



Town of Jerome, Arizona

January 12, 2023

Darren Hodge

Jaime Trejo

Matt Stoffel

Fred Dilly



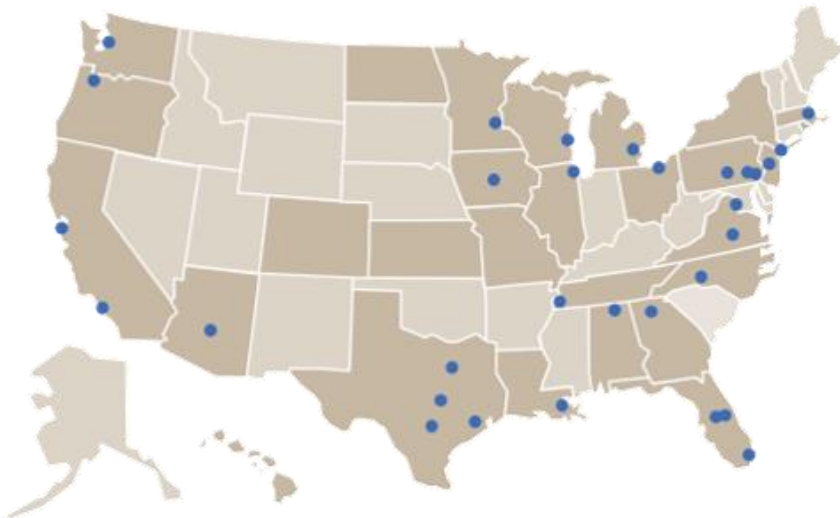
PFM Overview



Who We Are

- ◆ PFM was founded in 1975 and now has 31 offices and over 350 employees nationwide
- ◆ PFM has been the number one financial advisor every year since 1998
- ◆ We combine small firm local knowledge and focus with national firm resources

PFM's National Presence

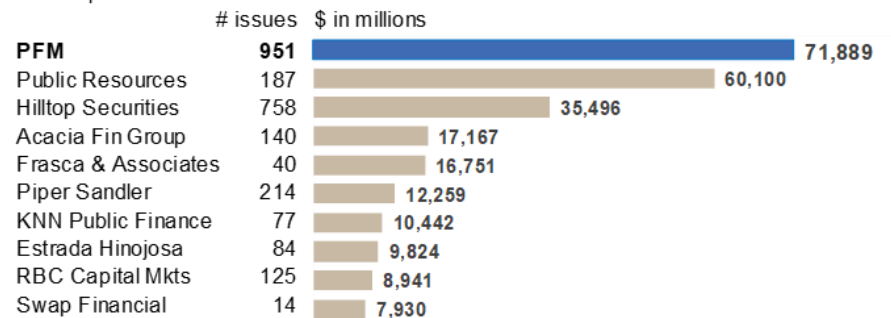


**According to PFM Internal Resources as of September 1, 2022*

2021 Full Year Overall Long Term Municipal New Issues

Municipal Financial Advisory Ranking - Full Credit to Each Financial Advisor

Source: Ipreo





Lead Day-to-Day Contacts



Darren Hodge

Managing Director

Experience

18 years in industry

Specializes in local government finance for cities, public utilities, and transportation agencies throughout the Western United States

Former investment banker with over \$30 billion in completed transactions

Education

B.S. in Computer Science, University of California, Santa Barbara

M.A. in Economics, University of California, Santa Barbara

Professional Designations or Licenses

Municipal Advisor Representative (Series 50)



Jaime Trejo

Senior Managing Consultant

Experience

11 years in industry

Specializes in transaction management, including debt structuring, credit rating strategy and legal document review

