



Board of Supervisors Memorandum

July 1, 2003

Bond Election - Third Tuesday in May of 2004 - May 18, 2004

Background

As per Board action on June 17, 2003, I will provide the Board with a series of items that need Board direction, action and attention in order to achieve the Board's goal of having a Bond Issue placed before the voters on May 18, 2004.

Time Line for Certain Actions Related to a Special Election for May 18, 2004

Table 1 provides a time line of events that need to occur regarding the election, working backward from the election date. There are two actions required by statute or County ordinance that the Board must take prior to holding a bond election on May 18, 2004: ordering the election and adopting bond improvement plans. State statute (§35-453) establishes that a bond election cannot be called any earlier than 150 days nor any later than 30 days prior to the election. Therefore, a May 18, 2004 election can be called anytime between December 20, 2003 and April 18, 2004. As a practical matter, the Elections Division prefers to have an election called 90 to 120 days in advance, to provide them with time to complete the multiple tasks necessary to conduct a successful election. Therefore, the time line in Table 1 sets the January 19, 2004 meeting as the date for calling the election.

Ordinance No. 1997-25 (Bonding Disclosure, Accountability and Implementation) requires that a Bond Improvement Plan be approved no later than 10 days prior to the election. The last Board meeting prior to the 10 day deadline is May 4, 2004, which date is incorporated in the recommended time line. The Board may wish to approve the Bond Improvement Plan ordinance earlier than May 4, but in any event, it cannot be approved any later than that date.

Table 1

Recommended Schedule for May 18, 2004 Special Bond Elections

<u>Action</u>	<u>Date</u>
Board establishes County Bond Advisory Committee for the 2004 Special Bond Election and appoints Members	July 1, 2003
Committee Deliberations	July 15, 2003 to December 2, 2003

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<u>Action</u>	<u>Date</u>
Committee reports to Board of Supervisors	December 2, 2003
Dates for Board deliberation on bond election and call for election	December 8, 2003
	December 15, 2003
	December 22, 2003
	December 29, 2003
	January 5, 2004
	January 12, 2004
Board calls election	January 19, 2004
Development of Bond Improvement Plans	January 20, 2004 to May 3, 2004
Approve Bond Improvement Plan ordinances	No Later Than May 4, 2004
Election Day	May 18, 2004

As the Board can see, the time for the Bond Advisory Committee to deliberate on the various needs of the County is limited to the time frame between their appointment and late November 2003, just prior to submitting their recommendations to the Board on December 2, 2003. Therefore, it is imperative that a Bond Advisory Committee be appointed as soon as possible to begin deliberations on what questions, purposes and amounts to recommend the Board include in a call for a Special Election on May 18, 2004.

Bond Advisory Committee

As in past bond elections, the Board has appointed a broad, community-based Bond Advisory Committee to consider the capital needs of the County and to make specific recommendations to the Board as to what questions to include on the ballot, the purposes for which bonds are to be authorized, and the specific amounts for each question. In the past the Bond Advisory Committee has been appointed by the Board, with representation as follows:

Table 2

Membership on Previous Citizen Bond Advisory Committees

<u>Appointment</u>	<u>Number of Members</u>
3 members per Supervisorial District	15
Town of Marana	1
Town of Oro Valley	1
Town of Sahuarita	1
City of South Tucson	1
City of Tucson	1
Pascua Yaqui Tribe	1
Tohono O'Odham Nation	<u>1</u>
Total Members	22

In order for the newly appointed Bond Advisory Committee to begin their deliberations as soon as possible, I would recommend that the Board members agree upon a composition of the Bond Advisory Committee, and appoint membership to that Committee as early as the July 1, 2003 meeting where I have requested additional action from the Board regarding a May 18, 2004 bond election.

I would also note that, at 22 members, this is a large committee, which will encounter numerous logistical hurdles in holding meetings with quorums. Because the time frame for a May 18, 2004 bond election is tight, the Board might want to consider only appointing two members per district, reducing the membership to seventeen.

