Memorandum

Financial Services

Tempe

Date: May 7, 2008

To: Mayor and Council

Thru: Charlie Meyer, City Manager (8884)

From: Jerry Hart, Financial Services Manager (8505)

Subject: Bond Election Options

An important factor in the Council consideration of the proposed five-year Capital Improvements Program is the size and timing of the next bond election. As you know, the achievement of the program is largely dependent on a successful, future bond election. At the April 17th Issue Review Session (IRS), the Council was provided with four options **(see attached)** to consider. After some discussion on the options presented, staff was directed to place this issue on a subsequent IRS for further discussion.

Staff Recommendation - Since that meeting, staff has further reviewed the options and developed a recommendation for the Council to consider. **Staff is recommending Option 4 (November 2009 Election)** with only a slight variation from what was originally provided. Under this revised option, $100 million in excise tax bonds will be issued for the Water/Wastewater program needs; the remaining Water/Wastewater program need ($113 million) would be included as part of the November 2009 bond authorization request. Under this scenario, the total bond authorization request would be approximately $219 million.

Staff recommends Option 4 because:

- **The use of some excise tax bonding for Water/Wastewater projects reduces the size of the overall bonding authorization need. Also allows the city to maintain a strong excise tax debt service coverage ratio**
- **Does not require two separate bond elections (2 years apart) to get the necessary bonding authorization to achieve the proposed five-year capital program**
- **Allows the Council another year to further evaluate the nature and size of the bonding authorization requests**
- **Would provide for some interim funding for some key projects (i.e., Parks Renovation, Fire Support Services, Museum, etc.)**
- **Avoids placing such an important issue to the City on a potentially very lengthy November 2008 general election ballot.**

Alternatively, if the Council should instead decide to go forward with a November 2008 Election, staff would proceed with essentially **Option 2**, but would recommend to Council that $113 million be added for Water/Wastewater program needs (we would still issue $100 million in

excise tax bonds to fill the remaining need). This would result in a potential, total bond authorization request of $238 million.

Also attached for your information is a calendar of the important November 2008 Bond Election Dates that we must comply with *should* the Council decide to proceed with a November 2008 bond election. If that were the case, based on the current council meeting calendar, the Council would need to call the election by June 19th.

Staff will be present at the May 15th Issue Review Session to respond to your questions.

City of Tempe
Preliminary Proposed General Obligation Bond Election Options

Purpose	Current Remaining Authorization @ 7/1/07	Option 1 November 2008 Election Additional Authorization Needed	Option 2 November 2008 Election Additional Authorization Needed	Option 3 November 2008 Election Additional Authorization Needed	Option 4 November 2009 Election Additional Authorization Needed
Water and Sewer Improvement	50,555,000	213,300,000	-	76,400,000	108,400,000
Storm Drains	-	1,400,000	1,400,000	800,000	875,000
Street Improvements	25,380,000	42,800,000	42,800,000	22,128,354	42,800,000
Law Enforcement	18,560,000	10,900,000	10,900,000	9,026,473	2,823,527
Fire Protection	5,790,000	20,610,000	20,610,000	20,610,000	19,524,020
Park Improvements	1,477,701	49,300,000	49,300,000	20,196,591	39,575,412
Community Services/Library	10,002,299	700,000	700,000	700,000	0
	111,765,000	339,010,000	125,710,000	149,861,418	213,997,959

Option 1 - November 2008 Election

1. Assumes a request for voter authorization for GO Bonds that fully cover the funding needs of the recommended five-year plan as presented.
2. Does not include any bonding authorization need beyond FY 12/13, the last year of the recommended five-year plan.

Option 2 - November 2008 Election

1. Assumes the issuance of approximately $213.3 million in excise tax bonds to finance the Water/Wastewater five-year program needs.
2. The debt service on the excise tax bonds would be paid from water and wastewater revenues.
3. Does not include any bonding authorization need beyond FY 12/13, the last year of the recommended five-year plan.
4. Would restrict our ability to issue general excise tax bonds for other purposes in the near term.

Option 3 - November 2008 Election

1. Assumes the issuance of approximately $63.6 million in excise tax bonds to finance the Water/Wastewater program needs for FY 08/09.
2. The debt service on the excise tax bonds would be paid from water and wastewater revenues.
3. Would provide bonding authorization for projects through FY 10/11.
4. **Would require another bond election in November 2010 to secure bonding authority for projects for FY 11/12-12/13.**
5. Does not include any bonding authorization need beyond FY 12/13, the last year of the recommended five-year plan.
6. **Assumes use of approximately $7.4 million of Rio East proceeds and $7.4 million of SRP in-lieu tax to reduce bonding need.**

Option 4 - November 2009 Election

1. Assumes the issuance of approximately $104.9 million in excise tax bonds to finance the Water/Wastewater program needs through FY 09/10.
2. The debt service on the excise tax bonds would be paid from water and wastewater revenues.
3. Does not include any bonding authorization need beyond FY 12/13, the last year of the recommended five-year plan.
4. **Assumes a delayed start for the Fire Support Services Facility and Fire Station 2 projects until FY 10/11.**
5. **Assumes a delayed start for a portion of the Parks Renovation Program.**
6. **Assumes use of approximately $12 million of Rio East proceeds and $7.4 million of SRP in-lieu tax to reduce bonding need.**

November 2008 Bond Election Dates

11/4/2008	November			
DATE		(✓)	ACTION	STATUTE
7/7/2008	NOV -120		Deadline to Call election / notify county/resolution to council	ARS 16-226A
7/22/2008	NOV -105		Ballot language due to county / any graphics	
8/3/2008	NOV -93		First day to request an early ballot.	ARS 16-542A
8/6/2008	NOV -90		Pro / con argument deadline	ARS 19-141(C)
8/6/2008	NOV -90		Submit pre-clearance to Department of Justice	VRA Sec. 5
8/29/2008	NOV -67		Submit pub Pamphlet to printing vendor	
9/30/2008	NOV -35		Mail Pub pamphlet	ARS 16-454(A)1
10/5/2008	NOV -30		Publish notice of bond Election	ARS 9-524(B)
10/6/2008	NOV -29		Voter Registration cut-off	ARS 16-120
10/9/2008	NOV -26		Early voting begins / By mail and in person	ARS 16-545(B) / 16-558.01
10/9/2008	NOV -26		Post Sample Ballot notice	ARS 38-431.02
10/24/2008	NOV -11		Early voting by mail ends	ARS 16-542(E)
10/25/2008	NOV -10		Publish notice of Logic & Accuracy Test	ARS 16-449(A)
10/30/2008	NOV -5		Logic & Accuracy Test	ARS 16-449(B)
10/31/2008	NOV -4		Early voting in person ends	ARS 16-54(E)
11/4/2008	NOV **0**		**ELECTION DAY**	ARS 16-204.B / 225
11/10/2008	NOV +6		First day to canvass returns	ARS 16-642.A
11/24/2008	NOV +20		Last day to canvass returns	ARS 16-642.A
12/4/2008	NOV +30		Submit copy of pamphlet to Department of Revenue	ARS 35-454.2