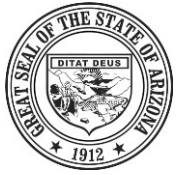


DEBT OVERSIGHT COMMISSION

Arizona Department of Administration



Minutes of Meeting

Monday, December 19, 2022
10:00 AM

Andy Tobin
ADOA Director

Michael DiMaria
Member

Jennifer Stielow
Member

Jason Baran
Member

Benjamin Rieck
Member

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Virtual Meeting via Google Meets

Members Present

Andy Tobin, Chairman
Michael DiMaria, Member
Jennifer Stielow, Member
Jason Baron, Member
Benjamin Rieck, Member

Members Absent

None

Other Present

Angela Dillard, ADOA General Accounting Office Staff
Joanna Greenaway, ADOA General Accounting Office Staff
Richard Evitch, ADOA General Accounting Office Staff
Jolene Teeters, ADOA General Accounting Office Staff
Myrna Lopez, ADOA General Accounting Office Staff

Not Present

Ashley Ruiz, ADOA General Accounting Office Staff

A. Call to Order

Commission Chair Andy Tobin called the Debt Oversight Commission meeting to order at 10:01 AM.

B. Member Roll Call

Commission Chair Tobin noted attendance for the record.

C. Staff Introductions

D. Approval of Minutes

Michael DiMaria moved to approve the minutes of the June 30, 2022 meeting as presented. Benjamin Rieck seconded the motion. Members unanimously approved the minutes.

E. Review the FY 2022 Report of Outstanding Indebtedness (the FY 2022 Report)

The FY 2022 report was distributed to the Commission members for review prior to the meeting.

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ADOA General Accounting Office (GAO) staff, Richard Evitch, provided a summary of the FY 2022 report:

1. Data Collection

Staff sent emails to all the entities from the previous year's contact list and used the State and County 2022 Abstract of the Assessment Roll presented by State of Arizona Department of Revenue. The Debt Form (Excel spreadsheet) was sent to these entities at their request and was available online to download for them to input their information. Then, staff uploaded the Debt Forms as submitted by entities into an Access database in order to produce the report. The Debt Reporting team also sent follow up communications and held meetings to resolve reporting issues and to provide assistance to other entities.

The deadline for entity submission was September 15, 2022; however, submissions were accepted and included in the report through November 2, 2022. Staff diligently collaborated with entities to capture as many submissions as possible.

2. Entities Reporting Summary

- 963 entities were identified that should report
 - 2 districts with debt belong to one authority
- 142 of the 963 entities did not submit or send any response; 15% of the entities
- 821 of the 963 entities reported to ADOA; 85% of the entities
- 376 of the 821 Reported no debt; 46% of the entities
- 74 of the 821 Reported exempt; 9% of the entities

3. Debt Summary as of June 30, 2022

- Total debt - \$38.8 billion
- Total interest paid on debt - \$11.6 billion
- Total FY 2022 new debt - \$6.1 billion
 - \$1.3 billion directly attributed to refunding of old debt
- Debt types with amounts
 - Revenue bonds - \$17.4 billion
 - General Obligation (GO) bonds - \$10.3 billion
 - Municipal Property Corporation Bonds \$6.9 billion
 - Certificates of Participation \$2.7 billion
 - Lease Purchase/3rd Party Financing \$1.3 billion

4. GO Bonds

From the entity submitted data via debt forms for the FY 2022 report, it appears entities were within their constitutional debt limit at the time the GO bonds were issued.

The debt capacity for entities reporting GO debt during FY 2022 was \$78.4 billion. The total amount outstanding was \$10.3 billion.

