



PINAL COUNTY

WIDE OPEN OPPORTUNITY

Refinancing, ASRS/CPP & Bond Market Update

February 12, 2025, 9:30am

STIFEL | Public Finance

Refunding Opportunities

Current Refunding Opportunities (\$000s)

Maturity Date Ending (August 1)	\$52,700 Pledged Revenue Obligations Series 2014 Dated: 12/17/14		\$40,310 Pledged Revenue Refunding Obligations Series 2014 Dated: 12/17/14		\$39,075 Pledged Revenue Refunding Obligations Series 2015A Dated: 5/13/15		Total
	Principal	Coupon	Principal	Coupon	Principal	Coupon	
2025	\$3,285	5.000%	\$4,910	5.000%	\$3,750	5.000%	\$11,945
2026	3,445	5.000%			3,950	5.000%	7,395
2027	3,620	5.000%			4,150	5.000%	7,770
2028	3,800	5.000%			4,360	5.000%	8,160
2029	3,990	3.250%			3,820 & 730	3.000 & 5.000%	8,540
2030	4,120	5.000%					4,120
2031	4,325	5.000%					4,325
2032	4,540	5.000%					4,540
2033	4,770	5.000%					4,770
2034	5,005	3.500%					5,005
	<u>\$40,900</u>		<u>\$4,910</u>		<u>\$20,760</u>		<u>\$66,570</u>
Call Features:	8/1/25 and After Callable 8/1/24 @ par		8/1/25 Callable 8/1/24 @ par		8/1/26 and After Callable 8/1/25 @ par		
Underlying Rating(s):	"AA-" (S&P) / "AA" (Fitch)		"AA-" (S&P) / "AA" (Fitch)		"AA-" (S&P) / "AA" (Fitch)		
Avg. Coupon:	4.533%		4.533%		4.375%		
Purpose:	Hunt Highway Improvements, Public Safety Radio Upgrades; Ironwood Drive Improvements and Courts		Widening and Improving Ironwood/Gantzel Road		Adult Detention Facility Expansion, Sheriff's Training Facility & Juvenile Detention Facility		

Potential bonds to be refunded

Only maturities currently with positive savings are included in the analysis on the following page*

* Subject to change.

Current Refunding Opportunities – \$50,000,000 (estimated)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Estimated Savings						
Fiscal Year	Bonds Being Refunded*	Refunding Bonds			Gross Savings	PV Savings	
	Debt Service	Principal	Interest	Debt Service			
2026	\$ 2,395,350	\$ 300,000	\$ 1,794,053	\$ 2,094,053	\$ 301,297	\$ 298,977	
2027	9,605,475	7,090,000	2,218,750	9,308,750	296,725	285,468	
2028	9,601,350	7,450,000	1,855,250	9,305,250	296,100	276,193	
2029	9,593,100	7,825,000	1,473,375	9,298,375	294,725	266,546	
2030	5,866,013	4,405,000	1,167,625	5,572,625	293,388	256,782	
2031	5,079,925	3,825,000	961,875	4,786,875	293,050	248,669	
2032	5,073,800	4,010,000	766,000	4,776,000	297,800	245,002	
2033	5,067,175	4,210,000	560,500	4,770,500	296,675	236,648	
2034	5,064,425	4,425,000	344,625	4,769,625	294,800	228,001	
2035	5,092,588	4,680,000	117,000	4,797,000	295,588	221,213	
Totals	\$ 62,439,200	\$ 48,220,000	\$ 11,259,053	\$ 59,479,053	\$ 2,960,147	\$ 2,563,498	

