

PURSUANT TO A.R.S. §38-431.01, THE GILA COUNTY BOARD OF SUPERVISORS WILL HOLD A MEETING AT THE GILA COUNTY COURTHOUSE, BOARD OF SUPERVISORS' HEARING ROOM, 1400 EAST ASH STREET, GLOBE, ARIZONA. ONE OR MORE BOARD MEMBERS MAY PARTICIPATE IN THE MEETING BY TELEPHONE CONFERENCE CALL OR BY INTERACTIVE TELEVISION VIDEO (ITV). THE MEETING IS ALSO TELEVIEWED TO THE GILA COUNTY COMPLEX, BOARD OF SUPERVISORS' CONFERENCE ROOM, 610 E. HIGHWAY 260, PAYSON, ARIZONA.

**NOTE:** Per the most recent guidelines from the federal government regarding COVID-19 and to protect citizens, no citizens will be allowed in the Board of Supervisors' hearing room at the Globe Courthouse or at the County Complex, Board of Supervisors' conference room in Payson. The only exception to this statement is for public hearings. Citizens may attend the public hearing in person, one at a time, in Globe or in Payson to provide comments. A face mask must be worn while in the building; however, it may be removed while addressing the Board of Supervisors.

Citizens may watch the Board meeting live-streamed at:

<https://www.youtube.com/channel/UckCHWVqrI5AmJKbvYbO-k2A/live>

Citizens may submit written comments related to the September 22nd Special Meeting agenda by no later than 5 p.m. on Monday, September 21st, by emailing to the Clerk of the Board at [msheppard@gilacountyaz.gov](mailto:msheppard@gilacountyaz.gov) or calling 928-402-8757. Citizens may also submit written comments during the meeting through YouTube. Please include the meeting date, agenda item number, your name and residence address in the email.:

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**SPECIAL MEETING - TUESDAY, SEPTEMBER 22, 2020 - 10:00 A.M.**

1. **CALL TO ORDER - PLEDGE OF ALLEGIANCE**
2. **PUBLIC HEARINGS:**
  - A. Convene a public hearing pursuant to Arizona Revised Statutes §11-391 for the purpose of gathering input on a proposal of the Board of Supervisors of Gila County, Arizona, to incur a long-term obligation for the funding of the unfunded pension liability for the Public Safety Personnel Retirement System, Sheriff's Office Correctional Officers Retirement Plan (CORP) for Detention and CORP for Dispatch not secured by the full faith and credit of such county. **(Mary Springer/Mark Reader)**

3. **CALL TO THE PUBLIC:** A call to the public is held for public benefit to allow individuals to address the Board of Supervisors on any issue within the jurisdiction of the Board of Supervisors. Board members may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to Arizona Revised Statute §38-431.01(H), at the conclusion of an open call to the public, individual members of the Board of Supervisors may respond to criticism made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda for further discussion and decision at a future date.
4. At any time during this meeting pursuant to A.R.S. §38-431.02(K), members of the Board of Supervisors and the County Manager may present a brief summary of current events. No action may be taken on information presented.

IF SPECIAL ACCOMMODATIONS ARE NEEDED, PLEASE CONTACT THE RECEPTIONIST AT (928) 425-3231 AS EARLY AS POSSIBLE TO ARRANGE THE ACCOMMODATIONS. FOR TTY, PLEASE DIAL 7-1-1 TO REACH THE ARIZONA RELAY SERVICE AND ASK THE OPERATOR TO CONNECT YOU TO (928) 425-3231.

THE BOARD MAY VOTE TO HOLD AN EXECUTIVE SESSION FOR THE PURPOSE OF OBTAINING LEGAL ADVICE FROM THE BOARD'S ATTORNEY ON ANY MATTER LISTED ON THE AGENDA PURSUANT TO A.R.S. §38-431.03(A)(3).

THE ORDER OR DELETION OF ANY ITEM ON THIS AGENDA IS SUBJECT TO MODIFICATION AT THE MEETING.

**ARF-6262**

**2. A.**

**Special Meeting**

Meeting Date: 09/22/2020

Submitted For: Mary Springer, Finance Director

Submitted By: Mary Springer, Finance Director

Department: Finance

Fiscal Year: FY20-21

Budgeted?: Yes

Contract Dates 11/1/2020 - 1/1/2039

Grant?: No

Begin & End:

Matching No

Fund?: New

Requirement?:

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Information

Request/Subject

Public hearing to solicit public comment regarding incurring long-term financing to pay for the unfunded liability of the Public Safety Personnel Retirement System (PSPRS), Sheriff's Office (S.O.) Correctional Officers Retirement Plan (CORP) for Detention Officers and Non-Uniformed Officers, and S.O. CORP for Dispatchers.

Background Information

On June 23, 2020, Mark Reader from Stifel, Nicolaus & Company, Incorporated and Mike Townsend from PSPRS provided a presentation to the Board of Supervisors during a Work Session to introduce and discuss options for funding the UAAL (Unfunded Actuarially Accrued Liability), the associated risks and other attributes. At the Board's July 28, 2020, Work Session, Brandon Nee from the County Supervisors Association presented additional information regarding the unfunded liability of pension plans. Both presentations discussed the opportunity to realize significant savings while providing a stable and predictable annual payment schedule by taking advantage of the historically low-interest rates of public financing. Arizona Revised Statute (A.R.S.) § 11-391 outlines the notification and public hearing process for incurring long-term obligations as described below.

A.R.S. 11-391 (A) (2) states, "*Hold the public hearing, as announced in the notice, at least fifteen days before adopting the resolution for incurring the long-term obligations. At the hearing, the board shall present an analysis of the need for the project, the need to use*

*long-term financing and any other available options to accomplish the project. Any member of the public must be allowed to speak on the issue of incurring the long-term obligations to finance the proposed project." Paragraph B of that statute states, "At least fifteen days after the hearing the governing body must hold a public meeting to adopt findings and, following the public comments received at and after the hearing, by roll call vote, either: 1. Adopt and enter a resolution of intention to incur long-term obligations to finance the project, stating the public need for the project, the estimated cost and the amount of the long-term obligations to be incurred. 2. Reject long-term financing of the project and abandon further proceedings."*

On September 1, 2020, the Board of Supervisors instructed staff to move forward with public financing, based on the timeline presented, to fully fund the unfunded liability of the benefit retirement plans (PSPRS, CORP Detention, and CORP Dispatch).

Notification of this public hearing was advertised in the Arizona Silver Belt newspaper on September 2, 2020, and Payson Roundup newspaper on September 4, 2020. A press release was published in the local newspapers and the press release was posted on the County's website on the Internet.

### Evaluation

Pursuant to A.R.S. § 11-391, the Board must hold a public hearing to gather public comment regarding incurring long-term financing for the funding of the unfunded pension liability for PSPRS and CORP.

### Conclusion

Pursuant to A.R.S. 11-391, the Board must hold a public hearing to gather public comment regarding incurring long-term financing for the funding of the unfunded pension liability for PSPRS and CORP.

### Recommendation

Staff recommends holding the public hearing to gather public input regarding incurring long-term financial obligations.

### Suggested Motion

Convene a public hearing pursuant to Arizona Revised Statutes §11-391 for the purpose of gathering input on a proposal of the Board of Supervisors of Gila County, Arizona, to incur a long-term obligation for the funding of the unfunded pension liability for the Public Safety Personnel Retirement System, Sheriff's Office Correctional Officers Retirement Plan (CORP) for Detention and CORP for Dispatch not secured by the full faith and credit of such county. **(Mary Springer/Mark Reader)**

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Attachments

Presentation

Affidavit of Publication Payson Roundup

Affidavit of Publication AZ Silverbelt

A.R.S. 11-391

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## **Gila County, Arizona**

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

Pledged Revenue Obligations, Taxable Series 2020

September 22, 2020

### Analysis of

1. the need for the project,
2. the need to use long-term financing and
3. any other available options to accomplish the project.

