



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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C. H. HUCKELBERRY
County Administrator

February 19, 2004

Richard Myers
Southern Arizona Leadership Council
4400 East Broadway, Suite 710
Tucson, Arizona 85711

Re: **Your February 17, 2004 Letter Regarding the Position of the Southern Arizona Leadership Council Board of Directors Regarding the May 18, 2004 Bond Election**

Dear Mr. Myers:

Some of the issues raised in your letter can be dealt with relatively easy. Others cannot. Hopefully, after a review of all of the information that I am making available, the Council will determine that the bond issue and its passage is in the best interest of the public and the future of Pima County. I would be happy to meet at any time to discuss this issue and Council concerns.

County's Total Bonding Capacity

If all \$582,250,000 of general obligation bonds are authorized by the voters, the County will still not be near our constitutional bond limit. They will also not be sold at the same time, but over 7 to 9 years; therefore, bonds will continue to be paid off while new bonds are sold. Further, the County is authorized to issue general obligation bonds as the County, as the Flood Control District, and as the Library District. We have chosen to only issue bonds as Pima County as opposed to the special districts that the Board of Supervisors manages as the Board of Directors. If the entire constitutional bonding capacity of the County and the special districts governed by the Board are added together, they total nearly \$1.25 billion (see attached table). The County has always issued short-term debt, simply meaning that bonds issued today are fully retired with principal and interest payments no later than 15 years after issuance, and usually before that. Financial planning for the May 2004 bond issue was predicated on holding a level secondary debt service at its present rate of 82 cents per \$100 of assessed value, and paying off bond debt at a continued rapid and aggressive pace to ensure that future community needs can be met through future bond issues. Over the past

Richard T. Myers

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30 years, Pima County has placed 41 propositions before the voters for bonding, with 36 propositions passing, authorizing a total bonded indebtedness prior to the 2004 issue of \$1.2557 billion (\$671.7 million general obligation, \$213.4 million sewer revenue, \$350.0 million highway revenue, and \$20.6 million flood control). While bonding capacity is an issue, it is not the controlling factor associated with the issuance of this debt, or even future debt of the County. Confusion on this issue may arise because of the City of Tucson charter limitation on bonded indebtedness. For the County, the debt limits are controlled by the Arizona Constitution. Further, the secondary tax limit is an administrative control imposed by the Board, not a constitutional limitation.

Linkage Between Davis-Monthan Air Force Base Development Encroachment Prevention and Open Space

I have previously communicated to the Board the matter of placing the Davis-Monthan land acquisition in the open space question. Frankly, this question is titled "Question 1 - Sonoran Desert Open Space and Habitat Protection; Preventing Urban Encroachment of Davis-Monthan Air Force Base," which highlights the presence of Davis-Monthan being included in this bond issue, even though it is only \$10 million out of a \$174.3 million authorization. Bond legal counsel advised the County that the only legal purpose for which Pima County can acquire land for Davis-Monthan is for the purpose of open space, not public safety and not economic development. Hence, to comply with the legal requirements of our bond counsel, the Davis-Monthan land acquisition question was placed in the open space question.

Davis-Monthan was not segregated as a standalone open space question because the categories of open space being authorized in Question 1 are really four: 1) habitat protection of not less than \$93.3 million; 2) community open space of not more than \$53 million; 3) jurisdictional urban open space requests of \$15.5 million; and 4) preventing Davis-Monthan Air Force Base development encroachment in an amount of \$10 million. One could argue that, if Davis-Monthan was provided a separate open space question category, why not community open space and jurisdictional open space requests. Taken to the extreme, one could also then suggest that in the area of public buildings and facilities, the \$1 million to provide public facilities on Mt. Lemmon should be a standalone separate question in that category, and on and on, pitting a north-side park against a south-side park. The Board determined that public policy was best served by keeping categories together and not confusing the ballot with 20 or 30 questions for the voters to review and vote on.

Details Regarding Open Space Acquisitions

The bond implementation plan ordinance that will be passed and approved by the voters will give more certainty to the open space question. As stated previously, the question authorized four classes or categories of open space, each with individual project priorities and acquisition

Richard T. Myers

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locations identified. The largest single category of bonds authorized for open space acquisition would be for the category of habitat protection. The primary purpose of habitat protection is to meet the requirements under the Endangered Species Act Section 10(1)(a)(B). Based on the draft Multi-Species Habitat Conservation Plan, reserve development and design to achieve compliance with the Endangered Species Act at population build-out will require an approximate reserve of 440,000 plus acres. Based on stated County policy preference, habitat protection will seek to occur through the acquisition of conservation easements or development rights, hopefully at costs significantly less than fee simple acquisitions. With bond approval, it is estimated that the amount of habitat that can be conserved for Endangered Species Act compliance will vary between 60,000 and 120,000 acres. If combined with State Trust land reform, which would add nearly 250,000 acres to the conservation land pool, federal Endangered Species Act compliance for the next 50 years is conceptually within our grasp if both the open space bond issue passes and State Trust land reform becomes reality.

I will forward to you the first draft of the bond implementation plan for open space when it is completed in the next few weeks.

I notice in your letter that you assume separation of the Davis-Monthan funding issue. Such is not possible as the ballots, bond resolutions and other preparations for the May 18, 2004 election are underway and cannot be changed since the lead time necessary to comply with early voting requirements required a final decision on ballot questions, structures, and form to have been made by January 20, 2004, which has already occurred.

Please let me know if you require further information on this matter, and I am certainly available to discuss this matter further with the Council if desired. I am also enclosing memorandums on the matter of bond ceiling and debt limits for your review.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/jj

Attachments

c: The Honorable Chair and Members, Pima County Board of Supervisors
Chair, Vice-Chair and Members, Pima County Bond Advisory Committee

County Constitutional Bond Limits

General Obligation Legal Debt Margin as of July 1, 2004	
Estimated Net Assessed Value 2004	5,633,321,019
Debt Limit (15% of net assessed valuation)	844,998,153
General Obligation bonds outstanding 7/1/04	<u>172,890,000</u>
Legal Debt Margin Available	672,108,153

Flood Control Legal Debt Margin as of July 1, 2004	
Net Assessed Value	4,937,202,461
Debt Limit (5% of net assessed valuation)	246,860,123
Flood Control bonds outstanding	<u>3,805,000</u>
Legal Debt Margin Available	243,055,123

Library District Legal Debt Margin as of July 1, 2004	
Net Assessed Value	5,633,321,019
Debt Limit (6% of net assessed valuation)	337,999,261
Bonds outstanding	<u>0</u>
Legal Debt Margin Available	337,999,261

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February 17, 2004

Chuck Huckelberry
Pima County Administrator
130 W. Congress, 10th Flr.
Tucson, AZ 85701

Dear Mr. Huckelberry:

The Southern Arizona Leadership Council (SALC) Board of Directors has recently determined that SALC cannot take a position of support for the May 18, 2004 Pima County bond election package.

