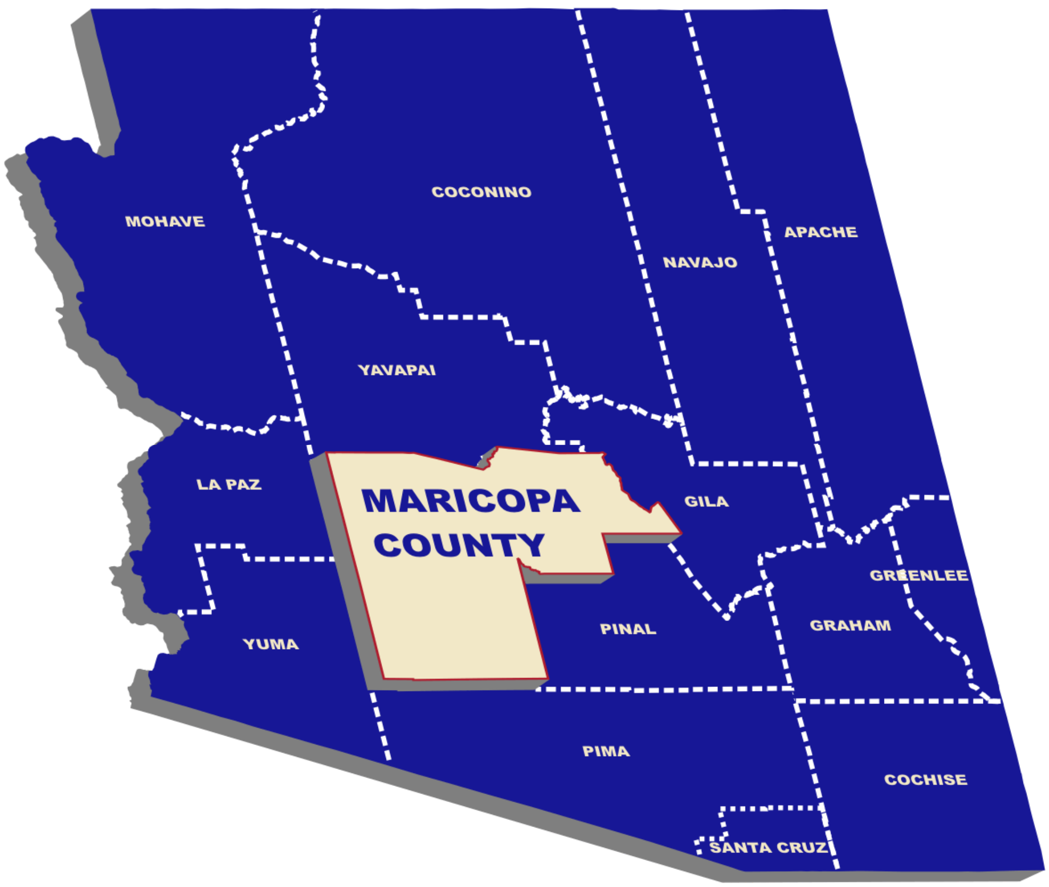
Debt Management Plan

Fiscal Year Ended June 30, 2021



Maricopa County, Arizona

www.maricopa.gov

Maricopa County, Arizona
Debt Management Plan
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INTRODUCTION TO DEBT

A comprehensive debt plan should be developed by all jurisdictions intending to issue debt. The purpose of Maricopa County's Debt Management Plan is to set forth the parameters for issuing debt, to manage the debt portfolio and provide guidance to decision makers regarding the timing and purposes for which debt may be issued.

Provisions of the debt plan must be compatible with the County's goals pertaining to the capital program and budget, the financial plan, and the operating budget. A debt plan should attain an appropriate balance between establishing limits on the debt program and providing sufficient flexibility to enable the County to respond to unforeseen circumstances and new opportunities that may benefit the County. This document is not intended to review the County's total financial position. It is a study of the County's current debt position, as growth in the County could result in an increased need for capital financing. Revenues, as well as needs, should drive the County's debt issuance program.

Decisions regarding the use of debt will be based in part on the long-term needs of the County and the amount of equity (cash) dedicated in a given fiscal year to capital outlay. A disciplined, systematic approach to debt management should allow the County to enhance its credit ratings, while at the same time meet the growing demands of the County's capital projects.

The information contained herein reflects the current debt status of Maricopa County for the fiscal year ended June 30, 2021. The tables have been compiled by the Office of Budget and Finance. Portions of this Debt Management Plan are contained in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. A copy of the Comprehensive Annual Financial Report can be obtained at: http://www.maricopa.gov/4689/Comprehensive-Annual-Financial-Reports.

Current Debt Situation

It is recognized that all debt, regardless of the source of revenue pledged for repayment, represents some sort of cost to taxpayers or ratepayers. Therefore, all types of County debt/obligations are considered herein. While lease-secured and certificates of participation obligations may not be debt under strict legal definitions, they still require future appropriations and are a fixed charge. These lease payments and other non-bonded obligations are added by most security analysts when calculating an issuer's debt ratios.