# Gila County PSPRS Pension Debt Profile

## [Tier 1 and Tier 2 Legacy Costs]

STIFEL

Pension Plan	June 30, 2019 Liability (a)	PSPRS Amortization
PSPRS – Sheriff’s Department	\$12,580,424 (39.1% Funded)  Accrual Rate: 7.3%	1. 19-Years, 2039  2. Escalating annual amortization ranging from \$859,958 (2021/22) - \$2,759,085 (2037/38)
CORP – Detention	\$2,115,744 (71.4% Funded)  Accrual Rate: 7.3%	1. 36-years, 2056  2. Escalating annual amortization ranging from \$124,313 (2020/21) - \$403,822 (2037/38)
CORP – Dispatchers	\$875,868 (60.3% Funded)  Accrual Rate: 7.3%	1. 23-years, 2043  2. Escalating annual amortization ranging from \$40,219 (2020/21) - \$169,835 (2037/38)
<b>Total</b>	<b>\$15,572,036</b>	

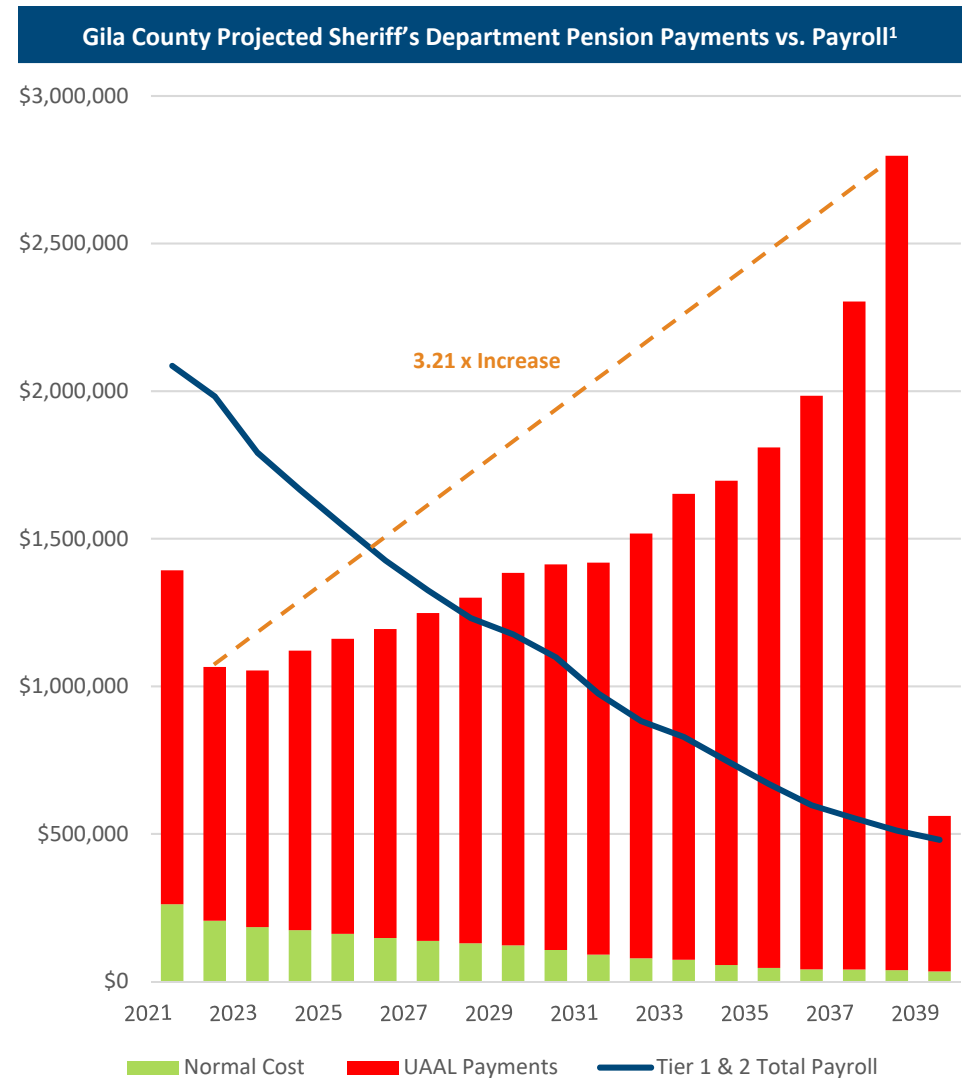
1. PSPRS liabilities are not pooled like ASRS
2. A more appropriate term for unfunded liabilities is debt, it is owed

(a) Source: PSPRS

# What are we currently paying? (Gila County Sheriff's Department)

STIFEL

Gila County Sheriff's Dept. Projected Pension Payments per PSPRS <sup>1</sup>					
FYE	Total Payroll	Normal Cost	% of Payroll	UAAL	% of Payroll
2021	\$2,085,849	\$261,357	12.53%	\$1,131,623	54.25%
2022	1,981,904	205,523	10.37%	859,958	43.39%
2023	1,791,717	184,009	10.27%	869,766	48.54%
2024	1,665,239	173,851	10.44%	946,610	56.85%
2025	1,544,941	161,446	10.45%	999,416	64.69%
2026	1,426,364	147,201	10.32%	1,046,802	73.39%
2027	1,325,322	137,701	10.39%	1,110,582	83.80%
2028	1,231,086	129,387	10.51%	1,170,814	95.10%
2029	1,175,998	122,069	10.38%	1,262,000	107.31%
2030	1,098,615	106,456	9.69%	1,306,276	118.90%
2031	974,783	91,045	9.34%	1,327,844	136.22%
2032	882,485	78,629	8.91%	1,438,635	163.02%
2033	828,790	73,348	8.85%	1,578,519	190.46%
2034	748,539	55,542	7.42%	1,640,945	219.22%
2035	668,781	46,079	6.89%	1,763,007	263.61%
2036	597,261	41,151	6.89%	1,942,770	325.28%
2037	553,370	40,507	7.32%	2,262,991	408.95%
2038	511,030	38,021	7.44%	2,759,085	539.91%
2039	479,966	34,078	7.10%	526,978	109.79%

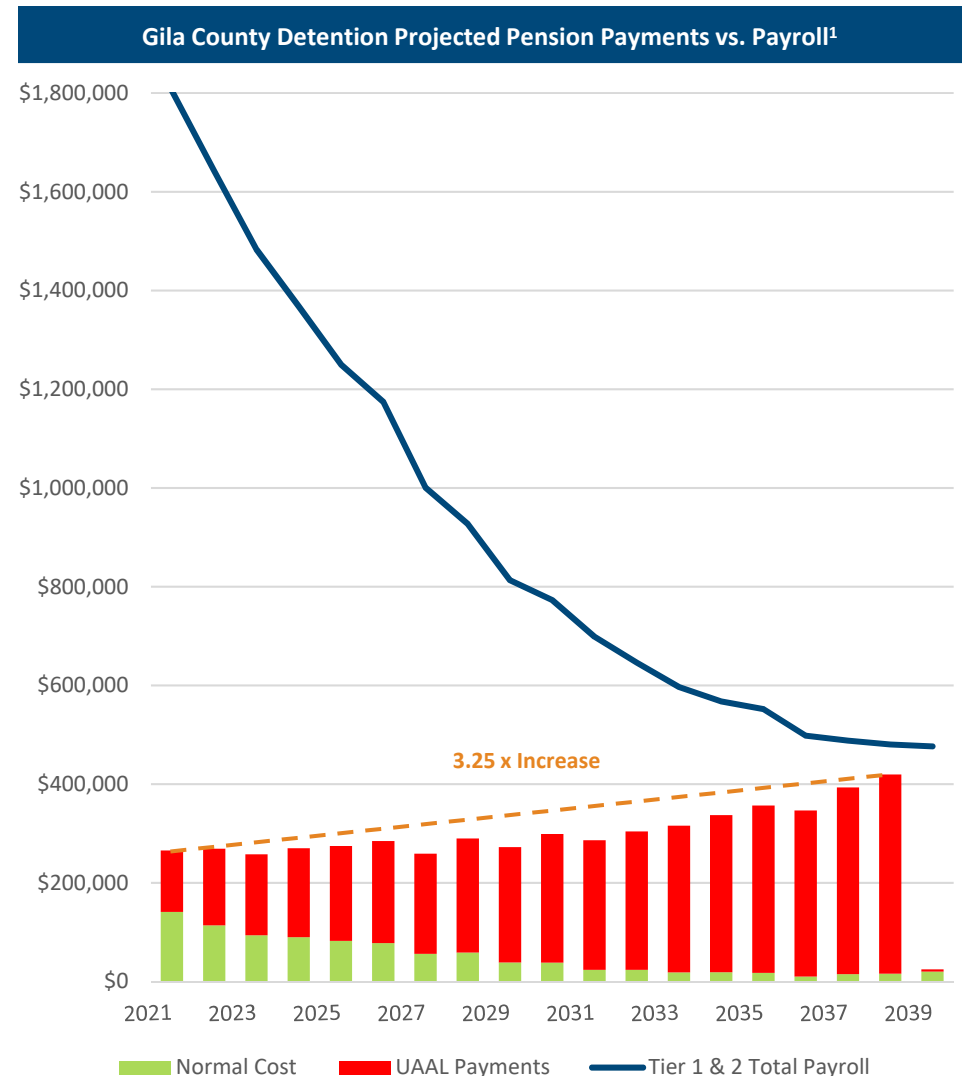


1. Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.

