



# **Gila COUNTY, ARIZONA**

## **Analysis of Proposal to Incur Long-Term Indebtedness**

**[Public Hearing]**

**\$2,000,000**

**Pledged Revenue Obligations, Series 2015**

January 6, 2015

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**STIFEL**



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## A. SUMMARY OF NEW MONEY PROJECT



# NEW MONEY PROJECT DESCRIPTION

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## Copper Administration Building (Used Modular Office Building)

- The Copper Administration Building will be located just south of the Globe Courthouse and Guerrero Building. It will provide approximately 21,000 square feet in office space. The Gila County Probation Department, along with the existing occupants of the Guerrero building will be relocated to the new structure. The County Attorney's Child Support staff will be relocated from the Michaelson Building in downtown Globe to backfill the space vacated in the Guerrero building.
- The Copper Administration building will accomplish two Board of Supervisor interests or goals. The first is to eliminate the need of leased office space. This goal will be accomplished with the move of the Probation department from the existing leased space it occupies. And the second goal to consolidate disparate offices and departments to the extent possible. The relocation of Child Support staff to the Guerrero building works to satisfy this goal.
- This project will further assist the residents of Gila County by consolidating services provided into a more centralized location. This project was identified as a component of the 2014 Facilities Master Plan.
- The County will mitigate over \$160,000 in annual rent or lease payments presently incurred by the Probation Department.
- The County intends to sell the Michaelson building in downtown Globe. Recent estimates appraise the building for approximately \$130,000.
- The estimated cost of the project is \$2 million.
- It is necessary for the County to use the long-term financing described herein to finance the costs of Copper Administration Building on the most attractive terms available to the County.



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## **B. ARIZONA COUNTY FINANCING ALTERNATIVES**



# ARIZONA COUNTY FINANCING ALTERNATIVES SUMMARY

Type of Infrastructure Improvement	General Obligation Bonds (15%)	HURF Bonds	Excise Tax Revenue Bonds	ID Bonds	CFD Bonds	Lease Purchase / COPs (Annual Appropriation)	Special Districts (a)	Library District	Jail District	WIFA (b)	GADA (c)	USDA / RUS	Rural Road District
1. Streets and Roads (Transportation)	✓	✓	✓ (d)	✓	✓						✓		✓ (GOs only)
2. Parks and Open Space	✓		✓		✓						✓		
3. Water and Wastewater Utilities	✓ (Pima County WW only)		✓ (Pima County)	✓	✓		✓			✓	✓	✓ (Includes Grants)	
4. Public Safety / Courts	✓		✓		✓	✓					✓		
5. Administrative Facilities	✓		✓		✓	✓					✓		
6. Libraries			✓		✓	✓		✓			✓		
7. Equipment / Technology	✓		✓		✓	✓	✓				✓		
8. Detention Facilities and Jails	✓		✓			✓			✓		✓		
9. Economic Development	✓		✓								✓		

- (a) Includes Sanitary Districts, Domestic Water Improvement Districts and other similar Districts.
- (b) Election not required if population is less than 50,000 (Special Districts).
- (c) Election not required if population is less than 200,000.
- (d) County Highway Acceleration Financing Option also available.