County Bonding Capacity

The County bonding capacity is sufficient to meet the requirements of any 2004 election call. From a General Obligation Bond perspective, the County's bonding capacity is constrained by statute to 15 percent of the net assessed value of the County, or a total of \$492,264,183. Further, the Flood Control District has a General Obligation Bond authority of 5 percent of the County's \$3,834,691,000 assessed value, or \$186,431,000 based on the Assessor's latest assessed value. In total, the County's ability to issue bonded indebtedness equals \$678,695,183, which is significantly more than any discussion of a potential General Obligation Bond Issue that has been discussed by the Board, which varies between \$300 million and \$400 million of new voter authorization.

Bond Improvement Plan and Citizen Oversight

The Board has continued to insist on Bond information disclosures and citizen oversight. Formalization of an ordinance codifying the Bond Improvement Plan must occur no later than 10 days before the election date; however, I would recommend at least 30 days. In the 1997 bond election, the Bond Improvement Plan totaling 110 pages of ordinance was adopted by the Board on May 6, 1997, fourteen days before the election and the last meeting before the ten day deadline in Ordinance No. 1997-25. I believe that a concise, clear and definitive Bond Improvement Plan Ordinance is necessary and must be adopted by the Board in order to assure the voters that the projects authorized will be actually implemented.

Highway User Revenue Bond Election Excluded from Consideration

The County has a long-standing history of completing each and every project or program authorized by the voters. This history dates to 1974. The bond authorization that has been the most difficult to implement to date has been the November 1997, \$350 million Highway User Revenue Bond Authorization. To continue to allow staff to implement the 1997 Highway User Revenue Bond Authorization, I will preclude, by management direction, the possibility of adding any additional Highway User Revenue Bond Authorizations to an election in May of 2004. This is necessary to underscore the County's commitment to completing the 1997 Highway User Revenue Bond Authorization, and specifically those projects authorized by the Bond Improvement Plan adopted for that particular voter authorization. We should not and shall not seek any additional voter authorization for transportation improvements until we are assured that each and every commitment in the Highway User Revenue Bond Election of 1997 either has been completed or will be completed with designated funding.

County Ability to Retain the Level of Existing Secondary Property Tax

The County, in the 1997 General Obligation Bond Authorization, pledged to the voters of Pima County that the secondary property tax necessary to retire the debt from the 1997 General Obligation Bonds of over \$257 million would never exceed an annual tax rate of \$1 per \$100 of assessed valuation. This pledge has been kept. The County tax rate for bond debt service and retirement has never exceeded this amount. In fact, the debt service tax rate to date is 82 cents per \$100 of assessed value, significantly lower than the tax rate cap pledged by the Board. The next question is whether or not the County can incur additional General Obligation bonded indebtedness and retain this pledge. The simple answer is, the \$1 assessed value can be met, even if \$350 to \$450 of new General Obligation debt is authorized by the voters of Pima County. This is possible since the County has also insisted that our public debt be low and retired quickly. Virtually all of the general Obligation Bond indebtedness prior to 1997 has been retired. Today the County indebtedness for General Obligation Bonds is only approximately \$180 million, and is being retired at a rate of \$30 million per year or more. This simply means the County will be entirely debt-free in five to six years if no new General Obligation debt is authorized.

Target Maximum Dollar Amounts of a General Obligation Bond Authorization for May 2004, and Sewer Revenue Bond Authorization

With management exclusion of further bonded indebtedness for Highway User Revenue Bonds, the only bonds that can be authorized by the voters are General Obligation Bonds of the County and Sewer Revenue Bonds. The final decision regarding the amount of potential indebtedness placed before the voters is the Board of Supervisors. While the Board will rely on the recommendation from the County Bond Advisory Committee, there are practical limits to indebtedness given the constraints imposed by the Board regarding no tax rate increases. The practical constraints translate into a May 2004 General Obligation Bond Issue of no more than \$400 million being placed before the voters of Pima County, and a Sewer Revenue Bond Issue of no more than \$110 million being placed on the same ballot questions the Board so approves.