Debt Issuance History

The County has used debt financing for many years to finance capital projects. The following chart illustrates the amount of debt as well as categories of outstanding debt for the past five fiscal years.

LONG-TERM LIABILITIES
All Categories of Debt
Maricopa County, Arizona
For the year ending June 30

Year Ending June 30	2017	2018	2019	2020	2021
Governmental activities:					
Bonds, certificates of participation (COP), and other payables:					
General obligation bonds	$	$	$	$	$
Lease revenue bonds					
COP, direct placement (2)	44,460,000	38,280,000	32,105,000	25,850,000	19,515,000
COP (2)	185,580,000	201,250,000	90,080,000	210,275,000	151,355,000
Stadium District revenue bonds (1)	9,280,000	5,800,000			
Special assessment debt with governmental commitment (1)	14,464	6,813			
Capital leases	11,429,438	3,689,687	1,581,834	20,783,850	47,481,302
Total Governmental activities	$ 250,763,902	$ 249,026,500	$ 123,766,834	$ 256,908,850	$ 218,351,302
Business-type activities: (1) (3)					
Capital leases, loans, and other payables:					
Capital Leases	$ 1,669,164	$	$	$	$
Loans payable	24,308,580	22,556,180	27,386,865	31,410,428	
Other long-term debt	1,877,654	3,543,036	2,829,207	3,813,817	
Total Business-type activities	$ 27,855,398	$ 26,099,216	$ 30,216,072	$ 35,224,245	$ -

Notes:
(1) Does not represent an obligation of the County.
(2) In FY19, pursuant to GASB 88, information related to direct borrowings and direct placements must be presented separately from other debt. As such, FY17 and FY18 balances for outstanding direct placement borrowings were adjusted to reflect this change.
(3) Beginning in FY21, the County has no business-type activities to report.

Financing Alternatives

The County should evaluate all potential funding sources before considering which method of financing may be the most appropriate. There are many sources of funding, depending on the type of debt to be incurred and the length of time for repayment. Sources of funding may include current revenues and fund balances; intergovernmental grants from federal, state or other sources; state revolving funds or loan pools; private sector contributions through impact fees or public/private partnerships; and debt financing.

Pay-As-You-Go Financing

This method means that capital projects are paid for from the government's current revenue base. The County does not issue bonds and does not have to repay the borrowings over time.

There are several advantages to this method. For example, pay-as-you-go financing will save the amount of interest which otherwise would be paid on bonds issued to finance the program. The government is not encumbered by as much debt service when economic conditions deteriorate due to normal business cycles. Since the use of current revenues can be adjusted in a given budget year, pay-as-you-go financing can provide greater budgetary flexibility than does a debt issue. The jurisdiction's long-term debt capacity is preserved for the future. Finally, lower debt ratios may have a positive effect upon the jurisdiction's credit rating.

Relying on current revenues to finance capital improvements also presents several disadvantages. Exclusive reliance upon pay-as-you-go funds for capital improvements means that existing residents are obliged to pay for improvements that will benefit new residents who relocate to the area. If the jurisdiction is forced to finance the improvements within a single budget, the large capital outlay required for some projects may result in an onerous tax burden. The County must be careful to ensure that the use of current revenues for capital projects does not diminish its availability to respond to emergencies and ongoing mandated services.

Grants

Government grants stem from a variety of sources, but the majority of grant revenues for capital projects come from federal and state governments. Grants often require a County matching contribution. Most grants require an application from the County, identifying specific improvements or equipment that will be purchased with the grant money.

Short-Term Borrowing (Notes)

Short-term financing is defined as debt maturing not later than one year after the date of its issuance. There are basically three reasons for using short-term debt:

- A vehicle to deal with temporary cash flow difficulties. This situation arises when cash receipts do not follow the same pattern as cash outlays.
- To handle unexpected costs resulting from natural emergencies or other significant unexpected events.
- In anticipation of issuing a long-term bond for capital financing. This form of financing offers an opportunity to borrow for short periods until the true, final costs of a project are known.

Tax Anticipation Notes (TANs) are notes issued in anticipation of the collection of taxes, as referenced in the Arizona Revised Statutes (A.R.S.), Title 35, Chapter 3, Article 3.1. They provide operating funds to meet regular payroll and other operating expenses. During the fiscal year when tax payments are received, sufficient sums are used to retire the note. The timing of the note sale, the note's due date, and repayment of funds are all components of cash flow and cash management analysis.

Lines and Letters of Credit – Where their use is judged by the Chief Financial Officer to be prudent and advantageous to the County, the County has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit. The Board of Supervisors must approve any agreement with financial institutions for the acquisition of lines or letters of credit.

