PINAL COUNTY, ARIZONA

Analysis of Proposal to Incur Long-Term Indebtedness

[Public Hearing]

Pledged Revenue Refunding Obligations, Series 2015

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STIFEL

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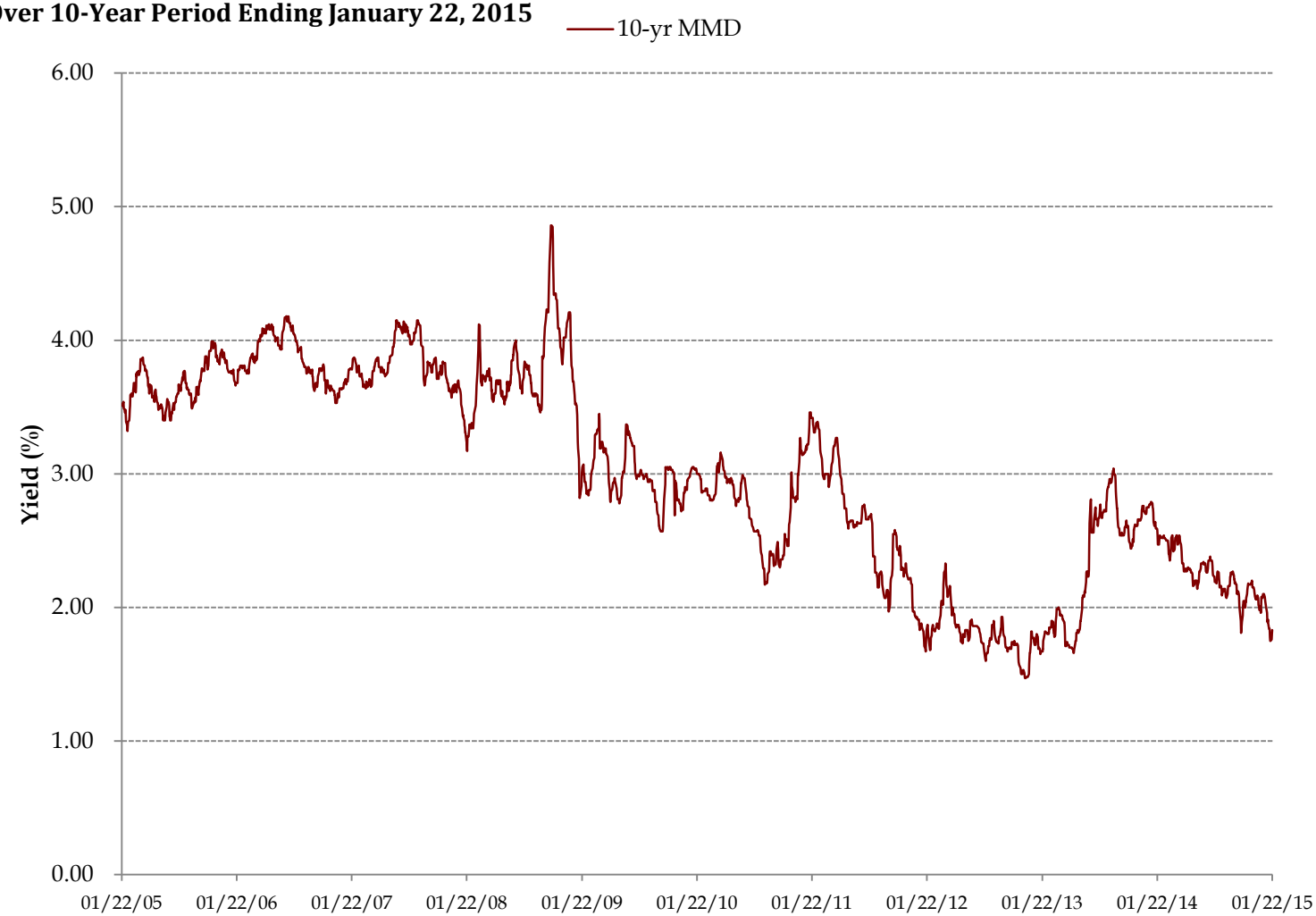
A. BOND MARKET UPDATE

MUNICIPAL TAX-EXEMPT INTEREST RATES

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

Daily Over 10-Year Period Ending January 22, 2015



Source: Municipal Market Data and Bloomberg. As of 1/22/15.