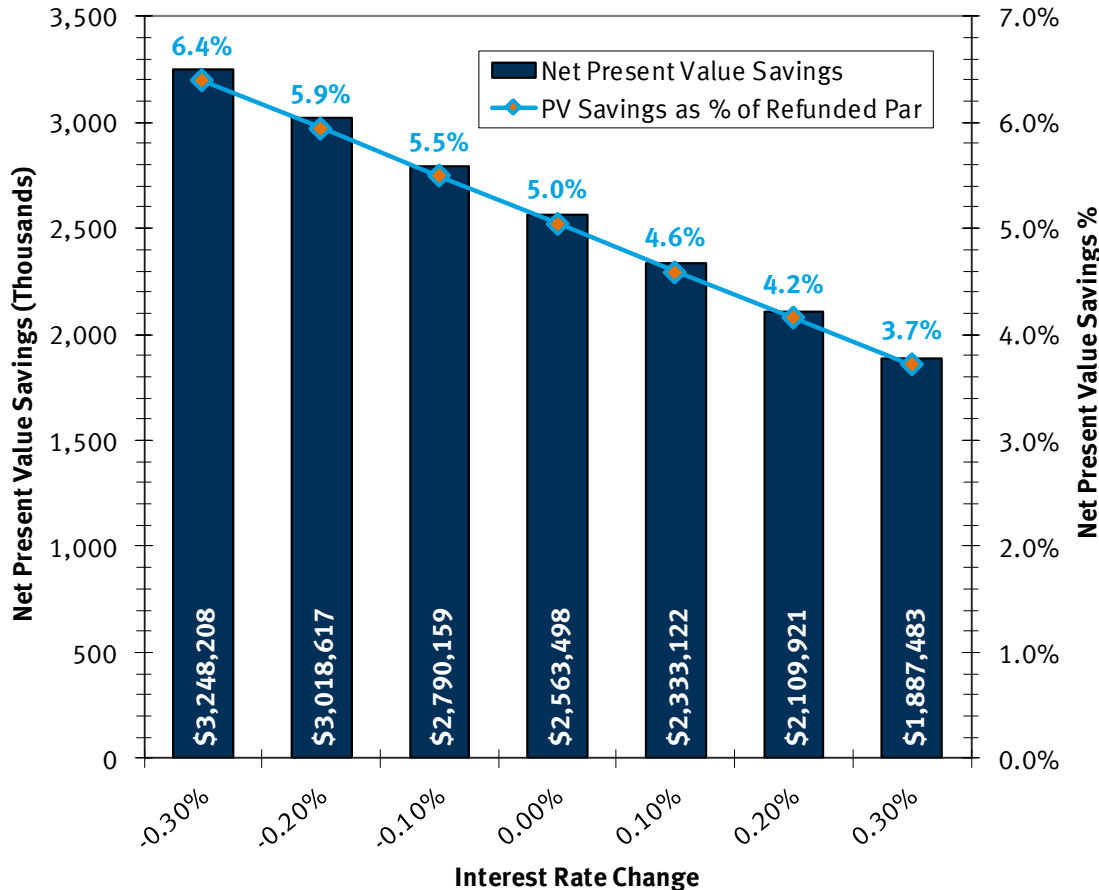
Net PV Savings: \$ 2,563,498
Net PV Savings as a Percent of Refunded Bonds: 5.05%

Refunding Statistics	Results
Avg. Ref. Coupon	4.59%
All-In TIC	3.41%
NPV Savings (\$)	\$2,563,498
NPV Savings (%)	5.05%
Avg Annual Savings	\$296,015
Total Savings	\$2,960,147

* Includes certain of the Series 2014 Pledged Revenue Bonds and the Series 2015A Pledged Revenue Refunding Bonds with positive savings currently. Subject to change.

Current Refunding Sensitivity and Current Rates

Sensitivity Analysis



Sensitivity Analysis

Adjustment to the Bond Yields	Projected NPV Savings	PV Savings as a % of Refunded Par
-0.30%	\$3,248,208	6.4%
-0.20%	3,018,617	5.9%
-0.10%	2,790,159	5.5%
0.00%	2,563,498	5.0%
0.10%	2,333,122	4.6%
0.20%	2,109,921	4.2%
0.30%	1,887,483	3.7%

1. Preliminary and subject to change.
2. The use of the 'AA-' (S&P) / 'AA' (Fitch) ratings is consistent with the rating of the outstanding prior bonds.
3. Interest rate assumptions are based on current market conditions and similar credits.
4. Issuer's actual results may differ and Stifel makes no commitment to underwrite at these levels.
5. Costs of issuance and underwriter's discount are estimates for discussion purposes.
6. Analysis was performed with no changes to the term or the structure of the debt service from the currently outstanding issues.

