



ARIZONA FIRE DISTRICT ASSOCIATION

Preparing for Bond and Override Elections

STIFEL

PUBLIC FINANCE

Bryan Lundberg, Managing Director

Michael LaVallee, Managing Director

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I. ELECTION RESULTS

Arizona Fire District Bond Elections (2004-2016)

 <p>\$23,610,000 Northwest Fire District November 2016 – 68.6% Yes Votes</p>	 <p>\$10,000,000 Chino Valley Fire District November 2006 – 68.4% Yes Votes</p>
 <p>\$10,000,000 Sun City Fire District November 2016 – 63.0% Yes Votes</p>	 <p>\$9,500,000 Apache Junction Fire District September 2006 – 58.7% Yes Votes</p>
 <p>\$3,300,000 Summit Fire District November 2016 – 63.9% Yes Votes</p>	 <p>\$2,000,000 Mayer Fire District November 2006 – 76.9% Yes Votes</p>
 <p>\$16,230,000 Daisy Mountain Fire District November 2015 – 65.5% Yes Votes</p>	 <p>\$37,525,000 Northwest Fire District November 2004 – 73.6% Yes Votes</p>
 <p>\$4,135,000 Avra Valley Fire District November 2012 – 65.7%/67.6% Yes Votes</p>	 <p>\$17,220,000 Central Yavapai Fire District November 2004 – 76.69% Yes Votes</p>
 <p>\$15,000,000 Tubac Fire District November 2008 – 57.9% Yes Votes</p>	 <p>\$13,800,000 Golder Ranch Fire District September 2004 – 80.8%/85.0% Yes Votes</p>
 <p>\$17,000,000 Rincon Valley Fire District November 2007 – 73.3% Yes Votes</p>	<p>\$10,000,000 Maricopa Fire District November 2004 – 81.0% Yes Votes</p>
 <p>\$8,000,000 Rio Rico Fire District November 2007 – 55.6% Yes Votes</p>	 <p>\$6,500,000 Three Points Fire District September 2004 – 63.7% Yes Votes</p>
 <p>\$5,000,000 Picture Rocks Fire District November 2007 – 77.1% Yes Votes</p>	 <p>\$1,325,000 Arizona City Fire District November 2004 – 73.0% Yes Votes</p>
 <p>\$861,000 Black Canyon Fire District May 2007 – 80.9% Yes Votes</p>	



Arizona Fire District Bond and Override Elections

2016 OVERRIDE ELECTIONS

4 of 7 Questions Approved (57.1%)

BOND ELECTIONS (2004 - 2016)

Election Year	No. of Questions	Percent of Questions Approved	Amount Approved
2004	6	100%	\$86,370,000
2005	-	-	-
2006	3	100%	\$21,500,000
2007	4	100%	\$30,861,000
2008	1	100%	\$15,000,000
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	1	100%	\$4,135,000
2013	-	-	-
2014	-	-	-
2015	1	100%	\$16,230,000
2016	3	100%	\$36,910,000

Source: County Elections departments.



Arizona School District Bond and Override Elections

	M&O Overrides (2003-2015)		DAA (Capital) Overrides (1999-2015)		Class B Bonds (1999-2015)	
	No. of Questions	Pass Rate	No. of Questions	Pass Rate	No. of Questions	Pass Rate
Total	625	68%	116	53%	255	88%
Even	264	66%	51	49%	133	92%
Odd	361	70%	65	57%	122	84%
1999-2003	53*	91%	21	48%	41	93%
2004-2008	253	78%	43	53%	100	94%
2009-2013	235	51%	36	47%	60	78%
2014-2016	84	71%	16	75%	54	85%
2016	22	82%	5	100%	22	82%



II. ELECTION TIMING, GENERALLY

Typical Maricopa County Election Timeline*

Date	Event
June 10* (150 days before)	Maricopa County only: 1. Recommended date by which to call election 2. Required date for submittal of written notification of intent to call election
July 10 (120 days before)	Maricopa County only: 1. Deadline for submittal of signed election resolutions to county 2. Submit publicity pamphlet information for printing
July - August	Review and edit voter pamphlet. Voter pamphlet submitted for Spanish translation.
August 9 (90 days before)	Maricopa County only: pro/con arguments due
October 3 (35 days before)	Deadline for mailing publicity pamphlet
October 11 (26 days before)	Early voting starts
November 7	Election Day

* Sample dates based upon 2016 Maricopa County bond and override election calendar. Dates will vary within other counties.



