



Information in Connection with the Issuance of:
Pledged Excise Tax Revenue and Refunding Obligations,
Series 2014/2015

September 10, 2014

10:00 am

STIFEL

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I. Arizona County Financing Alternatives Summary

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	✓		✓								✓		

➤ Long-term debt obligations are exempt from the County's Annual Expenditure Limitation.

- (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.

II. Debt Profile

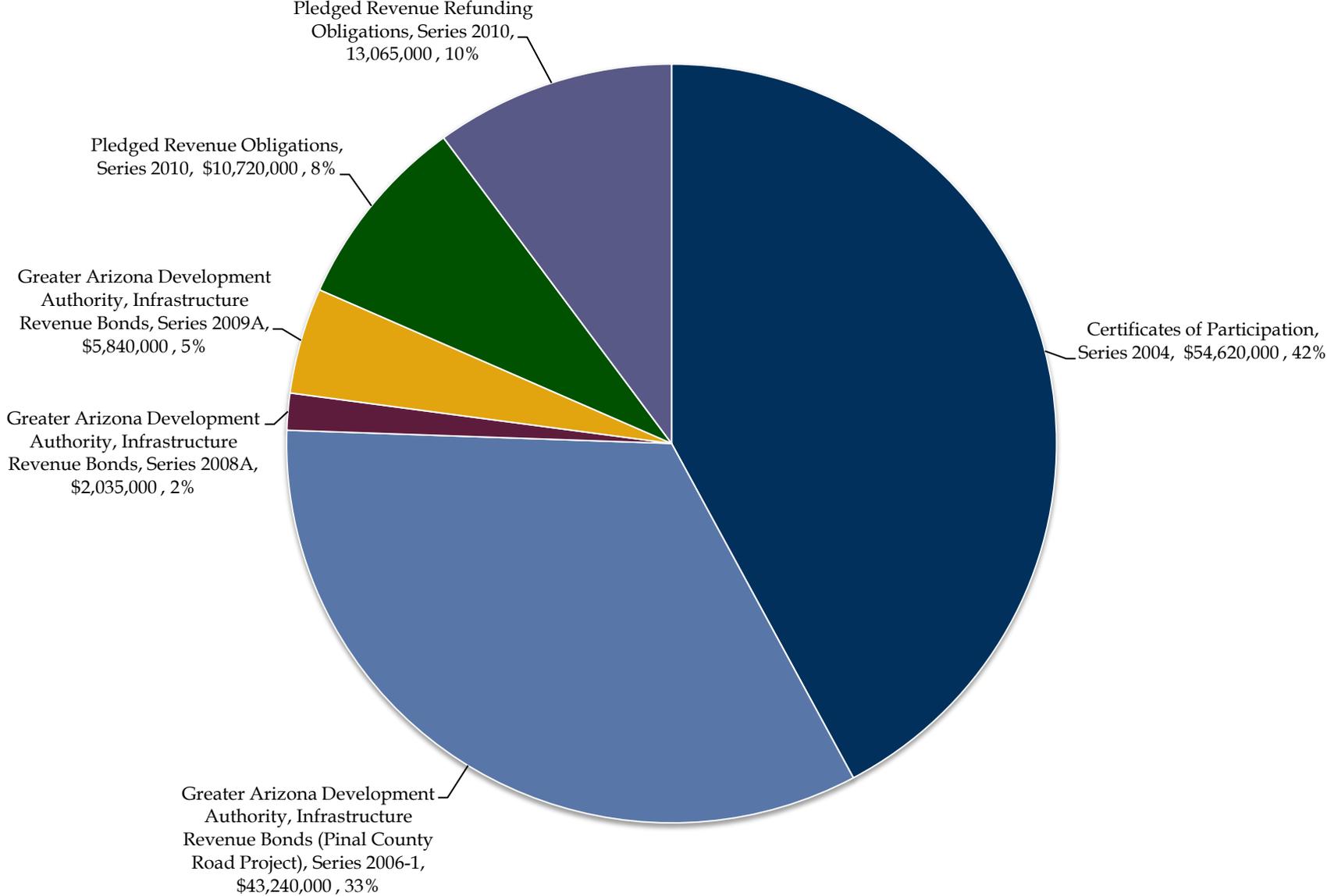
Summary of Outstanding Bonded Indebtedness