Historical Perspective of Bonding in Pima County

It is important to understand, when discussing new bond issues to be placed before the voters, the historical perspective of bonding in Pima County. The voters of Pima County have authorized a number of bond issues over the years. Table 3 below indicates the bond authorization question and date. In total, approximately \$1.26 billion in bonds have been authorized by the voters of Pima County in the last 25 plus years - \$692.3 million of this authorization is related to General Obligation Bonds of the County and Flood Control District, retired through a secondary property tax; \$213.4 million of Sewer Revenue Bonds retired through Sewer User and Connection Fees; and, most recently, \$350 million of Highway User Revenue Funds retired through the County portion of the statewide Highway User Revenue Fund distribution.

Table 3

Voter-Approved Bond Authorizations: 1974 to 1997

<u>Date</u>	<u>Question</u>	<u>Type</u>	<u>Amount</u>
February 5, 1974	Health Care/Treatment Facilities	General Obligation	\$ 17,225,000
	Sanitary Sewer/Disposal Facilities	General Obligation	19,095,000
	Public Safety Facilities	General Obligation	2,000,000
	Government Support Facilities	General Obligation	3,275,000
	Street/Bridge Improvements	General Obligation	7,205,000
	Parks/Recreation/Open Space	General Obligation	9,910,000
	Green Belt/Open Space	General Obligation	<u>4,500,000</u>
Total Approved			<u>\$ 63,210,000</u>

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<u>Date</u>	<u>Question</u>	<u>Type</u>	<u>Amount</u>
June 5, 1979	Corrections Facilities	General Obligation	\$ 25,110,000
	Transportation Corridors	General Obligation	18,100,000
	Highway Safety	General Obligation	<u>5,000,000</u>
		Subtotal	48,210,000
	Flood Control	Flood Control District	20,600,000
	Sewer Revenue	Sewer Revenue	<u>21,500,000</u>
Total Approved			<u>\$ 90,310,000</u>
February 5, 1980	Highway Safety	General Obligation	\$ 12,500,000
	Major Highway Improvement	General Obligation	<u>47,500,000</u>
		Subtotal	60,000,000
	Sewer Revenue	Sewer Revenue	<u>12,900,000</u>
Total Approved			<u>\$ 72,900,000</u>
November 2, 1982	Sanitary Landfills	General Obligation	\$ 9,100,000
	Effluent Reuse/Sewer Improvement	Sewer Revenue	<u>10,000,000</u>
	Total Approved		<u>\$ 19,100,000</u>
February 21, 1984	Flood Repair/Reconstruction/Improvements	General Obligation	\$ <u>63,800,000</u>
	Total Approved		<u>\$ 63,800,000</u>
May 21, 1985	Highway Safety	General Obligation	\$ 5,000,000
	Sewer Repair/Replacement	Sewer Revenue	<u>10,000,000</u>
	Total Approved		<u>\$ 15,000,000</u>
May 6, 1986	Traffic Safety/Transportation Improvements	General Obligation	\$ 64,300,000
	Park Development/Recreation	General Obligation	28,000,000
	Law Enforcement/Public Safety/Courts	General Obligation	23,850,000
	Land Acquisition/Flood Control	General Obligation	24,900,000
	Libraries/Pubic Facilities	General Obligation	13,650,000
	Solid Waste Disposal	General Obligation	<u>10,700,000</u>
		Subtotal	165,400,000
	Sewer Repair/Replacement	Sewer Revenue	\$ 54,000,000
Total Approved		<u>\$219,400,000</u>	

