Estimated Tax Rate Impact on Owner-Occupied Residential Property and Commercial and Industrial Property in Pima County

Column 5 in Table 2 identifies the secondary property tax rate necessary to pay for debt service on the Psychiatric Care Bonds authorized at the May 2006 election, if both Psychiatric Care Bond Propositions are approved by voters (e.g., \$0.0066 per \$100 of assessed value, for fiscal year 2006/07). This secondary property tax rate can be defined as the tax rate impact of approving both

Psychiatric Care Bond Propositions at the May 2006 election. This translates into \$0.66 in property taxes in tax year 2006 for an owner-occupied residence with a full cash value of \$100,000 and an assessment ratio of 10 percent. Over the course of debt repayment, the estimated average annual tax rate impact of the Psychiatric Care Bonds authorized in the May 2006 election would be \$0.0554 per \$100 of assessed value.

The last column in Table 2 presents the estimated total secondary property tax rate that would support the debt retirement schedule set out in the table. As Table 2 shows, the secondary property tax rate would not exceed \$0.7150 per \$100 of assessed value through the last year of debt service on the Psychiatric Care Bonds, even if both Psychiatric Care Bond propositions are approved by voters. In fact the secondary property tax rate would begin to drop below \$0.7150 per \$100 of assessed value after Fiscal Year 2010/2011.

Estimated average annual tax rate per \$100 of secondary assessed valuation for the Psychiatric Care Bonds:

Owner-Occupied Residential Property Full Cash Value of \$100,000

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$100,000	\$10,000	\$5.54

Owner-Occupied Residential Property Average Full Cash Value

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$131,240	\$13,124	\$7.27

Agricultural Property Full Cash Value of \$100,000

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$100,000	\$16,000	\$8.86

Agricultural Property Average Full Cash Value

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$31,994	\$5,119	\$2.84

Commercial/Industrial Property Full Cash Value of \$100,000

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$100,000	\$25,000	\$13.85

Commercial/Industrial Property Average Full Cash Value

Assessor's Full Cash Value	Secondary Assessed Values	Estimated Annual Cost
\$493,312	\$123,328	\$68.32

F. Estimated Total Costs of Proposed Bond Authorization (Principal and Interest)

Total Principal	\$54,000,000
Estimated Total Interest	<u>\$33,418,500</u>
Estimated Total Cost	\$87,418,500

G. Estimated Costs of Issuance

The cost of issuing the Psychiatric Care Bonds will vary depending upon the size of the bond sale and other market factors. Table 3 below shows the estimated cost of issuing the Psychiatric Care Bonds, including financial advisor fees, legal fees and related costs, based upon past experience and on the amount of the estimated bond sales:

Table 3
Estimated Cost of Issuance

<u>Year of Sale</u>	<u>Amount of Sale</u>	<u>Estimated Cost Of Issuance</u>
January 2007	\$ 9,000,000	\$ 50,000
January 2008	\$27,000,000	\$ 90,000
January 2009	\$18,000,000	\$ 75,000

IV. Future County General Obligation Bond Capacity if All Bond Questions are Approved

Approving \$54 million in general obligation bonds can be accommodated within the existing County legal debt margin. Based on the Arizona Constitution, County indebtedness is limited to 15 percent of the net assessed valuation of the County. The County currently has outstanding general obligation bonds of nearly \$267.3 million, with a 15 percent debt limit of almost \$910 million. Therefore, a legal debt margin in fiscal year 2005/06 is estimated to be nearly \$643 million.

Table 4

Net assessed valuation per the 2005/06 Assessment Roll	\$ 6,066,453,592
Debt limit (15% of net assessed valuation)	\$ 909,968,038
General Obligation Bonds outstanding	\$ 267,270,000
Legal debt margin available	\$ 642,698,038

Clearly the ability of the County to issue additional bonds in the case of an emergency or another voter directed capital program can be met and the issuance of the proposed \$54 million of additional debt does not compromise the County's legal debt margin.

V. Arbitrage Compliance Required

The sale and expenditure of County bonds are regulated by federal tax laws, rules and regulations designed to eliminate abuses of the tax-free status of these bonds. The most important controls regulate how quickly governments must expend bond proceeds. For example, in order to sell tax-free municipal bonds, the government must have reasonable expectations of expending all bond proceeds within three years of sale.

Of equal importance are federal regulations governing arbitrage. Arbitrage simply refers to the difference between the interest Pima County pays its bond holders and the interest Pima County earns on the deposit of bond proceeds. Pima County must rebate to the federal Treasury any arbitrage earnings. There are strictly circumscribed circumstances under which Pima County can retain arbitrage earnings. Compliance with federal arbitrage rules imposes a significant burden of monitoring and reporting on the expenditure of Pima County bond proceeds.

Under the right economic circumstances, arbitrage earnings can be significant and Pima County has a strong interest in complying with arbitrage requirements in order to retain those earnings. Therefore, the practical impact of federal arbitrage rules is that Pima County will not sell bonds until projects are ready to begin immediate expenditure of the bond sale proceeds. For construction projects, bonds will typically be sold in amounts sufficient to cover planning and design, followed by subsequent sales to fund construction. If bonds have already been sold for projects that experience delays that threaten compliance with arbitrage rules, bond proceeds will be reallocated to other eligible projects for which expenditures are ready to be made. Such reallocation of bond proceeds does not change the bond authorization for the effected projects, only the timing of when the authorization becomes an expenditure.

VI. Purpose For Which the Bonds Are To Be Issued

In this section, the two bond projects placed on the May 16, 2006 election ballot by the Board of Supervisors on January 10, 2006 by approval of resolution 2006-5 in public session, are listed and described, and specific program implementation issues are identified and discussed, as required by Section 3.060, Bonding Disclosure, Accountability and Implementation, of the Pima County Code.