Of overarching concern is the County's total bonding capacity. With the passage of this bond package, the County will be near its bonding limit. We would like some clarification as to what the future bonding needs of the County may be and what is the schedule for retirement of other bonds previously issued by the County.

The Council's Board of Directors has also directed staff to express concern with linking "open space and habitat protection" with the protection of one of this region's preeminent economic engines, Davis Monthan Air Force Base. The Council does not agree with the reasoning that both deal with open space and therefore should be together in one question. Furthermore, the Council firmly believes that the public ought to have the ability to vote on the two issues, open space and DMAFB protection, separately.

In addition, the Council respectfully requests that the County provide a more detailed breakdown for the expenditures in question one dealing with open space. Upon review of the details, and assuming the separation of the DM funding, the Council will then determine its support or opposition to the bond questions. A well informed decision can not be reached without this information.

Southern Arizona Leadership Council hopes that you take these concerns into consideration. As always, we would welcome the opportunity to work with you to make these beneficial changes to a bond package that affects all residents of Pima County. We look forward to your response.

Sincerely,



Richard T. Myers


Cc: Supervisors Ann Day, Ramon Valadez, Sharon Bronson, Ray Carroll, and Richard Elias



MEMORANDUM

Date: November 4, 2003

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: General Obligation Bond Ceiling

I previously provided the Board with a copy of a memorandum to the chair and members of the County Bond Advisory Committee, discussing a potential ceiling for a General Obligation Bond issue of the County. The conclusion of my memorandum dated October 22 was that the maximum amount of General Obligation Bonds that could be authorized was \$450 million, to be expended over a reasonable period of time, approximately seven years, and retaining the secondary tax rate at or near its present level.

Attached to this memorandum are the actual financial schedules that would indicate such is possible. These schedules have been prepared by our Bond financial advisor, RBC Dain Rauscher, Inc. The only sheet that is important is the top sheet of the analysis, which is the combined debt service required for the remaining 1997 bonds, which is \$65 million, plus the sale of a new authorization in May 2004 of \$450 million. As you can see from the debt service schedule, debt service remains at or near 85 cents per \$100 of assessed value, as compared to the rate today, which is approximately 82 cents per \$100. More importantly, the rate begins dropping again eight years after the first sale, and continues to drop substantially thereafter.

A bond authorization of \$450 million in May of 2004 can be supported with a tax rate of 85 cents.

CHH/jj

Attachments


c: Chair and Members, Pima County Bond Advisory Committee
Carol Bonchalk, Financial and Information Services Director
Jim Barry, Executive Assistant to the County Administrator



MEMORANDUM

Date: October 22, 2003

To: Chair and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator 

Re: Analysis of a Possible Ceiling for the 2004 General Obligation Bond Ballot

As of the meeting of October 17, 2003, the County Bond Advisory Committee heard funding requests totaling just over \$722 million. It is likely that other local jurisdictions will submit requests on October 31, 2003, which will increase the total considerably more. The presentations already made and those to come present strong evidence of the need for the projects, but the Committee faces the task of reducing the requests to a more affordable investment, as has been accomplished by previous bond advisory committees.

The Chair of the Bond Advisory Committee has asked that I provide a written analysis of the various factors involved in establishing a reasonable ceiling for a General Obligation Bond ballot to be before the voters on May 18, 2004. The following is my analysis.

Magnitude Range of 2004 General Obligation Bond Authorization

Previously, based on discussions with the Committee by County staff, it had been indicated that the bond authorization in 2004 for general obligation bonded indebtedness could range from \$300 million to \$400 million.

Based on the analysis which follows, I now believe it is possible to increase the upper limit of this range to as high as \$450 million.

This higher estimate is based on a number of assumptions: the secondary property tax rate for debt service would not exceed 85 cents per \$100 assessed value; issuance of the debt would occur over a seven year period; growth in the assessed value would initially continue for the next two years at 7 percent, but then drop to a constant 5 percent; the bond interest rate over the period of issuance should not exceed 6 percent; and the size of annual sales would be lowered in the beginning and increase in magnitude over time.

Clearly, not increasing the tax rate is the primary control in bond debt issuance. For example, if the growth in assessed value were to somehow substantially drop, bond sales would be delayed rather than break the tax rate cap set by either the Committee or the Board.

Tax Rate Controls

Historically in voter bond issues an area of primary concern has been the secondary tax rate that is necessary to retire authorized public bond debt. Taxpayers do not respond favorably to widely varying, inconsistent and unpredictable tax rates. For this reason the Board of Supervisors has usually established, as a primary controlling factor in issuing new public debt through voter authorized bond issues, a tax rate limitation. This limitation is not statutorily required nor mandated by those who evaluate the creditworthiness of local governments. However, it is a recognition of the political reality that voters want predictability in taxes and do not tolerate surprises. In the 1997 General Obligation Bond Issue, \$256,980,000 in debt was authorized. The Board pledged a tax rate ceiling of \$1 per \$100 of assessed value. Table 1 below gives the tax rate by fiscal year since 1998 and the corresponding levy to pay principal and interest on all outstanding and/or issued General Obligation Bonds of the County.

Table 1

<u>Year</u>	<u>Tax Rate</u>	<u>Levy</u>
1998	\$1.0000	\$37,002,183
1999	\$0.9650	\$37,177,339
2000	\$0.9350	\$37,405,835
2001	\$0.9350	\$30,607,255
2002	\$0.8950	\$40,197,988
2003	\$0.8150	\$39,409,824

As can be seen, the present tax rate to repay General Obligation Bond indebtedness is approximately 82 cents per \$100 of assessed value. Given this rate, it is unlikely that the Board would make the same tax rate pledge made in 1997 where bonds would not exceed \$1 per \$100 of assessed value. It is likely the Board would choose to select a tax rate very near the current rate of 82 cents per \$100 of assessed value. Assuming this to be the case, I would set the secondary property tax rate cap for any new bond issuance authorized by the voters in 2004 at 85 cents per \$100 of assessed value.