General Obligation Bonds (GO)

Bond security is the taxing power of the state or local government, as referenced in the A.R.S., Title 35, Chapter 3, Article 3, for new GO bonds and Title 35, Chapter 3, Article 4 for refunding bonds. An issuer selling a GO bond secured by its full faith and credit attaches to that issue its broadest pledge. This makes the security of these bonds very high. The full faith and credit backing of a GO bond includes the pledge of all general revenues, unless specifically limited, as well as, the legal means to raise tax rates to cover debt service. The public entity is authorized to levy property taxes or to draw from other unrestricted revenue streams such as sales or income taxes to pay the bond's principal and interest. Interest rates on these bonds are generally the lowest of any public securities due to this superior security. Prior to issuance, Arizona GO bonds must have a majority vote approval from the residents of the County.

Revenue Bonds

Revenue bonds are long-term debt instruments retired by specific dedicated revenues. Often these revenues are generated by the project funded out of debt proceeds. Revenue bonds are designed to be self-supporting through user fees or other special revenues (i.e. excise taxes, rents or fees). The general taxing powers of the jurisdiction are not pledged. The debt created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue producing enterprise, from special taxes, or from contract leases or rental agreements. County revenue bonds do not burden the constitutional or statutory debt limitation placed on the County because they are not backed by the full faith and credit of the issuer. The underlying security is the revenue stream pledged to pay the bond principal and interest.

Capital Leases (Lease-Purchase Obligations)

This financing technique provides long-term financing through a lease (with a mandatory purchase provision). Lease-purchase agreements use non-appropriation clauses to avoid being classified as long-term debt, which might be subject to State legal restrictions. This clause allows the government to terminate the lease without penalty. Security for lease-purchase financing is the lease payments made by the County and, where legally permitted, also the asset being financed.

Certificates of Participation (COP)

Certificates of Participation represent proportionate interests in semiannual lease payments. Participation in the lease is sold in the capital markets. The County's obligation to make lease payments is subject to annual appropriations made by the County for that purpose. Rating agencies typically give Certificate of Participation issues a grade below that of general obligation bonds. A.R.S., Title 11, Chapter 2, Article 4, §11-251, Paragraph 46, provides for a maximum repayment term of twenty-five years for the purchase or improvement of real property.

Lease Trust Certificates

Lease Trust Certificates financing provides long-term financing through a lease (with a mandatory purchase provision). This method does not constitute indebtedness under a state or local government's constitutional debt limit and does not require voter approval. The asset being financed can include new capital asset needs or assets under existing lease agreements.

Installment Purchase Agreements

Same as a lease purchase agreement with the exception that the County takes title to the property up front.

Special Assessment Bonds

Special Assessment Bonds are issued to districts (Special Assessment Districts) that are within a legally designated geographic area located within the County, which through consent of the affected property owners pay for basic infrastructure and public improvements to the area through supplemental assessment. This financing approach achieves the objective of tying the repayment of debt to those property owners who most directly benefit from the improvements financed. Special Assessment Districts are further described in A.R.S., Title 48, Chapter 6, Article 1.

Debt Limit

The Arizona Constitution, Article 9, Section 8, states that a County indebtedness pertaining to general obligation bonds may not exceed six percent of the value of the County's taxable property ascertained by the last assessment. All general obligation bonds must be approved by voters regardless of amount issued up to the six percent limit. The County may issue non-general obligation bonds without voter approval up to six percent of the taxable property. However, with voter approval, the County may become indebted for an amount not to exceed fifteen percent of such taxable property.

The following table represents the County's outstanding general obligation indebtedness with respect to its constitutional general obligation debt limitation.

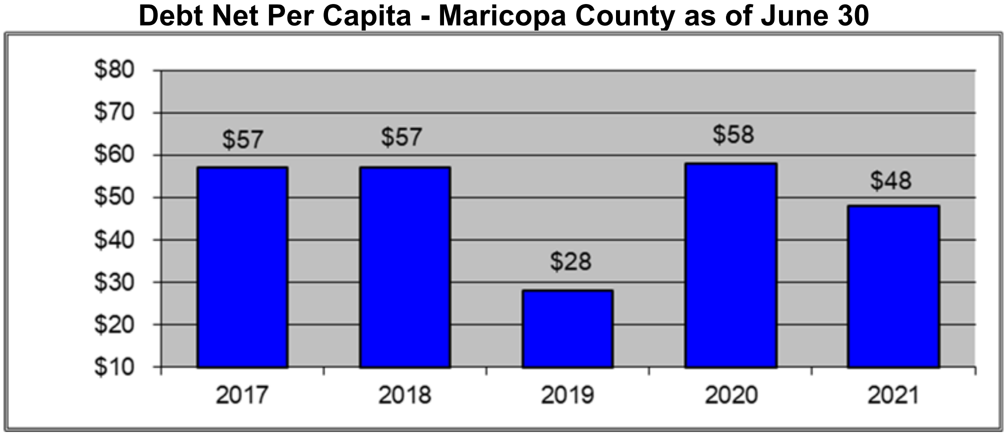
2020-21 Constitutional General Obligation Bonding Capacity Maricopa County, Arizona		
2020-21 Secondary Assessed Valuation	$	61,824,712,434
15% of Secondary Assessed Valuation		9,273,706,865
Less: GO Bonded Debt Outstanding		
Plus: GO Debt Service Fund Balance		
Unused Fifteen Percent Borrowing Capacity	$	9,273,706,865

Debt Per Capita

Debt per capita measures the amount of debt outstanding per citizen in a government's jurisdiction. Debt per capita is calculated by dividing total outstanding County debt by the County's population. This calculation is used as a comparative benchmark to other counties. In addition, credit rating agencies calculate debt per capita when evaluating a County's ability to repay its debt obligations.