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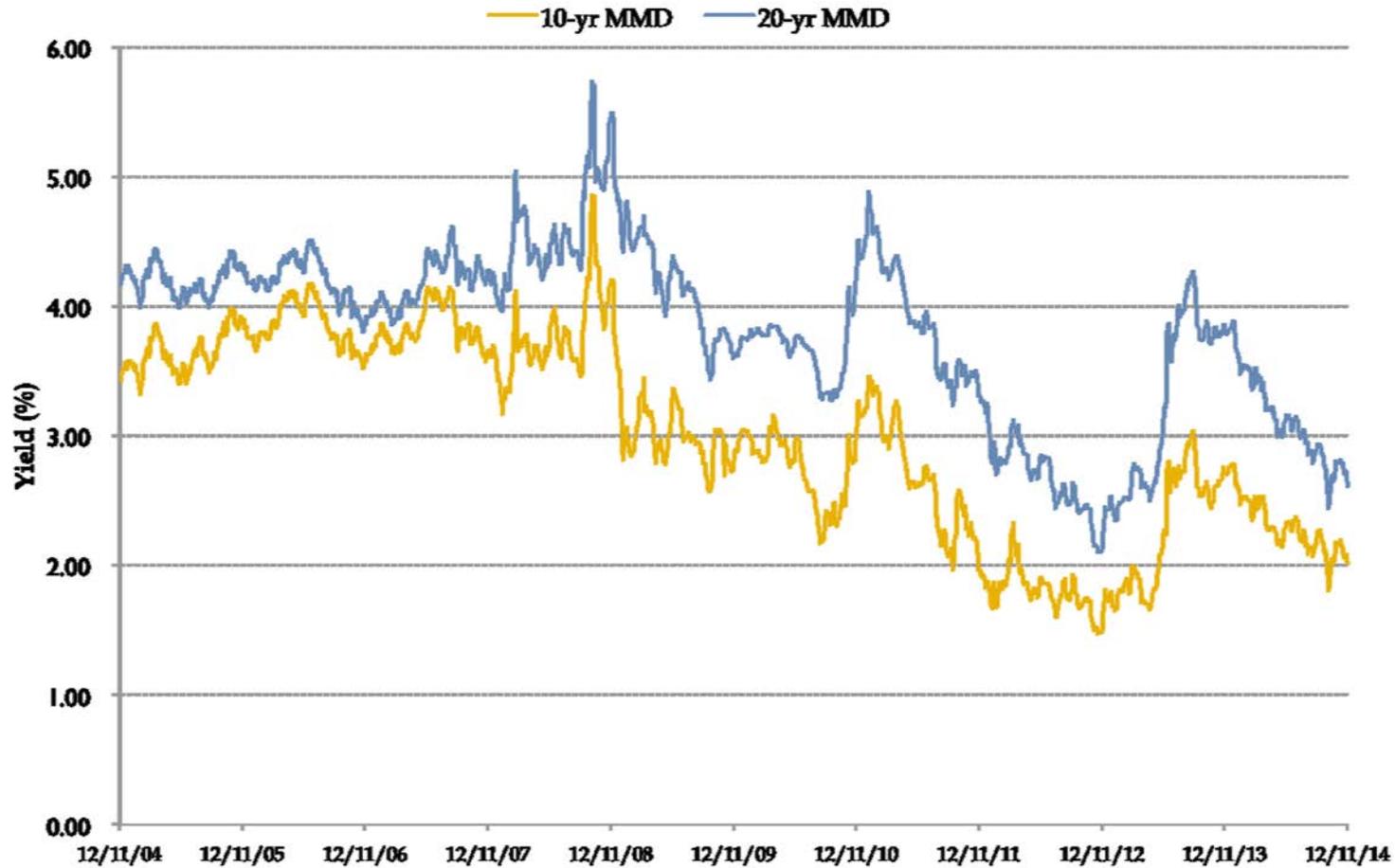
## C. BOND MARKET UPDATE



# MUNICIPAL TAX-EXEMPT INTEREST RATES

*Natural AAA Municipal Market Data Yields (10-year & 20-year MMD)*

Daily Over 10 & 20 -Year Periods Ending December 11, 2014



Source: Municipal Market Data and Bloomberg. As of 12/11/14.



# FINANCIAL MARKETS OVERVIEW

## ■ Financial markets

- Equity markets exhibit continued strength
- S&P 500 Index closed at all-time high of 2074.37 on 12/5
- 10-year Treasury yield fell 6 basis points in past week, and remains well below key 2.50% level; closed at 2.19% on 12/11

