

City of Gallup

\$2,942,500 Electric Utility Loan (EPC), Series 2019 Pricing Results

June 11, 2019

STRICTLY PRIVATE AND CONFIDENTIAL



Capital
Markets

Issue Summary

| | |
|---------------------------------|-----------------|
| Issue Size: | \$2,942,500 |
| Sale Date: | 06/11/2019 |
| Closing Date: | 07/19/2019 |
| Maturity | 2021-2030 |
| Optional Call Date | 7/19/2029 @ par |
| True Interest Cost | 1.8223% |
| All-in-True Interest Cost (AIC) | 2.1549% |
| Total Interest | \$337,001 |
| Total Debt Service | \$3,279,501 |

Transaction Participants

| | |
|-------------------|------------------------------|
| Issuer | City of Gallup |
| Financial Advisor | RBC Capital Markets |
| Purchaser | New Mexico Finance Authority |
| Bond Counsel | Modrall Law Firm |

Comparison of Savings to Projected Debt Service

| City of Gallup - Streetlights Replacement Financing Cash Flow ⁽¹⁾ | | | | | | | | | |
|--|---------------|-----------------------------------|---------------------------|------------------|------------------|----------------------|-----------------|------------------|------------------------|
| | Year | Energy O&M Savings ⁽²⁾ | Annual M&V ⁽²⁾ | Annual Savings | Debt Service | Capitalized Interest | DSRF | Net Debt Service | Net Projected Cashflow |
| 06/01/2020 | 0 | | | | 41,937 | -41,937 | | 0 | 0 |
| 06/01/2021 | 1 | 314,579 | 10,000 | 304,579 | 270,289 | | | 270,289 | 34,290 |
| 06/01/2022 | 2 | 327,162 | 10,400 | 316,762 | 282,471 | | | 282,471 | 34,291 |
| 06/01/2023 | 3 | 340,248 | 10,816 | 329,432 | 295,159 | | | 295,159 | 34,273 |
| 06/01/2024 | 4 | 353,858 | 2,000 | 351,858 | 317,531 | | | 317,531 | 34,327 |
| 06/01/2025 | 5 | 368,013 | 2,080 | 365,933 | 331,652 | | | 331,652 | 34,281 |
| 06/01/2026 | 6 | 382,733 | 2,163 | 380,570 | 346,231 | | | 346,231 | 34,339 |
| 06/01/2027 | 7 | 398,042 | 2,250 | 395,792 | 361,486 | | | 361,486 | 34,306 |
| 06/01/2028 | 8 | 413,964 | 2,340 | 411,624 | 377,350 | | | 377,350 | 34,274 |
| 06/01/2029 | 9 | 430,523 | 2,433 | 428,090 | 393,739 | | | 393,739 | 34,351 |
| 06/01/2030 | 10 | 0 | 0 | 0 | 261,656 | | -294,250 | -32,594 | 32,594 |
| | Totals | 3,329,122 | | 3,284,640 | 3,279,501 | -41,937 | -294,250 | 2,943,314 | 341,326 |

⁽¹⁾ Actual NMFA Rates

⁽²⁾ As provided by ENGIE Streetlight Efficiency Upgrade Report v4

Project Amount: \$2,524,221

Time Schedule

| Date | Action | Responsibility |
|--------------------------|--|---------------------|
| Tuesday, April 23 | City Council approves Resolution to submit application to NMFA | CITY, RBC, BC |
| Wednesday, April 24 | Submit Signed Resolution and application to NMFA | RBC, NMFA |
| Thursday, May 23 | NMFA Board of Directors approves application | NMFA, RBC |
| Tuesday, May 28 | Publication of Notice of Intent to Adopt an Ordinance | RBC, CITY |
| Tuesday, June 04 | Final Interest Rates are set with NMFA | CITY, RBC, BC |
| Tuesday, June 11 | Second Reading of Bond Ordinance and City Council Adopts Ordinance | RBC, CITY |
| Wednesday, June 12 | Notice of Adoption published in paper of local circulation | BC |
| Friday, July 12 | Thirty day limitation of action period expires | |
| Friday, July 19 | Bond Closing | CITY, RBC, BC, NMFA |