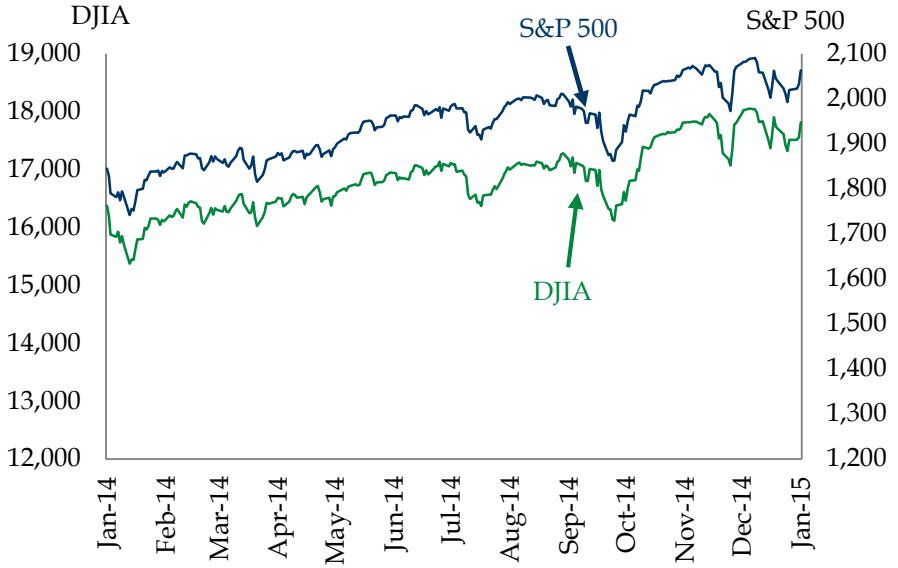
FINANCIAL MARKETS UPDATE

- **Financial markets**
  - Equity markets exhibit continued strength despite recent volatility
  - S&P Index closed at record high of 2,090.57 on 12/29
  - Price of oil has fallen drastically in recent months causing volatility
  - 10-year Treasury yield remains below key 2% level; closed at 1.90% on 1/22

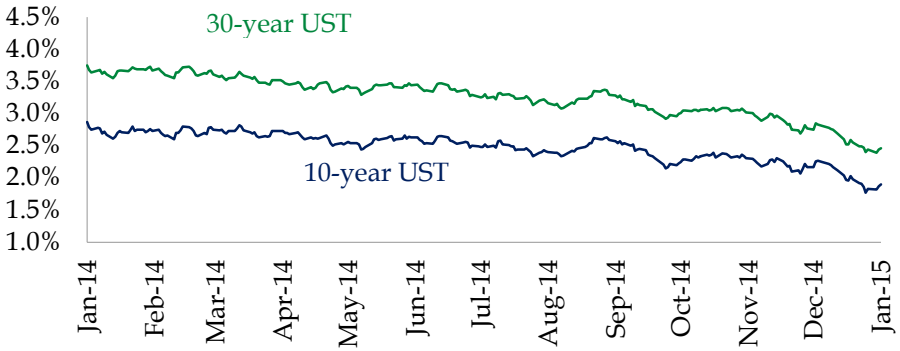
- **Geopolitical Tensions in Focus**
  - Global tensions precipitate "flight to quality"
  - Volatile situations in the Middle East, Ukraine, and Russia concern global investors

- **Federal Reserve focus**
  - Fed announced end of bond purchases 10/29
  - "Bond-friendly" policies anticipated through 2015