# What are we currently paying? (Gila County CORP – Detention)

STIFEL

Gila County Detention Projected Pension Payments per PSPRS <sup>1</sup>					
FY	Total Payroll	Normal Cost	% of Payroll	UAAL	% of Payroll
2021	\$1,804,245	\$140,912	7.81%	\$124,313	6.89%
2022	1,641,894	113,619	6.92%	155,336	9.46%
2023	1,483,348	93,451	6.30%	163,992	11.06%
2024	1,367,337	89,697	6.56%	180,250	13.18%
2025	1,249,698	82,105	6.57%	192,203	15.38%
2026	1,174,394	77,510	6.60%	206,959	17.62%
2027	1,000,554	56,031	5.60%	202,924	20.28%
2028	927,057	58,683	6.33%	230,850	24.90%
2029	812,856	38,529	4.74%	233,699	28.75%
2030	772,507	38,239	4.95%	260,349	33.70%
2031	698,298	23,393	3.35%	262,609	37.61%
2032	645,777	23,442	3.63%	280,352	43.41%
2033	596,534	18,373	3.08%	297,065	49.80%
2034	567,405	18,724	3.30%	318,306	56.10%
2035	551,772	17,436	3.16%	338,995	61.44%
2036	498,223	10,064	2.02%	336,321	67.50%
2037	488,095	14,789	3.03%	378,393	77.52%
2038	480,305	15,610	3.25%	403,822	84.08%
2039	476,327	20,053	4.21%	4,447	0.93%

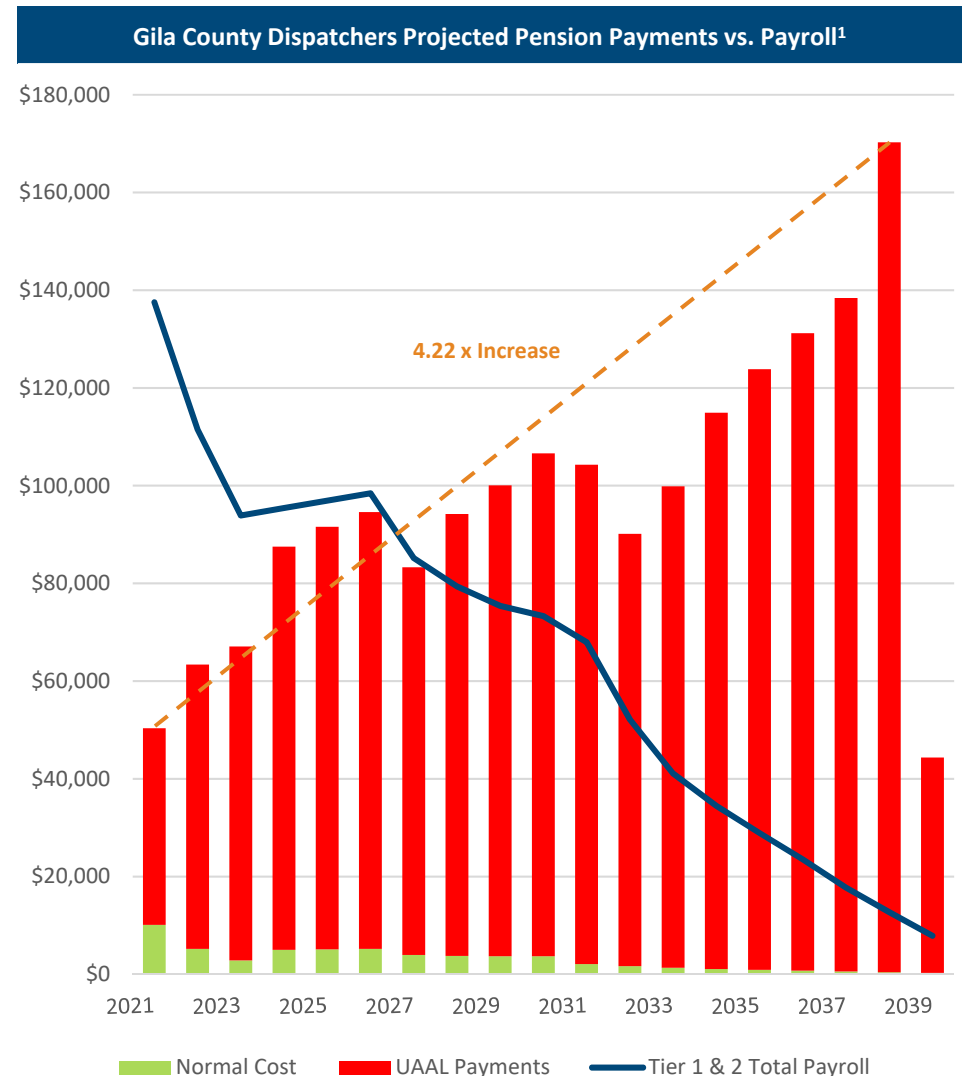


1. Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.

# What are we currently paying? (Gila County CORP – Dispatchers)

STIFEL

Gila County Dispatchers Projected Pension Payments per PSPRS <sup>1</sup>					
FY	Total Payroll	Normal Cost	% of Payroll	UAAL	% of Payroll
2021	\$137,521	\$10,108	7.35%	\$40,219	29.25%
2022	111,480	5,195	4.66%	58,181	52.19%
2023	93,889	2,835	3.02%	64,248	68.43%
2024	95,421	5,000	5.24%	82,501	86.46%
2025	96,933	5,079	5.24%	86,484	89.22%
2026	98,436	5,168	5.25%	89,400	90.82%
2027	85,187	3,944	4.63%	79,326	93.12%
2028	79,395	3,732	4.70%	90,439	113.91%
2029	75,391	3,672	4.87%	96,372	127.83%
2030	73,283	3,679	5.02%	102,919	140.44%
2031	67,961	2,086	3.07%	102,179	150.35%
2032	52,139	1,663	3.19%	88,459	169.66%
2033	41,085	1,315	3.20%	98,534	239.83%
2034	34,470	1,051	3.05%	113,848	330.28%
2035	28,905	884	3.06%	122,933	425.30%
2036	23,491	721	3.07%	130,455	555.34%
2037	17,731	580	3.27%	137,804	777.19%
2038	12,703	418	3.29%	169,835	1336.97%
2039	7,870	286	3.63%	44,049	559.71%



1. Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.

# What are we currently paying? (Combined Sheriff, Detention & Dispatchers)

## Key Decision Points:

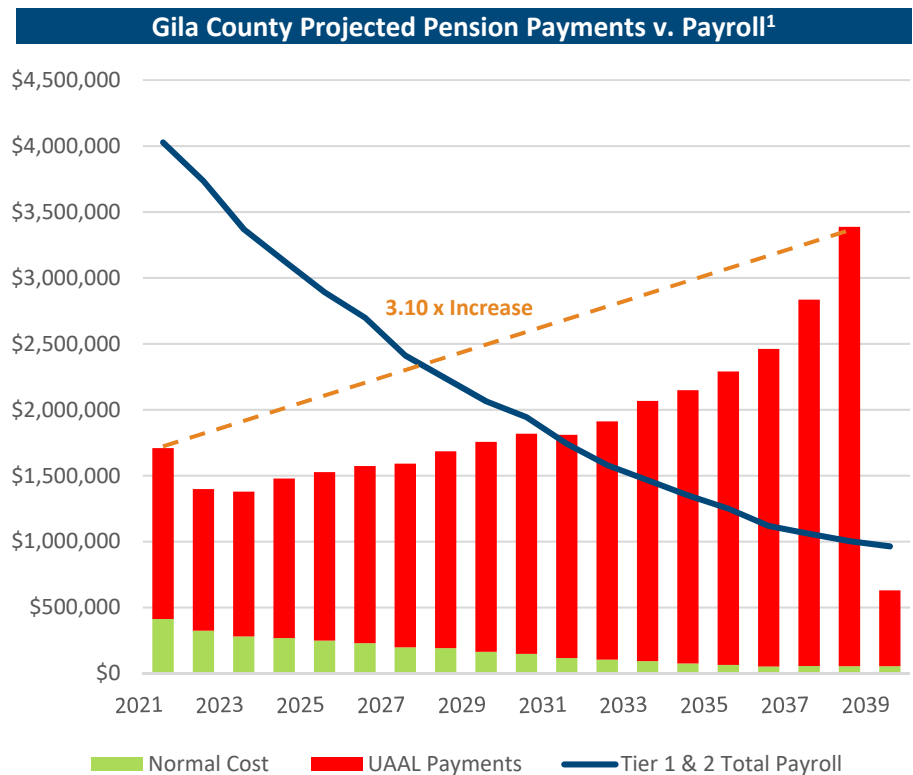
- What's the cost of doing nothing?
- What are feasible alternatives?

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The County is essentially borrowing from PSPRS to support its pension plans and this cost continues growing as plan assumptions evolve

- *If the County does nothing, it will continue to be exposed to the risk of increased future costs and liabilities due to changes in assumptions or investment return volatility*
- UAAL amortization payments will continue escalating well above total employee payroll

Gila County Projected Pension Payments per PSPRS <sup>1</sup>					
FY	Total Payroll	Normal Cost	% of Payroll	UAAL	% of Payroll
2021	\$4,027,615	\$412,377	10.24%	\$1,296,155	32.18%
2022	3,735,278	324,337	8.68%	1,073,475	28.74%
2023	3,368,954	280,295	8.32%	1,098,006	32.59%
2024	3,127,997	268,548	8.59%	1,209,361	38.66%
2025	2,891,572	248,630	8.60%	1,278,103	44.20%
2026	2,699,194	229,879	8.52%	1,343,161	49.76%
2027	2,411,063	197,676	8.20%	1,392,832	57.77%
2028	2,237,538	191,802	8.57%	1,492,103	66.69%
2029	2,064,245	164,270	7.96%	1,592,071	77.13%
2030	1,944,405	148,374	7.63%	1,669,544	85.86%
2031	1,741,042	116,524	6.69%	1,692,632	97.22%
2032	1,580,401	103,734	6.56%	1,807,446	114.37%
2033	1,466,409	93,036	6.34%	1,974,118	134.62%
2034	1,350,414	75,317	5.58%	2,073,099	153.52%
2035	1,249,458	64,399	5.15%	2,224,935	178.07%
2036	1,118,975	51,936	4.64%	2,409,546	215.34%
2037	1,059,196	55,876	5.28%	2,779,188	262.39%
2038	1,004,038	54,049	5.38%	3,332,742	331.93%
2039	964,163	54,417	5.64%	575,474	59.69%



