

**SPECIAL STUDY SESSION
December 4, 2002**

The Board of Supervisors of Maricopa County, Arizona convened in Special Session at 2:00 P.M., December 4, 2002, in the Board of Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Don Stapley, Andy Kunasek (entered late), Max W. Wilson, and Mary Rose Wilcox. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney.

PRESENTATION AND DISCUSSION: OFFICE OF MANAGEMENT AND BUDGET

Item: Budget And General Fund Capital Projects (ADM 1820)

Mr. Smith introduced the topic by explaining that the presentation would review the General Fund Capital Projects beginning with a review of the historical elements of the Vision 20-20 Plan created in 1999 by the County to consider projected growth and Development for the downtown and regional centers of County government. Sandi Wilson indicated that management would be looking for direction on prioritization of future projects with regards to expenditure of funds.

Historical Review of Where We Started

Bob Williams, Chief Public Works Officer, said that the Vision 20-20 Plan was not the 20-year Capital Plan, per se, but it contained the structure and concept that led to the capital plan. He distributed a handout and spoke briefly to describe the following topics: Discussion ensued on how accurate the planning had, or had not, proven to be from today's "hindsight viewpoint." He reported on the timeline of events and commented on the setting of goals and expectations.

Pre-Planning Management Team Session, 4/8/99
Maricopa County Village Center Design Charette, 5/1/99
Management Team Facility Planning Retreat, 5/13/99
Facility Planning Committees, June-December 1999
Joint Committee Leaders Meeting – 11/5/99

~ Supervisor Kunasek entered the meeting ~

Presentation of Planning Reports to the Board – 12/16/99
Results of Planning: Durango, Medical and Downtown Campus' and Regional Centers

Review Of Current Lease Bond Revenue

Tom Manos, Chief Financial Officer, spoke on financing for the above projects. He introduced Bill Davis, Financial Advisor for the County who, he explained, "has been with the County through the bad times and the good times and was the County's partner in arranging the various financing that carried us through the crises of the mid-1990's." He discussed the following items regarding the \$125M in bonds sold by the County in June 2001, and said that some of the bonds had sold at a premium and \$131M was actually realized. The first \$20M went to complete the CHC building. Approximately half of the remaining \$111.1M was primarily earmarked to finance seven downtown General Fund projects which have been completed for a cost of \$59.3M, leaving \$51.8M remaining and available. He said that \$97M had been set aside to cover debt-service payments and this remains in the debt-service fund and is expected to earn enough, with interest, to cover these payments as they come due. He explained that it now remains for a decision to be made on what to do with the remaining \$51.8M. A breakdown of the bond sales follows:

2001 Lease Revenue Bonds totaling \$59.3M (remainder of proceeds of \$51.8M)
Lease Revenue Bond Debt Service: (One \$18M payment has already been made)

2002-03/\$17,955,266:
2003-04/\$8,807,477:
2004-05/\$8,807,644:
2005-06/\$8,813,766:
2006-2015/\$79,347,812

Options for the remaining \$51.8M were given that included funding several existing capital projects such as buildings for Public Health and courtroom facilities or defeasing the existing Lease Revenue Bonds. He did not recommend doing the latter because of the high penalties that would have to be paid.

Current status of Capital Projects

Heidi Burch, Director of Capital Facilities Development, and Steve Connor, Director of Facilities Management, spoke on the status of 18 Current CIP Projects that have a total expenditure of \$164,874,956 within the next five years.

Current status of existing surplus property

Tom Manos, Chief Financial Officer, reported on the surplus land selected for sale and said that the Real Estate Department is exploring a rezoning on two of the sites (80 acres on 115th Avenue and McDowell, and 38 acres on Hatcher Road and 81st Avenue) to increase their value. Appraised values given in the presentation are a year old and are estimated using the current zoning status. If new zoning is approved there would be a significant increase in value, which is now projected at \$7,983,000. An approximate timeline for events connected with the surplus land sale is expected to take place between December 18, 2002, and June 4, 2003.

Remaining Debt Service Payments for 1986 General Obligation Bond and 1994 Certificates of Participation

Mr. Manos continued by saying there are only two payments remaining on these bonds of approximately \$20M each and this debt will be retired by July 1, 2004. In 1994, the County issued \$30M in Certificates of Participation to help with the financial problems experienced in the mid-1990s. There are also two payments left on this transaction, totaling approximately \$8M, with the final payment due in May 2004.