DJIA and S&P 500 Indices (1/22/14 – 1/22/15)



10-Year and 30-Year US Treasuries (1/22/14 – 1/22/15)



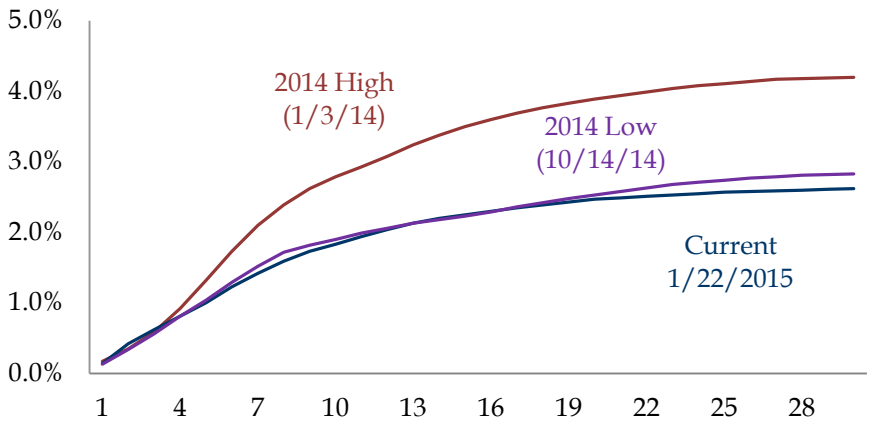
Source: Bloomberg. As of 1/22/15.

MUNICIPAL MARKET OVERVIEW

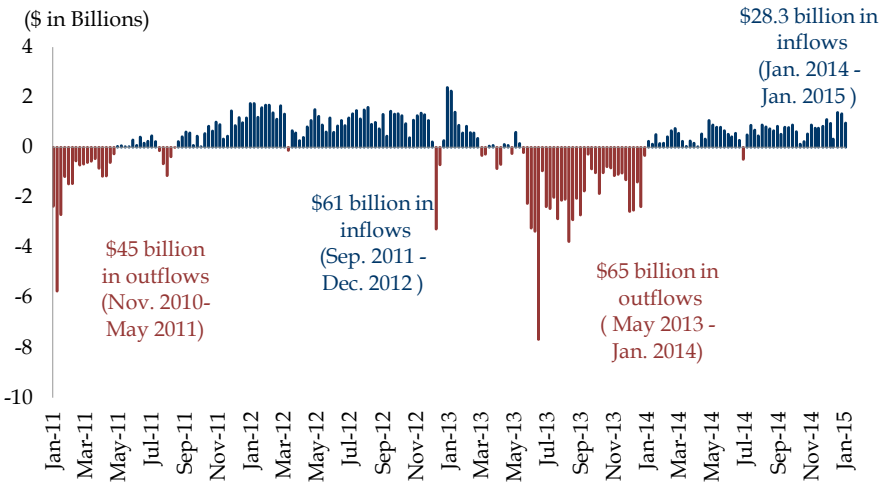
2014 initially witnessed a slow glide down in yields – volatility returning at these lower levels

- **Municipal rates at multi-year lows**
  - 30-year AAA-rated Municipal Market Data (MMD) index reached lowest level since 12/10/2012 on 1/14/2015
  - Municipal yields continue to trend lower
- **Investors added $966 million to Municipal mutual funds last week**
  - Only 3 weeks in 2014 saw net outflows from tax-exempt funds
  - 2014 saw positive inflows of over $26 billion
  - High yield funds were one of the larger beneficiaries