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Type of Obligation	Principal Amount Outstanding as of 8/1/14	Purpose	Remaining Amortization	Remaining Interest Rate Range	Security and Source of Repayment
Certificates of Participation, Series 2004	\$ 54,620,000	Adult Detention Facility Expansion, Sheriff's Training Facility and Juvenile Detention Facility	15 Years (12/1/14-29)	4.000%-5.250%	General Fund
	\$ 54,620,000				
Greater Arizona Development Authority, Infrastructure Revenue Bonds (Pinal County Road Project), Series 2006-1	\$ 43,240,000	Ironwood/Gantzel Road Improvements	10 Years (2015-2025)	4.500%-5.000%	State Shared Revenues
Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2008A	\$ 2,035,000	Expansion of Animal Shelter and Long-Term Healthcare Facility	3 Years (2015-2018)	4.000%-5.000%	State Shared Revenues
Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2009A	\$ 5,840,000	Office Expansion, Court Facilities Renovations, Information System and Water Storage and Filtration System	3 Years (2015-2018)	3.250%-4.000%	County Excise Tax Revenues/ State Shared Revenues
Pledged Revenue Obligations, Series 2010	\$ 10,720,000	Public Health Clinics, Administrative Facility Renovations and HR Offices	20 Years (2015-2035)	3.000%-4.500%	County Excise Tax Revenues/ State Shared Revenues
Pledged Revenue Refunding Obligations, Series 2010	13,065,000	Advanced Refunding	5 Years (2015-2020)	3.000%-5.000%	County Excise Tax Revenues/ State Shared Revenues
	\$ 74,900,000				
	<u>\$129,520,000</u>				

Principal Outstanding Debt by Type as of 8/1/2014



Debt Profile (Excise Tax Secured)



Principal Amount of Obligations Outstanding

Maturity Date Ending (August 1)	\$63,220,000 Greater Arizona Development Authority Infrastructure Revenue Bonds (Pinal County Road Project) Series 2006-1 Dated: 4/26/06		\$4,495,000 Greater Arizona Development Authority Infrastructure Revenue Bonds Series 2008A Dated: 4/22/08		\$12,795,000 Greater Arizona Development Authority Infrastructure Revenue Bonds Series 2009A Dated: 2/18/09		\$12,000,000 Pledged Revenue Obligations Series 2010 Dated: 8/25/10		\$18,380,000 Pledged Revenue Refunding Obligations Series 2010 Dated: 8/25/10		Total
	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	
2015	\$3,030,000	5.000%	\$475,000	5.000%	\$1,385,000	3.250%	\$345,000	3.000%	\$1,970,000	3.000%	\$7,205,000
2016	3,185,000	5.000%	500,000	4.000%	1,430,000	3.500%	355,000	3.000%	2,035,000	3.000%	7,505,000
2017	3,350,000	5.000%	520,000	4.000%	1,485,000	4.000%	370,000	3.000%	2,105,000	4.000%	7,830,000
2018	3,520,000	5.000%	540,000	5.000%	1,540,000	4.000%	380,000	3.000%	2,205,000	5.000%	8,185,000
2019	3,705,000	5.000%					390,000	3.000%	2,315,000	5.000%	6,410,000
2020	3,895,000	5.000%					400,000	3.125%	2,435,000	5.000%	6,730,000
2021	4,090,000	5.000%					415,000	4.000%			4,505,000
2022	4,300,000	5.000%					435,000	4.000%			4,735,000
2023	4,510,000	4.500%					450,000	4.000%			4,960,000
2024	4,720,000	4.500%					470,000	4.000%			5,190,000
2025	4,935,000	4.500%					490,000	4.000%			5,425,000
2026							510,000	4.000%			510,000
2027							530,000	4.000%			530,000
2028							550,000	4.000%			550,000
2029							575,000	4.500%			575,000
2030							600,000	4.500%			600,000
2031							630,000	4.500%			630,000
2032							660,000	4.500%			660,000
2033							690,000	4.500%			690,000
2034							720,000	4.500%			720,000
2035							755,000	4.500%			755,000
	<u>\$43,240,000</u>		<u>\$2,035,000</u>		<u>\$5,840,000</u>		<u>\$10,720,000</u>		<u>\$13,065,000</u>		<u>\$74,900,000</u>
Call Features:	8/1/17 and After Callable 8/1/16 @ par		Non-Callable		Non-Callable		8/1/21 and After Callable 8/1/20 @ par		Non-Callable		
Purpose:	Widening and Improving Ironwood/Gantzel Road		Expansion of Animal Shelter and Long-Term Healthcare Facility		Office Expansion, Court Facilities Renovations, Information System, Water Storage and Filtration System		Public Health Clinics, Renovation of Admin Facility, Construct Offices for HR		Advanced Refunding		