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<u>Date</u>	<u>Question</u>	<u>Type</u>	<u>Amount</u>
May 20, 1997	Juvenile Detention and Court Facilities	General Obligation	\$ 42,000,000
	Public Safety, Law Enforcement and Superior Court	General Obligation	50,000,000
	Parks/Recreation/Open Space	General Obligation	52,650,000
	Sonoran Desert Open Space and Historic Preservation	General Obligation	36,330,000
	Public Health, Safety, Recreational and Cultural Facilities	General Obligation	42,000,000
	Flood Control Improvements	General Obligation	21,500,000
	Solid Waste Improvements	General Obligation	<u>12,500,000</u>
	Subtotal		256,980,000
	Sewer System Revenue Bonds	Sewer Revenue	\$ <u>105,000,000</u>
	Total Approved		<u>\$361,980,000</u>
November 4, 1997	Transportation Bond Improvement Plan	HURF Revenue Bonds	\$ <u>350,000,000</u>
	Total Approved		<u>\$350,000,000</u>
Total All Bonds Approved			\$1,255,700,000
Total General Obligation Bonds Approved			\$671,700,000
Total Sewer Revenue Bonds Approved			\$213,400,000
Total HURF Revenue Bonds Approved			\$350,000,000
Total Flood Control District Bonds Approved			\$20,600,000

From the table above, bonding is not a new or unique method of financing public infrastructure and expansion. In fact, Pima County uses such a mechanism quite frequently as there have been 8 voter-authorized bond elections since 1974. Remarkably, the success rate at the polls has also been exceedingly favorable, with 95 percent of all bond questions receiving voter approval.

Divided from a functional public service perspective, the \$1.26 billion in voter-authorized bonds have improved public facilities in the following functional areas, as demonstrated in Table 4 below.

Table 4

Bond Authorizations, 1974 to 1997, by Functional Area

<u>Functional Area</u>	<u>Bond Authorization (\$ millions)</u>
Transportation	509.6
Wastewater/Solid Waste Management	264.8
Justice/Law Enforcement	142.9
Parks/Open Space	131.4
Flood Control	130.8
County Facilities	66.2
Neighborhood Reinvestment	<u>10.0</u>
Total	1,255.7

Increasing Importance of Open Space Acquisitions to Meet Community Needs and Desires

Historically staff has actually been behind the learning curve when it comes to supporting public expenditures for open space or conservation purposes. The first bond issue for open space and conservation purposes occurred in 1974, where \$7.5 million was approved for this purpose and \$3.9 million of that amount was used for the acquisition, expansion and development of Catalina State Park. Open space and conservation bonding would not appear again on a ballot until 1986, when \$18 million of bonds were approved for park land acquisition and \$20 million was approved for flood prone land acquisition. Again, in 1997, \$36.3 million in bonds were approved for open space, trails, and historical preservation purposes. Today, with the general community consensus regarding the Sonoran Desert Conservation Plan, and with the recent recommendation of the broad-based and diverse community represented on the Sonoran Desert Conservation Plan Steering Committee, it is appropriate to emphasize the public funding and bonding for land acquisition, open space and conservation purposes. The County Bond Advisory Committee will recommend an appropriate allocation for this purpose to the Board. However, it should be recognized that this allocation should be substantially and significantly increased from the 1997 Bond Advisory Committee allocation. Today we have the benefit of broad-based community support for the Sonoran Desert Conservation Plan and its generational benefits associated with advancing conservation and lifestyle principles of the southwest.

Neighborhood Reinvestment Program

The approved motion for a May 2004 election contained a provision for including neighborhood reinvestment. At the June 17, 2003 meeting, several speakers addressed the need for investments in a plan to protect the people of the Sonoran Desert to complement our natural

resource conservation efforts. Neighborhood reinvestment targets communities experiencing high stress, as measured by many indicators of social dependency and housing need. The program makes investments in upgrading infrastructure, physical housing stock, public safety in these areas, and improvements that the neighbors can use to strengthen family and community bonds and lead more healthful, safe, and productive lives.

The May 20, 1997 bond election included a \$10 million authorization for neighborhood and housing reinvestment. Through the end of fiscal year 2002/03, the program will have expended almost \$4.3 million on sixteen completed projects, five projects currently under construction, and another twelve projects that are under development. In addition to two housing reinvestment projects, the Neighborhood Reinvestment program has funded street lighting, sidewalks, traffic safety, and parks improvements. More projects will be identified by the neighborhoods and approved by the Board, and the program is scheduled for completion in three to four more years.

