



Methacton School District

New Money Analysis

September 11, 2024



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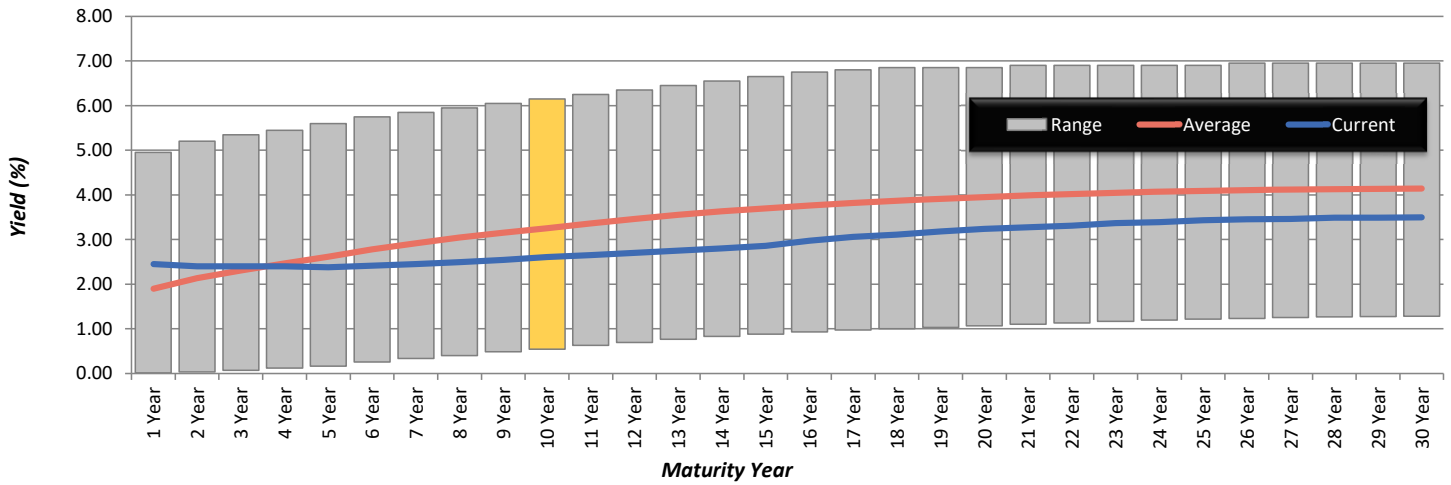
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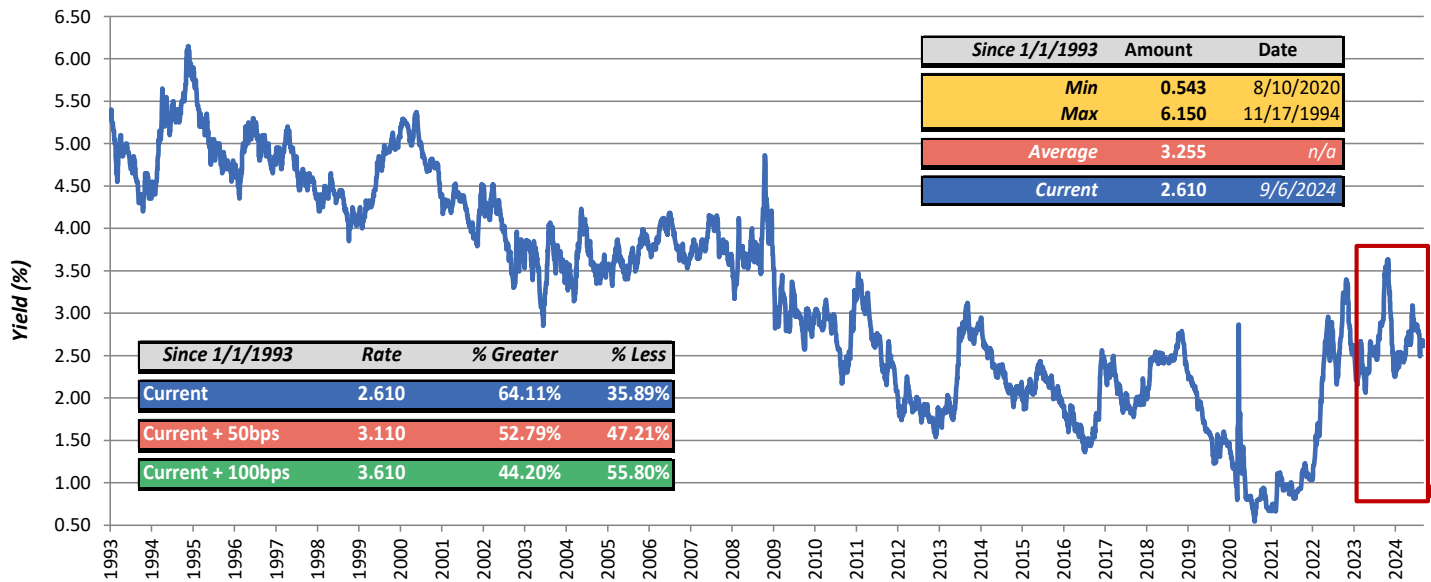
MUNICIPAL MARKET UPDATE