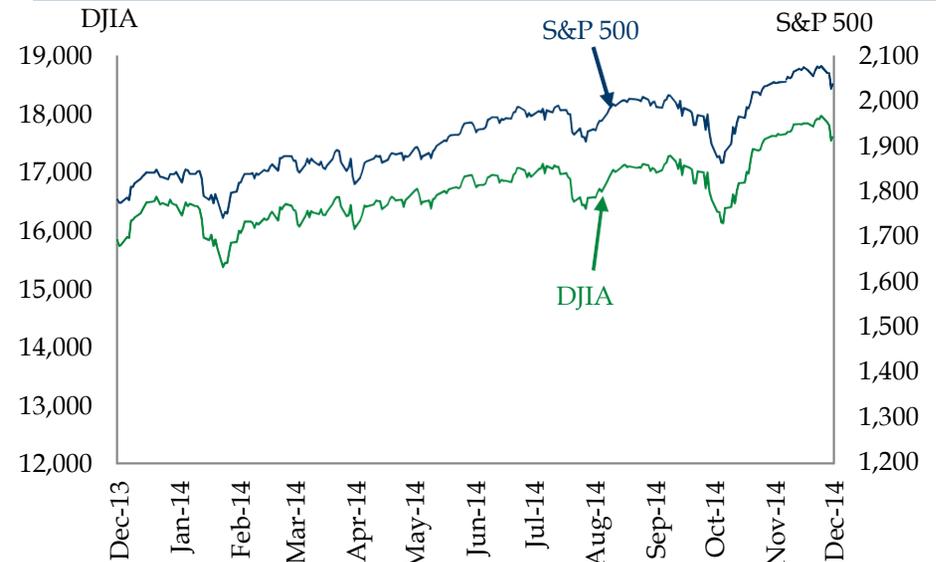
## ■ Geopolitical Remains in Focus

- Global tensions precipitate “flight to quality”
- Volatile situation in Middle East continues to worry investors
- Concern about Ebola generates fear

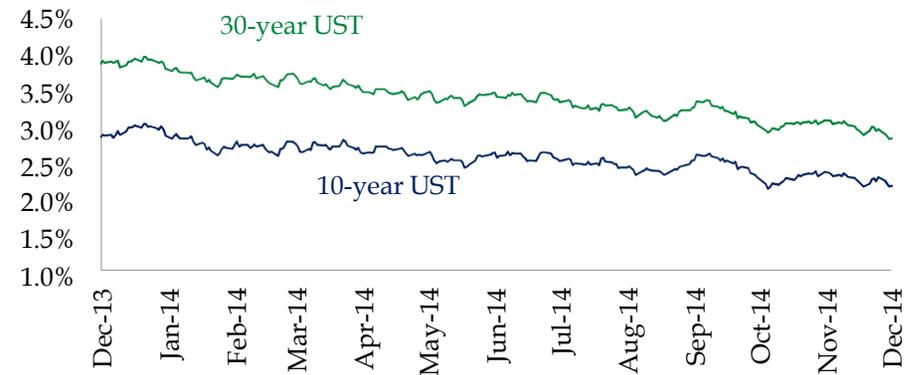
## ■ Federal Reserve focus

- Fed announced end of bond purchases 10/29
- “Bond-friendly” policies anticipated through 2015

DJIA and S&P 500 Indices (12/11/13 - 12/11/14)



10-Year and 30-Year US Treasuries (12/11/13 - 12/11/14)



Source: Bloomberg. As of 12/11/2014.



# MUNICIPAL MARKET OVERVIEW

*2014 initially witnessed a slow glide down in yields – volatility returning at these lower levels*

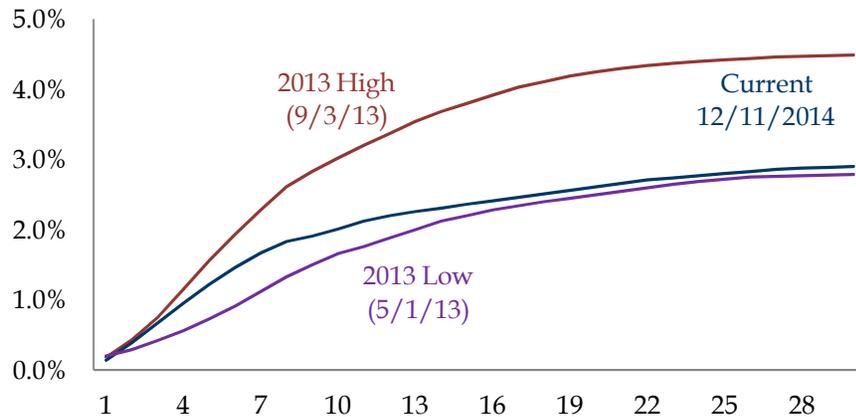
## ■ Municipal rates near multi-year lows

- 30-year AAA-rated Municipal Market Data (MMD) index reached 18-month low of 2.75% on 10/15/2014
- Recent interest rate volatility has calmed down in recent weeks