The following chart illustrates the five-year debt per capita for Maricopa County.

Debt Net Per Capita - Maricopa County as of June 30



Notes:
Direct Net Debt per capita = Direct Net Debt/Population

Rating Agency Analysis

Independent assessments of the relative credit worthiness of municipal securities are provided by rating agencies. They furnish letter grades that convey their assessment of the ability and willingness of a borrower to repay its debt in full and on time. Credit ratings issued by these agencies are a major function in determining the cost of borrowed funds in the municipal bond market.

Moody's Investors Service, Standard & Poor's Ratings Services (S&P), and Fitch Ratings are the three major rating agencies that rate municipal debt. These rating agencies have provided a rating assessment of credit worthiness for Maricopa County. There are seven primary factors that comprise their ratings:

- Institutional framework – legal and practical environment of local government
- Economy – stability of trends in local income and total market value per capita
- Management – financial and operational decisions, policies and practices, leadership
- Budgetary flexibility – available fund balance and ability to raise revenues or reduce expenditures
- Budgetary performance – current fiscal balance of general fund and total governmental funds
- Liquidity – availability of cash and cash equivalents
- Debt and contingent liabilities – debt ratios, debt policies, pension obligations, long-term planning

Each of the rating agencies has their own method of assigning a rating on the ability and willingness of a borrower to repay in full and on time. Issuers must pay a fee for the opportunity to have one or more rating agencies rate existing and proposed debt issuance. The following chart outlines how the ratings reflect creditworthiness, ranging from very strong securities to speculative and default situations. Examples of the rating systems are:

BOND RATINGS	**RATING AGENCIES**		
Explanation of corporate/municipal bond ratings	Fitch	Moody's	Standard & Poor's
Premium quality	AAA	Aaa	AAA
High quality	AA	Aa	AA
Medium quality	A	A	A
Medium grade, lower quality	BBB	Baa	BBB
Predominantly speculative	BB	Ba	BB
Speculative, low grade	B	B	B
Poor to default	CCC	Caa	CCC
Highest speculation	CC	Ca	CC
Lowest quality, no interest	C	C	C
In default, in arrears	DDD		DDD
Questionable value	DD		DD
	D		D

Fitch and Standard & Poor's may use "+" or "-" to modify ratings while Moody's may use numerical modifiers such as 1 (highest), 2, or 3.

History of Debt Rating

In January 2020, Fitch Ratings assigned a ‘AA+ rating to the County’s Certificates of Participation, Series 2020, which were issued in February 2020. In addition, Fitch Ratings affirmed the County’s issuer default rating at 'AAA', the highest rating possible and affirmed the County’s ‘AA+’ rating for the County’s Certificates of Participation, Series 2018A. Citing the County’s strong operating performance, enabled by solid expenditure flexibility and strong growth prospects, Fitch Ratings views the County's rating outlook as stable.

In January 2020, Moody's Investors Service assigned a Aa1 rating to the County's Certificates of Participation, Series 2020, which were issued in February 2020. Moody's maintains a Aaa issuer rating and a Aa1 rating on the outstanding Series 2018A COPs. Citing strong economic expectations for the Phoenix metro area and the County’s dedication to maintaining strong reserves, Moody’s views the County’s outlook as stable.

In January 2020, Standard & Poor's Ratings Services (S&P) assigned its 'AA+' long-term rating to the Maricopa County, Certificates of Participation, Series 2020, which were issued in February 2020. At the same time, S&P Global Ratings affirmed its 'AAA' issuer credit rating on the County and its 'AA+' long-term rating on the County's existing COPs. Citing the County’s strong management, with strong financial policies and practices, S&P views the County’s outlook as stable.

Additional information on Maricopa County's bond ratings can be viewed on the Maricopa County webpage: https://www.maricopa.gov/902/Bond-Rating.

The following illustrates a history of the County’s various debt ratings.