Formerly a credit rating analyst with S&P

Education

B.A. in History, University of California, Berkeley

M.P.P., Harvard University

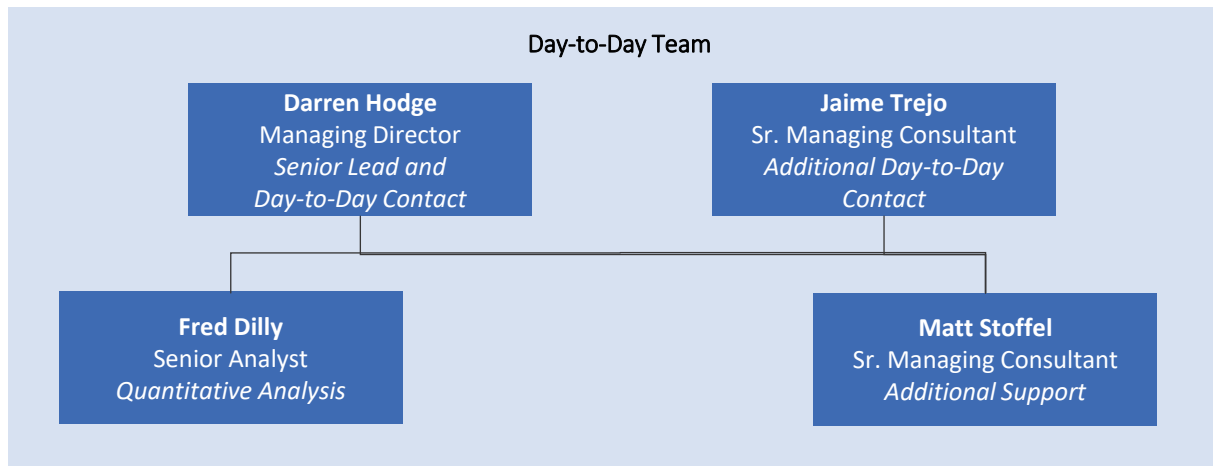
Professional Designations or Licenses

Municipal Advisor Representative (Series 50)



The Town Will Have Access to the Full Resources of the Firm in Addition to PFM's Proposed Day-to-Day Team

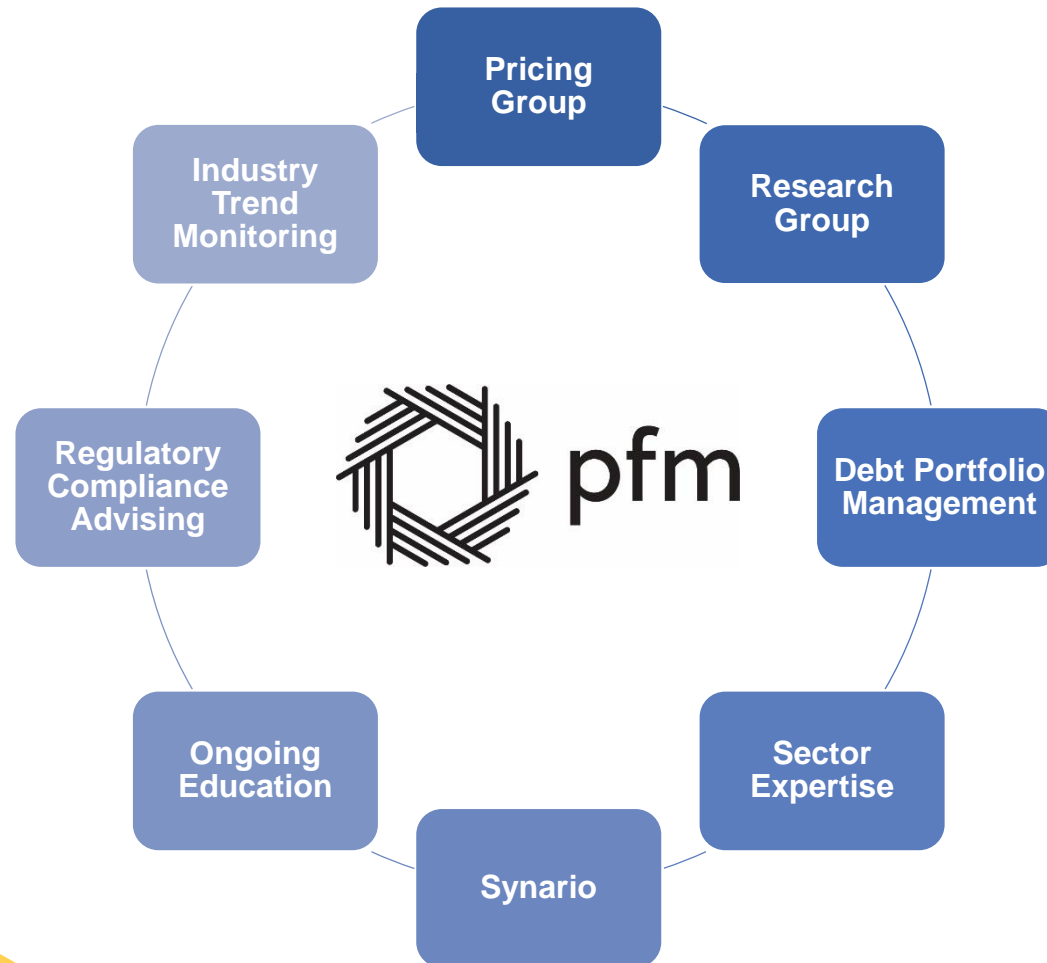
Town of Jerome





PFM Provides Market Leading Financial Advisory Services

- PFM is an independent financial advisor with market-leading experience, expertise, resources, and capabilities required to navigate today's municipal environment





What Specifically Differentiates PFM?