September 6, 2024

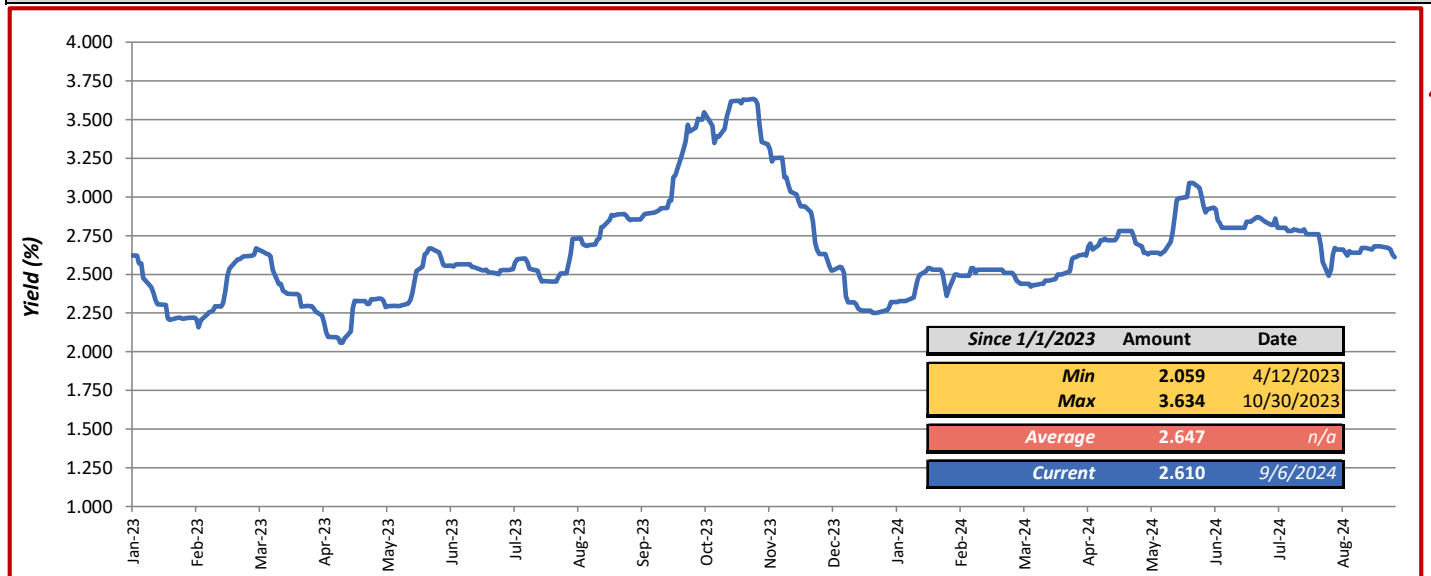
HISTORICAL BVAL CURVE ILLUSTRATION - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 2023



[1] Datapoints prior to January 4, 2010 are provided by MMD, datapoints after January 4, 2010 are provided by BVAL.