A **ASRS CPP Contribution**

Pinal County Net Pension Liability Origins

Pinal County had a \$106.3 million ending net pension liability in fiscal year 2024, which is a small component of the entire \$16 billion ASRS net pension liability

- Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer retirement system in which each employer is responsible for a proportionate share of the unfunded liability
- ASRS has routinely been recognized as a best-in-class performer in terms of investment management and governance:

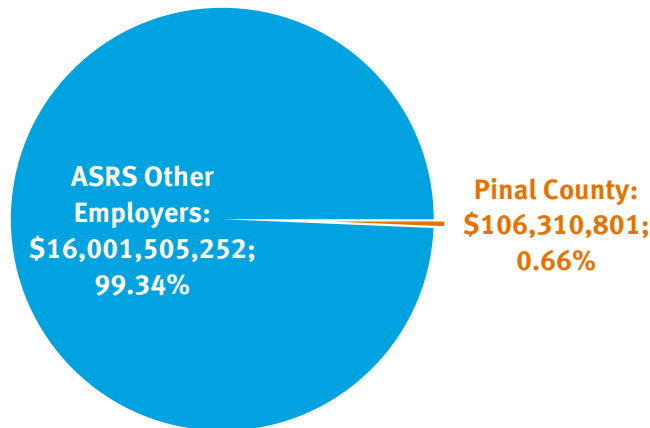
Awards Presented to ASRS¹

- **Certificate of Achievement for Excellence in Financial Reporting:** Presented by the GFOA in each of the last 35 years for ASRS’s ACFR
- **Award for Outstanding Achievement in Popular Annual Financial Reporting:** Presented by the GFOA in each of the last 13 years
- **Pension Standards Award for 2024:** Presented by the Public Pension Coordinating Council to ASRS for the 20th time

- ASRS, however, does have a \$16 billion unfunded liability and Pinal’s share is \$106.3 million or 0.66%

- *The primary drivers behind ASRS’s funding position are largely national and secular trends including:*

Pinal County’s Proportionate Share of ASRS Pension Debt²



Driver	Status
Increased Life Expectancy	National life expectancy has moved from 76.8 in 2000 to 79.4 in 2025 and drives a 4-5% increase in the Total Pension Liability ³
Decreased Discount Rate	7% is conservative relative to ASRS’s 25-year median annual return of 8.50%, but it is consistent with national best practices
Prefunding of Permanent Benefit Increases	Completed and funded
Change of Liability Accrual Method	Consistent with actuarially sound advice

¹https://www.azasrs.gov/sites/default/files/pdf/FY24_ACFR_WEB.pdf

²https://www.azasrs.gov/sites/default/files/pdf/FY24_GASB_68-75_Web.pdf

³<https://www.macrotrends.net/global-metrics/countries/usa/united-states/life-expectancy>