Overall Election Timeline, Generally



III. GENERAL OBLIGATION BONDS – FREQUENTLY ASKED QUESTIONS

GO Bonds - Frequently Asked Questions



What are General Obligation (GO) Bonds?

Debt obligations of the district sold to investors to raise funds for projects. Principal and fixed semi-annual interest are secured by and paid to investors by generating a bond levy funded through property taxes. The tax rate for GO Bonds is calculated annually to ensure enough funds are generated to satisfy bond payment requirements. The bond portion of the tax rate is not included within (or subject to) the statutory levy limit for a fire district.

Do Bonds Require Voter Approval?

Yes. Bonds require a simple majority at an election that can be held only on the November election date.

How much in GO Bonds can a Fire District Sell?

The amount a district can ask from voters is not limited, but statutes limit the sale amount to 6% of current full cash net assessed value (less any principal outstanding from previous sales). Hence, GO bonding capacity depends upon changes in property values and the pace of principal repayment.

How Long does a District Have to Sell the Bonds?

Bonds may be sold in one or more phases over many years, but statutes do not require that any or all of the bonds be sold. Voter authority also does not sunset by statute, but legal counsel may prevent a sale if they feel the voter authority has grown stale (typically beyond 10 years).



GO Bonds - Frequently Asked Questions

What Items can Bond Proceeds be Used for?

Generally, any capital expense that the district lists in the ballot question, typically including land, buildings, grounds, vehicles, equipment, refinancing debt, bond issuance costs, election costs and related staff expenses. Reimbursement is eligible if within 60 days of the expenditure or if the intent to reimburse is declared prior to the expenditure.



How much Should a District Expect to Pay in Bond Issuance Costs?

Typically, an issuer will pay less than \$50,000 in administrative costs for each bond sale, including legal, credit rating, printing, advertising, disclosure and paying agent costs, plus an estimated 1.5% - 2.0% of the issuance amount in advisory and underwriting costs, depending upon the size and credit quality of the bonds. All bond issuance costs can be paid from bond premium (i.e., leaves full face amount for capital).

What Federal Restrictions does a Bond Issuer Have?

To keep interest on the bonds from being subject to federal and Arizona income taxes (providing lower interest cost to the issuer), the issuer must expect to spend the bond proceeds on capital items within three (3) years of issuance, and not for private activities. The average life of the bonds must also be less than the average life of the bond projects. For issues above \$10 million and when payment funds accumulate, issuers may need to pay interest earnings above the bond yield to the IRS (arbitrage). Issuers can avoid federal restrictions by waiving the income tax exemption and realizing the associated higher interest cost.



GO Bonds - Frequently Asked Questions



Who Determines the Payments?

The governing board determines the principal amounts and maturity dates (up to 30 years) and an underwriter sets the interest rates. Market conditions determine the prices investors will pay. An underwriter will typically set interest rates enough above the market to attract a price from investors that is enough greater than the face or par value of the bonds to allow the issuer to pay expenses and retain the full par amount for projects.

Who Typically Buys Bonds?

U.S. investors including money managers, investment funds, corporations, banks and high net worth individuals that benefit from interest that is typically exempt from federal and Arizona income taxes.

What are the Common Terms for Bonds?

Principal is sold in \$5,000 denominations maturing in any year up to 30 years from the issue date on an annual date set by the district governing board before the sale. Interest is set at a fixed annual rate but repaid semiannually until maturity. Early optional redemption without penalty is typically 10 years from the issuance date.



I. IV. BOND ELECTION CASE STUDY - Daisy Mountain Fire District
(Nov 2015)

Daisy Mountain Fire District (November 2015 Election)

Develop a Capital Needs Assessment & Estimated Cost

Facilities/ Equipment		Estimated Cost
Construct New Fire Station		\$3,100,000
New Fire Administration Building		2,000,000
Remodel 3 Fire Stations		6,130,000
Fire Apparatus and Equipment		2,000,000
Communications Infrastructure Upgrades		3,000,000
	Total	\$16,230,000

