

TOWN OF ORO VALLEY, ARIZONA
\$3,779,000, EXCISE TAX REVENUE REFUNDING OBLIGATIONS, SERIES 2015

Request for Private Financing Proposals – Proposed General Terms and Conditions

Terms/Definitions	Description
Issuer:	Town of Oro Valley, Arizona (the “Town”)
Estimated Amount:	\$3,779,000 (the “Obligations”)
Bank Qualified:	Yes
Purpose:	Refinancing of the outstanding Town of Oro Valley, Arizona, Excise Tax Revenue Obligations, Series 2005 (the “Obligations Being Refunded”) for the purpose of achieving savings. The proceeds of the 2005 obligations were used to acquire 23.7 acres for a municipal services center for the Town and construction thereof.
Financing Structure:	The Trustee (as defined herein) will be authorized to execute and deliver the Obligations to the bidder providing the successful proposal (the “Purchaser”) pursuant to the provisions of a trust agreement (the “Trust Agreement”) approved by a resolution expected to be adopted by the Town Council on October 21, 2015 (subject to change) (the “Authorizing Resolution”). The Obligations evidence proportionate interests in payments (the “Payments”) and prepayments to be made by the Town pursuant to an agreement (the “Agreement”) between the Town and the Trustee, as approved by the Authorizing Resolution.
Security and Source of Repayment:	<p>The Obligations will be special revenue obligations of the Town, payable solely from Payments to be paid by the Town to the Trustee under the Agreement, certain amounts from time to time deposited in the funds created under the Trust Agreement and investment earnings on such funds (except for any investment earnings required to be rebated to the United States). The Payments to be made by the Town will be secured by a pledge of the Town on its Excise Taxes. “Excise Taxes” means all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, fines, bed and rental taxes, and state revenue-sharing, now or hereafter validly imposed by the Town or contributed, allocated and paid over to the Town and not earmarked by the contributor for a contrary or inconsistent purpose. Revenues generated by the Town from development impact fees and revenues received by the Town from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and Trust Agreement. Pursuant to Ordinance No. (O)14-17, the Town imposed an additional 0.5% transaction privilege tax to fund the needs of the Town’s Community and Recreation Center. The revenues generated by the additional 0.5% transaction privilege tax will not be deemed Excise Taxes for purposes of the Agreement and Trust Agreement. The Town may impose taxes for restricted purposes the revenues from which will not be Excise Taxes and will not be pledged to the payment of the amounts due pursuant to the Agreement.</p> <p>The pledge of Excise Taxes under the Agreement is on a parity with the pledge of the Excise Taxes to payments due on or with respect to the outstanding Parity Obligations (as defined herein).</p> <p>See Estimated Debt Service Requirements and Projected Coverage table attached hereto.</p>
Proposed Rate and Additional Debt Covenants:	The Town will impose Excise Taxes (which it presently imposes) in each fiscal year so that the amount of Excise Taxes, all within and for the next preceding fiscal year of the Town, shall be equal to at least 2.0 times the total debt service requirements in the current fiscal year for all Outstanding Parity Obligations (as defined in the Trust Agreement). If receipts for any fiscal year do not equal 2.0 times such debt service requirements for such succeeding fiscal year, or if the current year’s receipts will not be sufficient to meet such year’s debt service requirements, the Town will, to the extent permitted by law, either impose new Excise Taxes or increase the rates of such taxes currently imposed in order that (i) the current fiscal year’s receipts will be sufficient to meet the current year’s debt service requirements and (ii) the then current fiscal year’s receipts will be equal to at least 2.0 times the next succeeding year’s debt service requirements. In the event any additional Parity Obligations on parity with the Obligations are issued in the future (“Additional Parity Obligations”), Excise Taxes for the fiscal year preceding the issuance shall be at least 2.0 times the highest aggregate annual payments to become due for proposed Additional Parity Obligations, the Obligations and any Parity Obligations.

