



Tubac Fire District

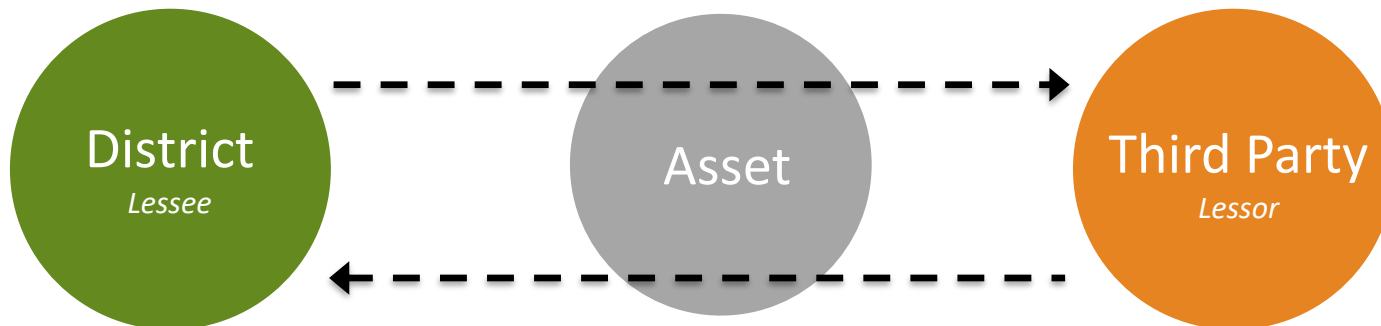
Lease-Purchase General Information

September 19, 2019

ARIZONA FIRE DISTRICTS

	Lease Purchase	General Obligation (GO) Bonds		Pay Go
Typical Use	<ul style="list-style-type: none"> Buildings (with land), vehicles and equipment 	<ul style="list-style-type: none"> Any capital item having longer average life than the bonds 		<ul style="list-style-type: none"> Capital with shorter life
Security	<ul style="list-style-type: none"> Lease payments, subject to annual appropriation First lien on equipment and real property 	<ul style="list-style-type: none"> Ad valorem taxes on net limited assessed property valuation of all taxable property within the district District assets or project do not secure financing 		<ul style="list-style-type: none"> Not applicable
Repayment Source	<ul style="list-style-type: none"> Available levy limit, including override 	<ul style="list-style-type: none"> Above and separate from levy limit 		<ul style="list-style-type: none"> Available levy limit, including override
Sizing Limitation	<ul style="list-style-type: none"> Available levy limit, essentiality and value of collateral 	<ul style="list-style-type: none"> Limited to 6% of current net limited assessed property valuation 		<ul style="list-style-type: none"> Available levy limit, including override
Amortization	<ul style="list-style-type: none"> Typically 15 years or less Some flexibility to deviate from level payments 	<ul style="list-style-type: none"> Up to 40 years maximum Substantial flexibility to deviate from level payments 		<ul style="list-style-type: none"> Year to year
Election	<ul style="list-style-type: none"> None required 	<ul style="list-style-type: none"> November election required 		<ul style="list-style-type: none"> Not applicable, unless funded with override
Investor Placement	<ul style="list-style-type: none"> Private placement with sophisticated institutional investor through request for proposals Public sale of \$5,000 denominations of Certificates of Participation (COPs) in the lease with typical municipal investors Investor demand more limited 	<ul style="list-style-type: none"> Private placement with typical municipal investor through request for proposals Public sale of \$5,000 denominations of GO bonds with typical municipal investors Broad investor acceptance 	<ul style="list-style-type: none"> Governmental assisted purchase may be available through GADA and USDA/RD 	<ul style="list-style-type: none"> Not applicable
Timing / Other	<ul style="list-style-type: none"> Typically longer than GO bond issuance Real estate, title and environmental considerations can complicate and delay issuance process 	<ul style="list-style-type: none"> GO bond issuance typically takes 6-8 weeks First issuance is typically possible within 3-4 months after successful election 		<ul style="list-style-type: none"> Not applicable