Working Group Key

| Code | Participant | Role |
|------|------------------------------|-------------------|
| CITY | City of Gallup | City Council |
| FA | RBC Capital Markets | Financial Advisor |
| BC | TBD | Bond Counsel |
| NMFA | New Mexico Finance Authority | Purchaser |

Note 1: Regular City Council meets 2nd and 4th Tuesday of every month

Series 2019 Electric Utility Bonds – Sources and Uses and Semi-Annual Debt Service

Sources and Uses of Funds

Sources:

| | |
|------------|-----------------------|
| Par Amount | \$2,942,500.00 |
| | \$2,942,500.00 |

Uses:

| | |
|---------------------------|-----------------------|
| Project Fund | \$2,524,221.00 |
| Debt Service Reserve Fund | 294,250.00 |
| Capitalized Interest Fund | 41,936.91 |
| Cost of Issuance | 60,023.34 |
| Underwriter's Discount | 22,068.75 |
| | \$2,942,500.00 |

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---------------|--------------------|--------|---------------------|-----------------------|-----------------------|
| 06/01/2020 | | | \$41,936.91 | \$41,936.91 | \$41,936.91 |
| 12/01/2020 | | | 24,194.37 | 24,194.37 | |
| 06/01/2021 | \$221,900 | 1.450% | 24,194.37 | 246,094.37 | 270,288.74 |
| 12/01/2021 | | | 22,585.60 | 22,585.60 | |
| 06/01/2022 | 237,300 | 1.480% | 22,585.60 | 259,885.60 | 282,471.20 |
| 12/01/2022 | | | 20,829.58 | 20,829.58 | |
| 06/01/2023 | 253,500 | 1.510% | 20,829.58 | 274,329.58 | 295,159.16 |
| 12/01/2023 | | | 18,915.65 | 18,915.65 | |
| 06/01/2024 | 279,700 | 1.530% | 18,915.65 | 298,615.65 | 317,531.30 |
| 12/01/2024 | | | 16,775.95 | 16,775.95 | |
| 06/01/2025 | 298,100 | 1.550% | 16,775.95 | 314,875.95 | 331,651.90 |
| 12/01/2025 | | | 14,465.67 | 14,465.67 | |
| 06/01/2026 | 317,300 | 1.590% | 14,465.67 | 331,765.67 | 346,231.34 |
| 12/01/2026 | | | 11,943.14 | 11,943.14 | |
| 06/01/2027 | 337,600 | 1.640% | 11,943.14 | 349,543.14 | 361,486.28 |
| 12/01/2027 | | | 9,174.82 | 9,174.82 | |
| 06/01/2028 | 359,000 | 1.730% | 9,174.82 | 368,174.82 | 377,349.64 |
| 12/01/2028 | | | 6,069.47 | 6,069.47 | |
| 06/01/2029 | 381,600 | 1.830% | 6,069.47 | 387,669.47 | 393,738.94 |
| 12/01/2029 | | | 2,577.83 | 2,577.83 | |
| 06/01/2030 | 256,500 | 2.010% | 2,577.83 | 259,077.83 | 261,655.66 |
| | \$2,942,500 | | \$337,001.07 | \$3,279,501.07 | \$3,279,501.07 |