Terms/Definitions	Description
Trustee:	To be determined.
Outstanding Bonds and Obligations Secured by Excise Taxes:	\$15,380,000 aggregate principal amount outstanding of Town of Oro Valley Municipal Property Corporation, Excise Tax Revenue Refunding Bonds, Series 2007; \$1,780,000 aggregate principal amount outstanding of Town Excise Tax Revenue Obligations, Series 2010 (Federally Taxable – New Clean Renewable Energy Bonds – Direct Payment); \$2,180,000 Town Excise Tax Revenue Obligations, Series 2012; and \$3,960,000 aggregate principal amount outstanding of Excise Tax Revenue Refunding Obligations, Series 2013 (collectively, the “Parity Obligations”).
Credit Rating:	None. Note: The Town’s Excise Tax Secured Rating is “AA-” by S&P (see attached). This is for information purposes only. The Town will not apply for a credit rating in connection with the Obligations.
Proposed Payment Structure:	Serial obligations with fixed annual principal beginning July 1, 2016 and semi-annual interest beginning January 1, 2016. See attached for proposed principal payment schedule.
Proposed Optional/Mandatory Prepayment for Obligations:	Bidders’ option; provided that any mandatory prepayment shall not create a schedule of principal payments materially different from the schedule attached as the Estimated Debt Service Requirements and Projected Coverage.
Additional Terms and Conditions:	Any requested deviation from the terms and conditions in this Term Sheet or the Legal Documents shall be expressly set forth in the proposal and the Town reserves the right to reject a bid based on any deviation in its sole discretion.
Special Counsel:	Gust Rosenfeld P.L.C.; contact: Scott Ruby, Esq., (602) 257-7432 / swruby@gustlaw.com ; Tim Stratton, Esq., (602) 257-7465 / tstratton@gustlaw.com ; Zach Sakas, Esq., (602) 257-7439 / zsakas@gustlaw.com .
Legal Documents:	To be provided by the Town’s Special Counsel, Gust Rosenfeld P.L.C. (copies attached). The finalized documents will reflect the terms of the Obligations as of closing.
Placement Agent:	Stifel, Nicolaus & Company, Incorporated (“Stifel”); contact: Mark Reader, (602) 794-4011 / mreader@stifel.com or Jack Leeper, (602) 794-4052 / jleeper@stifel.com .
Proposals Due (via e-mail):	Tuesday, October 20, 2015, at 2:30 PM (MST/AZ Time) (E-mail copies to submitted to Stifel). Please direct questions to Stifel (Mark Reader or Jack Leeper).
Closing Date:	November 2, 2015 (subject to change).
Proposal Award:	The Town reserves the right to reject any or all proposals and submit future requests for proposals depending on results, among other factors and reserves the right to issue the Obligations in a public offering.

The Bidder acknowledges receipt and acceptance of the transaction documents pertaining to the refinancing.

Signed by:

Title: _____

Date: _____

TOWN OF ORO VALLEY, ARIZONA

PRELIMINARY MATURITY SCHEDULE

\$3,779,000 (subject to change)
EXCISE TAX REVENUE REFUNDING OBLIGATIONS, SERIES 2015

<u>Maturity Date (July 1)</u>	<u>Principal</u>
2016	\$ 68,000
2017	376,000
2018	386,000
2019	396,000
2020	401,000
2021	410,000
2022	420,000
2023	433,000
2024	441,000
2025	448,000
	<u>\$3,779,000</u>

Average Life: 5.72 years

Special Recall Election Notice

A special recall election is scheduled to be held in the Town on November 3, 2015. The special recall election will allow qualified voters of the Town to elect a mayor and three councilmembers. The special recall election does not affect the Obligations or the Town's pledge of the Excise Taxes for the Payments.

ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE
(Subject to change)

Fiscal Year	Pledged Excise Taxes (a)	Net Outstanding Debt Service (b)(c)	The Obligations		Estimated Combined Debt Service	Projected Excise Tax Debt Service Coverage (e)
			Principal	Estimated Interest (d)		
2014/15	\$ 25,608,000					
2015/16		\$ 2,852,800	\$ 68,000	\$ 56,213	\$ 2,977,013	8.60x
2016/17		2,859,759	376,000	83,498	3,319,257	7.71x
2017/18		2,847,748	386,000	75,038	3,308,786	7.74x
2018/19		2,843,169	396,000	66,353	3,305,522	7.75x
2019/20		3,285,878	401,000	57,443	3,744,321	6.84x
2020/21		2,397,118	410,000	48,420	2,855,538	
2021/22		2,398,692	420,000	39,195	2,857,887	
2022/23		2,386,132	433,000	29,745	2,848,877	
2023/24		2,379,060	441,000	20,003	2,840,062	
2024/25		2,384,288	448,000	10,080	2,842,368	
2025/26		2,445,176			2,445,176	
2026/27		404,124			404,124	
		<u>\$ 29,483,945</u>	<u>\$ 3,779,000</u>			