AAA MMD[1] Index Recent Range



Municipal Mutual Fund Flows



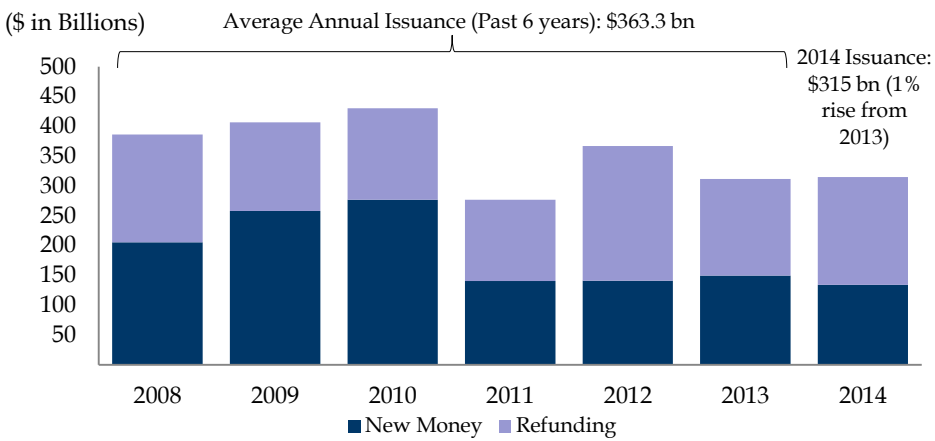
[1]MMD (Municipal Market Data) is an index of 'AAA' rated general obligation bonds.
Sources: Investment Company Institute, Thomson Financial. As of 1/22/15.

POSITIVE THEME IN THE MUNICIPAL MARKET

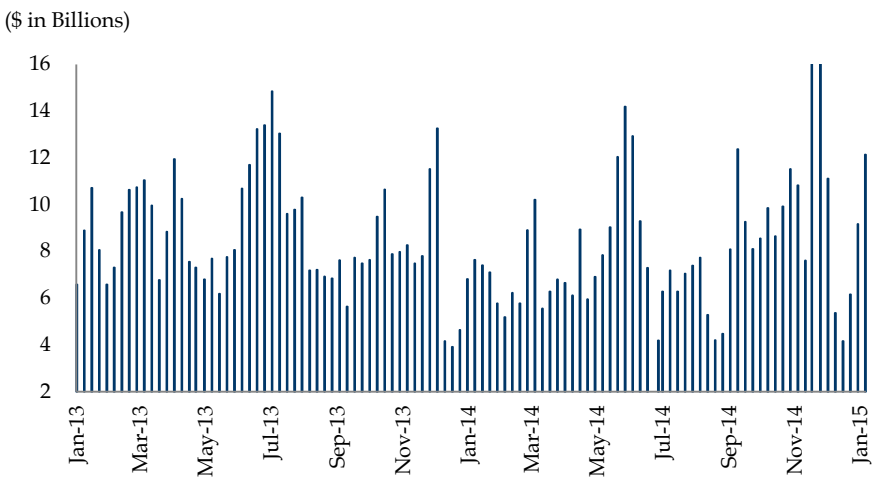
Supply remains a very supportive technical factor

- New issue volume on par with 2013 issuance
  - SIFMA Municipal Bond Issuance Survey had forecast approximately $310 billion primary supply in 2014, comparable to 2013 issuance
  - 2014 primary market volume higher by 1% compared to 2013
  - Majority of transactions in 2014 were refundings
- Typical seasonal increases in issuance expected
  - Slow end to 2014 has given way to strong supply at beginning of 2015

Municipal Market Annual Supply



Bond Buyer 30-Day Visible Supply[1]



[1]Long term issues only. Weekly averages of estimated 30-day visible supply.
Sources: SDC, The Bond Buyer. As of 1/22/15.