## Recommendation:

- The County can utilize a pension obligation bond issuance to refinance this liability, reduce ongoing annual payments to create more level annual payment structure and increase its funded ratio

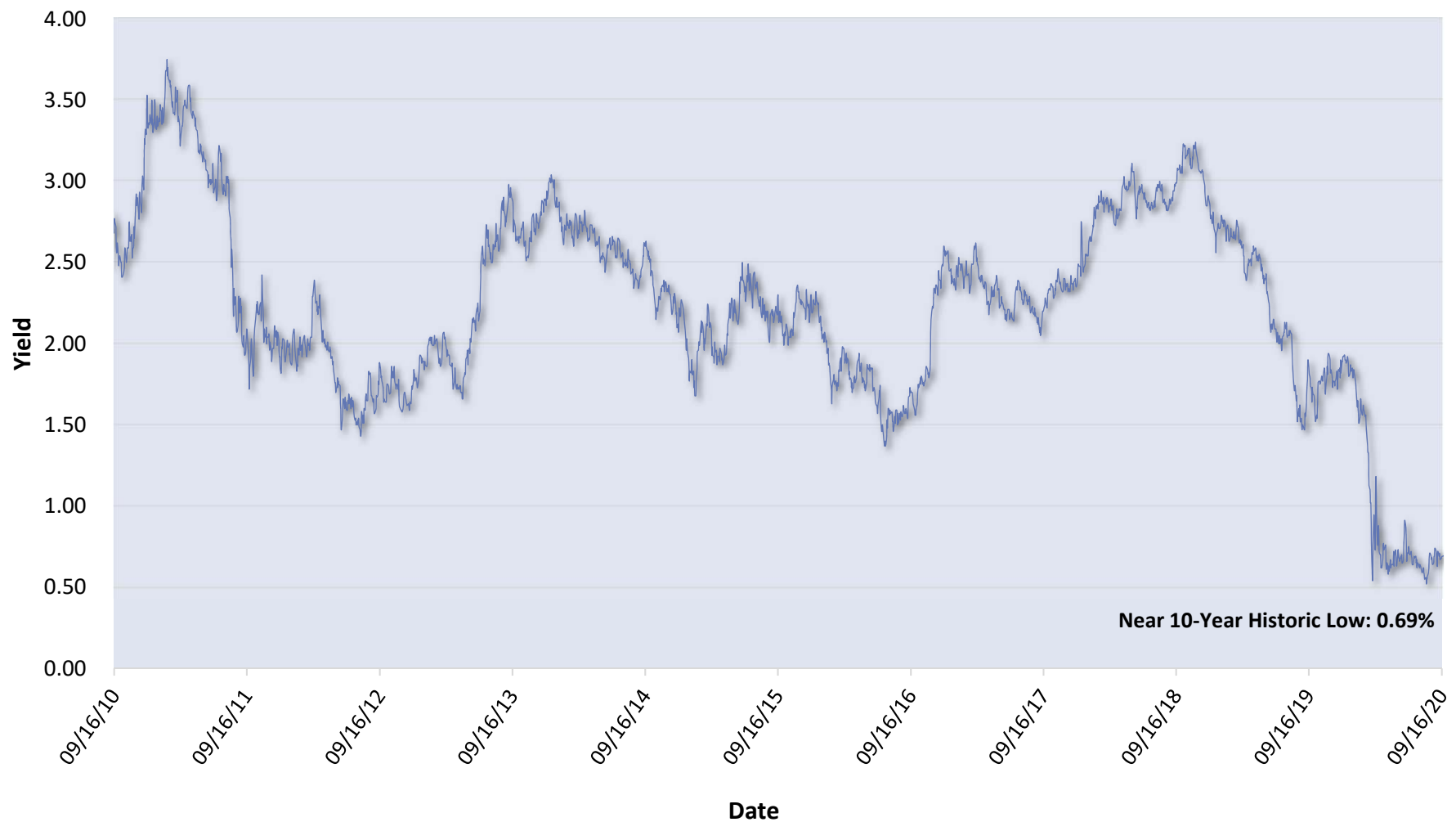
1. Source: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2019.

1. Analyze the County's largest unfunded and growing debt profile: PSPRS (Sheriff, Detention & Dispatchers)
2. Liability accruing at 7.3% resulting in negative amortization and growing liability – impacting General Fund
3. Review alternatives to address the liability including a Refunding/Refinancing to:
  - Lower interest rate to 3.12% (est) from 7.3% - resulting in the potential of significant cash flow and net present value savings (Estimated Net Present Value Savings \$9,137,815)
  - Address required and constitutionally protected growing legacy annual payments through level debt service structure
  - Consider shortening current PSPRS amortization with level debt service
  - Consider long-term Liability Management tool through Contingency Reserve Funds (actuarial and investment implications in the future)
  - Fund legacy Tier 1 and Tier 2 to 100% funded – at closing of transaction.

# Low Interest Rate Environment

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**10-yr US Treasury Notes: Past 10 Years**  
*(as of September 16, 2020)*



Source: US Department of the Treasury

1. General Obligation Bonds
2. Obligations Subject to Annual Appropriation
3. Excise Tax Revenue Obligations
4. General Fund cash contributions

# Obligations Incurred to Fund Unfunded Pension Liabilities: Impact on Annual Payments<sup>1,2</sup>

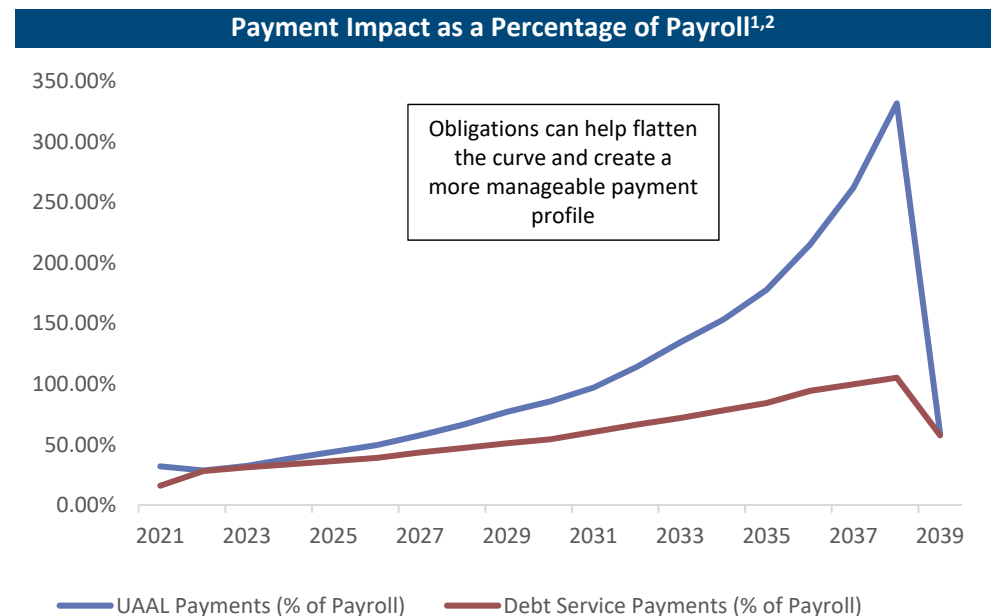
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**Issuing obligations to fully fund the existing unfunded liability for Sherriff's, Dispatchers' and Detention could allow the County to generate significant ongoing savings while leveling out year-over-year payments**

**Key Decision Points:**  
•How can the County address its escalating UAAL payments?

- Such obligations provide an opportunity for the County to reduce annual costs while also creating a more stable and balanced long-term expense profile
- We recommend that the County approximate \$1.0 million of annual level debt service on the obligations to mitigate the rapid escalation of UAAL payments relative to payroll, while also ensuring that debt service costs in any given year do **not** exceed the current PSPRS UAAL payment projections
- Finally, the County can utilize existing cash balances to establish Contingency Reserve Funds for its pension liability management; this paired reform would be a significant credit positive from a rating and investor perspective and will best position the County for managing future movements in plan projections and experience

Summary Statistics <sup>1,2</sup>	
Dated Date	11/18/2020
Final Maturity Date	1/1/2039
All-In TIC	3.12%
Average Life	9.58 years
Bond Par Amount	\$15,205,000
<b>Pension Fund Deposit</b>	<b>\$14,697,893</b>
Cost Savings (UAAL – Debt Service)	\$13,194,398
<b>Total NPV Benefit</b>	<b>\$9,137,815</b>
<b>Total NPV Benefit (as % of Bond Proceeds)</b>	<b>60.10%</b>
<b>Actuarial Funding Status after Pension Bonds</b>	<b>100.00%</b>



1. Market conditions as of August 26, 2020. Spreads based on comparable recent transactions. Stifel does not guarantee to underwrite at these levels. All NPV values are discounted to November 18, 2020 (assumed transaction closing date) at a discount rate of 3.03%. Please refer to Stifel's risk disclaimers in this presentation. 2021 UAAL amount was computed by Stifel using prior assumptions from the 2019 Actuarial Report.
2. Due to the current market dislocation caused by COVID-19, the interest rates assumed herein are estimated and provided for discussion purposes only and should not be considered indicative of available market execution.

