

CASE STUDY

FINANCING FOR PENSIONS | OCTOBER 6, 2022



\$53,170,000 | PLEDGED REVENUE OBLIGATIONS | SERIES 2022

Coconino County, Arizona

PENSION BONDS

Client Profile

Coconino County, Arizona, is the second largest county in the United States by area and the largest in Arizona, home to 145,000 residents.

On June 24, 2022, the Arizona Legislature passed SB1082, which allows the Arizona State Retirement System (ASRS) to establish a Contribution Prefunding Program (CPP). The CPP is the first cost-sharing plan to offer all employers the ability to pre-pay pension contributions.

The Project & Structure

In October 2022, Stifel served as sole manager on Coconino County's

\$53.17 million Pledged Revenue Obligations (PRO) Taxable Series 2022 Bonds. The proceeds of the Bonds were used to fund the County's proportionate share of net pension liability (NPL) in Arizona State Retirement System's (ASRS) cost-sharing retirement plan, making it the first employer to do so. The Bonds carried an underlying rating of 'AA' (S&P) and 'AA' (Fitch).

The CPP creates a unique mechanism of "offset credits" that the County will receive over a period of up to 30 years.

The Bonds will be special, limited, revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the County

to make the Payments will be limited to payment from the County General Excise Tax Revenues, State Shared Revenues, Vehicle License Tax Revenues and PILT Revenues.

Pricing Results

Despite a volatile market, Stifel's Desk and Salesforce generated tremendous investor participation, resulting in \$299 million of orders (5.6x subscription) allowing spreads to tighten 5-10 bps. The sale drew strong participation from insurance companies, bond funds, money managers, municipalities, individuals, and others. Strong investor demand allowed the County to secure an all-in borrowing cost of 5.52%, producing expected NPV savings of \$10.3 million, or 19.38% of par.

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