Market Update



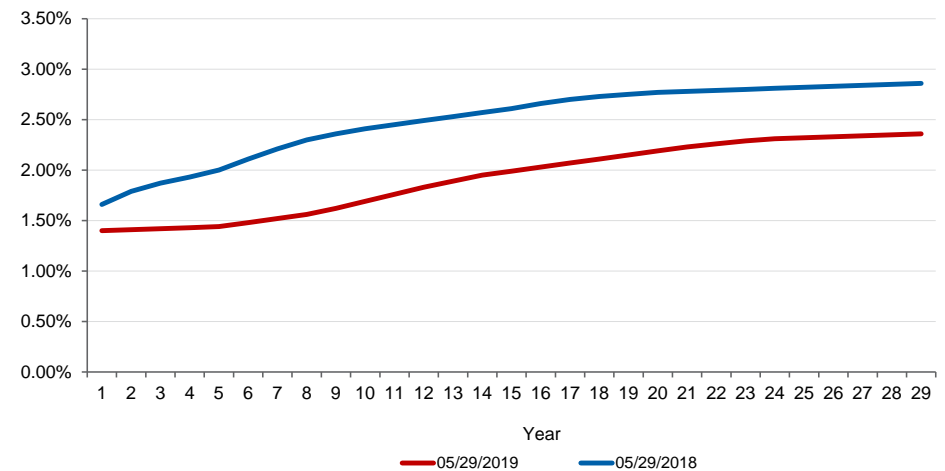
Capital
Markets

Long-Term Market

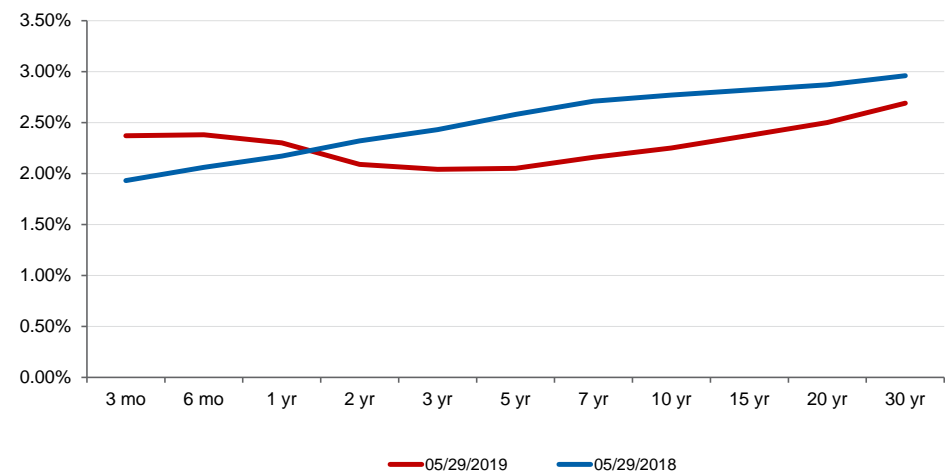
Market Overview

- Geopolitical events continued to put a strong bid into fixed income assets. The ongoing US-China trade dispute and the growing fear of a US-Mexico dispute developing weighed on equity markets and drove rates in the fixed income markets sharply lower once again last week. Municipals underperformed Treasuries again last week, particularly on the short end of the maturity spectrum, despite a very light new issue calendar and continued strong municipal bond inflows. By the end of the week, US Treasuries were twenty-two basis points lower in the five year range, twenty basis points lower in the ten year range and nineteen basis points lower in the thirty year range. The Municipal Market Data AAA yield closed the week five basis points lower in the two and five year ranges, seven basis points lower in the ten year range, and ten basis points lower in the thirty year range. Municipal/Treasury yield ratios closed the week approximately six percentage points higher than the prior week's levels in the two to five year maturity range and approximately three percentage points higher in the ten to thirty year maturity range.