## ■ Investors added \$841 million to Municipal mutual funds last week

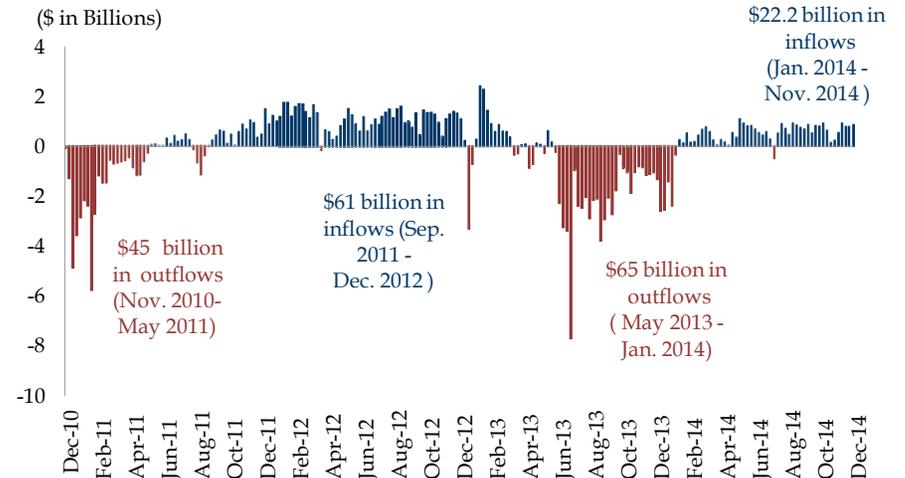
- Only 3 weeks in 2014 have seen net outflows from tax-exempt funds
- Year-to-date net positive inflows of over \$22.2 billion
- High yield funds have been one of the larger beneficiaries

AAA MMDI Index Recent Range



<sup>1</sup>MMD (Municipal Market Data) is an index of 'AAA' rated general obligation bonds. Sources: Investment Company Institute, Thomson Financial. As of 12/11/2014.

Municipal Mutual Fund Flows



# POSITIVE THEME IN THE MUNICIPAL MARKET

*Supply remains a very supportive technical factor*

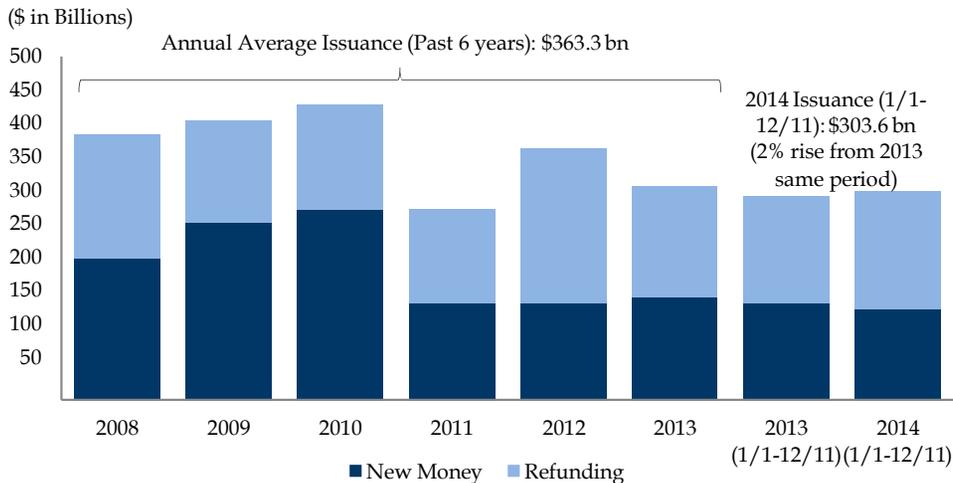
## ■ New issue volume picking up towards the end of 2014

- SIFMA Municipal Bond Issuance Survey had forecast approximately \$310 billion primary supply in 2014, comparable to 2013 issuance
- However, year-to-date 2014 primary market volume higher by 2% compared to same period in 2013
- “Negative net new issuance” possible as total redemptions from refundings and maturities outpace total new supply