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5. Late Entity submissions & Corrections

To complete the report by the statutory deadline of December 15, 2022 entities that submitted debt forms after November 2, 2022 were not included in the final report:

- City of Williams
- Phoenix Elementary District
- Show Low Unified District
- Maricopa Unified School District

The following entities sent debt forms/reporting corrections after November 2, 2022 and are not included in the final report:

- Chino Valley Unified District
- Miami Unified District (originally reported no debt)

6. Non-Reporting entities

- For the FY 2022 report, 142 entities did not report as of November 2, 2022.
 - 62 last reported in FY 2021
 - 21 last reported in FY 2020
 - 23 last reported prior to FY 2020
 - 36 have not been reporting
- The list of entities that did not report their debt status for FY 2022 can be found in report Section 3, FY 2022 Unsubmitted Debt Reports (report page 206).

7. Non-Compliance

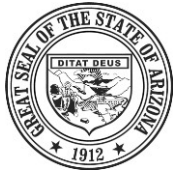
- Entity notification for non-compliance with statutory requirements
- A.R.S. §35-501(E) states in part:
 - “Any person or governing body so notified shall comply within thirty days. Any county, city, town, school district, irrigation district or other political subdivision of the state that fails to comply fully with the provisions of this article shall not issue any additional bonds or other securities.”
- Notice sent Thursday December 8, 2022. Subsequent to the notice:
 - 19 of 142 entities have reported No Debt
 - 4 of 142 entities have submitted debt form
 - 1 entity was consolidated with another entity
 - 24 of 142 entities emails undeliverable

8. Process and Reporting Improvements under Considerations for the FY 2023 Report

- Check County spelling and accuracy (State Agencies and Other Jurisdictions should be State)
 - E.g. La Paz and LaPaz
- Check current FY interest and total interest is not less than current FY interest
- Check total new bond debt is greater than total refunded in current FY
- Check date of debt for current FY new debt reported

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- Check retired debt in current FY and remove if prior FY

9. Motion to approve the FY 2022 Report of Outstanding Indebtedness

Jennifer Stielow moved that the Commission approve the FY 2022 Report of Outstanding Indebtedness as presented. Members unanimously approved.

The Commission approved the FY 2022 Report with the following condition:

- A note will be added to the Report of Outstanding Indebtedness stating the Debt Reporting Team is researching the below information and will take into consideration the best way to represent the debt limits going forward:
 - Include Class A & B bonds for School Districts
 - Split out bonds for Cities/Towns 6% and 20% debt limits

Since Class A bonds were issued by 1998, bonds issued after are Class B. Therefore, based on the date of issuance, the type of bond can be determined.

The Report of Outstanding Indebtedness is correctly reporting the total amount of debt, but is incorrectly reporting higher debt limits. Due to this, it cannot be determined whether School Districts are exceeding their debt limits.

Debt Reporting Team is to continue updating the Report of Outstanding Indebtedness as data is received. No end date was specified.

F. Credit Lending and Support Programs report

- Arizona State Lending Transparency Act Laws 2022, Chapter 350 (Senate Bill 1262) amending A.R.S. § 35-501
 - A list of each lending and credit support program and the statutory or other authority for each program
 - The total dollar amount of all monies offered pursuant to lending programs, specified by program
 - The total dollar amount of all debts guaranteed or to which credit enhancements are given pursuant to credit support programs, specified by program
 - An estimate of the cost of likely defaults on lending and credit support programs, specified by program

After the new administration is in place, Commission Chair Andy Tobin will recommend a study session occurs to include commission members in the spring.

G. Call to the Public

Commission Chair made a Call to the Public. There was no one from the public in attendance.

H. Adjournment

Commission Member, Jennifer Stielow recommended the Debt Oversight Commission meet prior

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the publication of the Report of Outstanding Indebtedness. However, due to the tight deadline and limited entity provided data, this has not been possible. Next year, the Debt Reporting Team will do their best to push this report and make this possible. Additionally, the next administration may review this issue and make recommendations moving forward including changing to the statutory reporting deadline of December 15th.

Benjamin Rieck made a motion to adjourn. Jason Baron seconded the motion. Members unanimously approved the motion. The meeting was adjourned at 10:36 AM.