METHACTON SCHOOL DISTRICT
SUMMARY OF OUTSTANDING INDEBTEDNESS

Debt Service Requirements											
1	2	3	4	5	6	7	8	9	10	11	12

Fiscal Year Ended	G.O. Bonds Series B of 2017	G.O. Bonds Series of 2018	G.O. Bonds Series A of 2018	G.O. Bonds Series of 2019	G.O. Bonds Series A of 2019	G.O. Bonds Series AA of 2019	G.O. Bonds Series of 2020	G.O. Notes Series of 2020	G.O. Bonds Series A of 2020	G.O. Bonds Series of 2021	Total Debt Service
6/30/2025	269,055	181,259	4,614,975	174,991	146,789	2,641,800	162,163	93,519	633,250	528,600	9,446,400
6/30/2026	639,379	1,783,400	776,475	184,800	285,300	1,600,500	2,208,300	93,519	633,200	528,550	8,733,422
6/30/2027	951,813	1,771,700		499,625	331,900			3,874,756	633,138	528,500	8,591,431
6/30/2028	967,125	1,091,400		593,000	451,750			1,402,997	633,063	528,438	5,667,772
6/30/2029	1,151,025			685,400	606,275				1,235,625	1,101,600	4,779,925
6/30/2030	1,148,275			687,900	608,900				1,235,325	1,097,600	4,778,000
6/30/2031	1,154,625			679,600	608,300				1,235,713	1,102,600	4,780,838
6/30/2032	1,167,900			729,500	611,800				1,240,000	1,032,900	4,782,100
6/30/2033	1,179,825			717,600	609,400				1,241,400	1,033,600	4,781,825
6/30/2034	1,180,550			612,000	714,000				1,241,600	1,033,300	4,781,450
6/30/2035	106,575								1,230,800	885,000	2,222,375
6/30/2036									1,224,100	991,600	2,215,700
6/30/2037									1,221,300	995,000	2,216,300
6/30/2038									1,222,200	997,200	2,219,400
6/30/2039									1,221,700	998,200	2,219,900
6/30/2040									1,224,700	993,100	2,217,800
6/30/2041									1,221,200	996,800	2,218,000
6/30/2042									1,221,200	999,100	2,220,300
6/30/2043									1,224,500	995,100	2,219,600
6/30/2044									1,221,100	999,700	2,220,800
6/30/2045									1,221,000	997,800	2,218,800
6/30/2046									1,224,000	994,500	2,218,500
6/30/2047											
6/30/2048											
6/30/2049											
6/30/2050											
TOTAL	9,916,146	4,827,759	5,391,450	5,564,416	4,974,414	4,242,300	2,370,463	5,464,789	24,640,113	20,358,788	87,750,637

Local Effort Requirements											
13	14	15	16	17	18	19	20	21	22	23	24

Fiscal Year Ended	G.O. Bonds Series B of 2017	G.O. Bonds Series of 2018	G.O. Bonds Series A of 2018	G.O. Bonds Series of 2019	G.O. Bonds Series A of 2019	G.O. Bonds Series AA of 2019	G.O. Bonds Series of 2020	G.O. Notes Series of 2020	G.O. Bonds Series A of 2020	G.O. Bonds Series of 2021	Total Local Effort
6/30/2025	269,055	181,259	4,377,780	174,991	146,789	2,487,380	154,726	86,537	633,250	528,600	9,040,368
6/30/2026	639,379	1,783,400	736,567	184,800	285,300	1,506,947	2,107,030	86,537	633,200	528,550	8,491,709
6/30/2027	951,813	1,771,700		499,625	331,900			3,585,501	633,138	528,500	8,302,176
6/30/2028	967,125	1,091,400		593,000	451,750			1,298,261	633,063	528,438	5,563,036
6/30/2029	1,151,025			685,400	606,275				1,235,625	1,101,600	4,779,925
6/30/2030	1,148,275			687,900	608,900				1,235,325	1,097,600	4,778,000
6/30/2031	1,154,625			679,600	608,300				1,235,713	1,102,600	4,780,838
6/30/2032	1,167,900			729,500	611,800				1,240,000	1,032,900	4,782,100
6/30/2033	1,179,825			717,600	609,400				1,241,400	1,033,600	4,781,825
6/30/2034	1,180,550			612,000	714,000				1,241,600	1,033,300	4,781,450
6/30/2035	106,575								1,230,800	885,000	2,222,375
6/30/2036									1,224,100	991,600	2,215,700
6/30/2037									1,221,300	995,000	2,216,300
6/30/2038									1,222,200	997,200	2,219,400
6/30/2039									1,221,700	998,200	2,219,900
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6/30/2042									1,221,200	999,100	2,220,300
6/30/2043									1,224,500	995,100	2,219,600
6/30/2044									1,221,100	999,700	2,220,800
6/30/2045									1,221,000	997,800	2,218,800
6/30/2046									1,224,000	994,500	2,218,500
6/30/2047											
6/30/2048											
6/30/2049											
6/30/2050											
TOTAL	9,916,146	4,827,759	5,114,347	5,564,416	4,974,414	3,994,327	2,261,756	5,056,836	24,640,113	20,358,788	86,708,901