A. Question 3 – Psychiatric Urgent Care Facilities

For the purpose of acquiring, developing, improving and equipping psychiatric urgent care facilities for the County, including the acquisition and construction of real and personal property or interests or rights in property for such purpose and paying all expenses properly incidental thereto and to the issuance of such bonds, shall Pima County, Arizona be authorized to issue and sell general obligation bonds of the County in an aggregate principal amount not exceeding \$18,000,000?

Location: Kino Health Campus, 2800 East Ajo Way, Tucson, Arizona 85713

Scope: To construct a psychiatric urgent care center to complement existing and proposed psychiatric facilities on the Kino health campus. The urgent care center will be located in close proximity to University Physicians Hospital at Kino Campus, including the proposed psychiatric inpatient hospital facility. The psychiatric urgent care center will be leased to and operated by the regional behavioral health authority designated in statute by the State to provide publicly funded urgent care and crisis services for Pima County. Surplus funds from the construction of the psychiatric urgent care center will be used to design, construct, and equip needed health clinics and associated labs to be build at the Kino Campus.

Benefits: Development of a psychiatric urgent care center will fill a significant gap in the mental health delivery system in Southern Arizona. It will substantially reduce the number of mental health and/or substance abuse patients currently being seen in local emergency rooms, freeing the emergency rooms to provide emergency medical care. The psychiatric urgent care center would coordinate services with all hospitals in Pima County, not only University Physicians Hospital at Kino Campus. The advantage of being located on the Kino health campus is the proximity to medical services in the event a patient requires more intensive medical evaluation or stabilization of medical emergencies. The development of a psychiatric urgent care center will also benefit law enforcement personnel and other first responders who now often respond to these individuals in crisis, by providing a location to take these individuals and a plan for streamlining the process. Newly constructed health clinics and associated labs will supplement existing inpatient and outpatient services for the betterment of patient care at the Kino Campus.

Cost: \$18,000,000 – including costs to plan, design, bid, construct and equip the new facility.

2006 Bond Funding: \$18,000,000

Other Funding: None identified at this time

Implementation Period: Fiscal Year 2005/06 to Fiscal Year 2012/2013

Project Management: Pima County Facilities Management

Future Operating and Maintenance Costs: Approximately \$1,000,000 per year following occupancy in 2011. O&M costs include utilities, building and site maintenance, housekeeping, and security. O&M cost estimate is based on projected facility size. Responsibility for O&M costs is to be determined by separate agreement with the agency leasing the new facility.

B. Question 4 – Psychiatric Inpatient Hospital Facilities

For the purpose of acquiring, developing, improving and equipping psychiatric inpatient hospital facilities for the County, including the acquisition and construction of real and personal property or interests or rights in property for such purpose and paying all expenses properly incidental thereto and to the issuance of such bonds, shall Pima County, Arizona be authorized to issue and sell general obligation bonds of the County in an aggregate principal amount not exceeding \$36,000,000?

Location: Kino Health Campus, 2800 East Ajo Way, Tucson, Arizona 85713

Scope: To construct an 80 to 100-bed psychiatric inpatient facility and expanded psychiatric emergency department on the Kino health campus. The proposed facility will be part of University Physicians Hospital at Kino Campus and will be constructed adjacent to the existing hospital and within close proximity to the proposed psychiatric urgent care center. The proposed \$36 million in bond funds would be combined with the \$12 million of bond funds authorized in May 2004 for a total of \$48 million.

Because the project will involve the area currently used to land emergency helicopters on the campus, a new Helistop will be designed, constructed and equipped to serve the remodeled Emergency Department (ED) currently designed into the ground floor of this new Psychiatric Hospital. The Helistop will be located in the north soccer field on the Kino campus near the new ED ambulance entrance and will consist of two helicopter landing pads and associated improvements. Surplus funds from the construction of the psychiatric inpatient hospital facilities will be used to design, construct, and equip needed health clinics and associated labs to be built at the Kino Campus.

Benefits: The majority of psychiatric inpatient beds in the University Physicians Hospital at Kino Campus are currently located in areas originally designed as medical/surgical units and are inefficient from an operations and safety standpoint. Medical patients as well as patients with behavioral and substance abuse issues are treated in an emergency department that is too small, causing delays and disruptions in treatment for all patients and jeopardizing patient safety. The proposed psychiatric inpatient hospital and expanded emergency department with space specifically designed for psychiatric patients, will improve security, operational efficiency and treatment opportunities.

A new Helistop will replace the existing helicopter landing site, which is impacted by the project, ensuring safe, essential and convenient air ambulance service to an expanded and enhanced Level 3 Trauma Center. Newly constructed health clinics and associated labs will supplement existing inpatient and outpatient services for the betterment of patient care at the Kino Campus.

Cost: \$48,000,000– including costs to plan, design, bid, construct and equip the new facility.

2006 Bond Funding: \$36,000,000

Other Funding: \$12,000,000 in 2004 General Obligation Bond Authorization

Implementation Period: Fiscal Year 2005/06 to Fiscal Year 2012/2013

Project Management: Pima County Facilities Management

Future Operating and Maintenance Costs: Approximately \$2,500,000 per year following occupancy in 2011. O&M costs include utilities, building and site maintenance, housekeeping, and security. O&M cost estimate is based on projected facility size. Responsibility for O&M costs is to be determined by separate agreement with the agency leasing the new facility.

AS AMENDED by the Board of Supervisors of Pima County, Arizona, this 5th day of April, 2011.

Chairman, Pima County Board of Supervisors

Attest:

Reviewed by:

Clerk, Pima County Board of Supervisors

Pima County Administrator

Civil Deputy County Attorney