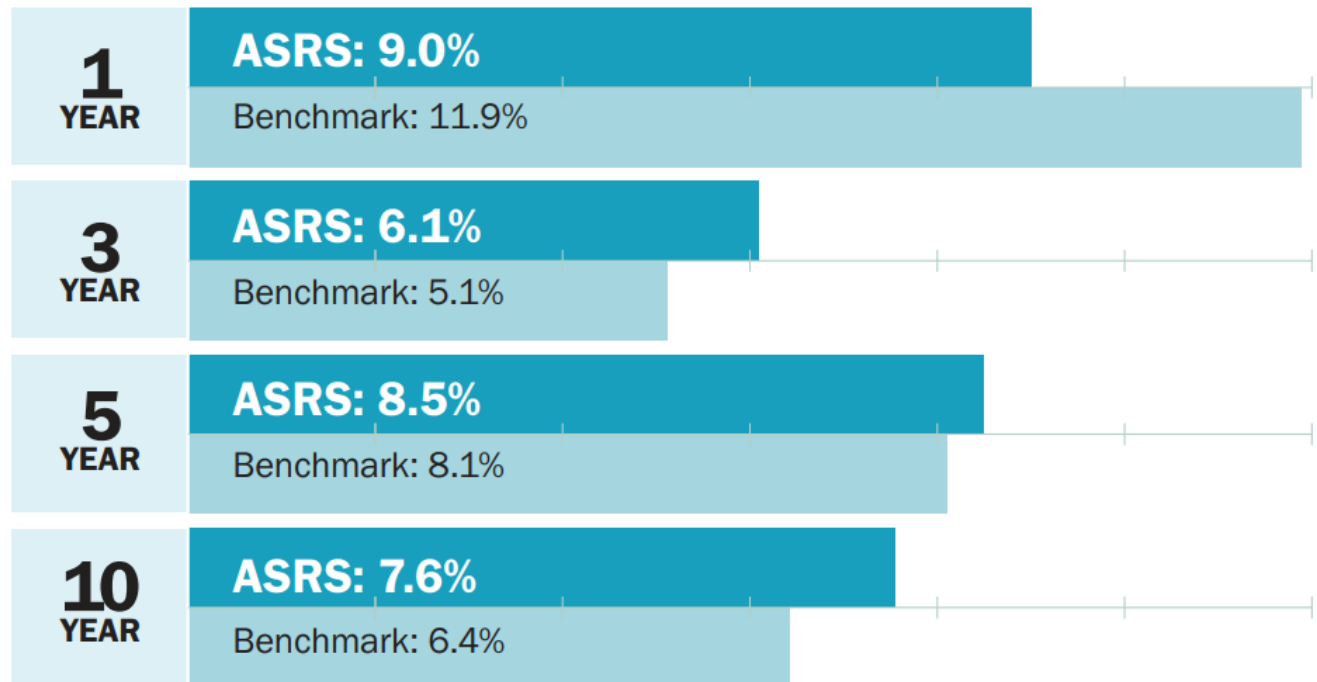
ASRS has produced strong historical returns with the trailing 10-year annualized return outperforming the current 7.0% assumed rate of return

- Despite the impact of market moving events, ASRS has outperformed its assumed rate of return on a time-weighted basis with a 10-year **annualized return of 7.6%**

Portfolio Returns and Benchmarks¹

ASRS funds are well-diversified, professionally managed, and high-performing. These funds have outperformed the 3-year, 5-year and 10-year time weighted return benchmarks.

These data are as of June 30, 2024.