Principal ^[1]:	8,410,000	4,410,000	5,280,000	4,455,000	3,995,000	1,575,000	2,240,000	5,205,000	15,805,000	13,100,000	64,475,000
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PE%:	0.00%	0.00%	24.71%	0.00%	0.00%	28.10%	22.05%	35.89%	0.00%	0.00%
PE% Status:	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
CARF	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%
Call Date:	3/15/2023	9/15/2023	9/15/2023	9/15/2024	3/1/2025	Non-Callable	Non-Callable	Non-Callable	9/15/2028	7/15/2029
Purpose:	New Money	Cur Ref 2011A & 2015	Cur Ref 2013 Notes	New Money	New Money	Cur Ref 2012A & 2013	Cur Ref 2013A	Adv Ref Portion of 2016	New Money	New Money
BQ Status:	BQ	Non-BQ	Non-BQ	BQ	BQ	BQ	Non-BQ	Non-BQ	Non-BQ	Non-BQ
Average Rate:	2.58%	3.35%	2.07%	2.95%	2.68%	3.25%	1.82%	1.82%	3.26%	3.23%

^[1] Outstanding as of September 6, 2024

Methacton School District

Topics of Discussion

September 11, 2024

Proposed New Money Financing Analysis

- 1) The District Administration has asked PFM to prepare a debt service affordability analysis for up to \$200 million of potential projects.
- 2) The borrowing plan is estimated and currently takes places over multiple years. As we move forward, the District and its Architect will need to provide PFM with a draw schedule so we can finetune timing as well as any potential interest earnings that may be used to downsize the total cost of the project.

Federal Tax Laws

- 3) Federal tax laws permit an Issuer to borrow at a tax-exempt interest rate and invest the proceeds at an unlimited (taxable) yield subject to arbitrage requirements during the period of project construction, but only if the following three tests can be satisfied. The governing board must reasonably expect at the time the borrowing:
 - a. **Expenditure Test** – issuer will spend 85% of the proceeds within three years.
 - b. **Time Test** – issuer will incur a substantial binding obligation (sign a design contract, award a construction bid) within six months, equal to at least 5% of the borrowing amount.
 - c. **Due Diligence Test** – construction of the project will proceed, and the bonds funds will be spent, with due diligence to completion.

Arbitrage Rebate Considerations

- 4) An issue is exempt from arbitrage rebate if they qualify under size-based and time-base exemptions:
 - a. **Small Issuer Exception** – As long as the issuer has governmental taxing base powers and does not expect to or has not issued more than \$15,000,000 in tax-exempt bonds in a calendar year, an exemption would apply.
 - b. **Time Based/Spending Exception** – The issuer must meet the following spending exceptions:

Spending Exception	6 Months	12 Months	18 Months	24 Months
6-Month All Gross Proceeds	100%			
18-Month All New Money	15%	60%	100%	
24-Month Construction Issues	10%	45%	75%	100%

Legal Borrowing Capacity

- 5) Under PA State Law a school district can borrow up to its legal borrowing capacity – a formula which considers 225% of the average of the last three years of revenue less any existing debt. Any borrowing outside of this amount would require voter approval.
- 6) The remaining borrowing capacity for the School District shown below assumes the \$200 million project as detailed in the remaining pages of this handout*:

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
207,532,121	176,906,111	151,697,971	129,008,163	84,114,153	104,177,594	120,490,848	135,144,453	147,631,065

*Borrowing base projections are based on future revenues which were provided by District administration

2024 Refinancing Opportunity

- 7) The District has a number of potential refinancing opportunities for its existing debt. We should plan to set up a max parameters resolution in the coming weeks to make sure the District is in a position to take advantage of debt service savings. Below are the bonds that could be refinanced in calendar year 2024.