Time Length of New Debt Issuance

Because of federal arbitrage rules, a voter authorization does not lead to an instantaneous issuance of the debts authorized. The debt is issued in increments over time, geared toward project or program cash flow demands. For example, the \$256,980,000 in General Obligation Bond debt authorized by the voters in 1997 has been sold in a series of bond sales beginning in 1998, and expected to end by fiscal year 2004/05. Table 2 reports on the proceeds for five sales between 1998 and 2003. After these sales, there is a remaining authorization of \$65,081,000 for the 1997 General Obligation Bonds.

Table 2

<u>Year</u>	<u>Amount of Bonds Sold</u>
1998	\$34,858,000
1999	\$45,596,000
2000	\$49,704,000
2002	\$16,612,000
2003	\$45,129,000

Once a bond sale occurs, a very specific debt retirement schedule is structured for the sale, comprised of principal and interest payments over a period of time. It is these series of sales and overlapping debt service schedules that combine to determine the secondary property tax levy to meet all principal and interest payments required for a series of bond sales or previously outstanding General Obligation Bond debt. Generally the program life of General Obligation Bond elections has been desired to be between five and seven years; however, they have varied in time between authorizations from as little as one and two years to as much as eleven years. Generally, the longer the time between voter authorization, the higher the authorization amount will be.

Prior and Remaining Debt Obligations

The amount of outstanding debt also has an influence over the issuance of new debt since both must be retired through the primary property tax. Fortunately for Pima County, we have had a very aggressive debt retirement project. In total, \$671.7 million of General Obligation Bonds have been authorized by the voters since 1974. From that authorization, Pima County sold bonds and assumed principal debt in the amount of just over \$606.6 million. As of July, 2003, Pima County retired \$403.3 million in this principal debt, with a remaining principal debt of \$203.3 million. The maximum bonded indebtedness life of a General Obligation Bond of Pima County has been set at fifteen years, and the schedule of annual debt service payments declines each year as principal and interest payments decline. However, if Pima County continued with a principal and interest levy in fiscal year 2002/03 of \$39.2 million, we could retire this existing debt within six years and, without incurring future debt, could effectively be debt-free in that period of time.

Tax Base Influence on Public Debt Capacity

A growing tax base allows more public debt to be assumed, if desired, with a constrained and constant tax rate. Annual variations in the tax base are largely outside the control of the County, and hence a factor that must be judged conservatively to avoid sharp and unnecessary swings in the secondary property tax rate for public debt service. Table 3 indicates the value of the secondary tax base in Pima County over the last twenty years and the percent of growth from year to year of the tax base. As can be seen, the secondary tax

base has grown significantly over the last ten years. However, there was a period within the last twenty years when the base remained relatively constant, or even declined over a five year period.

Table 3

<u>Fiscal Year</u>	<u>Secondary Assessed Value</u>	<u>Change</u>	<u>Percent</u>
1982/83	\$2,059,000,000		
1983/84	\$2,207,000,000	\$148,000,000	7.19
1984/85	\$2,324,000,000	117,000,000	5.30
1985/86	\$2,565,000,000	241,000,000	10.37
1986/87	\$2,841,000,000	276,000,000	10.76
1987/88	\$2,994,000,000	153,000,000	5.39
1988/89	\$3,111,000,000	117,000,000	3.91
1989/90	\$3,105,000,000	(6,000,000)	-0.19
1990/91	\$3,045,000,000	(60,000,000)	-1.93
1991/92	\$2,998,000,000	(47,000,000)	-1.54
1992/93	\$2,993,000,000	(5,000,000)	-0.17
1993/94	\$2,974,000,000	(19,000,000)	-0.63
1994/95	\$3,150,000,000	176,000,000	5.92
1995/96	\$3,219,000,000	69,000,000	2.19
1996/97	\$3,248,000,000	29,000,000	0.90
1997/98	\$3,700,000,000	452,000,000	13.92
1998/99	\$3,853,000,000	153,000,000	4.14
1999/2000	\$4,001,000,000	148,000,000	3.84
2000/01	\$4,236,000,000	235,000,000	5.87
2001/02	\$4,491,395,307	255,395,307	6.03
2002/03	\$4,835,561,219	344,165,912	7.66

Constitutional Debt Limitations

The Arizona Constitution places General Obligation Bond debt limitations on Pima County and the Flood Control District. The constitutional debt limits are 15 percent of the secondary property tax base for General Obligation Bonds of the County and 5 percent of the Flood Control District, which total just over \$1 billion based on the present secondary assessed value of the County. The Pima County Library District can issue general obligation bonds, which it has never utilized. Assuming a 6 percent debt limit, the Library District's constitutional debt limit is at least \$313.3 million. Obviously, existing debt must be subtracted, leaving the ability of the County, Flood Control District, and Library District to issue \$1.1 billion in public debt before exceeding the constitutional limitation. Other controlling factors, such as not exceeding the specified secondary property tax rate, will constrain the amount of bonds to be sold long before the constitutional debt limit takes effect.

Amortization Schedules

Amortization schedules are those computations associated with retiring public debt over a specified period of time, making principal and interest payments where interest paid in total amount declines over time with the principal increasing over time. Such is a typical schedule for standard debt retirement such as a standard home mortgage. These amortization schedules may be varied, depending upon the specific circumstances of the public borrower. They can be front loaded, where an entity has surplus cash so that amortization of principal occurs earlier, or they may also be back loaded, where interest payments are only made for the first few years with increasing principal payments in the latter years. In almost all cases, Pima County has used straight amortization schedules for our General Obligation Bonds. However, both front loading and back loading schedules are available if desired to accomplish a specific purpose.