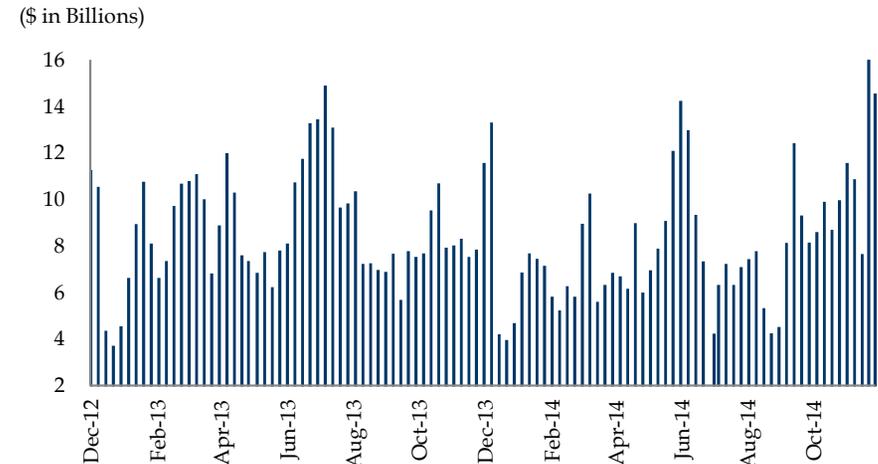
## ■ Typical seasonal increases in issuance expected

- Increase in volume in recent months relative to 2013 levels

Municipal Market Annual Supply



Bond Buyer 30-Day Visible Supply<sup>1</sup>



<sup>1</sup>Long term issues only. Weekly averages of estimated 30-day visible supply.  
Sources: SDC, The Bond Buyer. As of 12/11/2014.



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## D. NEW MONEY OBLIGATIONS, SERIES 2015



# DEBT PROFILE

## GILA COUNTY, ARIZONA

### Principal Amount of Bonds Outstanding (\$000s omitted)

Maturity Date (July 1)	[REDACTED]		[REDACTED]		Total
	Principal	Coupon	Principal	Coupon	
2016	290	4.000%	50	4.000%	340
2017	300	4.000%	50	4.000%	350
2018	315	4.000%	50	4.000%	365
2019	325	4.000%	55	4.000%	380
2020	340	4.000%	55	4.000%	395
2021	355	4.000%	60	4.000%	415
2022	365	4.000%	60	4.000%	425
2023	380	4.000%	65	4.000%	445
2024	395	5.000%	65	5.000%	460
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	485
2026	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	505
2027	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	535
2028	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	560
2029	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	590
	<u>\$5,360</u>		<u>\$890</u>		<u>\$6,250</u>
Call Features:	7/1/20 and After Callable 7/1/19 @ par		7/1/20 and After Callable 7/1/19 @ par		
Purpose:	[REDACTED]		[REDACTED]		



# HISTORICAL PLEDGED REVENUES

## County General Excise Tax Revenues and State Shared Revenues Gila County

Source	FY 08/09 Actuals	FY 09/10 Actuals	FY 10/11 Actuals	FY 11/12 Actuals	FY 12/13 Actuals	FY 13/14 Actuals	FY 14/15 Budget
County General Excise Tax Revenues	\$3,041,923	\$2,689,763	\$2,690,335	\$2,779,139	\$2,899,476	\$3,045,271	\$2,600,000
Gross State Shared Sales Tax	\$4,696,318	\$4,196,381	\$4,822,279	\$4,688,585	\$4,456,480	\$5,118,519	\$4,956,150
Less: ALTCS contribution	(\$2,290,625)	(\$1,746,400)	(\$1,675,585)	(\$2,120,162)	(\$2,143,666)	(\$2,126,000)	(\$2,107,400)
Less: AHCCCS contribution	(\$1,413,200)	(\$1,413,200)	(\$1,295,433)	(\$1,530,967)	(\$1,413,582)	(\$1,295,055)	(\$1,413,200)
Net State Shared Sales Tax	\$992,493	\$1,036,781	\$1,851,261	\$1,037,456	\$899,232	\$1,697,464	\$1,435,550
Total County Excise Tax Revenues and Net							
Shared Revenues	\$4,034,416	\$3,726,544	\$4,541,596	\$3,816,595	\$3,798,708	\$4,742,735	\$4,035,550

Source: Gila County.