Debt Profile (General Fund Secured)



Principal Amount of Obligations Outstanding

Maturity Date Ending (December 1)	Principal	Coupon	Total
	<div style="border: 1px solid black; padding: 5px;"> \$71,615,000 Certificates of Participation Series 2004 Dated: 12/30/04 </div>		
2014	\$2,295,000	5.000%	\$2,295,000
2015	2,420,000	5.250%	2,420,000
2016	2,530,000	4.000%	2,530,000
2017	2,635,000	4.000%	2,635,000
2018	2,760,000	5.250%	2,760,000
2019	2,910,000	5.250%	2,910,000
2020	3,065,000	5.250%	3,065,000
2021	3,230,000	5.250%	3,230,000
2022	3,405,000	5.250%	3,405,000
2023	3,590,000	5.250%	3,590,000
2024	3,780,000	5.000%	3,780,000
2025	3,970,000	5.000%	3,970,000
2026	4,175,000	5.000%	4,175,000
2027	4,390,000	5.000%	4,390,000
2028	4,615,000	5.000%	4,615,000
2029	4,850,000	5.000%	4,850,000
	<u>\$54,620,000</u>		<u>\$54,620,000</u>

- Annual Debt Service approximately \$4,975,000
- Debt Service Reserve Fund of \$4,975,294 will pay final debt service payment

Call Features: 12/1/15 and After
Callable 12/1/14
@ par

Purpose:

Adult Detention Facility Expansion,
 Sheriff's Training Facility
 & Juvenile Detention Facility

III. 5-Year Net Pledged Excise Tax Revenues

5-Year Net Pledged Excise Tax Revenues



Source	Actual				Budgeted
	2010/11	2011/12	2012/13	2013/14	2014/15
County General Excise Tax Revenues	\$ 12,104,390	\$ 12,460,496	\$ 12,799,507	\$ 13,554,102	\$ 14,352,000
Gross State Shared Revenues (a)	\$ 20,921,370	\$ 26,699,612	\$ 27,586,257	\$ 29,450,351	\$ 30,273,750
Less: ALTCS contribution (b)	(10,359,776)	(15,354,641)	(14,755,252)	(15,246,800)	(15,294,300)
Less: AHCCCS contribution (c)	(3,191,108)	(3,194,722)	(3,199,673)	(3,206,505)	(3,213,100)
Net State Shared Revenues	\$ 7,370,486	\$ 8,150,249	\$ 9,631,332	\$ 10,997,046	\$ 11,766,350
Total County Excise Tax Revenues and Net State Shared Revenues	\$ 19,474,876	\$ 20,610,745	\$ 22,430,839	\$ 24,551,148	\$ 26,118,350