CHH/jj

c: The Honorable Chair and Members, Pima County Board of Supervisors
Jim Barry, Executive Assistant to the County Administrator

Pima County, Arizona

General Obligation Bonding Program 2004-2011

All Future Bonds Issues
Series 2004 - 2011

Fiscal Year	Projected Secondary Assessed Value (2)	Existing Debt Service	Projected Tax Rate	Principal	Interest (1)	Total Debt Service	Aggregate Debt Service	Projected Tax Rate
2004 - 05	\$5,482,334,547	\$32,342,735	\$0.5899	\$9,530,000	\$4,720,833	\$14,250,833	\$46,593,568	0.8499
2005 - 06	5,756,451,274	30,228,835	0.5251	12,035,000	6,638,200	18,673,200	48,902,035	0.8495
2006 - 07	6,044,273,838	28,162,885	0.4659	13,525,000	9,406,100	22,931,100	51,093,985	0.8453
2007 - 08	6,346,487,530	23,156,230	0.3649	17,450,000	12,825,650	30,275,650	53,431,880	0.8419
2008 - 09	6,663,811,906	17,320,330	0.2599	22,000,000	16,311,250	38,311,250	55,631,580	0.8348
2009 - 10	6,997,002,502	16,338,930	0.2335	21,995,000	19,525,500	41,520,500	57,859,430	0.8269
2010 - 11	7,346,852,627	14,697,900	0.2001	23,420,000	22,591,750	46,011,750	60,709,650	0.8263
2011 - 12	7,714,195,258	13,080,000	0.1596	27,015,000	23,324,300	50,339,300	63,419,300	0.8221
2012 - 13	8,099,905,021	12,438,200	0.1536	28,585,000	21,743,050	50,328,050	62,766,250	0.7749
2013 - 14	8,504,900,272	9,659,250	0.1136	30,285,000	20,069,550	50,354,550	59,993,800	0.7054
2014 - 15	8,930,145,286	5,244,250	0.0587	32,030,000	18,297,350	50,327,350	55,571,600	0.6223
2015 - 16	9,376,652,550	4,652,750	0.0496	33,915,000	16,421,400	50,336,400	54,989,150	0.5864
2016 - 17	9,845,485,177	4,274,250	0.0434	35,905,000	14,434,650	50,339,650	54,613,900	0.5547
2017 - 18	10,337,759,436			40,225,000	10,104,350	50,329,350	50,329,350	0.4637
2018 - 19	10,854,647,408			32,810,000	7,746,600	40,556,600	40,556,600	0.3558
2019 - 20	11,397,379,778			30,065,000	5,778,000	35,843,000	35,843,000	0.2995
2020 - 21	11,967,248,767			25,585,000	3,974,100	29,559,100	29,559,100	0.2352
2021 - 22	12,565,611,206			19,835,000	2,439,000	22,274,000	22,274,000	0.1688
2022 - 23	13,193,891,766			13,810,000	1,248,900	15,058,900	15,058,900	0.1087
2023 - 24	13,853,586,354			7,005,000	420,300	7,425,300	7,425,300	0.0510
2024 - 25	14,546,265,672							
Total		\$287,219,754		\$515,000,000	\$250,351,783	\$765,351,783	\$1,052,571,537	

(1) For the Series 2004 bond issue, the interest rates are assumed to be 5.00%. For all future issues interest in assumed at 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

\$65,000,000
Pima County, Arizona
June, 2004 - GO Bonds

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	Principal	Interest ⁽²⁾	Total Debt Service	Aggregate Debt Service	Projected Tax Rate
2004 - 05	\$5,482,334,547	\$32,342,735	0.5899	\$6,000,000	\$3,520,833	\$9,520,833	\$41,863,568	0.7636
2005 - 06	5,756,451,274	30,228,835	0.5251	4,000,000	2,950,000	6,950,000	37,178,835	0.6459
2006 - 07	6,044,273,838	28,162,885	0.4659	3,105,000	2,750,000	5,855,000	34,017,885	0.5628
2007 - 08	6,346,487,530	23,156,230	0.3649	3,260,000	2,594,750	5,854,750	29,010,980	0.4571
2008 - 09	6,663,811,906	17,320,330	0.2599	3,425,000	2,431,750	5,856,750	23,177,080	0.3478
2009 - 10	6,997,002,502	16,338,930	0.2335	3,595,000	2,260,500	5,855,500	22,194,430	0.3172
2010 - 11	7,346,852,627	14,697,900	0.2001	3,775,000	2,080,750	5,855,750	20,553,650	0.2798
2011 - 12	7,714,195,258	13,080,000	0.1696	3,965,000	1,892,000	5,857,000	18,937,000	0.2455
2012 - 13	8,099,905,021	12,438,200	0.1536	4,160,000	1,693,750	5,853,750	18,291,950	0.2258
2013 - 14	8,504,900,272	9,659,250	0.1136	4,370,000	1,485,750	5,855,750	15,515,000	0.1824
2014 - 15	8,930,145,286	5,244,250	0.0587	4,585,000	1,267,250	5,852,250	11,096,500	0.1243
2015 - 16	9,376,652,550	4,652,750	0.0496	4,815,000	1,038,000	5,853,000	10,505,750	0.1120
2016 - 17	9,845,485,177	4,274,250	0.0434	5,060,000	797,250	5,857,250	10,131,500	0.1029
2017 - 18	10,337,759,436			5,310,000	544,250	5,854,250	5,854,250	0.0566
2018 - 19	10,854,647,408			5,575,000	278,750	5,853,750	5,853,750	0.0539
Total		\$247,971,480		\$65,000,000	\$27,585,583	\$92,585,583	\$340,557,063	