Municipal GO "AAA" MMD Yield Curve Changes



U.S. Treasury Yield Curve Changes



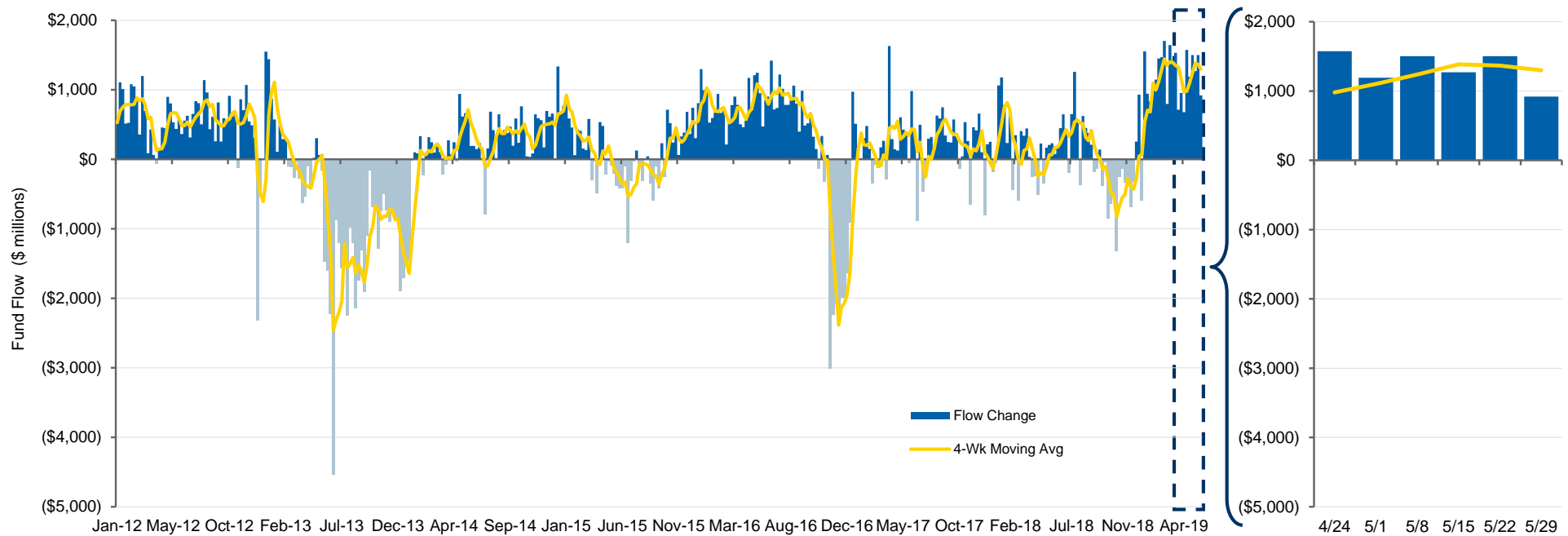
Municipal Market Fund Flows

Municipal bond funds see inflows

According to data from Lipper, for the week ended May 29, 2019, weekly municipal bond funds reported \$918.862 million of inflows, after the previous week's \$1.502 billion of inflows

- Long-term muni bond funds experienced inflows, gaining \$859.320 million in the latest week, after inflows of \$1.008 billion in the previous week
- Four week moving average is currently positive at \$1.298 billion, down from last week's number of \$1.367 billion

Lipper Municipal Fund Flows

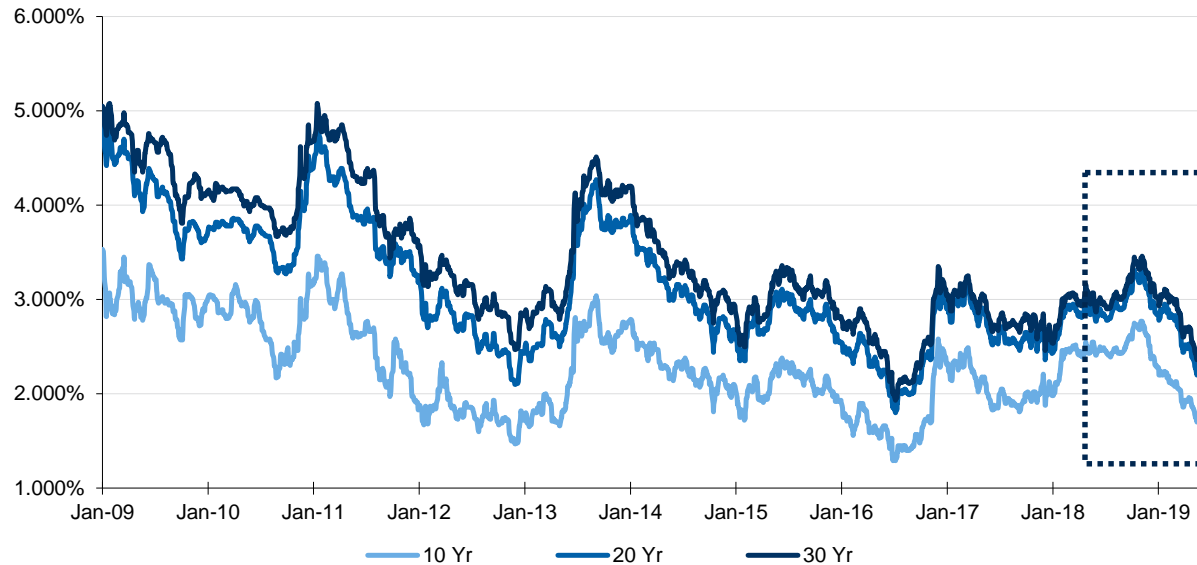


Period ended May 29, 2019

Current Municipal Market Conditions: "AAA" MMD

After closing at 2.42% the previous week, the 30-year "AAA" MMD decreased 10 bps from May 24 – May 31, closing at the current rate of 2.32%

