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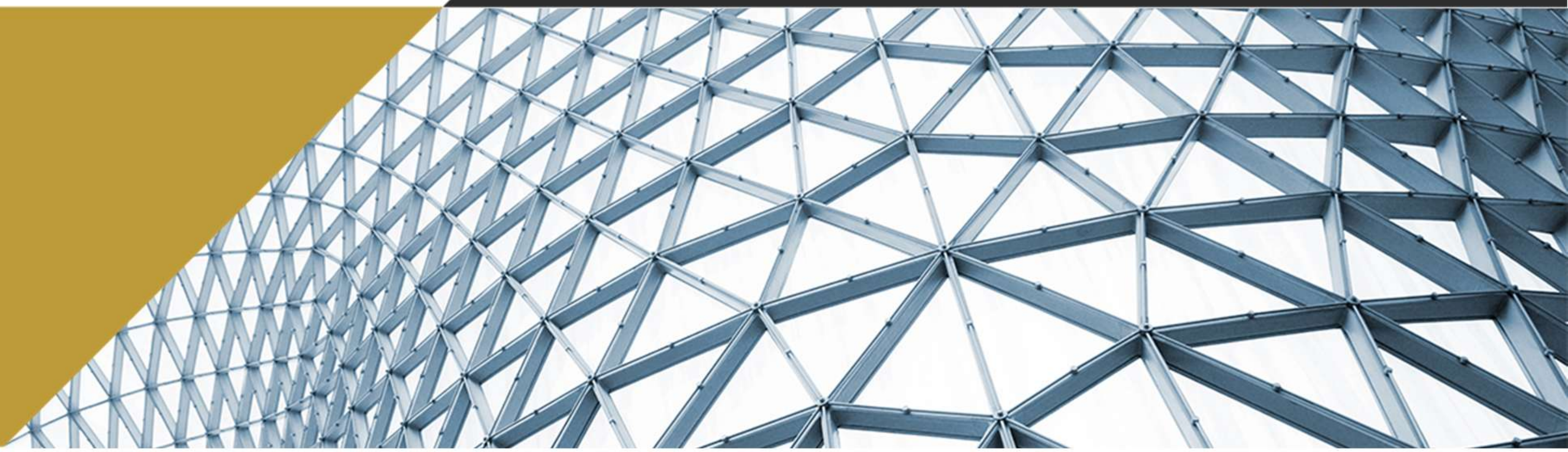

Town of Fountain Hills

Bond Election Overview

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General Obligation Bonds

- General Obligation Bonds
  - Election Required
    - Must be a November election date, presently in odd or even years
  - Repaid with property taxes
    - Town, by statute, will levy property taxes unlimited as to rate or amount sufficient to pay debt service on "new money" general obligation bonds (A.R.S. §35-458)
  - Per Arizona Constitution, the Town may only be indebted up to 26% of its net assessed full cash value
    - 6% category for general municipal purposes
    - 20% category for "water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the incorporated city or town of land or interests therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities"

General Obligation Bond Election

- Early activities, prior to calling the election:
  - To the extent deemed advisable by the municipality, citizen groups or committees will convene to identify projects for potential bond financing
  - Municipal staff will develop preliminary project budget estimates, and consult with financial advisory firms to ensure sufficient bonding authority is submitted to voters
    - Of note in recent economic environment is inflation of costs for materials. Projects planned in 2019 as part of bond packages now may face funding shortfalls because of increased costs.
  - Council, staff or citizen committees may determine priorities for projects as well, or eliminate projects from what will be presented to voters
  - Staff will work with outside advisors and legal counsel to prepare the resolution calling the election and ballot language that matches projects, amount to be authorized, and other parameters
  - Clerk will begin preliminary contact with County Elections Department to be prepared if Council adopts the resolution calling the election

General Obligation Bond Election

- A.R.S. § 35-452
  - Election may be called by governing body (i.e. Town Council).
  - Election is held on the November election date in any year.
  - Election passes if a majority of the qualified electors voting at the election vote in favor of the general obligation bonds.
  - Bond election expenses must be paid from current operating funds of the municipality.
    - Transaction costs for each bond issuance may be paid from bond proceeds, but election costs must be paid from the current operating funds.

General Obligation Bond Election

- A.R.S. § 16-226
  - General obligation bond elections called pursuant to A.R.S. § 35-453 are excluded from this statute that requires other elections to be called not later than 180 days before the election date.
  - However, many County Elections Departments need advance notice of an election and will want the municipality to call the election at least 180 days prior to the election date.
  - Town Clerk should discuss any such requirements with County Elections Department to ensure the election is called with sufficient time, even if not required by statute.