(1) For the Series 2004 bond issue, the interest rates are assumed to be 5.00%. For all future issues interest is assumed at 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	\$40,000,000			Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾	Pima County, Arizona January, 2005 GO Bonds			
2004 - 05	\$5,482,334,547	\$41,863,568	\$0.7636	\$3,530,000	\$1,200,000	\$4,730,000	\$46,593,568	\$0.8499	
2005 - 06	5,756,451,274	37,178,835	0.6459	1,735,000	2,188,200	3,923,200	41,102,035	0.7140	
2006 - 07	6,044,273,838	34,017,885	0.5628	1,840,000	2,084,100	3,924,100	37,941,985	0.6277	
2007 - 08	6,346,487,530	29,010,980	0.4571	1,950,000	1,973,700	3,923,700	32,934,680	0.5189	
2008 - 09	6,563,811,906	23,177,080	0.3478	2,065,000	1,856,700	3,921,700	27,098,780	0.4067	
2009 - 10	6,997,002,502	22,194,430	0.3172	2,190,000	1,732,800	3,922,800	26,117,230	0.3733	
2010 - 11	7,346,852,627	20,553,650	0.2798	2,325,000	1,601,400	3,926,400	24,480,050	0.3332	
2011 - 12	7,714,195,258	18,937,000	0.2455	2,460,000	1,461,900	3,921,900	22,858,900	0.2963	
2012 - 13	8,099,905,021	18,291,950	0.2258	2,610,000	1,314,300	3,924,300	22,216,250	0.2743	
2013 - 14	8,504,900,272	15,515,000	0.1824	2,765,000	1,157,700	3,922,700	19,437,700	0.2285	
2014 - 15	8,930,145,286	11,096,500	0.1243	2,930,000	991,800	3,921,800	15,018,300	0.1682	
2015 - 16	9,376,652,550	10,505,750	0.1120	3,110,000	816,000	3,926,000	14,431,750	0.1539	
2016 - 17	9,845,485,177	10,131,500	0.1029	3,295,000	629,400	3,924,400	14,055,900	0.1428	
2017 - 18	10,337,759,436	5,854,250	0.0566	3,495,000	431,700	3,926,700	9,780,950	0.0946	
2018 - 19	10,854,647,408	5,853,750	0.0539	3,700,000	222,000	3,922,000	9,775,750	0.0901	
Total		\$340,557,063		\$40,000,000	\$19,661,700	\$59,661,700	\$400,218,763		

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	Interest ⁽¹⁾		Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾			
2004 - 05	\$5,482,334,547	\$46,593,568	\$0.8499	\$6,300,000	\$1,500,000	\$7,800,000	\$46,593,568	0.8499
2005 - 06	5,756,451,274	41,102,035	0.7140	2,080,000	2,622,000	4,702,000	48,902,035	0.8495
2006 - 07	6,044,273,838	37,941,985	0.6277	2,205,000	2,497,200	4,702,200	42,643,985	0.7055
2007 - 08	6,346,487,530	32,934,680	0.5189	2,335,000	2,364,900	4,699,900	37,636,880	0.5930
2008 - 09	6,663,811,906	27,088,780	0.4067	2,475,000	2,224,800	4,699,800	31,798,680	0.4772
2009 - 10	6,997,002,502	26,117,230	0.3733	2,625,000	2,076,300	4,701,300	30,817,030	0.4404
2010 - 11	7,346,852,627	24,480,050	0.3332	2,785,000	1,918,800	4,703,800	29,181,350	0.3972
2011 - 12	7,714,195,258	22,858,900	0.2963	2,950,000	1,751,700	4,701,700	27,562,700	0.3573
2012 - 13	8,099,905,021	22,216,250	0.2743	3,125,000	1,574,700	4,699,700	26,917,950	0.3323
2013 - 14	8,504,900,272	19,437,700	0.2285	3,315,000	1,387,200	4,702,200	24,137,400	0.2838
2014 - 15	8,930,145,286	15,018,300	0.1682	3,515,000	1,188,300	4,703,300	19,720,500	0.2041
2015 - 16	9,376,652,550	14,431,750	0.1539	3,725,000	977,400	4,702,400	18,758,300	0.1905
2016 - 17	9,845,485,177	14,055,900	0.1428	3,945,000	753,900	4,698,900	14,479,850	0.1401
2017 - 18	10,337,759,436	9,780,950	0.0946	4,185,000	517,200	4,702,200	14,477,950	0.1334
2018 - 19	10,854,647,408	9,775,750	0.0901	4,435,000	266,100	4,701,100	4,701,100	0.0412
2019 - 20	11,397,379,778							
Total		\$363,843,828		\$50,000,000	\$23,620,500	\$73,620,500	\$437,464,328	

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

\$65,000,000
Pima County, Arizona
January, 2007 GO Bonds

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	Principal	Interest ⁽¹⁾	Total Debt Service	Aggregate Debt Service	Projected Tax Rate
2005 - 06	\$5,756,451,274	\$48,902,035	\$0.8495	\$6,500,000	\$1,950,000	\$8,450,000	\$48,902,035	\$0.8495
2006 - 07	6,044,273,838	42,643,985	0.7055	2,785,000	3,510,000	6,295,000	51,093,985	0.8453
2007 - 08	6,346,487,530	37,636,880	0.5930	2,950,000	3,342,900	6,292,900	43,931,880	0.6922
2008 - 09	6,663,811,906	31,798,680	0.4772	3,130,000	3,165,900	6,295,900	38,091,580	0.5716
2009 - 10	6,997,002,502	30,817,030	0.4404	3,315,000	2,978,100	6,293,100	37,112,930	0.5304
2010 - 11	7,346,852,627	29,181,350	0.3972	3,515,000	2,779,200	6,294,200	35,474,450	0.4829
2011 - 12	7,714,195,258	27,562,700	0.3573	3,725,000	2,568,300	6,293,300	33,856,900	0.4389
2012 - 13	8,099,905,021	26,917,950	0.3323	3,950,000	2,344,800	6,294,800	33,211,250	0.4100
2013 - 14	8,504,900,272	24,137,400	0.2838	4,185,000	2,107,800	6,292,800	30,432,200	0.3578
2014 - 15	8,930,145,286	19,720,500	0.2208	4,435,000	1,856,700	6,291,700	26,013,300	0.2913
2015 - 16	9,376,652,550	19,135,050	0.2041	4,705,000	1,590,600	6,295,600	25,426,750	0.2712
2016 - 17	9,845,485,177	18,758,300	0.1905	4,985,000	1,308,300	6,293,300	25,053,900	0.2545
2017 - 18	10,337,759,436	14,479,850	0.1401	5,285,000	1,009,200	6,294,200	20,773,150	0.2009
2018 - 19	10,854,647,408	14,477,950	0.1334	5,600,000	692,100	6,292,100	20,772,150	0.1914
2019 - 20	11,397,379,778	4,701,100	0.0412	5,935,000	356,100	6,291,100	10,993,200	0.0965
2020 - 21	11,967,248,767						6,291,100	0.0526
Total		\$390,870,760		\$65,000,000	\$31,560,000	\$96,560,000	\$487,430,760	

