



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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07-52

July 25, 2013

The Honorable Delia Briones
County Clerk
Room 105, County Courthouse Building
500 East San Antonio
El Paso, Texas 79901

Dear Ms. Briones:

It would be appreciated if you would place the following item on the agenda for the commissioners' court meeting to be conducted on Monday, August 5, 2013:

Presentation and discussion of market conditions affecting long-term debt from Financial Advisor.

Your assistance with this agenda item will be appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:JU:ya

Attachment

cc: The Honorable Veronica Escobar, County Judge
The Honorable Carlos Leon, County Commissioner
The Honorable Sergio Lewis, County Commissioner
The Honorable Vincent Perez, County Commissioner
Commissioner, Pct. 4 Vacant
Mrs. Lee Shapleigh, Assistant County Attorney



COMMISSIONERS COURT
COMMUNICATION

AGENDA DATE : August 5, 2013

CONSENT OR REGULAR: Regular

CONTRACT REFERENCE NO
(IF APPLICABLE): _____

SUBJECT:

Presentation and discussion of market conditions affecting long-term debt from Financial Advisor.

BACKGROUND/DISCUSSION OF TOPIC: To include statutory requirement, operational impact, or performance goal.

None

FISCAL IMPACT:

None

PRIOR COMMISSIONERS COURT ACTION (IF ANY):

None

RECOMMENDATION:

Hear presentation

COUNTY ATTORNEY APPROVAL

The attached document has been given legal review by the El Paso County Attorney's Office on behalf of the County of El Paso, its officers, and employees. Said legal review should not be relied upon by any person or entity other than the County of El Paso, its officers, and employees.

COUNTY ATTORNEY:

LEGAL REVIEW:

LEGAL REVIEW NOTES (If Applicable):

DATE:

SUBMITTED BY:



George K. Baum & Company

INVESTMENT BANKERS SINCE 1928

One Park Square, 6501 Americas Parkway, NE, Suite 510, Albuquerque, New Mexico 87110
8117 Preston Road, Suite 300, Dallas, Texas 75225

Presentation to El Paso County, Texas

Quarterly Market Update

August 5, 2013



Market Headlines since April 1, 2013

- Yields have slightly increased since the beginning of the year but have remained relatively low, maintaining a favorable environment for municipal issuers. The overall muni market saw \$81.2 billion of new issues during the first quarter, up a slight 4% from the same period last year.
- Fourteen Democrats in the Senate are strongly urging President Obama not to cap or eliminate tax exemption for municipal bonds, warning it would have a negative impact on both federal and local budgets and ultimately be “inappropriate and shortsighted.” The Senators said that changing tax exemption for municipal bonds would put at risk important services provided by local governments, including utilities for water and sewer as well as public safety such as police and fire protection.
- Rep. Devin Nunes has introduced legislation that would prohibit state and local governments from issuing tax-exempt, direct-pay and tax credit bonds unless they file annual reports with the Treasury that contain information about their pension plans, including their net unfunded liabilities and amount of pension obligation bonds outstanding.