	<u>Series B of 2017</u>	<u>Series of 2018</u>	<u>Series A of 2018</u>	<u>Series of 2019</u>	<u>Series A of 2019</u>
Outstanding Par:	\$8,410,000	\$4,410,000	\$5,280,000	\$4,455,000	\$4,000,000
Call Date:	Anytime	Anytime	Anytime	9/15/2024	3/1/2025
Rate Range:	2.15 - 3.00%	2.30 - 4.00%	3.00 - 4.00%	2.00 - 4.00%	2.00 - 4.00%

Methacton School District
Rating Discussion
September 11, 2024

Summary of Moody's Report Dated October 21, 2021

The District is currently rated **Aa2** by Moody's (last affirmed May 8, 2024)

Credit Strengths	Credit Challenges
<ul style="list-style-type: none"> ➤ Above-average resident wealth & incomes ➤ Consistent, strong operating surpluses 	<ul style="list-style-type: none"> ➤ Comprehensive capital plan requiring substantial borrowing
Factors that could lead to an upgrade	Factors that could lead to a downgrade
<ul style="list-style-type: none"> ➤ Significant, sustained, fund balance growth ➤ Materially reduced debt burden 	<ul style="list-style-type: none"> ➤ Structural imbalance that leads to material draws on the general fund reserve ➤ Significant declines in the tax base or wealth levels ➤ Material increase to leverage beyond current expectations

Rating Scorecard Pro-Forma - \$200 Million of Additional Debt

Moody's US K-12 Public School Districts Methodology											
Methacton School District, Pennsylvania											
		2023 FY Audited Financials			Post Financing Plan			Indicative Rating			
Rating Factors	Sub Factor Weight	Value	Score	Rating	Value	Score	Rating				
Economy											
Resident Income	10.0%	165.7%	0.9	Aaa	165.7%	0.9	Aaa	Aaa	$x \leq 1.50$	Ba1	$10.5 < x \leq 11.5$
Full Value per Capita	10.0%	\$126,448	3.5	Aa2	\$126,448	3.5	Aa2	Aa1	$1.5 < x \leq 2.5$	Ba2	$11.5 < x \leq 12.5$
Enrollment Trend	10.0%	-0.2%	4.8	A1	-0.2%	4.8	A1	Aa2	$2.5 < x \leq 3.5$	Ba3	$12.5 < x \leq 13.5$
Financial Performance											
Available Fund Balance Ratio	20.0%	7.1%	9.3	Baa2	5.8%	10.5	Baa3	A1	$3.5 < x \leq 4.5$	B1	$13.5 < x \leq 14.5$
Net Cash Ratio	10.0%	17.7%	4.4	Aa3	14.6%	6.0	A2	A2	$4.5 < x \leq 5.5$	B2	$14.5 < x \leq 15.5$
Leverage											
Long-term Liabilities Ratio	20.0%	169.8%	2.6	Aa2	169.8%	4.5	Aa3	A3	$5.5 < x \leq 6.5$	B3	$15.5 < x \leq 16.5$
Fixed-Costs Ratio	10.0%	10.0%	1.2	Aaa	15.9%	1.5	Aa1	Baa1	$6.5 < x \leq 7.5$	Caa1	$16.5 < x \leq 17.5$
Institutional Framework											
	10.0%	"A"	6.0	A	"A"	6.0	A	Baa2	$7.5 < x \leq 8.5$	Caa2	$17.5 < x \leq 18.5$
	100.0%							Baa3	$8.5 < x \leq 9.5$	Caa3	$18.5 < x \leq 19.5$
									$9.5 < x \leq 10.5$	Ca	$19.5 < x \leq 20.5$
		Issuer Rating 4.4 Aa3			Issuer Rating 5.3 A1						

Rating Considerations

- When adding significant leverage that will pressure the rating keeping fund balances and cash reserves strong until the end of the financing plan will be key to trying to maintain a higher-grade rating.
- Long-term capital and financial planning for required millage increases will help to position the District more favorably.
- Hosting a Moody's site visit and tour of the District can help the rating analysts visualize the need for the proposed project, cultivate a stronger sense of the geographic area and associated demographics and provide an opportunity for the District to demonstrate the strength of its management team.