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽²⁾	Currently Outstanding Debt Service	Projected Tax Rate	\$75,000,000 Pima County, Arizona January, 2008 GO Bonds			Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾	Interest			
2006 - 07	\$6,044,273,838	\$51,093,985	0.8453	\$7,250,000	\$2,250,000	\$9,500,000	\$51,093,985	0.8453	
2007 - 08	6,346,487,530	43,931,880	0.6922	3,225,000	4,065,000	7,290,000	53,431,880	0.8419	
2008 - 09	6,663,811,906	38,091,580	0.5716	3,415,000	3,871,500	7,286,500	45,381,580	0.6810	
2009 - 10	6,997,002,502	37,112,930	0.5304	3,620,000	3,666,600	7,286,600	44,399,430	0.6345	
2010 - 11	7,346,852,627	35,474,450	0.4829	3,840,000	3,449,400	7,289,400	42,761,050	0.5820	
2011 - 12	7,714,195,258	33,856,900	0.4389	4,070,000	3,219,000	7,289,000	41,146,300	0.5334	
2012 - 13	8,099,905,021	33,211,250	0.4100	4,315,000	2,974,800	7,289,800	40,500,250	0.5000	
2013 - 14	8,504,900,272	30,432,200	0.3578	4,575,000	2,715,900	7,290,900	37,722,000	0.4435	
2014 - 15	8,930,145,286	26,013,300	0.2913	4,850,000	2,441,400	7,291,400	33,304,200	0.3729	
2015 - 16	9,376,652,550	25,426,750	0.2712	5,140,000	2,150,400	7,290,400	32,718,150	0.3489	
2016 - 17	9,845,485,177	25,053,900	0.2545	5,445,000	1,842,000	7,287,000	32,344,300	0.3285	
2017 - 18	10,337,759,436	20,773,150	0.2009	5,775,000	1,515,300	7,290,300	28,060,150	0.2714	
2018 - 19	10,854,647,408	20,772,150	0.1914	6,120,000	1,168,800	7,288,800	28,062,450	0.2585	
2019 - 20	11,397,379,778	10,993,200	0.0965	6,485,000	801,600	7,286,600	18,282,000	0.1604	
2020 - 21	11,967,248,767	6,291,100	0.0526	6,875,000	412,500	7,287,500	13,577,700	0.1135	
2021 - 22	12,565,611,206								
Total		\$438,528,725		\$75,000,000	\$36,544,200	\$111,544,200	\$550,072,925		

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽²⁾	Currently Outstanding Debt Service	Projected Tax Rate	Pima County, Arizona January, 2009 GO Bonds			Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾				
2007 - 08	\$6,346,487,530	\$53,431,880	\$0.8419	\$8,000,000	\$2,250,000	\$10,250,000	\$53,431,880	\$0.8419	
2008 - 09	6,663,811,906	45,381,580	0.6810	3,190,000	4,020,000	7,210,000	55,631,580	0.8348	
2009 - 10	6,997,002,502	44,399,430	0.6345	3,380,000	3,828,600	7,208,600	51,609,430	0.7376	
2010 - 11	7,346,852,627	42,761,050	0.5820	3,585,000	3,625,800	7,210,800	49,969,650	0.6802	
2011 - 12	7,714,195,258	41,146,300	0.5334	3,795,000	3,410,700	7,205,700	48,357,100	0.6269	
2012 - 13	8,099,905,021	40,500,250	0.5000	4,025,000	3,183,000	7,208,000	47,705,950	0.5890	
2013 - 14	8,504,900,272	37,722,000	0.4435	4,265,000	2,941,500	7,206,500	44,930,000	0.5283	
2014 - 15	8,930,145,286	33,304,200	0.3729	4,525,000	2,685,600	7,210,600	40,510,700	0.4536	
2015 - 16	9,376,652,550	32,718,150	0.3489	4,795,000	2,414,100	7,209,100	39,928,750	0.4258	
2016 - 17	9,845,485,177	32,344,300	0.3285	5,080,000	2,126,400	7,206,400	39,553,400	0.4017	
2017 - 18	10,337,759,436	28,060,150	0.2714	5,385,000	1,821,600	7,206,600	35,266,550	0.3411	
2018 - 19	10,854,647,408	28,062,450	0.2585	5,710,000	1,498,500	7,208,500	35,269,050	0.3249	
2019 - 20	11,397,379,778	18,282,000	0.1604	6,050,000	1,155,900	7,205,900	25,490,500	0.2237	
2020 - 21	11,967,248,767	13,577,700	0.1135	6,415,000	792,900	7,207,900	20,783,600	0.1737	
2021 - 22	12,565,611,206	7,287,500	0.0580	6,800,000	408,000	7,208,000	14,495,400	0.1154	
2022 - 23	13,193,891,766						7,208,000	0.0546	
Total		\$498,978,940		\$75,000,000	\$36,162,600	\$111,162,600	\$610,141,540		

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	\$75,000,000 Pima County, Arizona January, 2010 GO Bonds			Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾				
2008 - 09	\$6,663,811,906	\$55,631,580	\$0.8348					\$55,631,580	0.8348
2009 - 10	6,997,002,502	51,609,430	0.7376	\$4,000,000	\$2,250,000	\$6,250,000		57,859,430	0.8269
2010 - 11	7,346,852,627	49,969,650	0.6802	3,380,000	4,260,000	7,640,000		57,609,650	0.7841
2011 - 12	7,714,195,258	48,357,100	0.6269	3,580,000	4,057,200	7,637,200		55,994,300	0.7259
2012 - 13	8,099,905,021	47,705,950	0.5890	3,795,000	3,842,400	7,637,400		55,343,350	0.6833
2013 - 14	8,504,900,272	44,930,000	0.5283	4,025,000	3,614,700	7,639,700		52,569,700	0.6181
2014 - 15	8,930,145,286	40,510,700	0.4536	4,265,000	3,373,200	7,638,200		48,148,900	0.5392
2015 - 16	9,376,652,550	39,928,750	0.4258	4,520,000	3,117,300	7,637,300		47,566,050	0.5073
2016 - 17	9,845,485,177	39,553,400	0.4017	4,790,000	2,846,100	7,636,100		47,189,500	0.4793
2017 - 18	10,337,759,436	35,266,550	0.3411	5,080,000	2,558,700	7,638,700		42,905,250	0.4150
2018 - 19	10,854,647,408	35,269,050	0.3249	5,385,000	2,253,900	7,638,900		42,907,950	0.3953
2019 - 20	11,397,379,778	25,490,500	0.2237	5,710,000	1,930,800	7,640,800		33,131,300	0.2907
2020 - 21	11,967,248,767	20,783,600	0.1737	6,050,000	1,588,200	7,638,200		28,421,800	0.2375
2021 - 22	12,565,611,206	14,495,400	0.1154	6,415,000	1,225,200	7,640,200		22,135,600	0.1762
2022 - 23	13,193,891,766	7,208,000	0.0546	6,800,000	840,300	7,640,300		14,848,300	0.1125
2023 - 24	13,853,586,354			7,205,000	432,300	7,637,300		7,637,300	0.0551
Total		\$556,709,660		\$75,000,000	\$38,190,300	\$113,190,300		\$669,899,960	

(1) The interest rate is assumed to be 6.00%

(2) Secondary Assessed Value is assumed to grow at 5% a year.