Refinance Lease Purchases? (a)	\$_____
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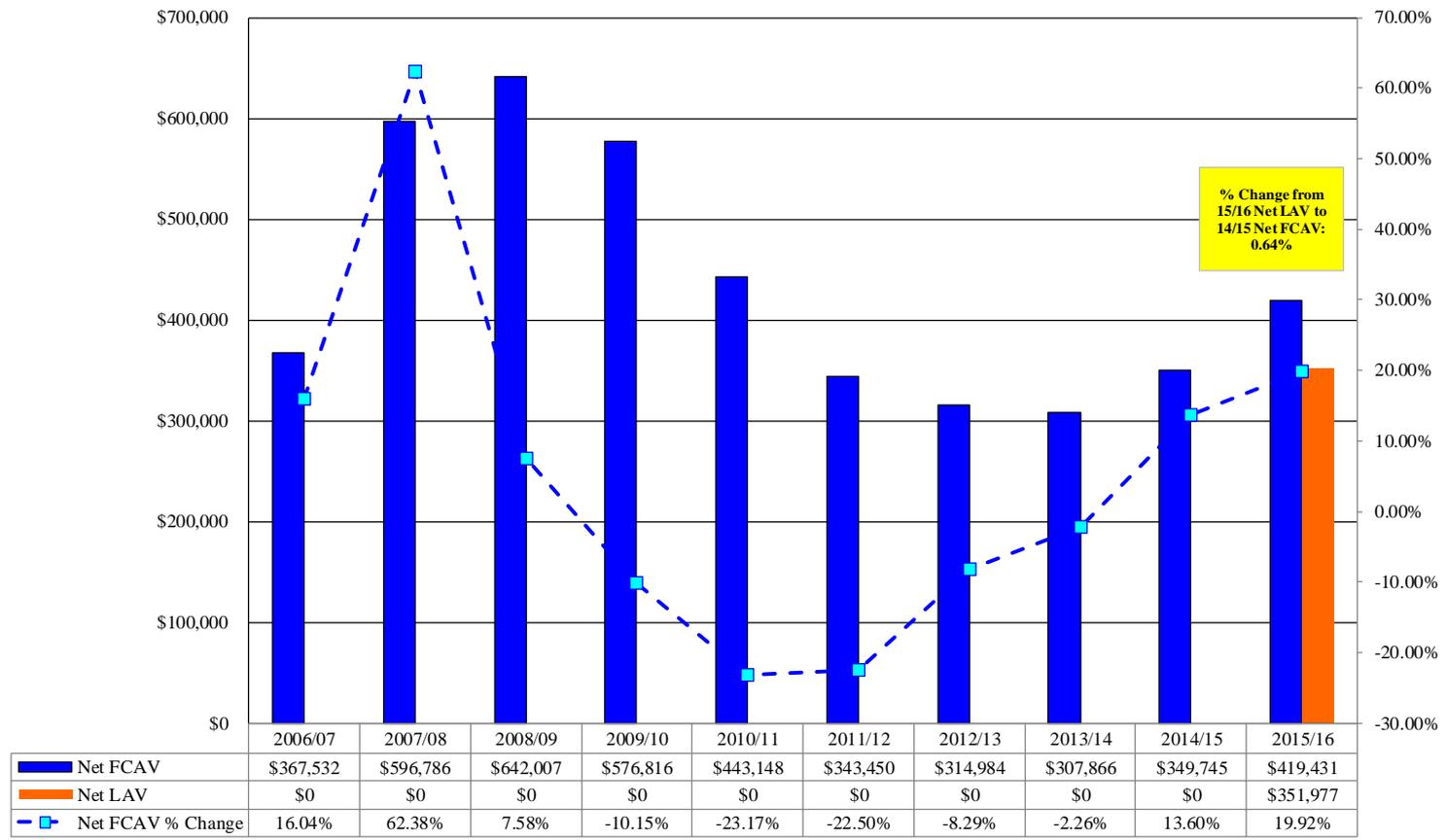
(a) Refinancing for savings or for levy capacity.



Daisy Mountain Fire District (November 2015 Election)

Analyze Assessed Valuations (\$000's)

	Net FCAV	Net LAV/FCAV
5-Year Average:	0.10%	-3.76%
10-Year Average:	5.31%	3.39%



Note: Net Limited Assessed Values prior to 2015/16 unavailable.



Source: Property Tax Rates and Assessed Values, Arizona Tax Research Association, State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Finance Department of the County.