◆ Independence

- We are not an underwriter

◆ Market presence

- No firm is more active in the municipal market providing financial advisory services for bond transactions

◆ Services

- One-stop shop for municipal advisory services

◆ Client Service

- We listen to the needs of our clients and do everything with their best interests in mind, serving in a fiduciary capacity

◆ Resources

- Access to public finance information, industry data and research similar to that of Wall Street banks



PFM Pricing Group

- ◆ PFM has an independent in-house bond pricing group
 - Constant access to market information and trends
 - Leverage our national footprint and firm-wide knowledge

In 2021, PFM averaged four pricings daily. Our Pricing Group serves the same role as comparable investment bank groups; however, PFM is not engaged in any trading or market making activities

- ◆ Provide aggressive and informed representation to our clients in the pricing of securities
- ◆ Our clients can rest assured their pricings secured the lowest borrowing costs





Team Experience



Active in the Arizona Market

- PFM is well versed in providing financial advisory services within Arizona
- Our work includes everything from long range financial planning (and building models for LRFP) to planning and executing debt transactions
- Our work has included engagements with the following entities, among others



City of Casa Grande



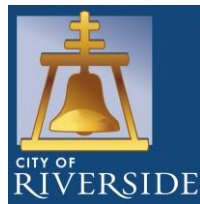
City of Phoenix





Active in the Water and Wastewater Market

- PFM is the number one water and wastewater financial advisor by both par amount and number of transactions
- PFM has provided financial advisory services to numerous water and wastewater utility clients throughout the Western United States, some of which are shown below
- Our work includes financial planning, capital financing, credit rating strategies, and investor strategies





Funding for Water and Wastewater Projects



Funding Avenues for Water and Wastewater

- ◆ Given the importance of water and wastewater in the Western US, funding opportunities for capital improvement projects have expanded:
 - ◆ Local funding
 - ◆ State SRF funding
 - ◆ Federal funding (WIFIA, USDA, etc.)
- ◆ IIJA also expanded funding for water, however, much of the funding is an expansion of existing sources (such as SRF funding)



Comparison of Funding Sources

	Public Market	Private Placement	Federal/State Loans
Benefits	<ul style="list-style-type: none"> Borrowing terms more customizable Predictability of receipt of funds Time efficient market access 	<ul style="list-style-type: none"> Lower issuance costs Pricing can be attractive No need for ratings/disclosure 	<ul style="list-style-type: none"> Attractive interest rates
Considerations	<ul style="list-style-type: none"> Borrowing costs can be higher than private market Disclosure requirements Restrictive covenants Tax law constraints 	<ul style="list-style-type: none"> Legal terms and covenants may be more restrictive Term of loans may be constrained Market demand less predictable Tax law constraints 	<ul style="list-style-type: none"> Not all projects are eligible Terms and covenants may be restrictive Lengthy issuance timeline Documentation Potential impacts of “federalizing” project
Examples	<ul style="list-style-type: none"> Bonds Notes 	<ul style="list-style-type: none"> Obligation placed with single investor Bank loan 	<ul style="list-style-type: none"> WIFIA WIFA USDA



USDA Loans – Interim Financing

- ◆ USDA loans can be a cost-effective means of project funding for certain entities
- ◆ USDA loans provide secured long-term financing, but require secured interim financing for construction costs
 - ◆ USDA loans are only able to be drawn upon once construction is completed
- ◆ Interim financing has traditionally been secured through either:
 - ◆ Bank loans / secured lines of credit
 - ◆ Public note issuances
- ◆ USDA has communicated that a waiver of secured interim financing is available “when interim financing is cost prohibitive or unavailable”



USDA Loan Process (Financing Element)

USDA WEP Approval
(Borrower receives USDA Letter of Conditions)