Type of Debt	Fitch	Date Rating Assigned	Moody's	Date Rating Assigned	Standard & Poor's	Date Rating Assigned
General Obligation	AAA (1)	1/6/2020	Aaa (1)	1/7/2020	AAA (1)	1/8/2020
C.O.P.s	AA+	1/6/2020	Aa1	1/7/2020	AA+	1/8/2020

(1) Bond rating is “Affirmed”

Ratio Analysis

Rating analysts compare direct net debt to the population in order to measure the size or magnitude of the County’s debt. This ratio is referred to as the Direct Net Debt Per Capita Ratio. The same ratio is applied to all debt within the County which includes School Districts, Cities and Towns, and Special Districts. This ratio is referred to as the Overall Net Debt Per Capita Ratio. The taxable value of the County is a measure of the County’s wealth. It also reflects the capacity of the County’s ability to service current and future debt. The ratio of Direct Net Debt as a percentage of Limited Property Value is the comparison of direct net debt to the County's taxable value. The same ratio is applied to all debt within the County and is referred to as the Overall Net Debt as a percentage of Limited Property Value. The Limited Property Value Per Capita ratio represents the per capita value of taxable property in the County. An explanation of how each ratio is calculated is included in the notes adjacent to the following tables.

There are an infinite number of ratios, which could be calculated to measure the County’s debt burden. The following analysis focuses on commonly used ratios instead of creating customized ones. The ratios calculated are for governmental activities. The source of repayment is from either the secondary tax levy or by appropriation from the general fund for debt service payments. Debt for which there is a source of repayment, i.e. pledged revenues for car rental service charge, debt service has been excluded.

DIRECT AND OVERALL NET DEBT
MARICOPA COUNTY, ARIZONA

GOVERNMENTAL ACTIVITIES	Audited 6/30/2020	Audited 6/30/2021	Projected 6/30/2022	Projected 6/30/2023
COP, direct placement	$ 25,850,000	$ 19,515,000	$ 13,905,000	$ 6,590,000
COP	210,275,000	151,355,000	93,620,000	33,000,000
Capital Leases	20,783,850	47,481,302	-	-
Direct Net Debt (5)	$ 256,908,850	$ 218,351,302	$ 107,525,000	$ 39,590,000
Overlapping Debt (1)	8,418,051,619	8,436,456,562	7,911,625,851	8,255,378,011
Overall Net Debt	$ 8,674,960,469	$ 8,654,807,864	$ 8,019,150,851	$ 8,294,968,011
Population Estimate (2)	4,439,220	4,507,419	4,575,603	4,644,283
Full Cash Value (3)	$ 552,974,238	$ 607,928,073	$ 663,161,039	$ 664,038,335
Ratios (4)				
Direct Net Debt Per Capita	$ 58	$ 48	$ 23	$ 9
Overall Net Debt Per Capita	$ 1,954	$ 1,920	$ 1,753	$ 1,786
Direct Net Debt % of FCV Property	0.046%	0.036%	0.016%	0.006%
Overall Net Debt % of FCV Property	1.569%	1.424%	1.209%	1.249%
FCV Property Per Capita	$ 124,566	$ 134,873	$ 144,934	$ 142,980

Notes:

(1) Projected overlapping debt for 2022 and 2023 was based on a three-year average of general obligation bonds for Cities, Towns, School Districts and Special Assessment Districts.
Source: https://openbooks.az.gov/financial-reports/bonded-indebtedness

(2) Projections for 2022 and 2023 population are based on estimates provided by the Arizona Office of Economic Opportunity.
Source: https://population.az.gov/

(3) Full Cash Value Taxable Property was provided by Maricopa County Assessor's Office (in thousands of dollars).

(4) Summary of Debt Ratios:
- Direct Net Debt per capita = Direct Net Debt/Population
- Overall Net Debt per capita = Overall Net Debt/Population
- Direct Net Debt as a percentage of Full Cash Value (FCV) Property = Direct Net Debt/FCV Property
- Overall Net Debt as a percentage of FCV Property = Overall Net Debt/FCV Property
- FCV property per capita = FCV Property/Population

(5) Projections for direct net debt are based on the debt service schedules for the Certificates of Participation, Series 2016 (direct placement), Series 2018A, and Series 2020.

Debt Obligations by Type

General Obligation Bonds

Long-term general obligation bonds shall be issued to finance significant capital improvements for purposes set forth by voters in bond elections. Interest rates on these bonds are generally the lowest of any public securities. Prior to issuance, Arizona general obligation bonds must have a majority vote approval from the residents of the County.

On July 1, 2004, the County made the final debt service payment on the outstanding general obligation bonds, which were the result of the 1986 general election where the voters authorized the County to issue long-term debt. The resulting proceeds from the sale of the bonds were used for the purpose of making improvements in the County which included Criminal and Civil Courts Facilities, Juvenile Court and Juvenile Treatment and Detention Facilities, Law Enforcement and Public Safety, Regional Park Improvements, Environmental Protection, Sanitary Landfill, Public Health Facilities, Infrastructure, Communication Improvements, etc.

Certificates of Participation

On August 26, 2016, Maricopa County issued Certificates of Participation, Series 2016, direct placement, for $44,460,000 with an interest rate at 1.35% to refund $51,095,000 of outstanding Lease Revenue Bonds, Series 2007A with interest rates ranging from 4.00% - 5.00%. The certificates are payable semiannually on January 1 and July 1 of each year through 2023. These certificates are secured by the collateralization of the South Court Tower. The certificates are not callable prior to their scheduled maturity dates.