METHACTON SCHOOL DISTRICT
SUMMARY OF REQUESTED NEW MONEY FINANCING PLAN
ESTIMATED - For Illustrative Purposes

SCENARIO \$200 MILLION HIGH SCHOOL PROJECT

		1	2	3	4	5	6			
		STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	TOTAL			
Total Reserves in Capital Projects Fund		-	-	-	-	-	\$18,000,000			
Available for Projects		\$10,000,000	\$42,500,000	\$42,500,000	\$42,500,000	\$62,500,000	\$200,000,000			
Estimated Interest Earnings[1]		-	-	-	-	-	-			
Total Available for High School Projects		\$10,000,000	\$42,500,000	\$42,500,000	\$42,500,000	\$62,500,000	\$200,000,000			
Settlement		October, 2024	October, 2025	October, 2026	October, 2027	October, 2028	-			
Term		30 Years	30 Years	30 Years	30 Years	30 Years	-			
7	8	9	10	11	12	13	14	15	16	
Fiscal Year Ending	Existing Local Effort	Est. New Local Effort[2][3]	Est. New Local Effort[2][3]	Est. New Local Effort[2][3]	Est. New Local Effort[2][3]	Est. New Local Effort[2][3]	Est. Total High School Local Effort	Est. Total OVERALL Local Effort	Total Millage Impact[4]	
6/30/2025	9,040,368	149,933					149,933	9,190,301		
6/30/2026	8,491,709	523,875	622,556				1,146,431	9,638,140	0.17	
6/30/2027	8,302,176	523,625	2,159,875	619,594			3,303,094	11,605,270	0.76	
6/30/2028	5,563,036	523,375	2,159,625	2,149,625	1,685,389		6,518,014	12,081,050	0.18	
6/30/2029	4,779,925	523,125	2,159,375	2,149,375	2,099,125	3,344,711	10,275,711	15,055,636	1.16	
6/30/2030	4,778,000	522,875	2,159,125	2,149,125	2,098,875	3,446,500	10,376,500	15,154,500	0.04	
6/30/2031	4,780,838	522,625	2,158,875	2,148,875	2,098,625	3,444,500	10,373,500	15,154,338		
6/30/2032	4,782,100	522,375	2,158,625	2,148,625	2,098,375	3,446,375	10,374,375	15,156,475		
6/30/2033	4,781,825	522,125	2,158,375	2,148,375	2,098,125	3,447,000	10,374,000	15,155,825		
6/30/2034	4,781,450	521,875	2,158,125	2,148,125	2,097,875	3,446,375	10,372,375	15,153,825		
6/30/2035	2,222,375	521,625	2,757,500	2,986,375	2,804,500	3,863,750	12,933,750	15,156,125		
6/30/2036	2,215,700	521,375	2,765,500	2,987,000	2,807,000	3,858,625	12,939,500	15,155,200		
6/30/2037	2,216,300	521,125	2,766,625	2,985,375	2,807,500	3,861,000	12,941,625	15,157,925		
6/30/2038	2,219,400	520,875	2,761,125	2,986,375	2,810,875	3,860,625	12,939,875	15,159,275		
6/30/2039	2,219,900	520,625	2,763,875	2,984,875	2,807,125	3,857,500	12,934,000	15,153,900		
6/30/2040	2,217,800	520,375	2,764,625	2,985,750	2,806,250	3,861,375	12,938,375	15,156,175		
6/30/2041	2,218,000	520,125	2,763,375	2,988,750	2,803,125	3,862,000	12,937,375	15,155,375		
6/30/2042	2,220,300	519,875	2,760,125	2,983,875	2,807,500	3,864,250	12,935,625	15,155,925		
6/30/2043	2,219,600	519,625	2,764,625	2,986,000	2,809,125	3,858,125	12,937,500	15,157,100		
6/30/2044	2,220,800	519,375	2,761,750	2,984,875	2,808,000	3,863,375	12,937,375	15,158,175		
6/30/2045	2,218,800	519,125	2,766,375	2,985,375	2,804,125	3,859,750	12,934,750	15,153,550		
6/30/2046	2,218,500	518,875	2,763,375	2,987,250	2,802,375	3,867,000	12,938,875	15,157,375		
6/30/2047		1,415,625	4,083,875	2,985,375	2,802,500	3,869,750	15,157,125	15,157,125		
6/30/2048		1,418,125	4,085,875	2,984,625	2,809,125	3,858,250	15,156,000	15,156,000		
6/30/2049		1,418,125	4,081,375	2,984,750	2,807,125	3,862,250	15,153,625	15,153,625		
6/30/2050		1,420,500	4,080,125	2,985,500	2,806,500	3,861,250	15,153,875	15,153,875		
6/30/2051		1,415,250	4,086,500	2,986,625	2,807,000	3,860,125	15,155,500	15,155,500		
6/30/2052		1,417,250	4,085,125	2,992,750	2,808,375	3,853,750	15,157,250	15,157,250		
6/30/2053		1,416,250	4,085,750	2,993,625	2,805,500	3,856,750	15,157,875	15,157,875		
6/30/2054		1,417,125	4,083,000	2,994,125	2,808,125	3,853,750	15,156,125	15,156,125		
6/30/2055		1,419,625	4,081,500	2,994,000	2,806,000	3,854,500	15,155,625	15,155,625		
6/30/2056			5,504,250	2,993,000	2,808,875	3,848,750	15,154,875	15,154,875		
6/30/2057				9,245,500	2,811,375	3,100,375	15,157,250	15,157,250		
6/30/2058					11,300,625	3,855,500	15,156,125	15,156,125		
6/30/2059						15,159,750	15,159,750	15,159,750		
TOTAL	86,708,901	23,856,683	93,310,806	90,633,469	90,135,014	127,607,586	425,543,558	512,252,459	2.31	