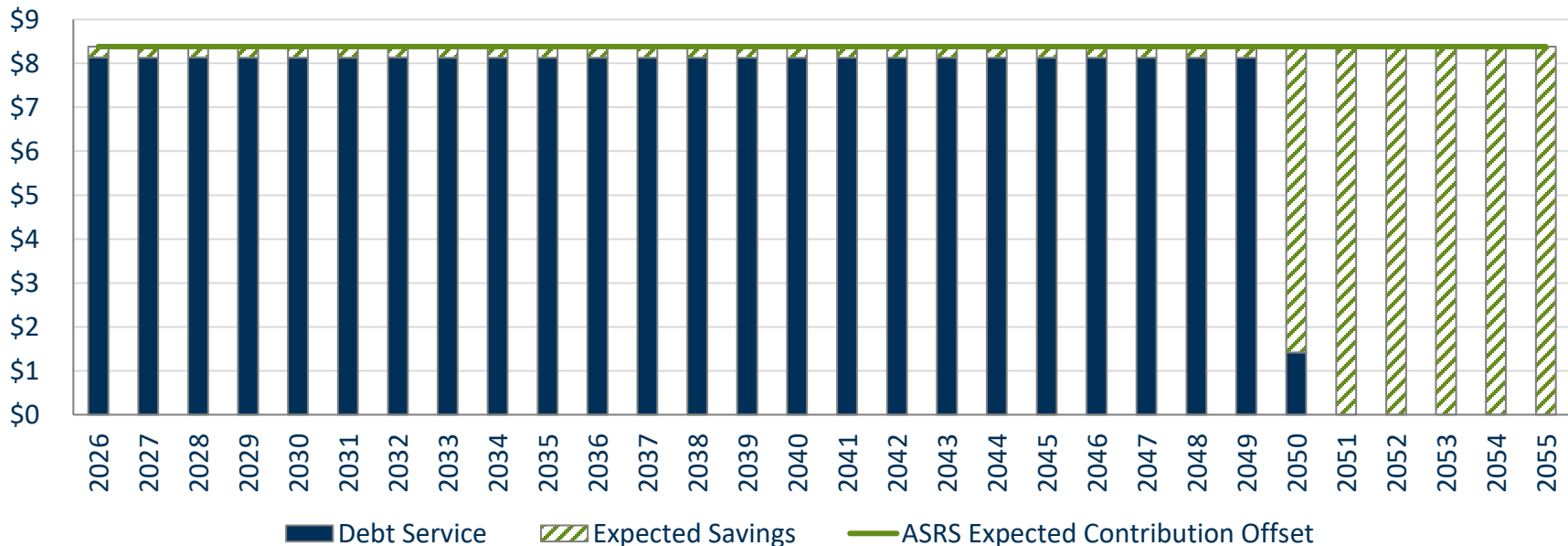
¹Source: ASRS audited financial reports.

Taxable Bond Issuance to Fund ASRS Pension Liability: Current Rates

By depositing \$106.31 million of bond proceeds with ASRS, ***the County could achieve \$54.94 million of gross expected savings (\$13.24 million of expected PV savings)***

Summary of Financing Plan ¹	
Dated Date	05/02/2025
Final Maturity Date	08/01/2049
All-In Borrowing Cost	5.881%
Bond Par Amount	\$107,585,000
Deposit with ASRS	\$106,310,801
Expected Total Cash Flow Savings²	\$54,942,573
Expected Total PV Savings (\$) ^{2,3}	\$13,235,278
Expected Total PV Savings (% of CPP Deposit) ^{2,3}	12.45%

Impact on Pinal's Required ASRS Contributions (\$mil)^{2,3}



¹Market conditions as of February 3, 2025 at 8am MST. Stifel does not commit to underwrite at these levels. All interest rate and other assumptions used in this analysis are subject to change.

²Assumes offset accrues at 7%, the expected ARORAA provided by ASRS, and is amortized in a level fashion.

³Values are discounted at 5.881%, the All-In Borrowing Cost of the Bonds.

Taxable Bond Issuance to Fund ASRS Pension Liability: Current Rates^{1,2}

- Pattern of savings can be determined by the County on an annual basis with the ability to carry offset credits forward

	[A]	[B]	[C] = [A] - [B]	[D] = NPV [C]
FY	ASRS Expected Contribution Offset (\$000)	Bond Debt Service (\$000)	Expected Program Savings (\$000)	Expected Program Savings (\$000) (NPV @5.881%) ³
2026	\$8,383	\$8,133	\$250	\$234
2027	\$8,383	\$8,133	\$251	\$222
2028	\$8,383	\$8,133	\$251	\$209
2029	\$8,383	\$8,129	\$254	\$200
2030	\$8,383	\$8,132	\$251	\$187
2031	\$8,383	\$8,131	\$252	\$177
2032	\$8,383	\$8,133	\$250	\$166
2033	\$8,383	\$8,129	\$254	\$159
2034	\$8,383	\$8,129	\$254	\$151
2035	\$8,383	\$8,131	\$252	\$141
2036	\$8,383	\$8,131	\$252	\$133
2037	\$8,383	\$8,131	\$252	\$126
2038	\$8,383	\$8,133	\$251	\$118
2039	\$8,383	\$8,129	\$254	\$113
2040	\$8,383	\$8,130	\$254	\$107
2041	\$8,383	\$8,133	\$251	\$100
2042	\$8,383	\$8,130	\$253	\$95
2043	\$8,383	\$8,131	\$252	\$89
2044	\$8,383	\$8,129	\$254	\$85
2045	\$8,383	\$8,131	\$252	\$80
2046	\$8,383	\$8,132	\$251	\$75
2047	\$8,383	\$8,128	\$255	\$72
2048	\$8,383	\$8,129	\$254	\$68
2049	\$8,383	\$8,129	\$255	\$64
2050	\$8,383	\$1,416	\$6,967	\$1,654
2051	\$8,383	\$0	\$8,383	\$1,880
2052	\$8,383	\$0	\$8,383	\$1,775
2053	\$8,383	\$0	\$8,383	\$1,677
2054	\$8,383	\$0	\$8,383	\$1,584
2055	\$8,383	\$0	\$8,383	\$1,496
Total	\$251,497	\$196,554	\$54,943	\$13,235 / 12.45%