B. DEBT PROFILE

CERTIFICATES OF PARTICIPATION – DEBT PROFILE

PINAL COUNTY, ARIZONA

Principal Amount of Obligations Outstanding

Maturity Date Ending (December 1)	$71,615,000 Certificates of Participation Series 2004 Dated: 12/30/04	
	Principal	Coupon
2015	$2,420,000	5.250%
2016	2,530,000	4.000%
2017	2,635,000	4.000%
2018	2,760,000	5.250%
2019	2,910,000	5.250%
2020	3,065,000	5.250%
2021	3,230,000	5.250%
2022	3,405,000	5.250%
2023	3,590,000	5.250%
2024	3,780,000	5.000%
2025	3,970,000	5.000%
2026	4,175,000	5.000%
2027	4,390,000	5.000%
2028	4,615,000	5.000%
2029	4,850,000	5.000%
	$52,325,000	

Call Features:	12/1/15 and After Callable 12/1/14
Purpose:	Adult Detention Facility Expansion, Sheriff's Training Facility & Juvenile Detention Facility
Reserve:	Reserve Fund - $4,975,294

C. 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.

D. REFUNDING OBLIGATIONS, SERIES 2015

REFUNDING SUMMARY

Summary of 2004 Certificates of Participation [to be refunded]

1. COPs to be Refunded:	2004 [2015 – 2029]
2. Bonds Outstanding:	$52.3 million
3. Call Date:	In whole, at anytime, without premium
4. Average Interest Rate (coupon):	5.04%

Summary of 2015 Refunding Obligations

1. Preliminary Sizing of New Issue:	$41.6 million
Tax-Exempt (Series A):	$37.6 million
Taxable (Series B):	$4.0 million
2. Maturity Range:	2020 - 2029
3. Underlying Credit Rating:	AA- [Series 2014, Series 2015 rating to be applied for]
4. Estimated Average Interest Rate (a):	2.9% [1.56% - 2.95%]
5. Estimated Net Cash Savings:	$14.4 million [Savings structure on following slide]
6. Estimated Net Present Value Savings:	$8.3 million
7. Present Value Savings as % of Refunded Bonds:	15.9%

(a) Subject to change based on a variety of factors including final debt service (amortization structure), credit rating and market conditions at the time of sale. Interest is estimated for the Obligations. This represents a spread of the 'AAA' municipal yield index as of January 29 that is greater than the spread of similar rated credits of similar size, credit quality and amortization are currently pricing, and is subject to change based on market rates at the time of sale.

PRELIMINARY PLEDGED REVENUE REFUNDING DEBT SAVINGS (a)

Preliminary Pledged Revenue Refunding Obligations Debt Structure and Preliminary Savings (a)

(1)	(2)	(3)	(4)
		Estimated	
Fiscal Year Ending	Prior 2004 Debt Service	New 2015 Refunding Debt Svc. (a)	Cash Flow Savings (a)
2015	$1,309,025		$1,309,025
2016	4,974,525	$1,608,333	3,366,192
2017	4,970,400	1,930,000	3,040,400
2018	4,972,100	1,930,000	3,042,100
2019	4,971,950	1,930,000	3,041,950
2020	4,973,113	4,326,506	646,607
2021	4,971,269	4,967,381	3,888
2022	4,971,025	4,970,500	525
2023	4,971,856	4,968,875	2,981
2024	4,973,238	4,968,750	4,488
2025	4,974,500	4,974,500	
2026	4,970,750	4,970,750	
2027	4,972,125	4,972,125	
2028	4,973,000	4,973,000	
2029	4,972,875	4,972,875	
2030	4,971,250	4,971,250	
	$75,893,001	$61,434,845	$14,458,156

Nominal Cash Flow Savings:	$14,458,156
Net Present Value Savings:	$8,321,698
Net PV Savings as a % of Refunded Obligations:	15.90%

(a) To be determined. Subject to a variety of factors. Estmated - subject to change.

E. FINANCING CALENDAR

FINANCING CALENDAR*

February 4th	Public Hearing
In process	Credit rating(s) discussion
March 4th	BOS considers Resolution to approve moving forward with the sale of new money and refunding obligations
March 6th	Distribute Preliminary Official Statement to prospective investors
March 16th	Underwrite/market Obligations
April 6th	Closing

* Subject to change based on a variety of legal, credit and economic conditions.

F. QUESTIONS

G. DISCLOSURE

DISCLOSURE

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