On March 14, 2018, Maricopa County issued $106,295,000 of Certificates of Participation, Series 2018A, to pay for the redevelopment of the County's former Madison Street Jail into office space and related parking facilities. The 2018A Certificates were executed and delivered under a trust agreement, dated June 1, 2015, and by a second supplement to the trust agreement, dated as of March 1, 2018. The certificates have interest rates ranging from 4.0 to 5.0 percent, payable semiannually on January 1 and July 1 each year, commencing on July 1, 2018 through 2024. These certificates are secured by the collateralization of the South Court Tower. The certificates are not callable prior to their scheduled maturity dates.

On February 4, 2020, Maricopa County issued $133,440,000 of Certificates of Participation, Series 2020, to pay for the acquisition of capital equipment and various capital projects. The two largest projects are the Administration Building Renovation and Southeast Regional Justice Center at Mesa. The 2020 Certificates were executed and delivered under a trust agreement, dated June 1, 2015, and by a third supplement to the trust agreement, dated as of February 1, 2020. The certificates have interest rates ranging from 4.0 to 5.0 percent, payable semiannually on January 1 and July 1 of each year through 2022. These certificates are secured by the collateralization of the South Court Tower. The certificates are not callable prior to their scheduled maturity dates.

The County's outstanding Certificates of Participation, Series 2016, direct placement, and Certificates of Participation, Series 2018A and Series 2020, of $19,515,000 and $151,355,000, respectively, contain provisions that in an event of default, the trustee may at its option elect to terminate the lease, take possession of the leased property, and/or sell, convey, re-rent or re-let the leased property. The County's Certificates of Participation also contain a subjective acceleration clause that in an event of default allows the owners of at least 5% in outstanding principal amount to request the trustee to declare the certificates to be immediately due and payable.

The County also has an unused revolving line of credit in the amount of $35,000,000.

The following illustrates the outstanding Maricopa County Certificates of Participation:

SUMMARY OF PRINCIPAL AMOUNT OUTSTANDING BY ISSUE
Certificates of Participation
Maricopa County, Arizona as of June 30, 2021

Certificates of Participation		Amount
Certificates of Participation, Series 2016 direct placement	$	19,515,000
Certificates of Participation, Series 2018A		62,930,000
Certificates of Participation, Series 2020		88,425,000
Total	$	170,870,000

DEBT SERVICE REQUIREMENTS TO MATURITY
Certificates of Participation
Maricopa County, Arizona as of June 30, 2021

	Governmental Activities					
	COP, Series 2016 - Direct Placement		COP, Series 2018A		COP, Series 2020	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 6,420,000	$ 220,118	$ 14,600,000	$ 2,781,500	$ 43,135,000	$ 3,342,875
2023	6,505,000	132,874	15,330,000	2,033,250	45,290,000	1,132,250
2024	6,590,000	44,482	16,100,000	1,247,500	-	-
2025	-	-	16,900,000	422,500	-	-
Total	$ 19,515,000	$ 397,474	$ 62,930,000	$ 6,484,750	$ 88,425,000	$ 4,475,125

Capital Leases

The County has entered into various lease-purchase agreements, which are non-cancellable, for the acquisition of vehicles, computer systems and equipment totaling $47,481,302. These lease purchase agreements require the County to pay all maintenance costs. At the time of the final principal and interest payments, title to the leased equipment transfers to the County. These leases are contingent on budgetary appropriations each fiscal year. The assets are capitalized at total principal cost.

The following table illustrates the debt service for the outstanding County's capital leases.

DEBT SERVICE REQUIREMENTS TO MATURITY
Capital Leases
Maricopa County, Arizona as of June 30, 2021

Year Ending June 30		Governmental Activities
2022	$	20,770,136
2023		27,215,544
Total minimum lease payments		47,985,680
Amount representing interest		(504,378)
Present value of net minimum lease payments	$	47,481,302

Short-Term Borrowing

On July 1, 2020, the County maintained a $35,000,000 municipal revolving line of credit with a qualified interest rate of 61% and a non-qualified interest rate of 66% of the bank's prime rate, which had a maturity date of June 30, 2021. Outstanding principal and interest are due on June 30 of each year. During fiscal year 2021, the County had not borrowed against the line of credit. The municipal revolving line of credit was renewed to June 30, 2022.

On July 1, 2020, the County maintained a $14,552,488 irrevocable standby letter of credit issued to the Industrial Commission of Arizona for unfunded workers' compensation claims. On January 1, 2021, the letter of credit was increased to $18,087,434. The letter of credit was reserved against the municipal revolving line of credit. During fiscal year 2021, the letter of credit had not been drawn upon. The irrevocable standby letter of credit was renewed to June 30, 2022. However, an amendment will be issued on January 1, 2022 for the new liability amount.