"AAA" MMD January 1, 2009 to Present



Shift in "AAA" MMD Since May 2018



January 1, 2009 to Present

| | 10 Year | 20 Year | 30 Year |
|---------|---------|---------|---------|
| Maximum | 3.530% | 4.890% | 5.080% |
| Minimum | 1.290% | 1.800% | 1.930% |
| Current | 1.650% | 2.140% | 2.320% |

Shift in 30-year "AAA" MMD

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------|--------|---------|---------|--------|---------|--------|
| | -0.740% | 1.330% | -1.340% | -0.010% | 0.270% | -0.510% | 0.470% |

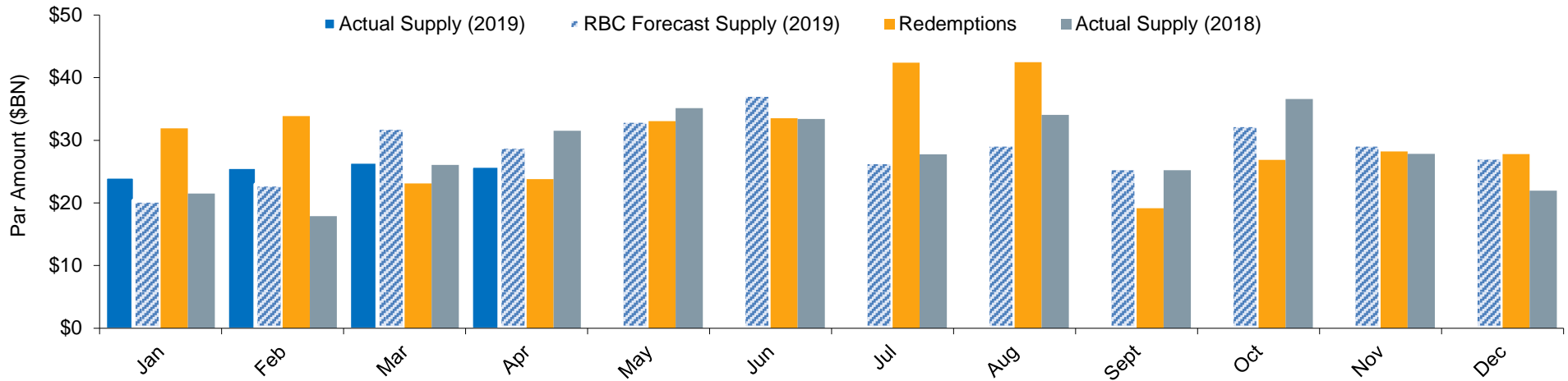
May 1, 2018 to Present

| | 10 Year | 20 Year | 30 Year |
|---------|---------|---------|---------|
| Maximum | 2.770% | 3.310% | 3.460% |
| Minimum | 1.650% | 2.140% | 2.320% |
| Average | 2.313% | 2.838% | 2.984% |

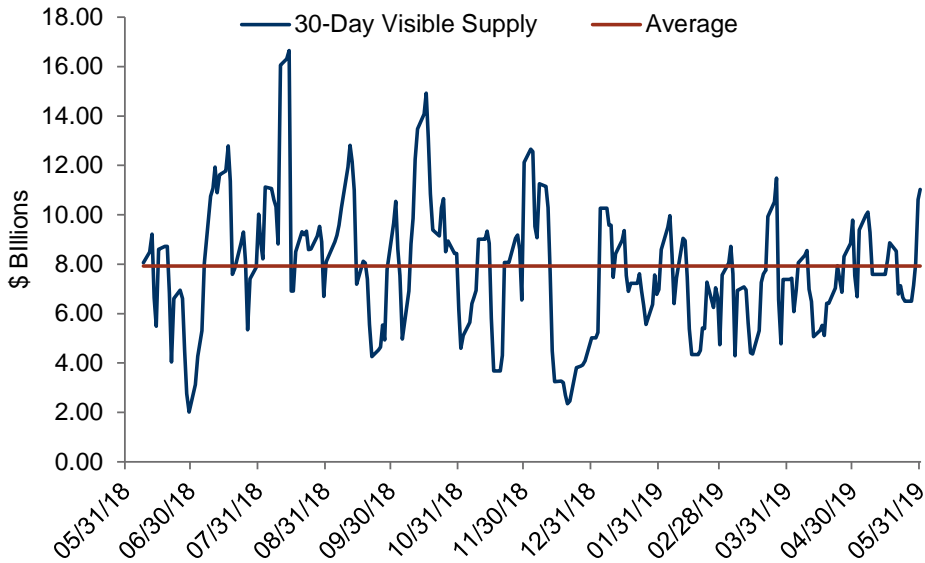
Source: TM3, Thomson Reuters
10, 20, and 30 year "AAA" MMD shown to represent different average lives of municipal transactions
Rates as of May 31, 2019