# NEW MONEY OBLIGATIONS SUMMARY AND PRELIMINARY DEBT SERVICE STRUCTURE

## Gila County, Arizona \$2,000,000, Preliminary Debt Service and Coverage

Fiscal Year Ending	Estimated Pledged Revenues	Series 2009 Debt Svc.	Series 2015 (Admin Building)			Total 2009 & 2015	Debt Service Coverage
			Principal	Estimated Interest (a)	Total		
2014	\$4,742,735	\$620,700				\$620,700	7.64 x
2015	4,035,550	616,100				616,100	6.55 x
2016		621,350	\$152,000	\$82,500	\$234,500	855,850	4.72 x
2017		617,750	184,000	50,820	234,820	852,570	4.73 x
2018		618,750	189,000	45,760	234,760	853,510	4.73 x
2019		619,150	194,000	40,563	234,563	853,713	4.73 x
2020		618,950	199,000	35,228	234,228	853,178	4.73 x
2021		623,150	205,000	29,755	234,755	857,905	4.70 x
2022		616,550	211,000	24,118	235,118	851,668	4.74 x
2023		619,550	216,000	18,315	234,315	853,865	4.73 x
2024		616,750	222,000	12,375	234,375	851,125	4.74 x
2025		618,750	228,000	6,270	234,270	853,020	4.73 x
2026		614,500				614,500	6.57 x
2027		619,250				619,250	6.52 x
2028		617,500				617,500	6.54 x
2029		619,500				619,500	6.51 x
			<u>\$2,000,000</u>	<u>345,703</u>	<u>2,345,703</u>		

(a) Estimated. Subject to change. Based upon private placement estimated rates as of 12/22/2014 plus an additional estimated spread, based on similar credits of similar size, credit quality and amortization.



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## E. FINANCING CALENDAR



# FINANCING CALENDAR

December 2014						
S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

January 2015						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 2015						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

Date	Event	Team
Completed	Engagement letter executed appointing Stifel as the County's Placement Agent.	GC
Completed	Review preliminary debt service structure with the County to achieve the County's desired fiscal objectives. Review draft financing calendar.	GC, Stifel, GT
Completed	Pursuant to ARS 11-391, publish notice of public hearing to incur the long-term obligations in newspaper of general circulation in the County, issue a press release to print and electric media and post the notice on the County's official web site. [To be published and posted at least fifteen days before the date of the public hearing scheduled January 6 <sup>th</sup> .]	GC, GT, Stifel
Week of January 5 <sup>th</sup>	Complete substantially final Term Sheet and RFP Package.	Stifel, GC
Week of January 5 <sup>th</sup>	Due Diligence call with the County to review final Term Sheet and RFP package.	GC, Stifel
Week of January 5 <sup>th</sup>	Legal and financing documents distributed to the County and financing team for review.	SN, GT
Week of January 5 <sup>th</sup> or January 12 <sup>th</sup>	Submit PP Term Sheet and related financial and demographic information to interested financial institutions.	Stifel, GC
January 6 <sup>th</sup>	Incurring long-term obligations <u>Public Hearing</u> . (BOS shall present an analysis of the need for the projects, the need to use long-term financing and any other available option to accomplish the Project.)	GC, Stifel
January 19 <sup>th</sup> /20 <sup>th</sup> [check with County]	All Legal and Financial information due to the County for BOS packets in advance of the <u>January 27<sup>th</sup></u> BOS meeting.	SN, GT
Week of January 26 <sup>th</sup>	Due date of PP bid solicitations.	GC, Stifel, PP Bidders
January 27 <sup>th</sup>	BOS considers Resolution to approve the financing and granting authority to the County Manager or Finance Director to approve the final terms and conditions of the financing (after receipt of financing bids).	GC, Stifel, GT
Mid February	Close the financings.	All Parties
Financing Team:		
GC	- Gila County, Arizona – Borrower	
GT	- Greenberg Traurig, LLP – Special Counsel	
SN	- Stifel - Placement Agent	
TBD	- Purchaser [Financial Institution to be determined, including Counsel]	
TBD	- Trustee	



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## F. QUESTIONS



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## G. DISCLOSURE





# DISCLOSURE

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# APPENDIX





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## 1) SAMPLE TERM SHEET/RFP