DEBT POLICIES

Regularly updated debt policies can be an important tool to ensure the use of the County's resources to meet its financial commitments to provide needed services to the citizens of Maricopa County and to maintain sound financial practices.

Administration of Policy

The County Manager is the Chief Executive of the County. With the exception of those responsibilities specifically assigned by state statute to the Chief Financial Officer, the County Manager is ultimately responsible for the approval of any form of County borrowing. The Chief Financial Officer coordinates the administration and issuance of debt, as designated by the County Manager.

The Chief Financial Officer is also responsible for attestation of disclosure and other bond related documents. References to the "County Manager or his designee" in bond documents are hereinafter assumed to assign the Chief Financial Officer as the "designee" for administration of this policy.

Use of Debt Financing

Debt financing includes general obligation bonds, revenue bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred under Arizona law.

Method of Sale

Debt issues of the County may be sold by competitive, negotiated, or private placement sale methods unless otherwise limited by state law. The selected method of sale will be the option which is expected to result in the lowest cost and most favorable terms given the financial structure used, market conditions, and prior experience.

Competitive Sale

The County will use the competitive sale method unless there are compelling reasons which indicate that a negotiated sale or private placement would have a more favorable result due to prevailing conditions in the market, a financing structure which requires special pre-marketing efforts, or factors are present that are expected to result in an insufficient number or competitive bids. Advantages of using a competitive sale is that the issuer is getting the lowest net interest cost on that day and all parties are given an equal opportunity, but timing is very inflexible.

Negotiated Sale

When determined appropriate, the County may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Negotiated underwriting may be considered upon recommendation of the Chief Financial Officer. Advantages of a negotiated sale is that timing is extremely flexible, the size of the issue can be easily changed at last minute and the issuer has influence over the underwriter selection and bond distribution.

Use of Bond Insurance

This is an insurance policy purchased by an issuer or an underwriter for either an entire issue or specific maturities. It will guarantee the payment of principal and interest, which in turn provides a higher credit rating and thus a lower borrowing cost for an issuer.

The present value of the estimated debt service savings from insurance should be at least equal to or greater than the insurance premium when insurance is purchased directly by the County. The bond insurance company will usually be chosen based on an estimate of the greatest net present value insurance benefit (present value of debt service savings less insurance premium).

Arbitrage Liability Management

Arbitrage is defined as the practice of simultaneously buying and selling an item in different markets in order to profit from a spread in prices or yields resulting from market conditions.

Arbitrage profits are made by selling tax-exempt bonds and investing the proceeds in higher-yielding taxable securities, when referencing municipal bonds. Municipal issuers are allowed to make arbitrage profits under certain restricted conditions. The sale of tax-exempt bonds primarily for the purpose for making arbitrage profits is prohibited by Section 103(c) of the Internal Revenue Code.

The Office of Budget and Finance has established a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This includes tracking investment earnings on bond proceeds, using outside experts to assist in calculating rebate payments, preparing returns, and making payments in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues. Arbitrage rebate liabilities are calculated annually and the liability is reported in the County's annual financial statements and note disclosures if applicable. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are met. The County structures it's financing in such a way as to reduce or eliminate future arbitrage rebate liability, wherever feasible.

Selection of Professional Services

The Chief Financial Officer shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the County's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

<u>Bond Counsel</u> – To render opinions on the validity, enforceability and tax-exempt status of the debt and related legal matters, and to prepare the necessary resolutions, agreements and other documents.

<u>Financial Advisor</u> – To advise on the structuring of obligations to be issued, inform the County of various options, advise the County as to how choices will impact the marketability of County obligations and provide other services as defined by contract. To ensure independence, the financial advisor will not bid on nor underwrite any County debt issues.

Competitive proposals will be taken periodically for services to be provided over a period of one year with annual renewal options.

Other professional services will be retained, when required, including managing underwriters, credit agencies, escrow agents, trustees, printers, and others. These services will be procured when in the best interest of the County by a competitive selection process.

Continuing Disclosure of County Financial Information

Annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Report, will be provided by the County upon request. All material that has a pertinent bearing on County finances will be provided to the agencies that maintain a rating on County securities. A copy of the Comprehensive Annual Financial Report can be obtained from the Maricopa County web page at: http://www.maricopa.gov/4689/Comprehensive-Annual-Financial-Reports.

The Chief Financial Officer shall be responsible for providing ongoing disclosure information to established national information repositories and for maintaining compliance with disclosure standards dictated by state and national regulatory bodies.