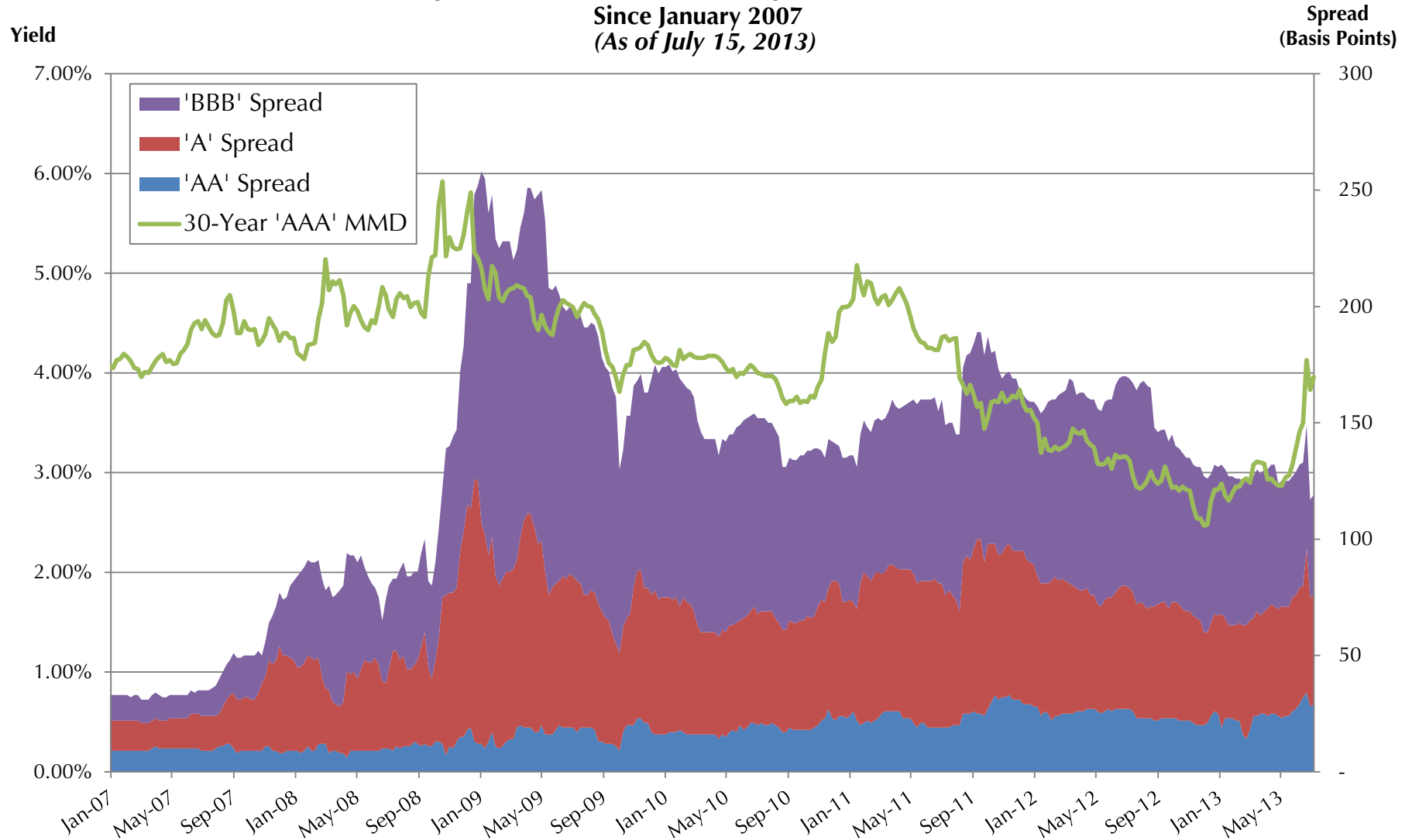
Market Headlines since April 1, 2013 (continued)

- President Obama has nominated two longtime Senate aides to become the next new commissioners at the Securities and Exchange Commission, the White House announced Thursday. Obama nominated Democrat Kara Stein, a top aide to Sen. Jack Reed, D-R.I., to replace Elisse Walter, and Michael Piwowar, the Republican chief economist to the Senate Banking Committee, to replace commissioner Troy Paredes.
- Municipal bond interest rates have reached a nadir, according to Chris Mier, a managing director in the analytical services division of Loop Capital Markets. After years of declines, the economic factors are lining up in favor of higher rates, Mier said during a “Municipal Bond Market Outlook” panel at the Government Finance Officers Association’s national conference in San Francisco this week.
- Standard and Poor’s told issuers of municipal bonds this week that when seeking a rating it expects them to disclose all debt-like obligations including bank loans, which have become increasingly popular. “Debt-like obligations, whether in the form of a bank loan, securities sold publicly, or in any other form, are, in our view, material and, thus, relevant to outstanding ratings,” analyst Mal Fallon wrote in a notice. “Therefore, additional debt in any form is something we want disclosed directly to us along with the related legal documentation.”