Interim Financing Secured

- USDA Review of RFP
- Distribute RFP
- Select Lender



Interim Financing Used
to Fund Construction



At Construction Completion,
USDA Loan Closes and Interim
Financing Paid Off

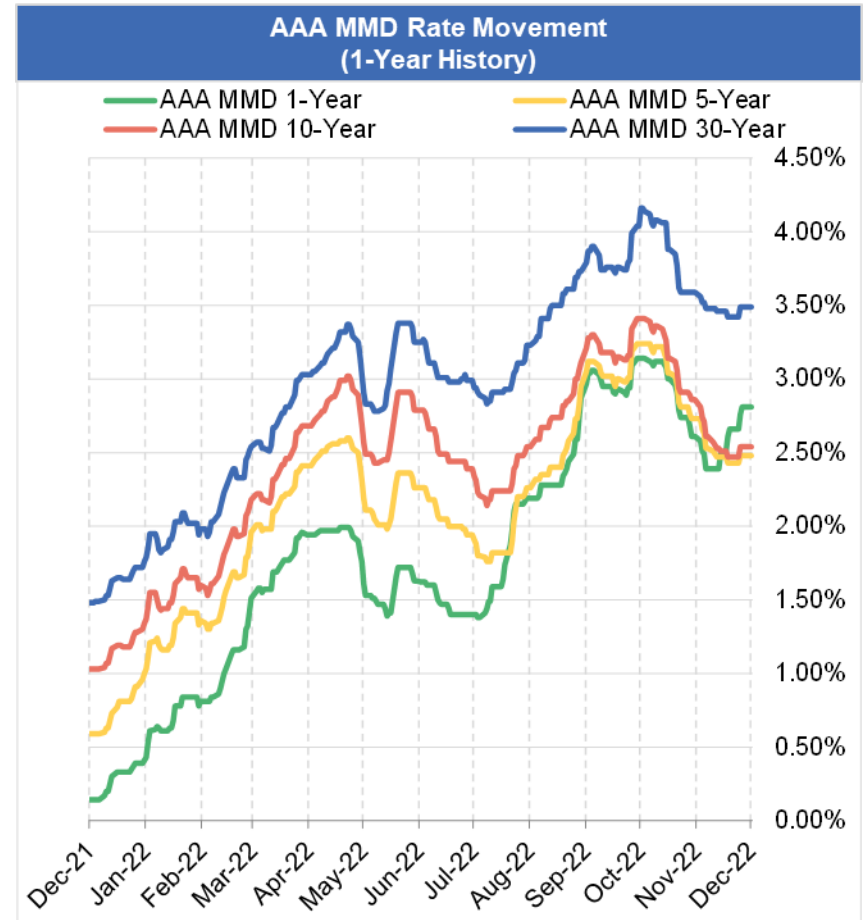


Appendix: Key Market Trends



Key Market Trends

- For much of 2021, interest rates remained at or near historic lows
- Since the beginning of 2022, interest rates have begun increasing
 - 30-Year AAA MMD (01/03/2022): 1.50%
 - 30-Year AAA MMD (12/30/2022): 3.58%
- After increasing for the first half of 2022, interest rates have entered a period of volatility
 - 30-Year AAA MMD Year-to-Date High (10/27/2022): 4.16%
 - Since reaching a year-to-date high on October 27, 30-year MMD decreased by 0.58% to today's rate (as of December 31)





Interest Rate Forecasts

Below are relevant taxable and tax-exempt interest rate forecasts through December 2023

MMD Yields	12/30/2022	1Q2023	2Q2023	3Q2023	4Q2023
2-Year	2.60%	3.10%	2.95%	2.75%	2.35%
5-Year	2.52%	3.15%	3.05%	2.80%	2.45%
10-Year	2.63%	3.25%	3.10%	2.90%	2.60%
30-Year	3.58%	3.90%	3.80%	3.65%	3.40%

Treasury Yields	12/30/2022	1Q2023	2Q2023	3Q2023	4Q2023
2-Year Treasury	4.40%	4.50%	4.30%	4.10%	3.80%
5-Year Treasury	3.96%	4.15%	4.00%	3.80%	3.45%
10-Year Treasury	3.83%	4.00%	3.90%	3.70%	3.40%
30-Year Treasury	3.94%	4.00%	4.00%	3.85%	3.75%

Source: J.P. Morgan Municipal Issuers Market Update – January 3, 2023



pfm