Daisy Mountain Fire District (November 2015 Election)

Est. Debt Service Requirements and Projected Impact on the Secondary Tax Rate

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Fiscal Year	Combined Valuation (a)	Principal	Estimated Interest (b)	Principal	Estimated Interest (c)	Debt Service	Bond Tax Rate (d)	Net General Obligation Bonding Capacity (e)
2015/16	\$351,977,324							\$16,090,853
2016/17	367,577,769	\$500,000	\$514,250			\$1,014,250	\$0.29	17,186,248
2017/18	385,956,657	750,000	364,438			1,114,438	0.29	12,594,310
2018/19	405,254,490	325,000	332,563	\$160,000	\$339,863	1,157,425	0.29	13,973,026
2019/20	425,517,215	335,000	318,750	165,000	332,263	1,151,013	0.27	15,905,677
2020/21	446,793,075	350,000	304,513	175,000	324,425	1,153,938	0.26	17,925,711
2021/22	451,542,184	365,000	289,638	180,000	316,113	1,150,750	0.25	18,790,007
2022/23	456,341,773	380,000	274,125	190,000	307,563	1,151,688	0.25	19,677,909
2023/24	461,192,379	400,000	257,975	200,000	298,538	1,156,513	0.25	20,594,456
2024/25	466,094,543	415,000	240,975	210,000	289,038	1,155,013	0.25	21,544,686
2025/26	471,048,813	435,000	223,338	220,000	279,063	1,157,400	0.25	22,523,640
2026/27	476,055,744	450,000	204,850	230,000	268,613	1,153,463	0.24	23,536,355
2027/28	481,115,896	470,000	185,725	240,000	257,688	1,153,413	0.24	24,577,873
2028/29	486,229,833	490,000	165,750	250,000	246,288	1,152,038	0.24	25,653,233
2029/30	491,398,129	510,000	144,925	265,000	234,413	1,154,338	0.23	26,762,477
2030/31	496,621,359	530,000	123,250	275,000	221,825	1,150,075	0.23	27,910,646
2031/32	501,900,109	555,000	100,725	290,000	208,763	1,154,488	0.23	29,092,782
2032/33	507,234,969	580,000	77,138	300,000	194,988	1,152,125	0.23	30,318,926
2033/34	512,626,535	605,000	52,488	315,000	180,738	1,153,225	0.22	31,584,121
2034/35	518,075,409	630,000	26,775	330,000	165,775	1,152,550	0.22	32,893,411
2035/36	523,582,201			1,005,000	150,100	1,155,100	0.22	34,246,838
2036/37	529,147,527			1,055,000	102,363	1,157,363	0.22	35,649,448
2037/38	534,772,008			1,100,000	52,250	1,152,250	0.22	37,106,283
		<u>\$9,075,000</u>		<u>\$7,155,000</u>		<u>\$25,202,850</u>		

\$9,075,000
General Obligation Bonds
Project of 2015
Series A (2016)
Bonds Dated: 3/01/16

\$7,155,000
General Obligation Bonds
Project of 2015
Series B (2018)
Bonds Dated: 7/01/18*

Estimated
Additional

Net
General
Obligation
Bonding
Capacity (e)

Average Annual Tax Rate = **\$0.2450**



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Daisy Mountain Fire District (November 2015 Election)

Est. Debt Service Requirements and Projected Impact on the Secondary Tax Rate

* Assumes 100% of tax collections are available to make the 7/1 principal payment, thereby regaining 100% capacity for a June sale.

- (a) Fiscal year 2015/16 is actual. Fiscal years 2016/17 through and including 2020/21 assume 5.00% growth; and subsequent years assume 1.06% growth.
(Per Arizona Revised Statutes 35-454: "(i) For the first five years of the estimated debt retirement schedule, the average of the annual percentage growth for the previous ten years in the net assessed valuation of the political subdivision. (ii) For the remaining years of the estimated debt retirement schedule, twenty per cent of the average of the annual percentage growth for the previous ten years in the net assessed valuation of the political subdivision.")
The assessed valuation is also adjusted to reflect the following statutory assessment ratio phase downs: in class 1 from 20% in 2013/14 to 18% in 2016/17; and class 2 from 16% in 2015/16 to 15% in 2016/17.
- (b) Secondary tax rates are per \$100 of assessed valuation. Fiscal year 2016/17 assumes a delinquency rate of 5.00%. Subsequent projected tax rates are not adjusted for interest earnings, arbitrage rebate or delinquent tax collections (if any).
- (c) Interest is estimated at 4.25% for the Bonds.
- (d) Interest is estimated at 4.75% for the Bonds.