Credit Spreads since 2007

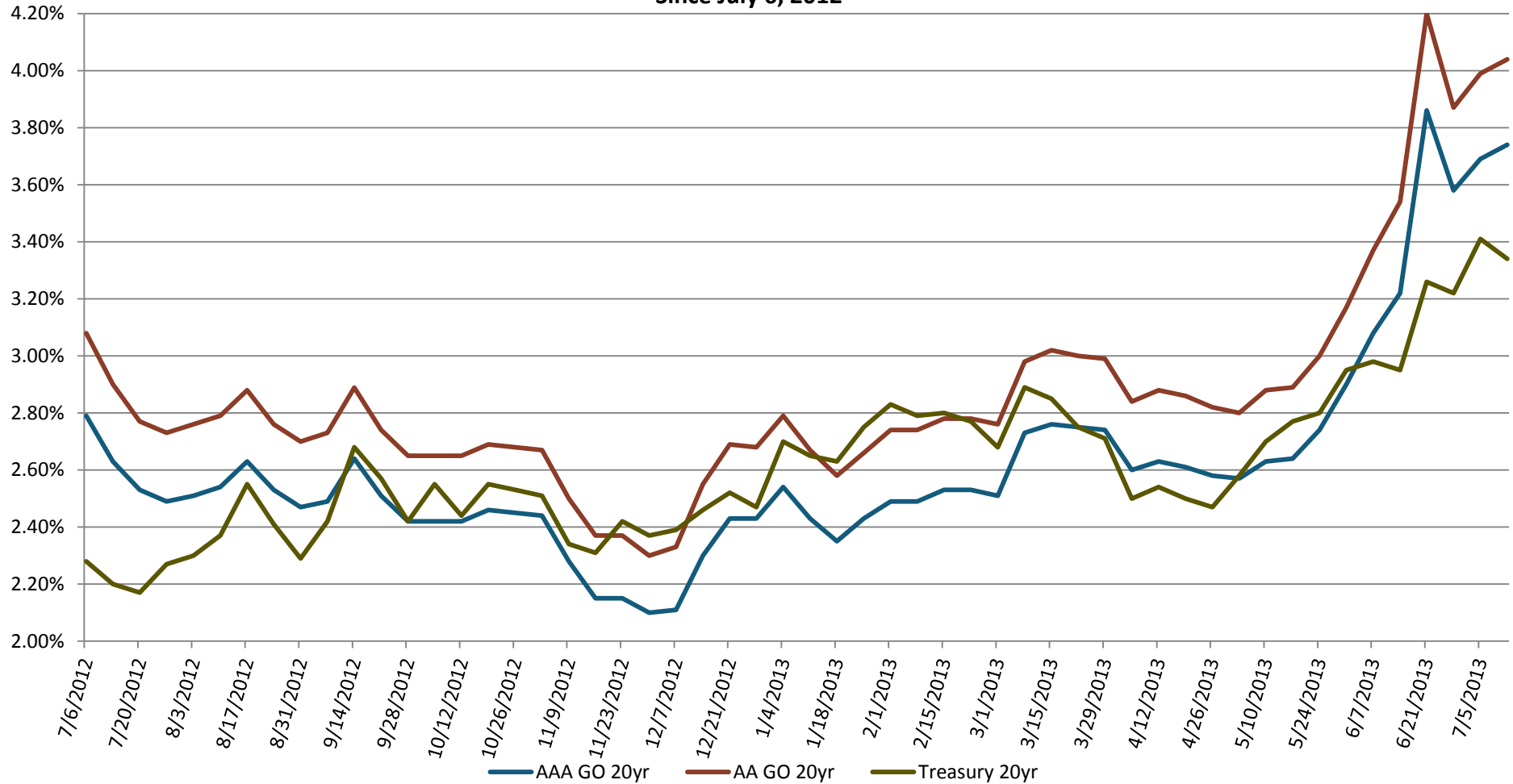
Tax-Exempt Credit Spreads for 30-year Maturity
Comparison of 'AA', 'A' and 'BBB' Spreads to 'AAA' MMD
Since January 2007
(As of July 15, 2013)