Copies of official statements are available through the following recognized municipal repository:

Electronic Municipal Market Access ("EMMA")
c/o Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Phone: (703) 797-6600
Fax: (703) 797-6700
http://www.dataport.emma.msrb.org
Email: emmaonline@msrb.org

The Securities and Exchange Commission released final "continuing disclosure" rules (the "Rules") for municipal bond issues on July 1, 2009, (amended existing Rule 15c2-12). The Rules, which in general were effective on July 3, 1995, impact nearly every issuer of municipal securities. The stated purpose of the Rules is to deter fraud and manipulation in the municipal securities market by prohibiting the underwriting and subsequent recommendation of securities for which adequate information is not available. No underwriter can purchase or sell bonds in an offering of more than $1,000,000 after July 3, 1995, unless it has reasonably determined that an issuer has undertaken to provide to the public information repositories on a continuing basis both annual financial information and notices of specified material events affecting the issuer or its securities. This is applicable unless an exemption applies. The County intends to fully comply with the "continuing disclosure" rules. Further, the County maintains a comprehensive continuing disclosure policy to ensure compliance.

Maturity Structures

Principal payment schedules should not extend beyond the economic life of the project or equipment financed.

The structure of debt issued by the County should be to provide for either level principal or level debt service. Except in select instances, deferring the repayment of principal should be avoided.

Ratings

The County's goal is to maintain or improve its bond ratings. To that end, prudent financial management policies will be adhered to in all areas. The Chief Financial Officer shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the County's various debt obligations. The County will maintain a line of communication with the rating agencies informing them of major financial events in the County as they occur. Full disclosure of operations will be made to the bond rating agencies. County staff, with the assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to the rating agencies. A personal meeting with representatives of the rating agencies will be scheduled every few years or whenever a major project is initiated.

Modification to Policies

These policies will be reviewed annually and significant changes may be made with the approval of the County Manager. Significant policy changes will be presented to the Board of Supervisors for approval.

INDIVIDUAL DEBT SERVICE SCHEDULES

COP

MARICOPA COUNTY, ARIZONA
$44,460,000 CERTIFICATES OF PARTICIPATION, SERIES 2016
CERTIFICATES OF PARTICIPATION REDEMPTION SCHEDULE

DATE	PRINCIPAL	INTEREST	PERIOD TOTAL	FISCAL TOTAL
7/1/2019	$ 6,255,000.00	$ 216,708.75	$ 6,471,708.75	$ -
1/1/2020		174,487.50	174,487.50	6,646,196.25
7/1/2020	6,335,000.00	174,487.50	6,509,487.50	
1/1/2021		131,726.25	131,726.25	6,641,213.75
7/1/2021	6,420,000.00	131,726.25	6,551,726.25	
1/1/2022		88,391.25	88,391.25	6,640,117.50
7/1/2022	6,505,000.00	88,391.25	6,593,391.25	
1/1/2023		44,482.50	44,482.50	6,637,873.75
7/1/2023	6,590,000.00	44,482.50	6,634,482.50	
1/1/2024				6,634,482.50
	$ 32,105,000.00	$ 1,094,883.75	$ 33,199,883.75	$ 33,199,883.75

MARICOPA COUNTY, ARIZONA
$106,295,000 CERTIFICATES OF PARTICIPATION, SERIES 2018A
CERTIFICATES OF PARTICIPATION REDEMPTION SCHEDULE

DATE	PRINCIPAL	INTEREST	PERIOD TOTAL	FISCAL TOTAL
7/1/2019	$ 13,245,000.00	$ 2,252,000.00	$ 15,497,000.00	$ -
1/1/2020		1,920,875.00	1,920,875.00	17,417,875.00
7/1/2020	13,905,000.00	1,920,875.00	15,825,875.00	
1/1/2021		1,573,250.00	1,573,250.00	17,399,125.00
7/1/2021	14,600,000.00	1,573,250.00	16,173,250.00	
1/1/2022		1,208,250.00	1,208,250.00	17,381,500.00
7/1/2022	15,330,000.00	1,208,250.00	16,538,250.00	
1/1/2023		825,000.00	825,000.00	17,363,250.00
7/1/2023	16,100,000.00	825,000.00	16,925,000.00	
1/1/2024		422,500.00	422,500.00	17,347,500.00
7/1/2024	16,900,000.00	422,500.00	17,322,500.00	
1/1/2025				17,322,500.00
	$ 90,080,000.00	$ 14,151,750.00	$ 104,231,750.00	$ 104,231,750.00

MARICOPA COUNTY, ARIZONA
$133,440,000 CERTIFICATES OF PARTICIPATION, SERIES 2020
CERTIFICATES OF PARTICIPATION REDEMPTION SCHEDULE

DATE	PRINCIPAL	INTEREST	PERIOD TOTAL	FISCAL TOTAL
7/1/2020	$ 45,015,000	$ 2,540,589	$ 47,555,589	$ -
1/1/2021		2,210,625	2,210,625	49,766,214
7/1/2021	43,135,000	2,210,625	45,345,625	
1/1/2022		1,132,250	1,132,250	46,477,875
7/1/2022	45,290,000	1,132,250	46,422,250	46,422,250
	$ 133,440,000	$ 9,226,339	$ 142,666,339	$ 142,666,339

MARICOPA
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COUNTY