Options for New General Obligation Bond Issue

Mr. Manos reported on various amounts that could be raised in new bond issues with both a level debt service and an increasing debt service, if such should become necessary. These are listed at tax rates varying between eight and fifteen cents on the dollar, as follows:

<u>Rate</u>	<u>Level Debt Service</u>	<u>Increasing Debt Service</u>
0.08	\$266.1 Million	\$337.2 Million
0.10	\$332.7 Million	\$421.6 Million
0.12	\$399.3 Million	\$505.9 Million

0.14	\$465.9 Million	\$590.3 Million
0.15	\$499.4 Million	\$632.5 Million

Budget Concerns and Reality

Sandi Wilson asked the Supervisors to think about the current budgetary situation facing the County and said that the economic recovery for 2003 is unknown but it doesn't appear that the turnaround anticipated for next spring is going to materialize. There has only been a .3% growth in sales tax revenue YTD and this year's conservative budget was based on a 3% growth. This portrays a considerable sales tax shortfall in the next fiscal year. She explained that the County has seen double-digit growth in sales tax in several previous years but they don't expect to see this again in the foreseeable future. Chris Bradley spoke briefly on proposals for several new Justice Courts that have recently been requested by Superior Court administration and possible ways and means of financing these.

David Smith summarized the presentation by saying that there are many simultaneous projects in progress at this time and he questioned whether the economy and a structurally unbalanced state government would allow the flexibility needed to complete them satisfactorily or to begin new projects. He said that the General Fund does not have funds to pay cash for these, nor is it feasible that funds will become available in the near future. He intimated that additional funding may have to be obtained through a bond issue or another issuance of COPs.

Chairman Stapley said he felt that it would be advantageous to leverage both the timing and the need with available resources, by looking for additional partnerships with other local government entities and to consider additional mixed-use projects with the private sector. He cited the Justice Court facility that is being done with the City of Surprise as a prime example. He explained that if bonds or COPs become necessary it could take longer for the projects to materialize. He felt all possible options should be pursued that could bring balance to the General Fund.

Supervisor Brock agreed and said that he would include lease-to-purchase with other options as possible solutions.

Mr. Smith suggested that management could work out a planning mechanism with suggestions on funding and some idea of a time frame for completion and bring it back to the Board for further discussion.

MODIFICATIONS TO THE CURRENT FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Item: WITHDRAWN BY MANAGEMENT

Sandi Wilson explained that the action item regarding modifications to the current Five-Year Capital Improvement Program (CIP) was being withdrawn pending further review. (C49030208) (ADM 1820)

DEVELOP A PROPOSED NEW CAPITAL IMPROVEMENT PROGRAM AND BUDGET

Item: Direct the County Administrative Officer to proceed with the development of a proposed new capital improvement program and budget which would be funded by general obligation bonds and include oversight by a citizens bond committee. (C49030208) (ADM 1820)

Discussion ensued on how conservative or entrepreneurial the outlook should be concerning funding endeavors with a consensus towards reluctance in straying too far from the "pay as we go" status that the County has worked toward for the past eleven years. This is now within sight, despite the tightening of

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funds since the September 11 terrorist attack, and continued use of caution and conservatism was endorsed with regards to new funding avenues. Mr. Smith said that it is clear that a new five-year plan must be developed and he agreed with several Supervisors who stated that priorities need to be established. He suggested that the top priorities would include parks and trails, animal control needs, the County hospital and public health, and the courts, leaving any expansion for administration last, if at all. There was agreement that the County needs to look at different possibilities and methods of funding necessary projects and achieving needed goals. Mr. Smith said the Board would have to decide whether to spend available monies on a few large projects or leverage these funds by using them as down payment on borrowing instruments along with lease purchase options in order to acquire more and spend less, until the crises is over.

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (5-0) to direct the County Administrative Officer to proceed with the development of a new capital improvement program and budget. This will result from using creative ideas and options exploring entrepreneurial ways to leverage revenue streams, considering ways to take advantage of the low interest rates and involving the private sector by setting up meetings with major developers to brainstorm the issues. The proposal may ultimately involve oversight by a citizen's bond committee and could be funded by general obligation bonds.

REWARDING IDEAS PROGRAM

Item: Human Resources

Motion was made by Supervisor Wilcox, seconded by Supervisor Wilson, and unanimously carried (5-0) to authorize an employee award from the Rewarding Ideas Program in the amount of \$2,500 and present the award on December 18, 2002. (C31030047) (ADM 3333-002)

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Don Stapley, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board