Market Rates since July 6, 2012

MMD & Treasury Rates

Since July 6, 2012

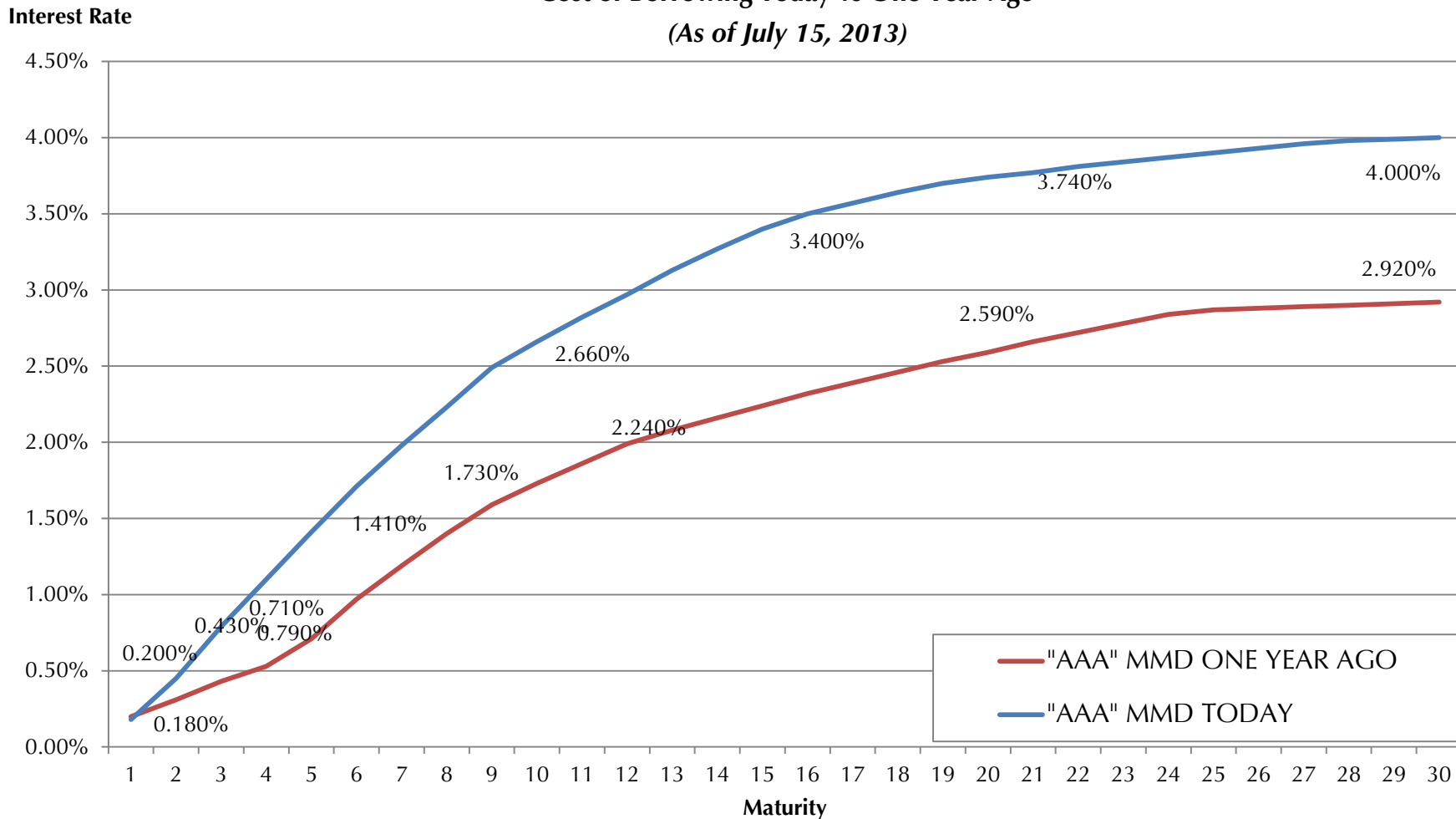


Treasury rates have exceeded the AAA municipal rates off and on since July.



Rates Since El Paso County's Recent Pricing

THE YIELD CURVE
Comparison of Traditional Fixed Rate
Cost of Borrowing Today vs One Year Ago
(As of July 15, 2013)



Municipal Rates Continue To Remain Low.