¹Market conditions as of February 3, 2025 at 8am MST. Stifel does not commit to underwrite at these levels. All interest rate and other assumptions used in this analysis are subject to change.

²Assumes offset accrues at 7%, the expected ARORAA provided by ASRS, and is amortized in a level fashion.

³Values are discounted at 5.881%, the All-In Borrowing Cost of the Bonds.

Taxable Bond Issuance to Fund ASRS Pension Liability: Sensitivity

- Expected savings will be greater if ASRS exceeds 7% over the next 30 years and lower if not

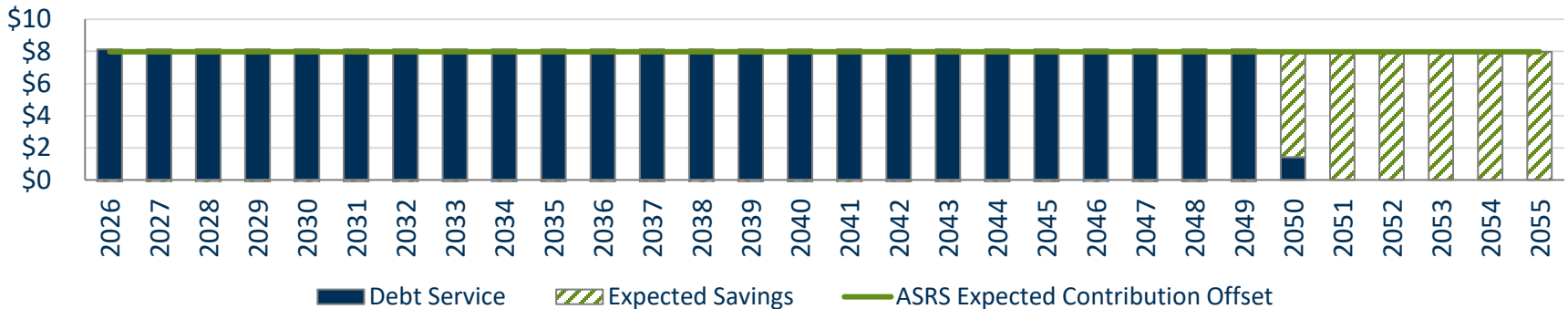
If ASRS outperforms its assumed rate of return, earning 7.5% annually over the offset period, **the County could achieve \$67.29 million of gross expected savings (\$18.92 million of expected PV savings, 17.80% of par)**

Impact on Pinal's Required ASRS Contributions, Assuming a 7.5% Rate of Return (\$mil)^{2,3}



If ASRS underperforms its assumed rate of return, earning 6.5% annually over the offset period, **the County could achieve \$42.79 million of gross expected savings (\$7.64 million of expected PV savings, 7.19% of par)**

Impact on Pinal's Required ASRS Contributions, Assuming a 6.5% Rate of Return (\$mil)^{2,3}



¹Market conditions as of February 3, 2025 at 8am MST. Stifel does not commit to underwrite at these levels. All interest rate and other assumptions used in this analysis are subject to change.