- Issuer sets up a relationship with a third party
- Issuer leases the equipment or land under which the improvements will be acquired or constructed, to the third party
- Issuer leases the equipment, property or improvements back from the third party over an extended term
- Issuer makes lease payments to the third party – subject to Annual Appropriation
- Upon completion of the lease period, title to the equipment or facility(s) automatically transfers to the Issuer at no additional cost
- Lease will typically have a Purchase Option (and prepayment provisions)
- Secured by Leasehold Interest on Unencumbered Real Property, Buildings or Equipment
 - Real Property – Title Search / Phase I Environmental may be required
 - To avoid construction risk, lender may require leasehold interest in another property
- No election required
- Does not impact Issuer’s GO bonding capacity



- The Board needs to adopt a General Fund budget each year that includes sufficient monies to make that year’s lease payment – no new revenue source
- Failure to budget and approve the payment has severe financial consequences (i.e., potential loss of use of facilities, possible rating downgrades on all district debt and possible inability to issue debt in the future)

Sample Amortization Schedule

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2020	100,000	2.750%	73,333.33	173,333.33	
06/01/2021	102,000	2.750%	53,625.00	155,625.00	328,958.33
12/01/2021	112,000	2.750%	52,222.50	164,222.50	
06/01/2022	113,000	2.750%	50,682.50	163,682.50	327,905.00
12/01/2022	115,000	2.750%	49,128.75	164,128.75	
06/01/2023	117,000	2.750%	47,547.50	164,547.50	328,676.25
12/01/2023	119,000	2.750%	45,938.75	164,938.75	
06/01/2024	119,000	2.750%	44,302.50	163,302.50	328,241.25
12/01/2024	122,000	2.750%	42,666.25	164,666.25	
06/01/2025	123,000	2.750%	40,988.75	163,988.75	328,655.00
12/01/2025	126,000	2.750%	39,297.50	165,297.50	
06/01/2026	126,000	2.750%	37,565.00	163,565.00	328,862.50
12/01/2026	130,000	2.750%	35,832.50	165,832.50	
06/01/2027	129,000	2.750%	34,045.00	163,045.00	328,877.50
12/01/2027	133,000	2.750%	32,271.25	165,271.25	
06/01/2028	133,000	2.750%	30,442.50	163,442.50	328,713.75
12/01/2028	136,000	2.750%	28,613.75	164,613.75	
06/01/2029	137,000	2.750%	26,743.75	163,743.75	328,357.50
12/01/2029	141,000	2.750%	24,860.00	165,860.00	
06/01/2030	140,000	2.750%	22,921.25	162,921.25	328,781.25
12/01/2030	144,000	2.750%	20,996.25	164,996.25	
06/01/2031	144,000	2.750%	19,016.25	163,016.25	328,012.50
12/01/2031	148,000	2.750%	17,036.25	165,036.25	
06/01/2032	148,000	2.750%	15,001.25	163,001.25	328,037.50
12/01/2032	153,000	2.750%	12,966.25	165,966.25	
06/01/2033	152,000	2.750%	10,862.50	162,862.50	328,828.75
12/01/2033	156,000	2.750%	8,772.50	164,772.50	
06/01/2034	157,000	2.750%	6,627.50	163,627.50	328,400.00
12/01/2034	325,000	2.750%	4,468.75	329,468.75	
06/01/2035					329,468.75
	4,000,000		928,775.83	4,928,775.83	4,928,775.83

Assumptions:

- Financing Date Estimate: April 2020
- 15 year repayment
- Interest estimated at 2.75% (subject to change)
- Level Debt Service structure – To be Discussed
- Prepayment terms – To be Discussed
- Does not include Capitalized Interest

1. Preliminary and subject to change.
2. Interest rate assumptions are based on current market conditions and similar credits.
3. The issuer's actual results may differ, and Stifel makes no commitment to place at these levels.