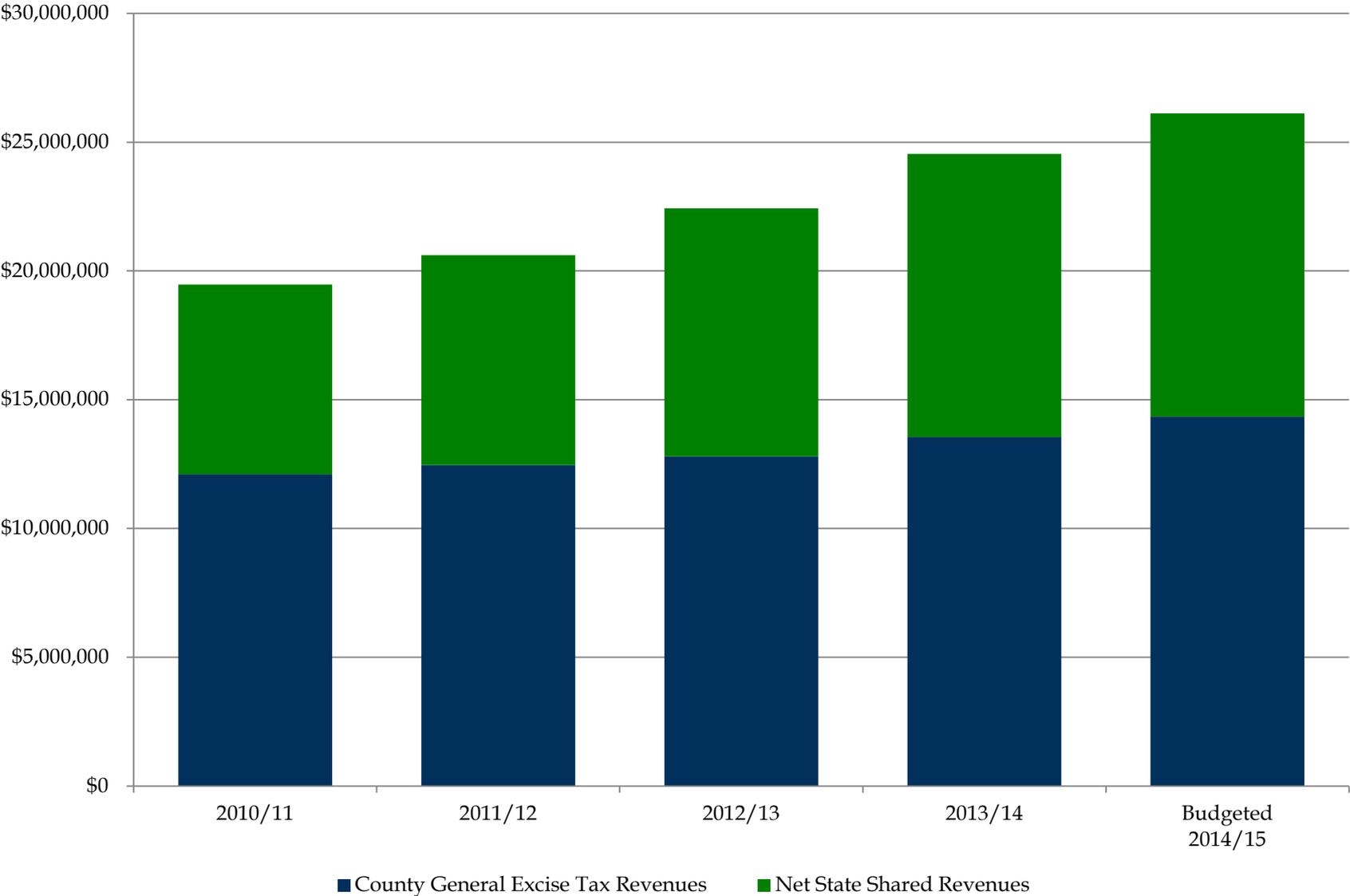
(a) Does not include amounts allocated from the Education Tax and Temporary Tax.

(b) Pursuant to Arizona Revised Statutes Section 11-292, 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.

(c) Pursuant to Arizona Revised Statutes Section 11-292, the County is also required to make annual appropriations for contributions to the Arizona Health Care Cost Containment System ("AHCCCS") fund. 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.

Source: The County.

5-Year Net Pledged Excise Tax Revenues



IV. Credit Ratings

Type of Obligation			
Excise Tax Revenue (GADA)	NR	A1 (3/10/14)	A (3/10/14)
Excise Tax Revenue (GADA, Series 2006-1)	NR	A1 (3/10/14)	AA- (4/16/12)
Excise Tax Revenue (Series 2010)	NR	NR	AA- (12/6/13)
Certificates of Participation	A+ (6/10/13)	NR	A+ (12/9/13)

Source: Respective rating agencies.

V. New Money Public Infrastructure Projects Under Consideration

Type of Public Infrastructure Project	Cost Estimate
Hunt Highway Improvements	\$20,000,000
Public Safety Radio Upgrades	19,000,000
Sheriff Sub-Station	8,000,000
Courts	15,000,000
County Complex - District 2	4,500,000
County Complex - District 4	4,500,000
Land Acquisition	4,000,000
Estimated Total	\$75,000,000

VI. Financial and Municipal Markets Overview

Financial markets

- Continued strength in equity markets in 2014
- S&P 500 closes above 2,000 for the first time
- 10-year Treasury yield fell 11 basis points in past week, and remains below key 2.50% level; closed at 2.34% on 8/28