- (a) Represents the actual but unaudited Excise Tax collections for fiscal year 2014/15.
- (b) Net of the Obligations Being Refunded.
- (c) Represents outstanding gross debt service on the Parity Obligations. Interest is without reduction for the federal interest subsidy payments related to the 2010 Obligations.
- (d) The first interest payment on the Obligations will be due on January 1, 2016. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the final maturity or prior redemption of the Obligations.
- (e) Projected coverage is determined using pledged fiscal year 2014/15 actual but unaudited Excise Tax collections.

TOWN SALES AND FRANCHISE TAX COLLECTIONS (a)
BY INDUSTRY CLASSIFICATION
(\$000s omitted)

Industry Classification	Actual					Estimated
	Fiscal Year 2009/10	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15 (b)*
Construction	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338	\$ 3,198
Manufacturing	230	266	258	258	257	137
Transportation, communication and utilities (c)	1,554	1,534	2,450	2,785	2,959	3,059
Wholesale trade	75	93	106	110	103	118
Retail trade	4,544	4,720	4,925	5,153	5,243	5,471
Restaurant, bars and lodging	2,283	2,314	2,314	2,164	2,761	2,693
Finance, insurance and real estate	381	324	333	335	75	262
Services	378	417	456	456	529	575
All other	627	102	103	75	60	109
Cable franchise tax	509	515	525	540	572	582
Total	<u>\$ 12,691</u>	<u>\$ 11,992</u>	<u>\$ 13,208</u>	<u>\$ 14,718</u>	<u>\$ 15,897</u>	<u>\$ 16,204</u>

* The Town of Oro Valley adopted Ordinance No. (O)14-17 on December 17, 2014 increasing the local transaction privilege tax (TPT) rate from 2% to 2.5% in various tax categories effective as of March 1, 2015. The revenues generated by this 0.5% tax increase are dedicated by Ordinance to fund the operations of the Town of Oro Valley Community and Recreation Center and are, therefore, excluded from the totals in the FY 2014/15 column above.

- (a) Figures are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports for all classifications except cable franchise. Cable franchise taxes are presented on the modified accrual basis of accounting.
- (b) Estimated and budgeted figures provided by the Town. **Such figures are unaudited, “forward-looking” statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION.** Actual figures may vary significantly from figures shown here.
- (c) Includes increase in utilities tax to 4.0%, effective August 1, 2011.

Source: Finance Department of the Town.

HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS (a)

Category	Audited					Est. Actual	Budgeted
	Fiscal Year						
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 (b)*	2015/16 (b)*
Town sales and Franchise Taxes (c)	\$ 12,553	\$ 11,576	\$ 12,182	\$ 13,253	\$ 13,617	\$ 15,219	\$ 15,351
Licenses and permits	1,055	1,013	1,138	1,746	2,069	1,528	1,764
Fines	202	196	213	202	198	148	120
State-Shared Sales Taxes	2,899	3,024	3,205	3,357	3,570	3,748	3,772
State-Shared Income Taxes	5,087	3,835	3,461	4,189	4,571	4,965	4,938
Total	\$ 21,797	\$ 19,644	\$ 20,199	\$ 22,747	\$ 24,025	\$ 25,608	\$ 25,945

* The Town of Oro Valley adopted Ordinance No. (O)14-17 on December 17, 2014 increasing the local transaction privilege tax (TPT) rate from 2% to 2.5% in various tax categories effective as of March 1, 2015. The revenues generated by this 0.5% tax increase are dedicated by Ordinance to fund the operations of the Town of Oro Valley Community and Recreation Center and are, therefore, excluded from the totals in the FY 2014/15 and FY 2015/16 columns above.