CASE STUDY: Queen Creek Unified School District No. 95

\$17,800,000 Lease-Purchase Financing, Series 2017 (Private Placement) Overview

PROJECT SUMMARY:

\$18,500,000– K-5 school (13.8 acres)

Estimated District loan amount: \$17,800,000; the District will fund the balance of costs from bond proceeds.

LEASE STRUCTURE: Fixed interest rate of 3.35%

ANNUAL LEASE PAYMENTS: Interest only through October 15, 2021 (approximately \$298,150). Approximately \$1.8 million from April 15, 2022 through and including October 15, 2032.

PREPAYMENT: Pre-payable on November 9, 2018 @ par

SECURITY: Secured by leasehold interest in elementary school #6 (the “Leased Property”) and the Gateway Polytechnic Academy campus (the “Historic Campus”). Upon completion of construction of the Leased Property, the leasehold interest in the Historic Campus will be removed and only a leasehold interest in the Leased Property will remain.

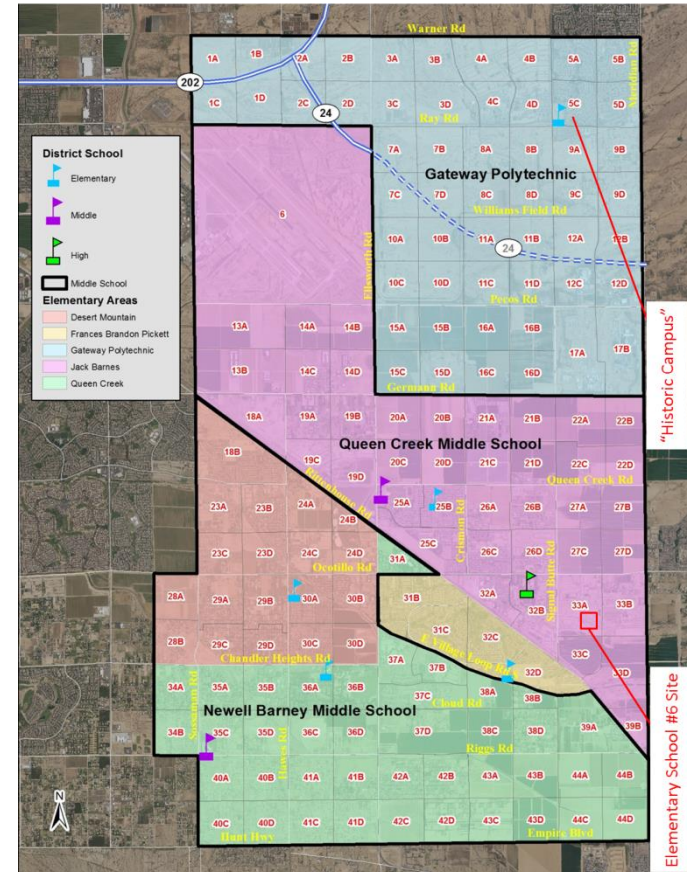
SOURCE OF REPAYMENT: Amounts budgeted from the District’s Unrestricted Capital Outlay Fund (the “UCOF”), subject to annual appropriation. The District anticipates prepaying all or a portion of the Lease with bond proceeds from future issuances from its general obligation bond authorization.

STIFEL ROLE: Placement Agent



QUEEN CREEK
Unified School District No. 95

QUEEN CREEK UNIFIED SCHOOL DISTRICT
CURRENT K-8 ATTENDANCE AREAS



CASE STUDY: Buckeye Elementary School District No. 33

\$12,240,000 Lease-Purchase Financing, Series 2016 (Private Placement) Overview

PROJECT SUMMARY:

\$17,000,000 – New elementary school on approximately 16 acres

\$1,300,000 – Furniture, technology and equipment

Approximately \$6.3 million of project funded by bond proceeds already issued and from developer assistance funds.