# Obligations Incurred to Fund Unfunded Pension Liabilities: Analysis Results<sup>1,2</sup>

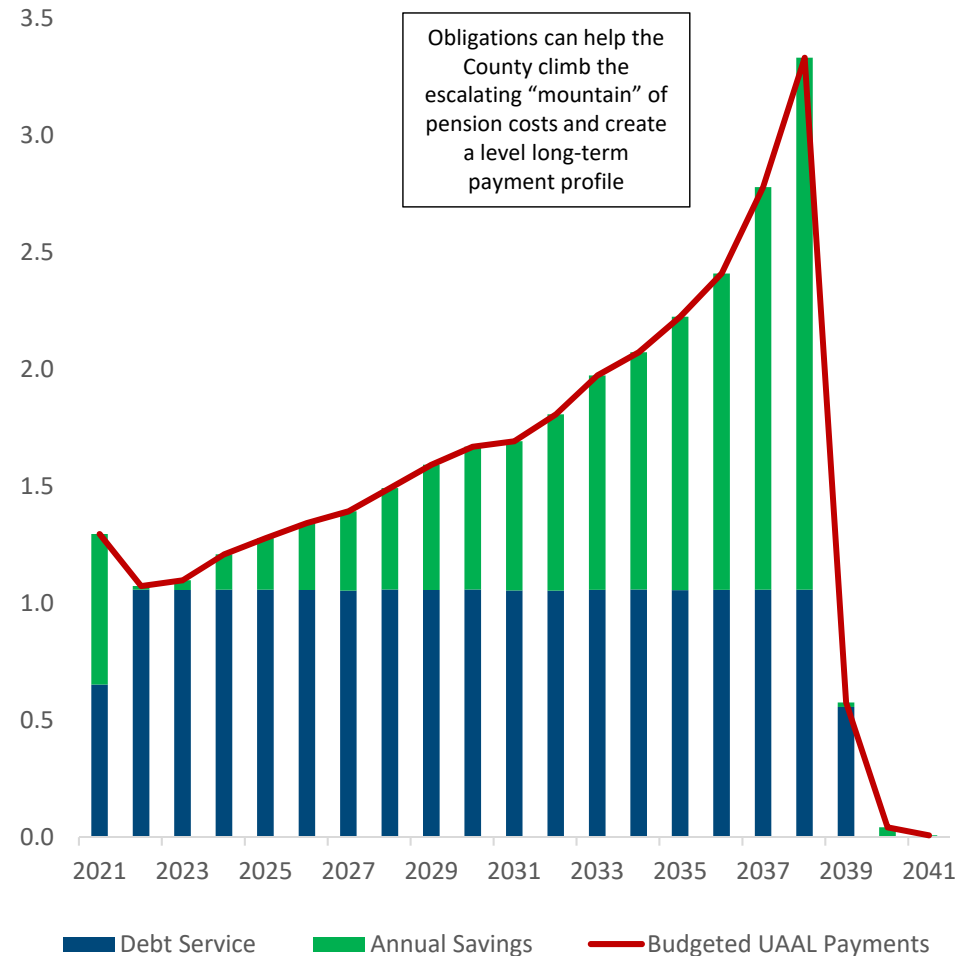
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## Key Decision Points:

- What level of savings can the County expect from a pension bonding?

FY	Budgeted UAAL Payments [A]	Debt Service [B]	Annual Savings [C] = [A] - [B]	PV Benefit @ 3.12% [D] = PV[C]
2021	1,296,155	652,211	643,944	641,587
2022	1,073,475	1,058,214	15,262	14,746
2023	1,098,006	1,056,469	41,538	38,921
2024	1,209,361	1,058,032	151,330	137,509
2025	1,278,103	1,057,882	220,222	194,060
2026	1,343,161	1,056,857	286,305	244,665
2027	1,392,832	1,053,894	338,939	280,887
2028	1,492,103	1,058,869	433,234	348,177
2029	1,592,071	1,056,897	535,175	417,100
2030	1,669,544	1,058,806	610,739	461,601
2031	1,692,632	1,054,447	638,186	467,763
2032	1,807,446	1,053,904	753,542	535,616
2033	1,974,118	1,057,019	917,100	632,164
2034	2,073,099	1,058,616	1,014,484	678,150
2035	2,224,935	1,055,960	1,168,975	757,797
2036	2,409,546	1,057,532	1,352,014	849,955
2037	2,779,188	1,058,177	1,721,011	1,049,218
2038	3,332,742	1,057,895	2,274,847	1,344,935
2039	575,474	556,686	18,788	10,772
2040	42,162		42,162	23,443
2041	7,915		7,915	4,268
2042	4,741		4,741	2,479
2043	3,951		3,951	2,004
<b>Total</b>	<b>32,372,760</b>	<b>19,178,362</b>	<b>13,194,398</b>	<b>9,137,815</b>

## Analysis Results (\$mil)<sup>1,2</sup>



1. Market conditions as of August 26, 2020. Spreads based on comparable recent transactions. Stifel does not guarantee to underwrite at these levels. All NPV values are discounted to November 18, 2020 (assumed transaction closing date) at a discount rate of 3.03%. Please refer to Stifel's risk disclaimers in this presentation. 2021 UAAL amount was computed by Stifel using prior assumptions from the 2019 Actuarial Report.
2. Due to the current market dislocation caused by COVID-19, the interest rates assumed herein are estimated and provided for discussion purposes only and should not be considered indicative of available market execution.

# Preliminary Debt Structure and Coverage – Public Notice Rates\*

STIFEL

(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year	Pledged Revenues (County Excise Tax Net State-Shared Revenues Vehicle License Tax Federal Payment In Lieu of Taxes)	Outstanding Debt Service	2020 Obligations Debt Service	Total Aggregate Debt Service	Maximum Annual Debt Service Coverage
2017/18	\$10,808,144				
2018/19	11,035,756				
2019/20	11,701,302				
2020/21		\$1,040,283	\$979,609	\$2,019,892	
2021/22		1,038,683	1,072,073	2,110,756	
2022/23		1,036,983	1,097,758	2,134,741	
2023/24		1,036,783	1,206,624	2,243,407	
2024/25		1,039,783	1,275,874	2,315,657	5.05 x
2025/26		1,040,163	1,341,861	2,382,024	
2026/27		1,041,163	1,388,478	2,429,641	
2027/28		1,036,163	1,490,802	2,526,965	
2028/29		1,038,913	1,591,524	2,630,437	
2029/30		1,039,913	1,590,922	2,630,835	
2030/31		1,036,313	1,587,659	2,623,972	
2031/32		1,036,713	1,591,655	2,628,368	
2032/33		1,040,913	1,592,396	2,633,309	
2033/34		1,037,800	1,590,256	2,628,056	
2034/35		1,040,000	1,590,482	2,630,482	
2035/36		1,035,800	1,587,804	2,623,604	
2036/37		1,040,400	1,592,222	2,632,622	
2037/38		1,038,400	1,588,252	2,626,652	
2038/39		1,040,000	566,136	1,606,136	
		<b>19,735,166</b>	<b>26,322,385</b>	<b>46,057,551</b>	

\* Subject to change.

# Preliminary Debt Structure and Coverage – Projected Market Rates\*

STIFEL

(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year	Pledged Revenues (County Excise Tax Net State-Shared Revenues Vehicle License Tax Federal Payment In Lieu of Taxes)	Outstanding Debt Service	2020 Obligations Debt Service	Total Aggregate Debt Service	Maximum Annual Debt Service Coverage
2017/18	\$10,808,144				
2018/19	11,035,756				
2019/20	11,701,302				
2020/21		\$1,040,283	\$652,211	\$1,692,494	
2021/22		1,038,683	1,058,214	2,096,897	
2022/23		1,036,983	1,056,469	2,093,452	
2023/24		1,036,783	1,058,032	2,094,815	
2024/25		1,039,783	1,057,882	2,097,665	5.58 x
2025/26		1,040,163	1,056,857	2,097,020	
2026/27		1,041,163	1,053,894	2,095,057	
2027/28		1,036,163	1,058,869	2,095,032	
2028/29		1,038,913	1,056,897	2,095,810	
2029/30		1,039,913	1,058,806	2,098,719	
2030/31		1,036,313	1,054,447	2,090,760	
2031/32		1,036,713	1,053,904	2,090,617	
2032/33		1,040,913	1,057,019	2,097,932	
2033/34		1,037,800	1,058,616	2,096,416	
2034/35		1,040,000	1,055,960	2,095,960	
2035/36		1,035,800	1,057,532	2,093,332	
2036/37		1,040,400	1,058,177	2,098,577	
2037/38		1,038,400	1,057,895	2,096,295	
2038/39		1,040,000	556,686	1,596,686	
		<b>19,735,166</b>	<b>19,178,367</b>	<b>38,913,533</b>	

\* Subject to change.