Pima County, Arizona

General Obligation Bonding Program 2004-2011

Fiscal Year	Projected Secondary Assessed Value ⁽¹⁾	Currently Outstanding Debt Service	Projected Tax Rate	Principal		Interest ⁽¹⁾	Total Debt Service	Aggregate Debt Service	Projected Tax Rate
				Principal	Interest ⁽¹⁾				
2009 - 10	\$6,997,002,502	\$57,859,430	\$0.8269	\$1,000,000	\$2,100,000	\$3,100,000	\$57,859,430	\$0.8269	
2010 - 11	7,346,852,627	57,609,650	0.7841	3,285,000	4,140,000	7,425,000	60,709,650	0.8263	
2011 - 12	7,714,195,258	55,994,300	0.7259	3,480,000	3,942,900	7,422,900	62,766,250	0.7749	
2012 - 13	8,099,905,021	55,343,350	0.6833	3,690,000	3,734,100	7,424,100	59,993,800	0.7054	
2013 - 14	8,504,900,272	52,569,700	0.6181	3,910,000	3,512,700	7,422,700	55,571,600	0.6223	
2014 - 15	8,930,145,286	48,148,900	0.5392	4,145,000	3,278,100	7,423,100	54,989,150	0.5864	
2015 - 16	9,376,652,550	47,566,050	0.5073	4,395,000	3,029,400	7,424,400	54,613,900	0.5547	
2016 - 17	9,845,485,177	47,189,500	0.4793	4,655,000	2,765,700	7,420,700	50,325,950	0.4868	
2017 - 18	10,337,759,436	42,905,250	0.4150	4,935,000	2,486,400	7,421,400	50,329,350	0.4637	
2018 - 19	10,854,647,408	42,907,950	0.3953	5,235,000	2,190,300	7,425,300	40,556,600	0.3558	
2019 - 20	11,397,379,778	33,131,300	0.2907	5,545,000	1,876,200	7,421,200	35,843,000	0.2995	
2020 - 21	11,967,248,767	28,421,800	0.2375	5,880,000	1,543,500	7,423,500	29,559,100	0.2352	
2021 - 22	12,565,611,206	22,135,600	0.1762	6,235,000	1,190,700	7,425,700	22,274,000	0.1688	
2022 - 23	13,193,891,766	14,848,300	0.1125	6,605,000	816,600	7,421,600	15,058,900	0.1087	
2023 - 24	13,853,586,354	7,637,300	0.0551	7,005,000	420,300	7,425,300	7,425,300	0.0510	
2024 - 25	14,546,265,672								
Total		\$669,899,960		\$70,000,000	\$37,026,900	\$107,026,900	\$776,926,860		

(1) The interest rate is assumed to be 6.00%


(2) Secondary Assessed Value is assumed to grow at 5% a year.



MEMORANDUM

Date: October 22, 2003

To: Chair and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator 

Re: **Analysis of a Possible Ceiling for the 2004 General Obligation Bond Ballot**

As of the meeting of October 17, 2003, the County Bond Advisory Committee heard funding requests totaling just over \$722 million. It is likely that other local jurisdictions will submit requests on October 31, 2003, which will increase the total considerably more. The presentations already made and those to come present strong evidence of the need for the projects, but the Committee faces the task of reducing the requests to a more affordable investment, as has been accomplished by previous bond advisory committees.

The Chair of the Bond Advisory Committee has asked that I provide a written analysis of the various factors involved in establishing a reasonable ceiling for a General Obligation Bond ballot to be before the voters on May 18, 2004. The following is my analysis.

Magnitude Range of 2004 General Obligation Bond Authorization

Previously, based on discussions with the Committee by County staff, it had been indicated that the bond authorization in 2004 for general obligation bonded indebtedness could range from \$300 million to \$400 million.

Based on the analysis which follows, I now believe it is possible to increase the upper limit of this range to as high as \$450 million.

This higher estimate is based on a number of assumptions: the secondary property tax rate for debt service would not exceed 85 cents per \$100 assessed value; issuance of the debt would occur over a seven year period; growth in the assessed value would initially continue for the next two years at 7 percent, but then drop to a constant 5 percent; the bond interest rate over the period of issuance should not exceed 6 percent; and the size of annual sales would be lowered in the beginning and increase in magnitude over time.

Clearly, not increasing the tax rate is the primary control in bond debt issuance. For example, if the growth in assessed value were to somehow substantially drop, bond sales would be delayed rather than break the tax rate cap set by either the Committee or the Board.

Tax Rate Controls

Historically in voter bond issues an area of primary concern has been the secondary tax rate that is necessary to retire authorized public bond debt. Taxpayers do not respond favorably to widely varying, inconsistent and unpredictable tax rates. For this reason the Board of Supervisors has usually established, as a primary controlling factor in issuing new public debt through voter authorized bond issues, a tax rate limitation. This limitation is not statutorily required nor mandated by those who evaluate the creditworthiness of local governments. However, it is a recognition of the political reality that voters want predictability in taxes and do not tolerate surprises. In the 1997 General Obligation Bond Issue, \$256,980,000 in debt was authorized. The Board pledged a tax rate ceiling of \$1 per \$100 of assessed value. Table 1 below gives the tax rate by fiscal year since 1998 and the corresponding levy to pay principal and interest on all outstanding and/or issued General Obligation Bonds of the County.