LEASE STRUCTURE: Fixed interest rate of 2.29%

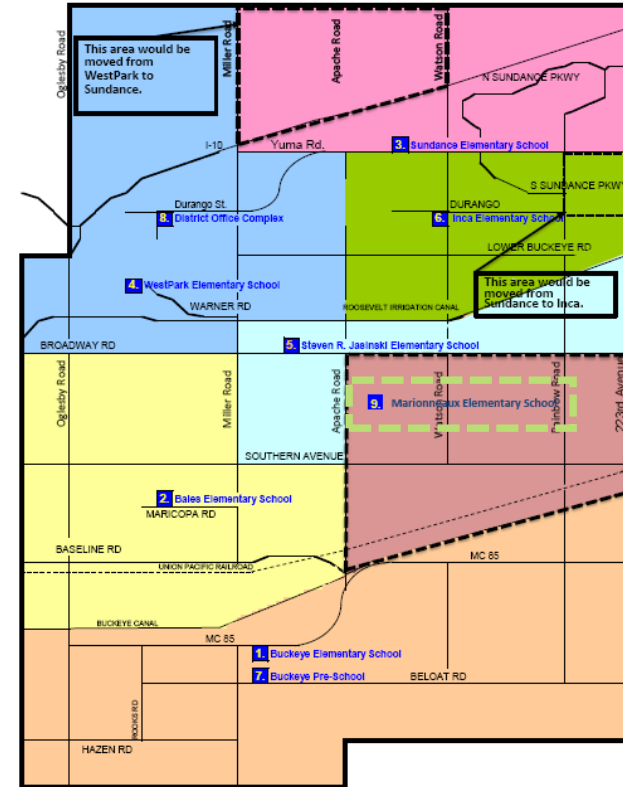
ANNUAL LEASE PAYMENTS: Interest only through June 1, 2020 (from approximately \$135,000 to \$280,000). Approximately \$2.2 million from December 1, 2020 through and including June 1, 2026.

PREPAYMENT: Pre-payable on June 1, 2018 @ par (and any interest payment date thereafter)

SECURITY: Secured by leasehold interest in the new elementary school (the “Leased Property”) and Buckeye Elementary School campus (the “Historic Campus”). Upon completion of construction of the Leased Property, the leasehold interest in the Historic Campus will be removed and only a leasehold interest in the Leased Property will remain.

SOURCE OF REPAYMENT: Amounts budgeted from the District’s Unrestricted Capital Outlay Fund (the “UCOF”), subject to annual appropriation. The District anticipates prepaying all or a portion of the Lease with bond proceeds from future issuances from its November 2015 general obligation bond authorization.

STIFEL ROLE: Placement Agent



EXAMPLE: Private Equipment Lease/Purchase

District

*Proposed All-In Interest Cost (through Vendor): 3.48%
Prepayment Provisions: 2.0% = Years 1-5 and 1.0% thereafter*

STIFEL
Placement Agent

Solicited 11 Investors/Lenders

Winning Investor/Lender = 60 basis points lower than original offer; Approximately \$240,000 savings

Investor/Lender #1

All-in TIC: 2.78%
Prepayment Provisions:
2.0% = Years 1-5
1.0% = Years 6-10
0.5% thereafter

Investor/Lender #2

All-in TIC: 2.87%
Prepayment Provisions:
1.5% = Year 1
1.0% = Years 2-5
0.0% thereafter

Investor/Lender #3

All-in TIC: 3.22%
Prepayment Provisions:
Non-Callable = Years 1-5
0.0% thereafter

Investor/Lender #4

All-in TIC: 3.28%
Prepayment Provisions:
Non-Callable = Years 1-5
0.0% thereafter (in whole)

Investor/Lenders #5-#11

No Bid due to: Security Type, Energy Service Company, Time Constraints

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