# Pledged Revenues

STIFEL

Source	Audited (a)					Estimated Actuals (b)	Estimated Actuals (b)	Budgeted (c)
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
County General Excise Tax Revenues (d)	\$ 3,045,271	\$ 2,830,513	\$ 2,750,391	\$ 2,991,169	\$ 3,100,874	\$ 3,138,508	\$ 3,455,163	\$ 2,092,516
Gross State Shared Revenues (d)(e)	5,127,396	5,285,292	5,295,586	5,529,250	5,835,533	5,929,018	6,261,089	5,596,985
Less ALTCS contribution (f)	(2,126,000)	(1,295,437)	(1,354,162)	(2,112,600)	(2,208,500)	(2,208,500)	(2,418,204)	(2,519,200)
Less AHCCCS contribution (g)	(1,295,055)	(1,648,734)	(1,413,200)	(1,413,200)	(1,413,200)	(1,413,200)	(1,413,200)	(1,413,200)
Net State Shared Revenues	1,706,341	2,341,121	2,528,224	2,003,450	2,213,833	2,307,318	2,429,685	1,664,585
Vehicle License Tax Revenues	1,568,388	1,523,065	1,680,975	1,825,337	1,873,651	1,913,804	1,944,048	1,413,773
Federal Payments In Lieu of Taxes	3,426,420	3,121,489	3,716,197	3,527,384	3,619,785	3,676,126	3,872,407	3,826,700
Total Pledged Revenues	\$ 9,746,421	\$ 9,816,188	\$ 10,675,787	\$ 10,347,340	\$ 10,808,144	\$ 11,035,756	\$ 11,701,302	\$ 8,997,574

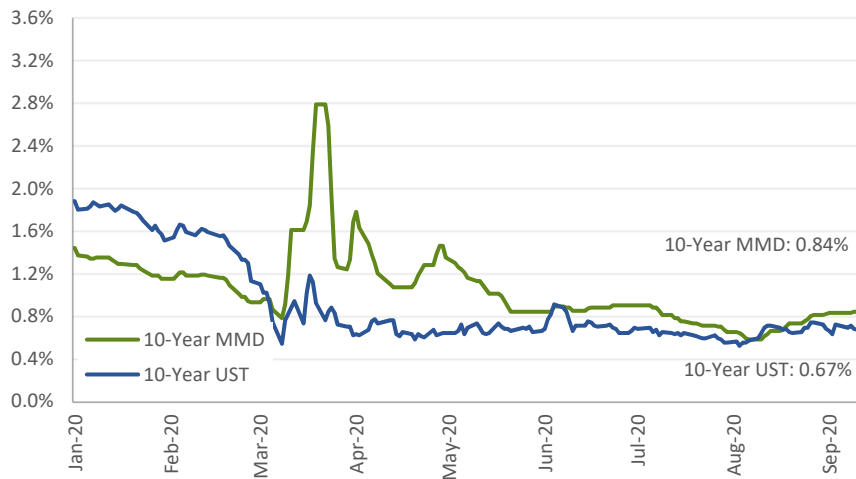
- (a) These amounts are from audited financial statements of the County for the years indicated. This table has not, however, been the subject of any separate audit procedures.
- (b) These amounts are actual, but unaudited and subject to change upon audit and should be considered with an abundance of caution.
- (c) These amounts are unaudited and subject to change upon audit and should be considered with an abundance of caution.
- (d) Does not include amounts allocated from the Education Tax described under “State Shared Revenues” above.
- (e) Pursuant to Section 11-292, Arizona Revised Statutes, the Treasurer of the State withholds an amount of the State Shared Revenues sufficient to meet the County’s portion of the non-federal costs of providing the long-term care system in the State (“ALTCS”) from moneys otherwise payable to the County in accordance with the State’s distribution of the State Shared Revenues. The County’s contribution is based on a fixed State formula. In the event that the State Shared Revenues withheld from the County by the Treasurer of the State are insufficient to meet the funding requirement of ALTCS, the Treasurer of the State may withhold any other moneys payable to the County from any available State funding source.
- (f) Pursuant to Section 11-292, Arizona Revised Statutes, the Treasurer of the State withholds an amount of the State Shared Revenues determined by statutory formula for the administrative costs of implementing certain provisions of the Arizona Health Care Cost Containment System (“AHCCCS”). If the County does not make its contribution to the AHCCCS fund, which is used to offset certain indigent and related health care costs, the Treasurer of the State may withhold any amounts owed, plus interest retroactive to the first date the funding was due, from the County’s State Shared Revenues.

# Interest Rate Movement

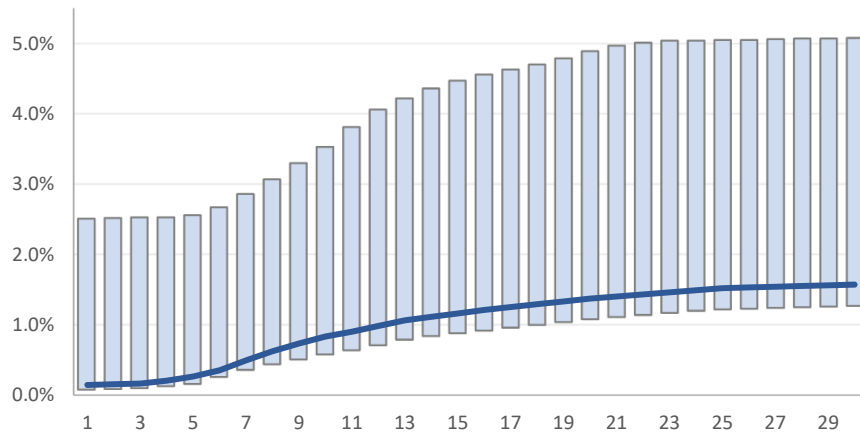
STIFEL

## Most AAA MMD Yields Remain Stable, While Most UST Yields Decline

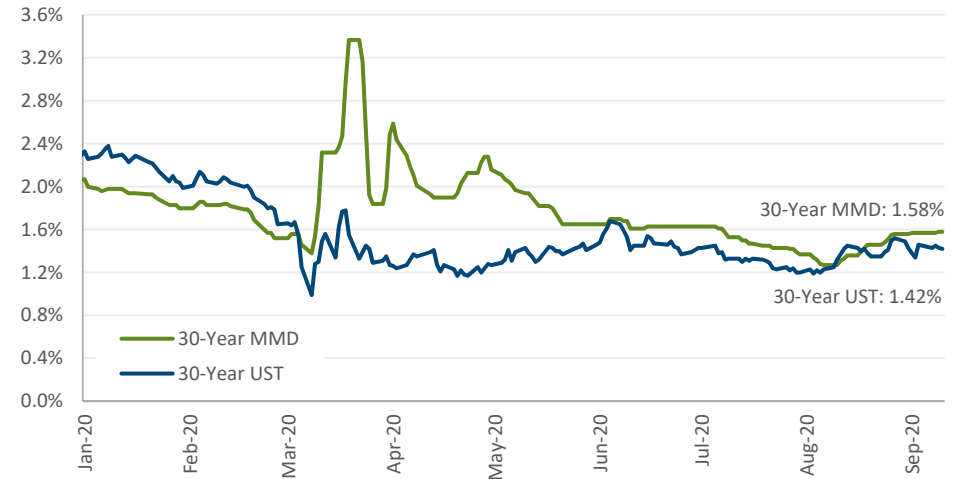
**The Negative Gap Between the 10-Year MMD and UST Remains Open**  
Comparing 10-Year UST and 10-Year AAA MMD since January 1, 2020



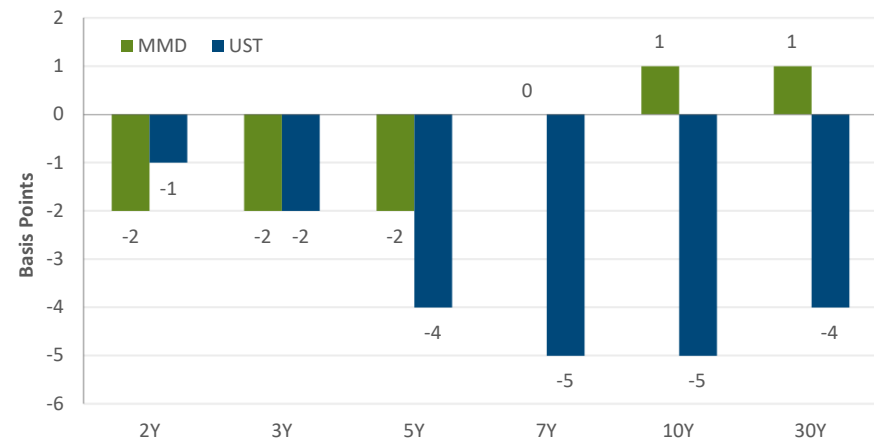
**AAA MMD Rates Climb from All-Time Record Lows in Some Maturities**  
10-Year Historical AAA MMD Range vs. Current AAA MMD



**30-Year AAA MMD Moves Two Basis Points in the Last Two Weeks**  
Comparing 30-Year UST and 30-Year AAA MMD since January 1, 2020