²Assumes offset accrues at 7.5% and 6.5%, different than the expected ARORAA provided by ASRS of 7%, and is amortized in a level fashion.

³Values are discounted at 5.881%, the All-In Borrowing Cost of the Bonds.

Historical and Budgeted Excise Tax Collections

Source	Actual				Unaudited Actual	Budgeted
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
County General Excise Tax Revenues	\$ 20,121,457	\$ 24,692,328	\$ 30,303,596	\$ 36,030,382	\$ 39,645,418	\$ 37,450,771
Gross State Shared Revenues	\$ 40,458,279	\$ 48,435,559	\$ 58,269,430	\$ 63,395,362	\$ 66,363,660	\$ 65,617,812
Less: ALTCS Contribution	(13,755,300)	(14,431,100)	(12,109,900)	(17,427,100)	(18,011,700)	(18,011,700)
Less: AHCCCS Contribution	(3,037,917)	(3,048,726)	(3,051,927)	(3,070,649)	(3,100,864)	(3,100,900)
Net State Shared Revenues	\$ 23,665,062	\$ 30,955,733	\$ 43,107,603	\$ 42,897,613	\$ 45,251,096	\$ 44,505,212
Vehicle License Tax Revenues	\$ 13,398,599	\$ 16,342,441	\$ 16,329,451	\$ 17,156,998	\$ 17,821,430	\$ 16,861,000
Total County General Excise Tax Revenues, Net State Shared Revenues and Vehicle License Tax Revenues	\$ 57,185,118	\$ 71,990,502	\$ 89,740,650	\$ 96,084,993	\$ 102,717,943	\$ 98,816,983

* Figures were pulled from the County's ACFRs and were displayed in thousands.

Source: Annual Comprehensive Financial Reports of the County and the Budget and Research Department of the County.

Estimated Debt Service Requirements and Coverage*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Fiscal Year	Pledged Revenues	Outstanding Debt Service (a)	2025 Refunding Obligations		Taxable 2025 Obligations (ASRS)		Total Aggregate Debt Service	Maximum Annual Debt Service Coverage
			Principal (8/1)	Interest	Principal (8/1)	Interest		
2022/23	\$ 96,084,993							
2023/24	102,717,943							
2024/25		\$ 29,419,383					\$ 29,419,383	
2025/26		29,535,381	\$ 300,000	\$ 1,794,053	\$ 3,590,000	\$ 4,539,499	39,758,933	2.58 x
2026/27		19,172,759	7,090,000	2,218,750	2,270,000	5,861,133	36,612,642	
2027/28		20,244,750	7,450,000	1,855,250	2,380,000	5,753,081	37,683,081	
2028/29		20,241,761	7,825,000	1,473,375	2,495,000	5,636,424	37,671,560	
2029/30		24,002,083	4,405,000	1,167,625	2,620,000	5,511,688	37,706,397	
2030/31		20,098,617	3,825,000	961,875	2,755,000	5,377,209	33,017,701	
2031/32		20,122,025	4,010,000	766,000	2,900,000	5,231,554	33,029,580	
2032/33		20,117,545	4,210,000	560,500	3,055,000	5,075,306	33,018,351	
2033/34		20,140,699	4,425,000	344,625	3,225,000	4,907,540	33,042,864	
2034/35		20,124,320	4,680,000	117,000	3,405,000	4,727,347	33,053,666	
2035/36		20,133,490			3,595,000	4,534,449	28,262,939	
2036/37		19,358,216			3,805,000	4,327,778	27,490,994	
2037/38		19,328,982			4,025,000	4,107,140	27,461,123	
2038/39		12,781,106			4,260,000	3,871,610	20,912,715	
2039/40		12,265,900			4,510,000	3,620,099	20,395,998	
2040/41		12,252,293			4,780,000	3,351,352	20,383,644	
2041/42		12,265,417			5,070,000	3,062,041	20,397,458	
2042/43		12,262,014			5,380,000	2,751,937	20,393,951	
2043/44		12,285,949			5,710,000	2,422,841	20,418,790	
2044/45		12,261,254			6,055,000	2,073,715	20,389,969	
2045/46		8,178,938			6,425,000	1,703,371	16,307,308	
2046/47		8,164,782			6,820,000	1,308,620	16,293,403	
2047/48		8,157,696			7,245,000	887,725	16,290,421	
2048/49		8,156,243			7,690,000	440,795	16,287,038	
2049/50		8,158,990			3,520,000	105,336	11,784,326	
2050/51		8,164,503					8,164,503	
2051/52		8,171,346					8,171,346	
2052/53		8,178,086					8,178,086	
		<u>\$ 453,744,527</u>	<u>\$ 48,220,000</u>	<u>\$ 11,259,053</u>	<u>\$ 107,585,000</u>	<u>\$ 91,189,588</u>	<u>\$ 711,998,169</u>	