The program has been popular and successful and there is strong justification for seeking another bond authorization to continue the program. In developing a bond program for neighborhood reinvestment, I recommend the Board consider the following issues.

1. Consider a separate Neighborhood Reinvestment Committee of no more than 10 members that would develop specific recommendations on the substance, structure and process of reinvestment. This committee could develop a specific package of recommended projects and costs, which they present to the County Bond Advisory Committee. It is conceivable that a Neighborhood Reinvestment Program that combines predefined projects as well as continues the current community application process would be successful.
2. The current program limits neighborhood reinvestment to \$150,000 per neighborhood, unless the Board determines that a larger amount is in the best interests of the community. It is possible that larger investments, providing benefits to many neighborhoods, would also be a worthwhile reinvestment strategy.
3. The first Neighborhood Reinvestment Program was constrained, to some extent, by legal issues that could have been avoided or accommodated if they had been anticipated. I would recommend that we involve bond counsel and the County Attorney's Office from the beginning in developing the program for the May 18, 2004 bond election.

Refining the Open Space Program for the May 18, 2004 Bond Election

It is important that we recognize from the outset that the specific open space bond program under consideration, maybe as large as \$250 million, would be the largest such program ever undertaken in southern Arizona, if not for the state. It is clear that the program will be closely scrutinized and should be well thought out in advance of any recommendations from a bond

advisory committee to the Board. Therefore, I recommend that there be a Conservation Advisory Committee of no more than 10 members to develop and refine recommendations for an open space program to be presented to the bond advisory committee. For the 1997 Open Space Bond Program, a similar committee was appointed, but after the election. For this open space bond program, given its size, we might be well advised to have such committee deliberations completed in advance of the election.

For several reasons, the May 18, 2004 open space program should be a stand-alone ballot question, with a stand-alone bond improvement plan ordinance. If approved by the voters, the 2004 open space bonds would be sold separately from the other approved general obligation bonds and federal tax laws require that the bonds be expended within six months of their sale. Therefore, this program needs to be carefully planned from the start.

There are several questions that a Conservation Advisory Committee could address, including, but not limited to: 1) What are the target areas for acquisition and what criteria should be used for their inclusion? 2) How specifically do we intend to identify targets for acquisition? 3) How do we address the issue of cost estimates for acquisition? 4) Do we want to work only with willing sellers? 5) Do we want to provide for acquisition of conservation easements and development rights, as well as fee simple acquisition? 6) How should open space bonds be divided between acquisitions of documented ecological sensitive lands versus acquisitions to expand existing natural resource parks in or adjacent to the existing urban area? In addition, bond counsel, Real Property, and County Attorney staff must be involved from the beginning in developing guidelines for this program.

Estimating Costs for May 18, 2004 Bond Election Packages

Because of the impression that the HURF program has experienced run-away costs, we must address cost estimation in the bond improvement plan ordinances for the May 18, 2004 bond election. Staff is preparing a detailed analysis of costs for the 1997 General Obligation and Sewer Revenue Bonds similar to what the State Auditor General produced for the 1997 HURF Revenue Bond Program. In developing the 2004 Bond Improvement Plan ordinances, we will ensure rigorous cost estimation procedures. We will also want to reach careful expectations of "other revenues" to supplement bond funding.

Criteria for Recommendations of Projects in the May 18, 2004 Bond Improvement Plans

I have already addressed criteria for inclusion of Neighborhood Reinvestment and Open Space projects in the bond improvement plan ordinances for the May 18, 2004 special elections. For the general obligation (other than open space) and sewer revenue bond ordinances, I recommend two major criteria for project consideration: 1) they provide significant regional benefits and 2) they be completed (at least substantially so) within five years of the bond election. In terms of the general obligation bonds, the criteria of "significant regional benefits" will apply most directly to recommendations for public health, justice/law enforcement/public safety, and flood control. Parks improvements are more typically localized in their benefits, however, they also

may provide regional benefits, particularly when they relate to river parks, community centers, and larger sports complexes, and they are certainly amenable to the criteria of being completed within five years.