- (a) Figures are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports for all classifications except cable franchise. Cable franchise taxes are presented on the modified accrual basis of accounting.
- (b) Estimated and budgeted figures provided by the Town. **Such figures are unaudited, “forward-looking” statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION.** Actual figures may vary significantly from figures shown here.
- (c) Includes one-time sales tax audit recovery revenues.

Source: Finance Department of the Town.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE

	Audited					Estimated 2014/15 (a)	Budgeted 2015/16 (a)(b)
	2009/10	2010/11	2011/12	2012/13	2013/14		
FUND BALANCE AT BEGINNING OF YEAR	\$ 15,940,438	\$ 11,904,429	\$ 11,007,138	\$ 11,401,649	\$ 13,137,105	\$ 11,534,023	\$ 10,151,872
REVENUES							
Taxes (includes franchise taxes)	\$ 12,552,869	\$ 11,575,674	\$ 12,182,009	\$ 13,253,254	\$ 13,616,721	\$ 15,219,064	\$ 15,350,654
Intergovernmental grants and aid	10,725,866	9,960,865	9,968,445	11,120,347	11,544,290	12,456,455	12,519,376
Fines and forfeitures	202,144	195,993	212,922	202,035	198,084	148,050	120,000
Licenses and permits	1,055,270	1,013,392	1,138,348	1,745,974	2,069,443	1,528,483	1,764,000
Charges for services	913,638	875,881	1,209,814	1,400,745	1,720,689	1,991,810	1,873,834
Contributions and donations	59	15,000	995	-	-	-	-
Investment earnings	62,200	29,305	159,182	205,634	197,753	168,723	94,400
Other	183,552	255,605	214,052	207,879	165,119	226,646	135,000
TOTAL REVENUES	\$ 25,695,598	\$ 23,921,715	\$ 25,085,767	\$ 28,135,868	\$ 29,512,099	\$ 31,739,231	\$ 31,857,264
ADJUSTMENTS							
Operating transfer in	\$ -	\$ 616,338	\$ 318,426	\$ 106,629	\$ 185,000	\$ 185,000	\$ 305,000
Operating transfer out	(4,183,686)	(178,682)	(185,240)	(1,345,324)	(3,260,729)	(3,970,965)	(1,706,810)
TOTAL FUNDS AVAILABLE FOR EXPENDITURES	\$ 37,452,350	\$ 36,263,800	\$ 36,226,091	\$ 38,298,822	\$ 39,573,475	\$ 39,487,289	\$ 40,607,326
EXPENDITURES							
Current							
General government	\$ 8,912,829	\$ 9,415,109	\$ 8,974,197	\$ 8,825,094	\$ 10,127,193	\$ 10,080,429	\$ 10,391,672
Public safety	12,919,307	11,784,077	11,874,887	12,276,845	13,393,183	14,656,874	15,194,016
Highway and streets	-	-	572,827	1,069,458	1,275,093	1,393,706	1,433,547
Culture and recreation	3,157,369	3,031,520	2,954,549	2,468,129	2,445,131	2,865,471	2,808,988
Capital outlay	558,416	1,025,956	447,982	522,191	798,852	338,937	537,710
TOTAL EXPENDITURES	\$ 25,547,921	\$ 25,256,662	\$ 24,824,442	\$ 25,161,717	\$ 28,039,452	\$ 29,335,417	\$ 30,365,933
FUND BALANCE AT END OF YEAR	\$ 11,904,429	\$ 11,007,138	\$ 11,401,649	\$ 13,137,105	\$ 11,534,023	\$ 10,151,872	\$ 10,241,393

- (a) Although these figures are taken from audited financial statements, this table has not been audited.
- (b) Estimated and budgeted figures provided by the Town. **Such figures are unaudited, “forward-looking” statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION.** Actual figures may vary significantly from figures shown here.

Source: The Finance Department of the Town.

Underwriter Exclusion Disclosure

Stifel, Nicolaus & Company, Incorporated (“Stifel”) has been engaged or appointed to serve as an underwriter or placement agent with respect to a particular issuance of municipal securities to which the attached material relates and Stifel is providing all information and advice contained in the attached material in its capacity as underwriter or placement agent for that particular issuance. As outlined in the SEC’s Municipal Advisor Rule, Stifel has not acted, and will not act, as your municipal advisor with respect to the issuance of the municipal securities that is the subject to the engagement.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s- length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its’ own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

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