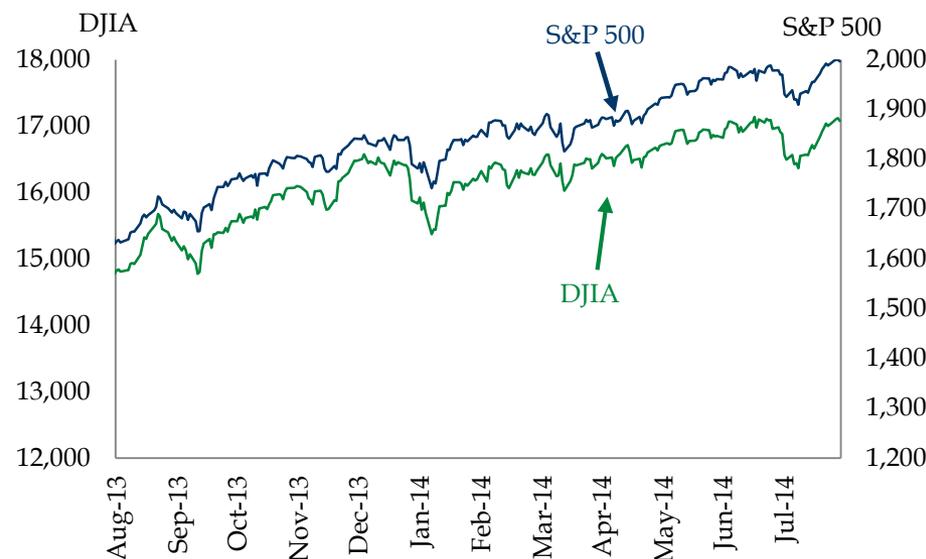
Geopolitical Remains in Focus

- Global tensions precipitate “flight to quality”
- Volatile situations in Ukraine, Israel, and Iraq continue to worry investors

Federal Reserve focus

- Federal Reserve continues to emphasize perpetuation of accommodative monetary policy for the foreseeable future
- “Bond-friendly” policies anticipated through 2015

DJIA and S&P 500 Indices (8/21/13 - 8/28/14)



10-Year and 30-Year US Treasuries (8/21/13 - 8/28/14)



Municipal Market Overview



2014 has witnessed a slow glide down in yields – a welcome relief from the 2013 interest rate volatility

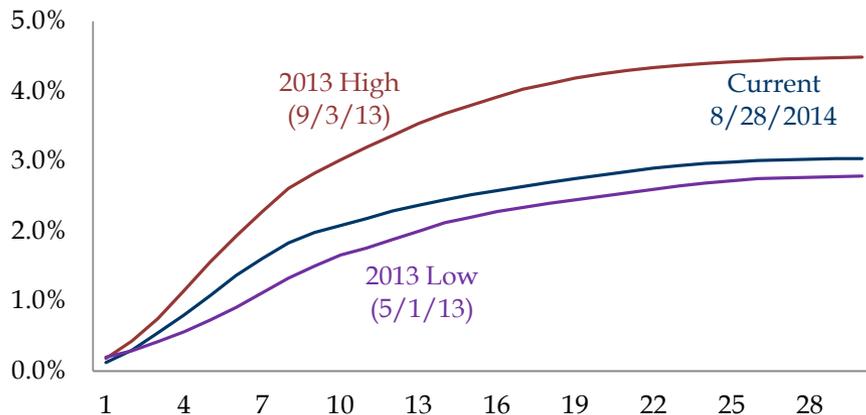
■ Municipal rates peaked in September 2013 but have trended lower since

- 30-year AAA-rated Municipal Market Data (MMD) index reached two-year high of 4.49% on 9/5/2013, 145 basis points lower as of 8/28/2014
- Slope of the yield curve continues to flatten, but rates across the curve are still higher than the lows reached in May 2013

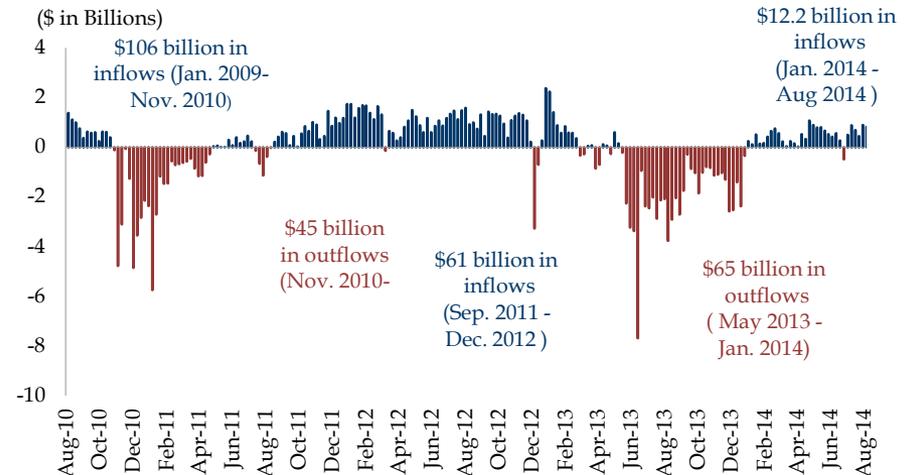
■ Investors added \$814M to Municipal mutual funds last week