[1] District to provide an estimated draw schedule from its Architect. Estimated interest earnings may be used to downsize total amount borrowed.

[2] Estimated based on current market rates as of 7/17/2024. Actual rates to be determined at time of pricing.

[3] Assumes no state reimbursement

[4] 1 mill = 2,573,840

[5] The timing and size of the borrowing plan may vary.

Methacton School District
Millage Strategies
September 11, 2024

- 1. Fit millage impact under Act 1 Allowable Index Increase (the “Index”)**
 - a. Increase up to the Index every year starting in 2024-25 to phase in ungrandfathered millage gradually
 - b. The District’s 2024-25 Allowable Index Increase = 5.30% (1.8126 mills)
 - c. Seek exceptions and increase beyond the Index if possible
- 2. Use estimated interest earnings from construction fund toward project**
 - a. Input needed from architect to determine approximate interest earnings which would then be used to downsize the bond issue
 - b. Small issuer exemption (\$15 million or less)
- 3. Contribute cash or refunding savings towards project**
 - a. Either temporarily borrow or permanently contribute a portion of existing reserves to help phase in borrowing capacity and millage impact
- 4. Break borrowing into smaller portions**
 - a. The District will have the ability to phase debt service into the budget more slowly
 - b. \$10,000,000 per calendar will allow for bank qualified borrowings (i.e. lower interest rates) and 5 year call features
- 5. Indirect Cost Savings**
 - a. Utilize potential operational or capital expenditure savings to reduce millage impact
- 6. Consider wrap around payment structure for borrowing(s)**
- 7. Capitalize Interest**
 - a. The use of bond proceeds or district reserves to phase the millage impact into the budget gradually
 - b. May increase the size of the bond issue (not if using district reserves)
- 8. Debt Restructuring**
 - a. Restructure a portion of outstanding debt to create capacity for new ungrandfathered debt
- 9. Consider using Capital Appreciation Bonds to reduce millage impact**
 - a. Tends to increase interest expense
- 10. Debt Act Referendum (Electoral Debt)**
 - a. Voters vote on debt service millage for specific project
- 11. Act 1 Referendum**
 - a. Voters vote on property tax increase beyond the Index – not specific project

METHACTON SCHOOL DISTRICT
Preliminary 2024 Financing Timeline
SERIES OF 2024 - New Money

August						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Tentative Financing Timeline

<u>Date</u>	<u>Objective</u>
Tuesday, August 6, 2024	*Virtual Board Workshop* - PFM Introduction of 2024 Financing Plan
Tuesday, August 20, 2024	*Board Work Session Meeting* - District Discussion on High School Project (3 Concepts)
Wednesday, September 11, 2024	*Finance Committee Meeting* - PFM Discussion on 2024 Financing Plan
Tuesday, September 24, 2024	*School Board Meeting*
Wednesday, October 9, 2024	*Special School Board Meeting* - District Discussion on How to Proceed with HS Project
Week of October 14th	- PFM to Circulate Draft Preliminary Official Statement "POS" to Working Group - Send Info Packets to Credit Rating / Bond Insurance
Week of October 28th	- Credit Rating Interview Call with District - Due Diligence Call with Working Group
Tuesday, October 29, 2024	*School Board Meeting* - Maximum Parameters Series of 2024 Available for Approval
Week of November 4th or 11th	- Credit Rating Due to District - Post / Print Final POS
Week of November 18th or Later	- Bond Pricing Date / Interest Rate Lock
Before December 31st	- Estimated Settlement Date



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