The interest rate and rating assumptions assumed in this presentation are based on current market conditions and similar credits. The Issuer's actual results may differ, and Stifel makes no commitment to underwrite at these levels.

- (e) Capacity is calculated using the following assumptions: Fiscal year 2015/16 is actual. Fiscal years 2016/17 through and including 2020/21 assume 5.00% growth; and subsequent years assume 1.06% growth.
The assessed valuation is also adjusted to reflect the following statutory assessment ratio phase downs: in class 1 from 20% in 2013/14 to 18% in 2016/17; and class 2 from 16% in 2015/16 to 15% in 2016/17.

Note: The information in this analysis is not intended to be used as the primary basis for determining an issuer's bonding capacity, tax rate or ability to sell bonds. This analysis is based on assumptions provided by sources considered to be reliable, including the issuer, but is not guaranteed as to accuracy and does not purport to be complete. Any information expressed in this analysis is subject to change.



Daisy Mountain Fire District (November 2015 Election)

Average Cost to Taxpayer

**ESTIMATED AVERAGE ANNUAL BOND TAX RATE PER \$100
OF ASSESSED VALUATION: \$0.2450**

RESIDENTIAL PROPERTY (Assessed at 10.0%)			
Value for Tax Purposes (a)	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$205,743 (c)	\$20,574 (c)	\$50.41	\$4.20
100,000	10,000	24.50	2.04

COMMERCIAL PROPERTY (Assessed at 18.0%) (e)			
Value for Tax Purposes (a)	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$503,580 (c)	\$90,644 (c)	\$222.08	\$18.51
1,000,000	180,000	441.00	36.75

AGRICULTURAL AND OTHER VACANT PROPERTY (Assessed at 15.0%) (f)			
Value for Tax Purposes (a)	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$41,914 (c)	\$6,287 (c)	\$15.40	\$1.28
100,000	15,000	36.75	3.06

The following tables illustrate the estimated annual and monthly cost to taxpayers, including principal and interest, based on varying types of property, property values and assessed values. To determine your estimated tax increase, refer to your property tax statement which identifies the specific assessed value of your property.

The tax impact over the term of the bonds on an owner-occupied residence valued by the County Assessor at \$250,000 is estimated to be \$69.14 per year for 22 years or \$1,521.06 total cost. (d)

The tax impact over the term of the bonds on a commercial property valued by the County Assessor at \$1,000,000 is estimated to be \$497.80 per year for 22 years or \$10,951.65 total cost. (d)

The tax impact over the term of the bonds on a agricultural and vacant property valued by the County Assessor at \$100,000 is estimated to be \$41.48 per year for 22 years or \$912.64 total cost. (d)



Daisy Mountain Fire District (November 2015 Election)

Average cost to taxpayer

- (a) Assessor's value for tax purposes is the value of your property as it appears on your tax bill and does not necessarily represent the market value. Beginning with fiscal year 2015-2016, this value cannot increase by more than 5% from the prior year if the property has not changed. For commercial property, only locally assessed property is subject to this limit.
- (b) Cost based on the estimated average tax rate over the life of the bond issues and a number of other financing assumptions which are subject to change.
- (c) Estimated average assessed value of owner-occupied residential properties, commercial properties or agricultural and vacant properties, as applicable, within the District as provided by the Arizona Department of Revenue.
- (d) Assumes the net assessed valuation of the property changes at the lesser of five percent or half the rate of the Issuer's total net assessed value shown on the projected debt service schedule.
- (e) Assessment ratio will phase down to 18.0% in tax year 2016 and thereafter.
- (f) Assessment ratio will be reduced to 15.0% in tax year 2016 and thereafter.

Note: The information in this analysis is not intended to be used as the primary basis for determining an issuer's bonding capacity, tax rate or ability to sell bonds. This analysis is based on assumptions provided by sources considered to be reliable, including the issuer, but is not guaranteed as to accuracy and does not purport to be complete. Any information expressed in this analysis is subject to change.



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