- Only 3 weeks in 2014 have seen net outflows from tax-exempt funds
- Year-to-date net positive inflows of \$12.2 billion
- High yield funds have been one of the larger beneficiaries

AAA MMD¹ Index Recent Range



Municipal Mutual Fund Flows



¹MMD (Municipal Market Data) is an index of 'AAA' rated general obligation bonds. Sources: Investment Company Institute, Thomson Financial. As of 8/28/2014.

Positive Theme in the Municipal Market



Supply remains a very supportive technical factor

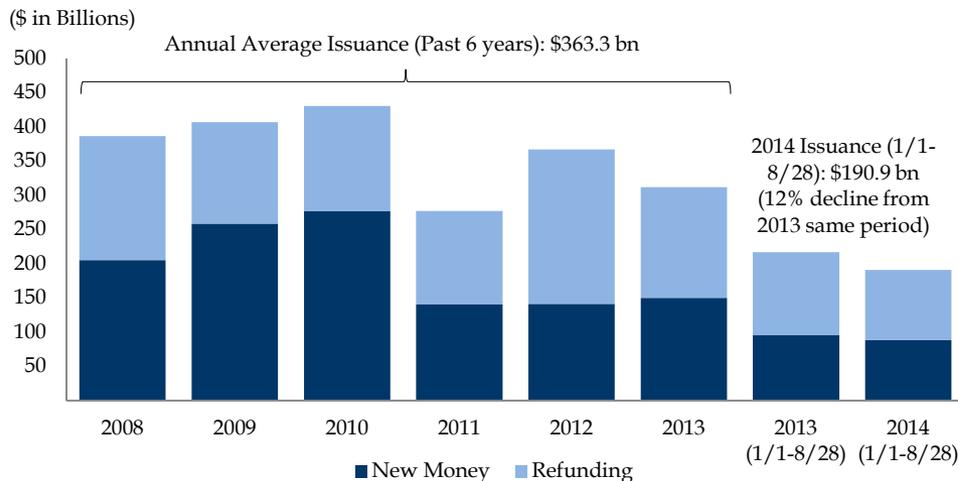
■ New issue volume remains down

- 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 lower by 12% compared to same period in 2013
- “Negative net new issuance” possible as total redemptions from refundings and maturities outpace total new supply

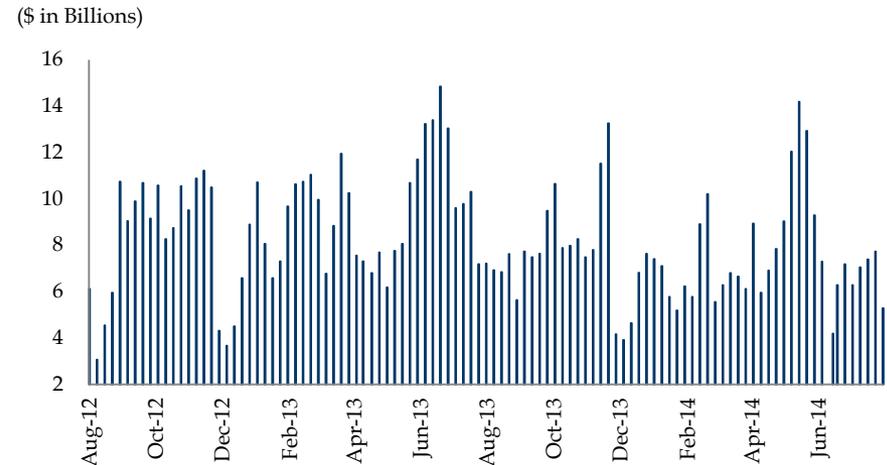
■ Typical seasonal increases in issuance expected