Overview of Municipal Supply

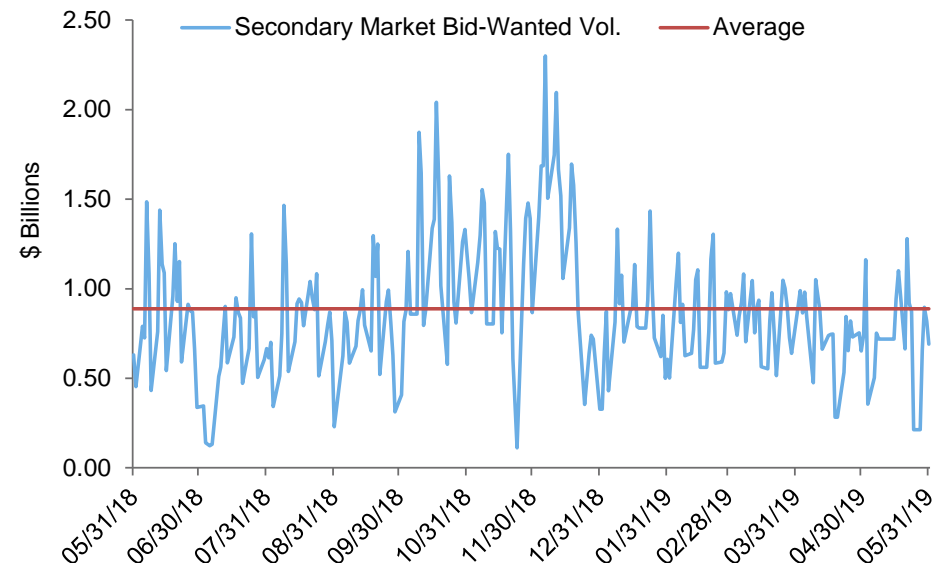
Monthly Projected Supply and Redemptions



30-Day Visible Supply



Secondary Market Bid-Wanted Volume



Summary Statistics (Billions)

| | | | | | | | |
|-----|---------|-----|--------|------|--------|-------|---------|
| Max | \$16.65 | Min | \$2.02 | Avg. | \$7.93 | Curr. | \$11.02 |
|-----|---------|-----|--------|------|--------|-------|---------|

Summary Statistics (Billions)

| | | | | | | | |
|-----|--------|-----|--------|------|--------|-------|--------|
| Max | \$2.30 | Min | \$0.11 | Avg. | \$0.89 | Curr. | \$0.69 |
|-----|--------|-----|--------|------|--------|-------|--------|

Source: Bloomberg

Bond Buyer 20 General Obligation Bond Index

57 Year Historical Perspective

Bond Buyer 20 GO Index since January 1961



% of Time in Each Range Since 1961

| Yield Range | | |
|--------------------|----------------|--|
| Less than 3.50% | 9.94% | |
| 3.50% - 4.00% | 10.96% | |
| 4.01% - 4.50% | 11.52% | |
| 4.51% - 5.00% | 9.91% | |
| 5.01% - 5.50% | 13.81% | |
| 5.51% - 6.00% | 9.61% | |
| 6.01% - 6.50% | 7.45% | |
| 6.51% - 7.00% | 6.79% | |
| 7.01% - 7.50% | 6.14% | |
| 7.51% - 8.00% | 3.61% | |
| Greater than 8.00% | 10.27% | |
| Total | 100.00% | |

Source: Bloomberg as of May 30, 2019
 Weekly yields and indexes released by the Bond Buyer. Updated every Thursday at approximately 6:00pm EST. 20 Bond General Obligation Yield with 20 year maturity, rated Aa2 by Moody's Arithmetic Average of 20 bonds' yield to maturity.

Today's 3.51% level is lower than 90.02% of historical rates since January 1961

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