* Subject to change.

(a) Net of the Bonds Being Refunded.

Bond Market Update

Bloomberg Consensus Yield Curve Projections (%)

Market Consensus Yield Curve Projections (%)					
	Current	Q1 25	Q2 25	Q3 25	Q4 25
Fed Funds	4.50	4.35	4.20	4.05	3.95
2-Yr UST	4.22	4.14	4.01	3.89	3.82
10-Yr UST	4.58	4.47	4.42	4.36	4.34
30-Yr UST	4.83	4.68	4.65	4.60	4.57

- Last week, as expected, the Fed opted to keep rates steady in a range of 4.25-4.50% after lowering rates 100bps in a matter of four months at the end of last year.
- In their statement, the Fed maintained the language of a “solid” economy, while noting the low level of unemployment has seemingly “stabilized,” suggesting the Committee has adjusted its assessment of labor market conditions; moving from concerns of emerging weakness, policy makers appear to be conceding to ongoing solid conditions to the labor market and more broadly, across the domestic economy.
- As expected, personal income rose 0.4% in December and following a 0.3% gain in November. Consumer spending, meanwhile, increased 0.7% in December, surpassing the 0.5% gain expected and marking the largest monthly gain since September.

Interest rates fall across the curve.

10-Year AAA MMD and 10-Year UST Yields Since 2021



30-Year AAA MMD and 30-Year UST Yields Since 2021



Appendix A

ASRS's Contribution Prepayment Program (CPP) is designed to give employers the option to reduce future contributions by depositing cash in an amount up to the employer Net Pension Liability (NPL) in advance

- Employers can make contribution payments with surplus cash or from proceeds of a debt obligation

Features¹

- ✓ **Deposit funds with ASRS to pre-pay employer's future contributions**
- ✓ **ASRS will invest your pre-paid balance along with the rest of plan assets**
- ✓ **You will still receive a bill each year from ASRS, but can use your pre-paid balance to 'offset' up to your entire required annual contribution**
- ✓ **Employer savings are realized based on the difference between interest earned on prepaid amounts and opportunity cost of cash deposit**

Program Flexibility

- ✓ **Use unrestricted cash OR a taxable issue OR budget reprogramming OR a combination**
- ✓ **Achieve budgetary savings over as many as 30 years (as provided by the ASRS CPP)**
- ✓ **The CPP provides significant flexibility for Employers to use their offsets when needed**
 - ✓ An employer can offset up to its entire ASRS contribution
 - ✓ Intra-year adjustments can be made with 60 days notice

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 POB proceeds amount is calculated to achieve a specified funding target defined by the issuer. Risk: This amount is calculated based on known components of the issuer’s unfunded liability at the time of pricing. The projected unfunded liability at any given point in time is subject to achieving defined assumptions in an actuarial report, and actual experience may vary. If the actual unfunded liability upon closing of the bonds is higher or lower than the projected unfunded liability, the issuance of the POBs may result in a funding level that is above or below the target level defined.
- 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.

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