**UST Yields, for the 2-Year Through the 30-Year, Decline**  
September 4, 2020 to September 11, 2020



# New Issue Supply and Demand – Week of September 14, 2020

STIFEL

## UPCOMING ISSUANCE

\$1.1B New York City, NY Transitional Finance Auth Rev, Aa1/AAA/AAA
\$900MM Met Trans Auth, NY Rev Green Bonds,
\$803MM Houston, TX Airport Rev (620T/112AMT/71TE), A1/A/-, 2022-32
\$599MM Texas Water Dev Board Rev, -/AAA/ap, 2021-55
\$469MM Pennsylvania Commonwealth GO, Aa3/A+/AA-, 2021-40
\$427MM Illinois Fin Auth Rev - OSF Healthcare, A3/A/A
\$227MM Harris County, TX Flood Control Dist GO, Aaa/NR/AAA
\$207MM State Center CCD, CA GO, Aa1/AA/NR
\$188MM North Carolina Housing Fin Auth Rev
\$148MM Allegheny County, PA Sanitary Auth Sewer Rev, Aa3/A+/-, 2022-50
<b>30-Day Visible Supply:</b> \$12.8 Billion <b>7-Day Visible Supply:</b> \$9.89B

## MAJOR ECONOMIC DATA

RELEASE	DAY	ESTIMATE	ACTUAL
Empire Manufacturing - September	15-Sep	7.0	
Industrial Production - August	15-Sep	1.0%	
Retail Sales - August	16-Sep	1.0%	
FOMC Rate Decision	16-Sep	0.00%-0.25%	
Housing Starts - August	17-Sep	1483K	
Initial Jobless Claims - September 12	17-Sep	13000K	
Leading Index - August	18-Sep	1.3%	

## TAXABLE MUNICIPAL GO/MAKE WHOLE TREASURY SPREAD

	5/5	10/10	20/30	30/30
<b>AAA</b>	28	60	90	101
<b>AA</b>	37	72	102	113
<b>A</b>	87	124	144	155
<b>BBB</b>	140	180	205	220

## COMMENTARY

Municipal supply is expected to rise this week to just under \$10 billion (\$7.64B tax-exempt and \$2.25B taxable). Demand has remained consistent (although not for all maturities) with Lipper reporting an 18th consecutive week of inflows for Municipal Mutual Funds at \$1 billion. The four-week moving average for inflows decreased to \$998 million. Ratios for AAA Municipal GO's to US Treasuries remain elevated with the 5 year maturity ending last week at 94.1%, the 10 year at 125.6% and the 30 year at 111.5%. The FOMC meets this week, as investors do not expect a rate change will be announced on Wednesday, focus will be primarily on Powell's comments. The US Treasury will auction \$22B 20 year bonds on Tuesday and \$12B 10 year TIPS on Thursday.

## RATE DATA

	TODAY	WEEK PRIOR	MONTH PRIOR	YEAR PRIOR
<b>AAA GO</b>				
2 YEAR	0.13	0.15	0.14	1.27
5 YEAR	0.24	0.26	0.23	1.29
10 YEAR	0.84	0.83	0.66	1.52
15 YEAR	1.17	1.16	0.97	1.74
20 YEAR	1.38	1.37	1.17	1.94
30 YEAR	1.58	1.57	1.36	2.13
<b>US TREASURY</b>				
2 YEAR	0.13	0.14	0.14	1.75
5 YEAR	0.26	0.28	0.28	1.70
10 YEAR	0.67	0.69	0.68	1.83
30 YEAR	1.42	1.43	1.42	2.30
<b>FED FUNDS</b>	0.00-0.25	0.00-0.25	0.00-0.25	2.00-2.25
<b>PRIME RATE</b>	3.25	3.25	3.25	5.25
<b>MIG 1 - 1YR</b>	0.21	0.20	0.19	1.30
<b>MUB ETF</b>	115.940	115.850	116.820	113.370
<b>SIFMA 7DAY</b>	0.08	0.08	0.11	1.31
<b>MSRB 7DAY TRD</b>	\$42,820MM	\$49,970MM	\$50,350MM	\$54,389MM
<b>BOND BUYER INDEXES</b>				
<b>20 Bond GO<sup>1</sup></b>	2.22	2.22	2.05	2.85
<b>11 Bond GO<sup>2</sup></b>	1.75	1.75	1.58	2.39
<b>25 Bond REV<sup>3</sup></b>	2.64	2.64	2.47	3.33

<sup>1</sup> GO bonds maturing in 20 years, avg. rating equivalent to Moody's Aa2 & S&P's AA

<sup>2</sup> GO bonds maturing in 20 years, avg. rating equivalent to Moody's Aa1 & S&P's AA+

<sup>3</sup> Revenue bonds maturing in 30 years, avg. rating equivalent to Moody's A1 & S&P A+

# Issuance Timeline\*

STIFEL

September 2020						
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			

October 2020						
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

November 2020						
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					

\* Subject to change.

Date	Event	Responsibility
September 1st	Gila County Board of Supervisor agenda item to provide updated information/education and direction to proceed.	Gila County, Stifel
Week of September 7 <sup>th</sup>	Draft Preliminary Official Statement (POS) forwarded to financing team for review and comments. Draft Resolution and legal documents distributed.	Stifel, GT, SPB
September 4 <sup>th</sup> (on or around)	Notice of Public Hearing posted in newspaper(s) of general circulation.	GT, Gila County
Week of September 7 <sup>th</sup>	Draft Resolution, legal documents submitted to the District and financing team participants.	GT
September 22 <sup>nd</sup>	Due Diligence meeting/conference call.	All Parties
In process	2019 Audit completed. Not required for purposes of financing.	Gila County
Week of September 21 <sup>st</sup>	Rating Agency application submitted with final rating date goal of October 5 <sup>th</sup> .	Stifel, CFD
September 22 <sup>nd</sup>	11-391 Public Hearing. County required to wait 15 days prior to adoption of a Bond Resolution.	Gila County
September 28 <sup>th</sup>	Rating Agency Power Point Presentation review.	Gila County, Stifel, PSPRS (invited)
October 6 <sup>th</sup> / Week of October 12 <sup>th</sup>	Distribute POS to prospective investors, including final rating and insurance, if applicable.	All Parties
October 13 <sup>th</sup> (on or around)	All documents due to the County in connection with the October 20 <sup>TH</sup> BOS meeting.	All Parties
Week of October 12 <sup>th</sup>	PSPRS true-up reconciliations on all agent multi-employer plans (Sheriff, CORP Detention and Dispatchers).	GC, Stifel
October 20 <sup>th</sup>	BOS considers a Resolution authorizing (delegating) authority to the County Manager/Finance Director to effectuate the transaction (assumes emergency clause adoption).	Gila County, Stifel, GT
October 21 <sup>st</sup> / Week of October 26 <sup>th</sup>	Bond Underwriting.	All Parties
Week of November 16 <sup>th</sup> (on or around)	Closing. Funds wired to PSPRS to achieve at or near 100% funded ratio.	All Parties

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Pension Obligation Bonds (“POBs”) are a source of financing for unfunded actuarial liabilities of pension funds and can serve a valuable function. However, the success of a POB financing is dependent on a number of assumptions proving to be accurate, and the failure of any of these assumptions is a risk that a government issuing POBs should consider.

Among the assumptions that are important to a POB financing, and the risks associated with those assumptions providing to be inaccurate, are the following:

- Assumption: The investment yield on the POB proceeds once deposited in the pension fund will equal or exceed the yield on the POBs. **Risk: If the investment yield on the POB proceeds is less than the yield on the POBs, and the decline is not offset by positive changes in other assumptions, the issuance of the POBs may actually increase the unfunded actuarial liability.**
- Assumption: Payroll increases during the term of the POBs will be as anticipated when the unfunded actuarial liability was estimated at POB issuance. **Risk: If payroll increases during the term of the POBs exceed expectations, and the increases are not offset by positive changes in other assumptions, the POB proceeds will not suffice to cover the unfunded actuarial liability.**
- Assumption: Cost of living adjustments (“COLAs”) will be as anticipated when the unfunded actuarial liability was estimated at POB issuance. **Risk: If COLAs exceed expectations during the term of the POBs, and the increases are not offset by positive changes in other assumptions, the POB proceeds will not suffice to cover the unfunded actuarial liability.**
- Assumption: Various assumptions used in calculating the unfunded actuarial liability -- such as mortality rates, early retirement incentives, types of payrolls covered by the pension fund -- will be as anticipated at the time of POB issuance. **Risk: If there are reductions in mortality rates, increases in early retirement incentives, expansions of the payrolls covered by the pension plan during the term of the POBs, and these changes are not offset by positive changes to other assumptions, the POB proceeds will not suffice to cover the unfunded actuarial liability.**

In addition to analyzing potential benefits that are based on achieving assumptions made in estimating the unfunded actuarial liability, we will also analyze potential budgetary benefits or losses based on various prospective levels of the pension systems’ earnings to assist you in gauging the likelihood of success of a POB transaction. It should be noted that potential budgetary benefits vary from year to year. Actual benefits or losses and the success of the POB financing cannot be known until the POBs have been paid in full.