- Increase in volume anticipated in the Fall of 2014

Municipal Market Annual Supply



Bond Buyer 30-Day Visible Supply¹



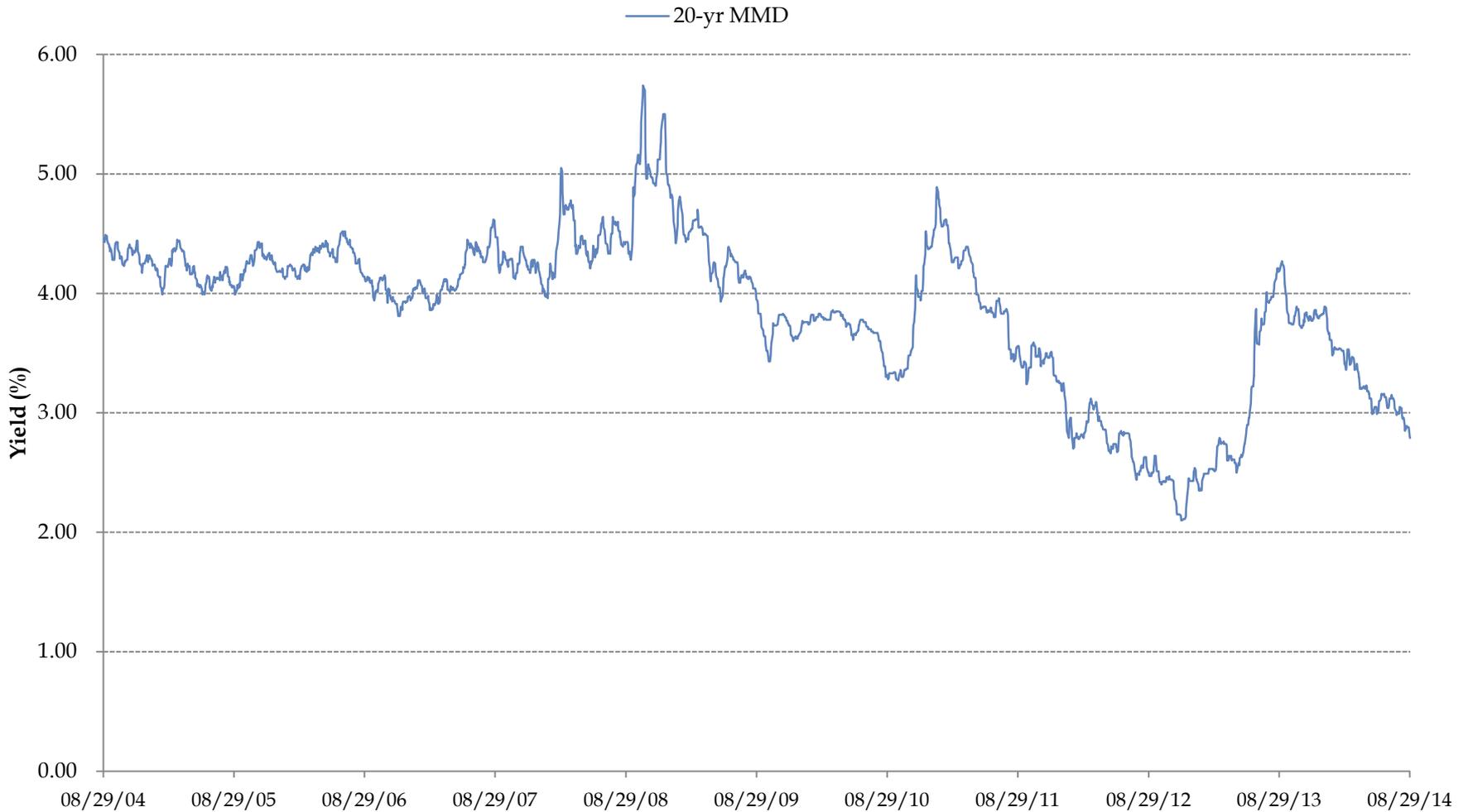
¹Long term issues only. Weekly averages of estimated 30-day visible supply.
Sources: SDC, The Bond Buyer. As of 8/28/2014.

Municipal Tax-Exempt Interest Rates



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

Daily Over 10-Year Period Ending August 29, 2014



Source: Municipal Market Data and Bloomberg. As of 8/29/14.