General Obligation Bond Election

- A.R.S. § 35-454
  - Informational pamphlet pertaining to the general obligation bond election is required
  - Certain language must be included in the ballot question, for example “the issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on the bonds.”
  - Certain language must be included in any written materials provided by the municipality pertaining to the election, for example “the estimated average tax rate for the proposed bond authorization is $____.”
  - General obligation bond authority does not expire, giving the municipality flexibility to manage the property tax levy related to general obligation bond debt service.

General Obligation Bond Election Timetable

- Prior to Calling the Election
  - Citizen education by the municipality is permitted, for example Council presentations describing past successful bond-financed projects or fiscal discipline to repay bonds early.
  - To the extent a citizen committee was appointed to select projects, disband this committee so it can become an advocacy group.
- Approximately 180 Days Prior to Election Date
  - Council adopts a resolution calling the general obligation bond election, approving the form of ballot language, setting a deadline for pro/con arguments to be submitted, and authorizing municipal staff to take further actions in connection with the election.

General Obligation Bond Election Timetable

- After Calling the General Obligation Bond Election
  - Municipality must be neutral and not advocate for a desired election outcome. Municipal resources may not be used unless information is presented in a neutral, factual manner. For example, no “vote yes on bonds” bumper stickers on municipal police vehicles.
  - Municipality enters into intergovernmental agreement with County Elections Department
    - Maricopa County offers a “menu” of services that the municipality can select. Municipality typically must make “menu” selections at least 150 days prior to the election date.
    - County Elections Department will have a timetable of deadlines and requirements to finalize ballot language, etc., and municipal staff and outside advisors will review draft materials.
  - Municipal staff work with advisors to prepare the informational pamphlet
    - Certain language must be included, and some language must be in bold font.

General Obligation Bond Election Timetable

- Town clerk coordinates publication of the notice of election, and publication of the call for pro/con arguments.
  - Sufficient time should be built into informational pamphlet printing schedule to allow for receipt and verification of pro/con arguments (usually deadline in August).
- At least 35 days before the election date, the informational pamphlet must be mailed to every household within the political subdivision that contains a registered voter
  - Town clerk should coordinate early with the printer on timetable – mailings for other elections may go out later, so the printer should be aware that this is a general obligation bond election with the 35-day requirement for the informational pamphlet.
- 30 days prior to election – voter registration deadline
- Early voting period prior to election date
- Election Day
- Within 20 days after the election, the governing body must canvass the votes cast and certify the result.
  - Town clerk records a certificate stating the purpose of the election, total number of votes cast and the total number of votes for and against the general obligation bond question. If approved by voters, the certificate states the general obligation bonds are so ordered.
  - In recent years, certain County Elections Departments have been delayed tabulating election results, and therefore local political subdivisions canvassed elections slightly after the 20-day period. There are statutory exceptions to the 20-day period for these situations.

Excise Tax Revenue Obligations

- Pledged Revenue Obligations (Excise Tax)
  - No voter authorization required
  - Town may send a local sales tax rate increase to voters, but is not required to do so
    - November election, only in even years
  - No statutory authority; this structure is in accordance with Arizona caselaw (the "Civic Center" cases)
    - Relies on Town's ability to enter into contracts, including installment purchase agreements and trust agreements
    - Payments made from revenues or from a special fund not obtained from general taxes
    - Trend over the past 20 years is to use a corporate trustee instead of a municipal property corporation
  - Bonds which are not payable from general funds do not constitute a debt of a municipality within constitutional or statutory debt limitation
  - Transaction document covenants may require Town to increase local sales taxes and fees in order to maintain certain debt service coverage levels
    - Customary coverage covenant is two times annual debt service

Council Action Summary

- General Obligation Bonds
  - Call the election and canvass the election (two resolutions)
  - Resolution(s) approving each issuance of bonds from the voter authorized amount
- Pledged Revenue Obligations
  - Excise Tax - Call an election to raise local sales taxes and canvass the election (two resolutions; optional)
  - Resolution approving the execution and delivery of a Trust Agreement and Installment Purchase Agreement, and authorizing the pledge of specified revenues
- Resolutions approved by Council in connection with a bond issuance will delegate authority to Town staff to carry out the details of the transaction within a permissible set of parameters determined by Council