Stifel, Nicolaus & Company, Incorporated (“Stifel”) has been engaged or appointed to serve as an underwriter or placement agent with respect to a particular issuance of municipal securities to which the attached material relates and Stifel is providing all information and advice contained in the attached material in its capacity as underwriter or placement agent for that particular issuance. As outlined in the SEC’s Municipal Advisor Rule with current effective implementation date of July 1, 2014, Stifel has not acted, and will not act, as your municipal advisor with respect to the issuance of the municipal securities that is the subject to the engagement.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s- length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

These materials have been prepared by Stifel for the client or potential client to whom such materials are directly addressed and delivered for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith and may not be relied upon as an indication that such an offer will be provided in the future. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and is subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and /or counsel as you deem appropriate.

# Affidavit of Publication

## Payson Roundup

STATE OF ARIZONA 10102839  
COUNTY OF GILA 9/4/2020

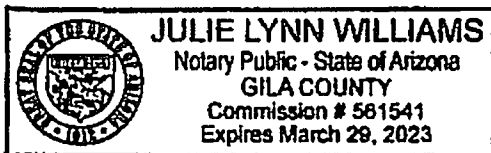
I, Susan LaBonte', do solemnly swear that I am Assistant Bookkeeper of the Payson Roundup, that the same is a newspaper printed, in whole or in part, and published in the COUNTY OF GILA, State of Arizona, and has a general circulation therein; that said newspaper has been published continuously and uninterruptedly in said COUNTY OF GILA for a period of more than fifty-two weeks prior to the first publication of the annexed legal notice or advertisement; that said newspaper has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879, or any amendments thereof, and that said newspaper is a newspaper duly qualified for publishing legal notices and advertisements within the meaning of the laws of the State of Arizona. That the annexed legal notice or advertisement was published in the regular and entire issue of every number of said daily newspaper for the period of 1.00 consecutive insertions; and that the first publication of said notice was in the issue of said newspaper dated September 04 A.D., 2020, and that the last publication of said notice was in the issue of said newspaper dated September 04 A.D., 2020. In witness whereof I have hereunto set my hand this September 04 A.D., 2020.

*Susan LaBonte'*

Susan LaBonte'

Subscribed and sworn to before me, a Notary Public in and for the COUNTY OF GILA, State of Arizona September 04 A.D., 2020.

*Julie Lynn Williams*  
Julie Lynn Williams, Notary Public



17869 9/4/2020 NOTICE OF HEARING ON PROPOSAL OF THE BOARD OF SUPERVISORS OF GILA COUNTY, ARIZONA, TO INCUR A LONG-TERM OBLIGATION NOT SECURED BY THE FULL FAITH AND CREDIT OF SUCH COUNTY For purposes of Section 11-391, Arizona Revised Statutes, the Board of Supervisors (the "Board") of Gila County, Arizona (the "County"), will hold a public hearing on September 22, 2020, at 10:00 a.m. in the Board of Supervisors Hearing Room, 1400 East Ash Street, Globe, Arizona 85501, regarding a purchase agreement (the "Agreement") to be secured by a pledge of amounts of all unrestricted transaction privilege (sales) taxes that the County now or hereafter levies, except for any taxes hereafter levied for an inconsistent purpose, excise taxes and transaction privilege (sales) taxes imposed and collected by the State of Arizona, or any agency thereof, and returned, allocated or apportioned to the County, except the County's share of any such taxes which by State law, rule or regulation must be expended for other purposes, and amounts remitted to the County by the U.S. Department of Interior pursuant to the federal Payment in Lieu of Taxes program, to fund all or a portion of the County's unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System. (More detail about the foregoing will be provided in analysis provided to the Board at the hereinafter described hearing.) The Agreement is estimated to be in the principal amount of not to exceed \$17,775,000 and, with total estimated interest of \$8,547,385 to have a total estimated financing cost of \$26,322,385. The Board will receive oral

comments at the hearing and will receive written comments at any time before adopting the resolution of intention with respect to the Agreement which will be considered no earlier than October 7, 2020 (the "Resolution"). NOTE: Per the most recent guidelines from the federal government regarding COVID-19 and to protect citizens, citizens may attend the public hearing in person, one at a time, to provide comments. A face mask must be worn while in the building; however, it may be removed while addressing the Board. The Board's mailing address is Gila County Board of Supervisors, c/o Marian Sheppard, Clerk of the Board, 1400 East Ash Street, Globe, Arizona 85501. The notice of such hearing posted on the website of the County includes an electronic link for submitting electronic comments at any time before adoption of the Resolution.

Dated: September 4, 2020  
/s/ Marian Sheppard  
Clerk, Board of Supervisors

# The Arizona Silver Belt Newspaper

298 N. Pine Street

Globe, AZ 85501

Telephone: 928-425-7121

## Affidavit of Publication

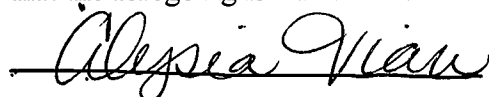
State of Arizona )

County of Gila ) ss

I am a citizen of the United States and a resident of the State of Arizona; I am over the age of eighteen years, and not a party to or interested in the entitled matter. I am the principal clerk of the printer and publisher of the ARIZONA SILVER BELT, a newspaper published in the English language in the city of GLOBE, county of GILA, state of Arizona and adjudged a newspaper of general circulation.

The Arizona Silver Belt, is a newspaper which is published weekly, is of general circulation and is in compliance with the Arizona Revised Statutes §§ 10-140.34 & 39-201.A & B. (Please note, publication has to be completed within 60 days of filing.) The notice will be/has been published One (1) consecutive week in the newspaper listed above.; September 02, 2020

I certify (or declare) under penalty of perjury that the foregoing is true and correct.



Alysia Viau

Subscribed and sworn to before me, a Notary

Public in and for said County and State, this

14th day of September, 2020

Notary Public

My Commission Expires: Dec. 17, 2022

NOTICE OF HEARING ON PROPOSAL OF THE BOARD OF SUPERVISORS OF GILA COUNTY, ARIZONA, TO INCUR A LONG-TERM OBLIGATION NOT SECURED BY THE FULL FAITH AND CREDIT OF SUCH COUNTY For purposes of Section 11-391, Arizona Revised Statutes, the Board of Supervisors (the "Board") of Gila County, Arizona (the "County"), will hold a public hearing on September 22, 2020, at 10:00 a.m. in the Board of Supervisors Hearing Room, 1400 East Ash Street, Globe, Arizona 85501, regarding a purchase agreement (the "Agreement") to be secured by a pledge of amounts of all unrestricted transaction privilege (sales) taxes that the County now or hereafter levies, except for any taxes hereafter levied for an inconsistent purpose, excise taxes and transaction privilege (sales) taxes imposed and collected by the State of Arizona, or any agency thereof, and returned, allocated or apportioned to the County, except the County's share of any such taxes which by State law, rule or regulation must be expended for other purposes, and amounts remitted to the County by the U.S. Department of Interior pursuant to the federal Payment in Lieu of Taxes program, to fund all or a portion of the County's unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System. (More detail about the foregoing will be provided in analysis provided to the Board at the hereinafter described hearing.) The Agreement is estimated to be in the principal amount of not to exceed \$17,775,000 and, with total estimated interest of \$8,547,385 to have a total estimated financing cost of \$26,322,385.

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First Pub: 09/02/2020

Last pub: 09/02/2020

LE1509

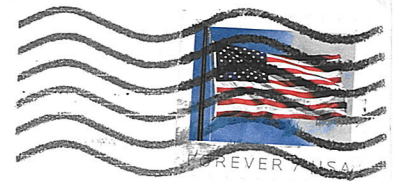
**ARIZONA SILVER BELT**

PO BOX 31  
GLOBE AZ 85502-0031

RETURN SERVICE REQUESTED

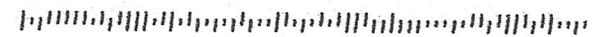
PHOENIX AZ 852

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85016-900075



11-391. Incurring long-term obligations; public hearing

A. In addition to any other requirements prescribed by law, in a county with a population of less than five hundred thousand persons if the board of supervisors approves incurring any long-term obligation that is not secured by the full faith and credit of the county, the board of supervisors must:

1. Publish a notice of a hearing on the proposal to incur the long-term obligation in a newspaper of general circulation in the county, issue a press release to print and electronic media and post the notice on the county's official web site. The notice must:

(a) Be published and posted at least fifteen days before the date of the hearing.

(b) Include the date, time and place of the hearing, the dollar amount of the proposed long-term obligations and the estimated total financing costs, the purpose of the proposed long-term obligations, including the project or projects that are proposed to be financed by long-term obligations, and that the board will receive:

(i) Oral comments at the hearing.

(ii) Written comments at any time before adopting the resolution of intention to incur long-term obligations, including the board's mailing address. The notice posted on the county's web site shall include an electronic link for commenting electronically.

2. Hold the public hearing, as announced in the notice, at least fifteen days before adopting the resolution for incurring the long-term obligations. At the hearing, the board shall present an analysis of the need for the project, the need to use long-term financing and any other available options to accomplish the project. Any member of the public must be allowed to speak on the issue of incurring the long-term obligations to finance the proposed project.

B. At least fifteen days after the hearing the governing body must hold a public meeting to adopt findings and, following the public comments received at and after the hearing, by roll call vote, either:

1. Adopt and enter a resolution of intention to incur long-term obligations to finance the project, stating the public need for the project, the estimated cost and the amount of the long-term obligations to be incurred.

2. Reject long-term financing of the project and abandon further proceedings.