Table 1

<u>Year</u>	<u>Tax Rate</u>	<u>Levy</u>
1998	\$1.0000	\$37,002,183
1999	\$0.9650	\$37,177,339
2000	\$0.9350	\$37,405,835
2001	\$0.9350	\$30,607,255
2002	\$0.8950	\$40,197,988
2003	\$0.8150	\$39,409,824

As can be seen, the present tax rate to repay General Obligation Bond indebtedness is approximately 82 cents per \$100 of assessed value. Given this rate, it is unlikely that the Board would make the same tax rate pledge made in 1997 where bonds would not exceed \$1 per \$100 of assessed value. It is likely the Board would choose to select a tax rate very near the current rate of 82 cents per \$100 of assessed value. Assuming this to be the case, I would set the secondary property tax rate cap for any new bond issuance authorized by the voters in 2004 at 85 cents per \$100 of assessed value.

Time Length of New Debt Issuance

Because of federal arbitrage rules, a voter authorization does not lead to an instantaneous issuance of the debts authorized. The debt is issued in increments over time, geared toward project or program cash flow demands. For example, the \$256,980,000 in General Obligation Bond debt authorized by the voters in 1997 has been sold in a series of bond sales beginning in 1998, and expected to end by fiscal year 2004/05. Table 2 reports on the proceeds for five sales between 1998 and 2003. After these sales, there is a remaining authorization of \$65,081,000 for the 1997 General Obligation Bonds.

Table 2

<u>Year</u>	<u>Amount of Bonds Sold</u>
1998	\$34,858,000
1999	\$45,596,000
2000	\$49,704,000
2002	\$16,612,000
2003	\$45,129,000

Once a bond sale occurs, a very specific debt retirement schedule is structured for the sale, comprised of principal and interest payments over a period of time. It is these series of sales and overlapping debt service schedules that combine to determine the secondary property tax levy to meet all principal and interest payments required for a series of bond sales or previously outstanding General Obligation Bond debt. Generally the program life of General Obligation Bond elections has been desired to be between five and seven years; however, they have varied in time between authorizations from as little as one and two years to as much as eleven years. Generally, the longer the time between voter authorization, the higher the authorization amount will be.

Prior and Remaining Debt Obligations

The amount of outstanding debt also has an influence over the issuance of new debt since both must be retired through the secondary property tax. Fortunately for Pima County, we have had a very aggressive debt retirement project. In total, \$671.7 million of General Obligation Bonds have been authorized by the voters since 1974. From that authorization, Pima County sold bonds and assumed principal debt in the amount of just over \$606.6 million. As of July, 2003, Pima County retired \$403.3 million in this principal debt, with a remaining principal debt of \$203.3 million. The maximum bonded indebtedness life of a General Obligation Bond of Pima County has been set at fifteen years, and the schedule of annual debt service payments declines each year as principal and interest payments decline. However, if Pima County continued with a principal and interest levy in fiscal year 2002/03 of \$39.2 million, we could retire this existing debt within six years and, without incurring future debt, could effectively be debt-free in that period of time.

Tax Base Influence on Public Debt Capacity

A growing tax base allows more public debt to be assumed, if desired, with a constrained and constant tax rate. Annual variations in the tax base are largely outside the control of the County, and hence a factor that must be judged conservatively to avoid sharp and unnecessary swings in the secondary property tax rate for public debt service. Table 3 indicates the value of the secondary tax base in Pima County over the last twenty years and the percent of growth from year to year of the tax base. As can be seen, the secondary tax

base has grown significantly over the last ten years. However, there was a period within the last twenty years when the base remained relatively constant, or even declined over a five year period.

Table 3

<u>Fiscal Year</u>	<u>Secondary Assessed Value</u>	<u>Change</u>	<u>Percent</u>
1982/83	\$2,059,000,000		
1983/84	\$2,207,000,000	\$148,000,000	7.19
1984/85	\$2,324,000,000	117,000,000	5.30
1985/86	\$2,565,000,000	241,000,000	10.37
1986/87	\$2,841,000,000	276,000,000	10.76
1987/88	\$2,994,000,000	153,000,000	5.39
1988/89	\$3,111,000,000	117,000,000	3.91
1989/90	\$3,105,000,000	(6,000,000)	-0.19
1990/91	\$3,045,000,000	(60,000,000)	-1.93
1991/92	\$2,998,000,000	(47,000,000)	-1.54
1992/93	\$2,993,000,000	(5,000,000)	-0.17
1993/94	\$2,974,000,000	(19,000,000)	-0.63
1994/95	\$3,150,000,000	176,000,000	5.92
1995/96	\$3,219,000,000	69,000,000	2.19
1996/97	\$3,248,000,000	29,000,000	0.90
1997/98	\$3,700,000,000	452,000,000	13.92
1998/99	\$3,853,000,000	153,000,000	4.14
1999/2000	\$4,001,000,000	148,000,000	3.84
2000/01	\$4,236,000,000	235,000,000	5.87
2001/02	\$4,491,395,307	255,395,307	6.03
2002/03	\$4,835,561,219	344,165,912	7.66

Constitutional Debt Limitations

The Arizona Constitution places General Obligation Bond debt limitations on Pima County and the Flood Control District. The constitutional debt limits are 15 percent of the secondary property tax base for General Obligation Bonds of the County and 5 percent of the Flood Control District, which total just over \$1 billion based on the present secondary assessed value of the County. The Pima County Library District can issue general obligation bonds, which it has never utilized. Assuming a 6 percent debt limit, the Library District's constitutional debt limit is at least \$313.3 million. Obviously, existing debt must be subtracted, leaving the ability of the County, Flood Control District, and Library District to issue \$1.1 billion in public debt before exceeding the constitutional limitation. Other controlling factors, such as not exceeding the specified secondary property tax rate, will constrain the amount of bonds to be sold long before the constitutional debt limit takes effect.

Amortization Schedules

Amortization schedules are those computations associated with retiring public debt over a specified period of time, making principal and interest payments where interest paid in total amount declines over time with the principal increasing over time. Such is a typical schedule for standard debt retirement such as a standard home mortgage. These amortization schedules may be varied, depending upon the specific circumstances of the public borrower. They can be front loaded, where an entity has surplus cash so that amortization of principal occurs earlier, or they may also be back loaded, where interest payments are only made for the first few years with increasing principal payments in the latter years. In almost all cases, Pima County has used straight amortization schedules for our General Obligation Bonds. However, both front loading and back loading schedules are available if desired to accomplish a specific purpose.

CHH/jj

c: The Honorable Chair and Members, Pima County Board of Supervisors
Jim Barry, Executive Assistant to the County Administrator