Preliminary Scoping of Departmental Requests for Inclusion in May 18, 2004 Bond Improvement Plans

At my direction, Public Works departments have developed some preliminary scoping of bond packages for the May 18, 2004 special election. An initial set of requests included \$100 million for Flood Control, \$110 million for Natural Resources, Parks and Recreation, and \$105 million for Facilities Management - for a total of \$315 million. In response, I directed staff to prioritize their projects lists. For general obligation bonds, these priority packages include from \$50 million to \$60 million for Flood Control; \$35 million to \$40 million for Natural Resources, Parks and Recreation; and \$44 million to \$54 million for Facilities Management - for a total of \$154 million. Additionally, I directed Facilities Management to prepare project requests for Public Health at \$55 million and \$50 million for a new consolidated Justice Court and Municipal Court building, and consolidation of Assessor, Recorder and Treasurer functions at the Old Courthouse. In addition, we have first round requests for projects from Wastewater Management with estimated costs of \$276 million and priority lists with a range of \$91 million to \$109 million.

The County can manage debt service for new general obligation bonds of approximately \$400 million, including both open space and other public purposes. The current range of potential costs is probably between \$500 million and \$900 million. In 1995 and 1996, the Citizens Bond Advisory Committee received departmental requests of several hundred million dollars more than the \$257 million improved program eventually taken to the voters for approval. Putting together a comprehensive bond package will require hard choices between competing goals and projects of equal merit. Citizen bond advisory committees and ultimately the Board of Supervisors have made those choices in the past and will do so again for this election. Clearly the present priority for bonding relates to open space and neighborhood reinvestment; however, the process will consider all County needs.

Information to Provide the Advisory Committee, Board, and Public

We have been assembling and will have ready to present to a bond advisory committee, the Board, and the public a considerable amount of information, including: 1) a status report for the 1974 to 1986 bond authorization; 2) a separate detailed, end of the year update on the 1997 General Obligation Bond and Sewer Revenue Bonds; 3) a status report focusing specifically on open space; 4) a report on debt service options, opportunities and limitations; 5) the report on the Sonoran Desert Conservation Plan Steering Committee recommendation; and 6) departmental requests for the 2004 bond packages. Other information will be developed for the committee through the course of deliberations.

Time Frame for the Committee Deliberations

The Citizens Bond Advisory Committee for the May 20, 1997 and November 4, 1997 special elections held their first meeting in August 1995 and submitted their first report to the Board of Supervisors on December 4, 1996, a period of sixteen months. The bond advisory committee for the May 18, 2004 special election will be on a much tighter time schedule. If the Board adopts an early December 2003 date for the committee to report, the committee will have no more than five months to finalize their recommendation. While tight, this is an achievable schedule, but meeting it will require committee members who are willing to meet frequently, starting in the summer months.

Recommendations

There is a considerable amount of work to be done between now and a May 18, 2004 bond election. I recommend that at the July 1, 2003 meeting, the Board take the following actions:

1. Establish a County Bond Advisory Committee for the May 2004 special elections. Following past practice, the Board would appoint either two or three members from each District and designate as voting members one representative from each of the other seven local jurisdictions. I also would recommend that the Board appoint its members at the July 1, 2003 meeting.
2. Provide guidance on formation of two parallel advisory committees, one for conservation and one for neighborhood reinvestment. These committees would be asked to prepare detailed and specific recommendations for the open space and neighborhood reinvestment components of the May 2004 bond election. These committees would submit their recommendations to the County Bond Advisory Committee, which will be responsible for providing a unified set of recommendations on the May 2004 bond election to the Board of Supervisors.
3. At the July 1, 2003 meeting, adopt a schedule of key dates, including a December 2, 2003 deadline for the County Bond Advisory Committee to submit its recommendations; January 19, 2004 for the call for the election; and no later than April 20, 2004 for adoption of bond improvement plan ordinances for the May 18, 2004 election.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/jj (June 20, 2003)