VII. Preliminary New Money Amortization Schedule

Estimated Debt Service Requirements (New Money Project)



Fiscal Year	Pledged Excise Tax Revenue Obligations, Series 2015 ⁽¹⁾		
	Principal	Estimated Interest	Estimated Total
2014/15			
2015/16	\$ 1,740,000	\$3,473,500	\$5,213,500
2016/17	2,080,000	3,136,600	5,216,600
2017/18	2,175,000	3,040,625	5,215,625
2018/19	2,285,000	2,929,125	5,214,125
2019/20	2,405,000	2,811,875	5,216,875
2020/21	2,525,000	2,688,625	5,213,625
2021/22	2,655,000	2,559,125	5,214,125
2022/23	2,790,000	2,423,000	5,213,000
2023/24	2,935,000	2,279,875	5,214,875
2024/25	3,085,000	2,129,375	5,214,375
2025/26	3,245,000	1,971,125	5,216,125
2026/27	3,410,000	1,804,750	5,214,750
2027/28	3,585,000	1,629,875	5,214,875
2028/29	3,770,000	1,446,000	5,216,000
2029/30	3,960,000	1,252,750	5,212,750
2030/31	4,165,000	1,049,625	5,214,625
2031/32	4,380,000	836,000	5,216,000
2032/33	4,605,000	611,375	5,216,375
2033/34	4,840,000	375,250	5,215,250
2034/35	5,085,000	127,125	5,212,125
	<u>\$65,720,000</u>		

⁽¹⁾ Interest is estimated for the Obligations. This represents a spread of the 'AAA' municipal yield index as of 9-8-14 that is greater than the spread of which 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 the sale.

VIII. Refunding Candidates – Subject to Market Conditions and Other Factors

Detailed Summary of 2006-1 GADA Bonds

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- | | |
|--------------------------------------|--|
| 1) Purpose of GADA (2006-1) Issue: | Widening and improving Ironwood/Gantzel Road |
| 2) Bonds Outstanding: | \$43,240,000 |
| 3) Redemption/Call Date: | August 1, 2016 at Par |
| 4) Remaining Coupon Range of Bonds: | 4.50% - 5.00% (August 1, 2015-25) |
| 5) Average Coupon of Refunded Bonds: | 4.73% |

Assumes 2006-1 Bonds (8/1/17- 25) refunded as of 1/1/15

- Level Annual Savings
- Estimated rate for illustration purposes: 3.15%
- Estimated Net Present Value Savings: ~\$2.86 million (7.7% of Bonds Being Refunded)

Preliminary Savings



Estimated Combined Savings⁽¹⁾:

Period End July 1	Prior Bonds Being Refunded	Refunding Bonds			Gross	PV
	Debt Service	Principal	Interest	Debt Service	Savings	Savings
2015	\$ 890,213				\$ 890,213	\$ 888,117
2016	1,780,425	\$ 110,000	\$ 1,586,400	\$ 1,696,400	84,025	80,452
2017	1,780,425	240,000	1,457,200	1,697,200	83,225	77,380
2018	5,046,675	3,420,000	1,384,000	4,804,000	242,675	223,642
2019	5,044,925	3,560,000	1,244,400	4,804,400	240,525	215,677
2020	5,049,300	3,705,000	1,099,100	4,804,100	245,200	214,000
2021	5,049,300	3,860,000	947,800	4,807,800	241,500	205,116
2022	5,044,675	4,010,000	790,400	4,800,400	244,275	201,958
2023	5,044,925	4,175,000	626,700	4,801,700	243,225	195,753
2024	5,045,950	4,345,000	456,300	4,801,300	244,650	191,574
2025	5,048,275	4,525,000	278,900	4,803,900	244,375	186,192
2026	5,046,038	4,710,000	94,200	4,804,200	241,838	179,295
Totals	\$ 49,871,125	\$ 36,660,000	\$ 9,965,400	\$ 46,625,400	\$ 3,245,725	\$ 2,859,156

✓ Savings can be structured to achieve Issuer objectives

For example:

- 1) Up-front cash flow savings
- 2) Tail-end savings
- 3) Level savings

PV Savings	\$ 2,859,156
Plus: Refunding Funds	1,000
Net PV Savings	\$ 2,860,156

⁽¹⁾ Interest is estimated for the Obligations. This represents a spread of the 'AAA' municipal yield index as of 9-8-14 that is greater than the spread of which 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 the sale.

- Structure savings in a manner which works with the Issuer's budget needs
- Complete Refunding only if cash flow and net present value savings requirements are achieved
- Issuers will generally effectuate a refunding if net present value savings as a percent of the refunded bonds exceeds 3% [Please refer to GFOA Refunding Guidelines]
- Issuer does not incur any costs unless a refunding is completed - no risk to the Issuer

IX. Questions?

APPENDIX

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