Current Outstanding GO Debt

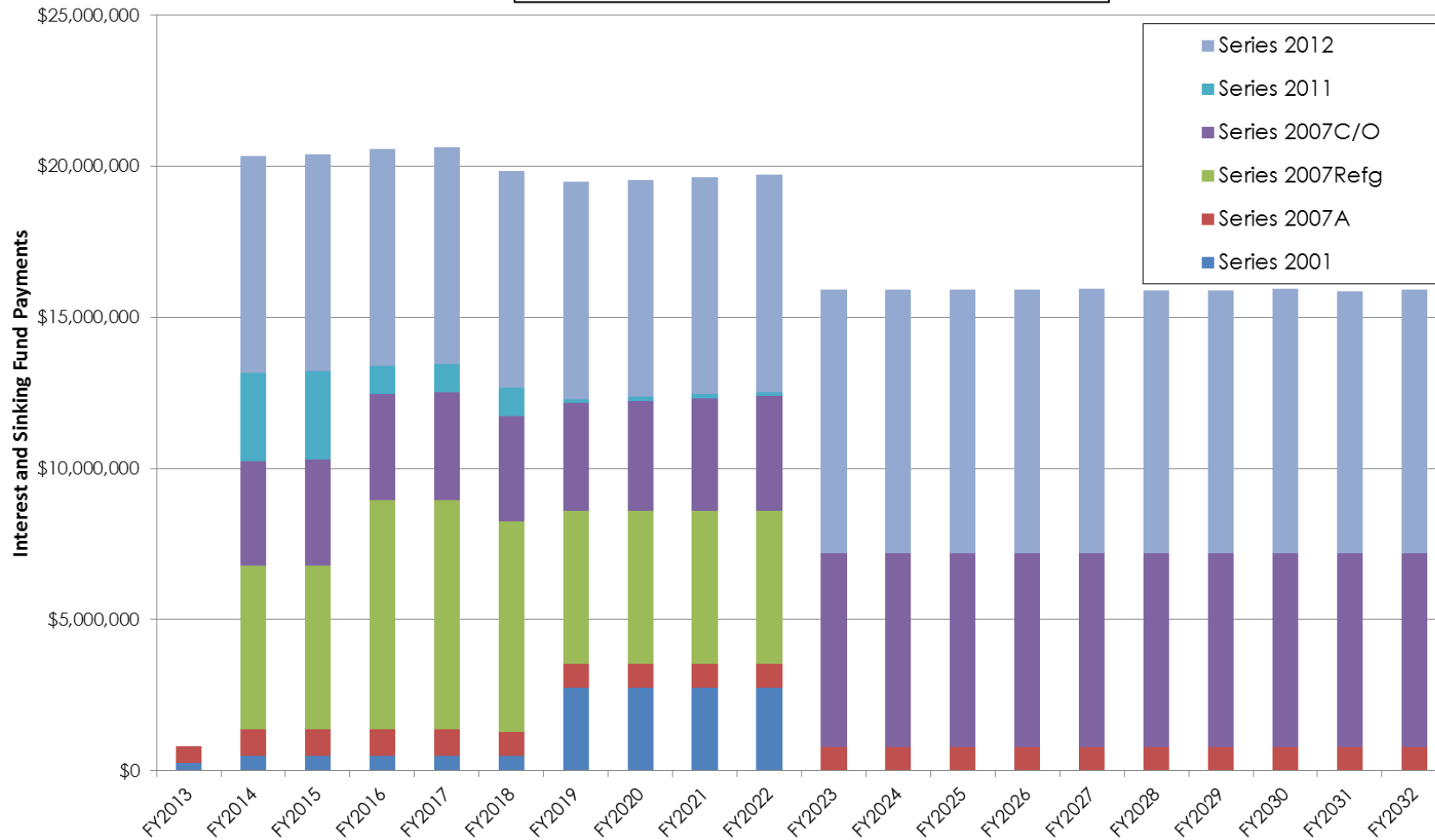
Type: Series: Dated Date Original Par: Current Par: Enhancement: Call Provisions: Due:	Certificates of Obligation Series 2001 11/1/2001 \$34,465,000 \$9,940,000 none Non-Callable 8/15				Taxable Certificates of Obligation Series 2007A 11/1/2007 \$9,940,000 \$9,430,000 none 2/15/18 @ Par 10/1				General Obligation Refg Bonds Series 2007Refg 11/1/2007 \$48,550,000 \$43,650,000 none 2/15/18 @ Par 2/15				
	Fiscal Year	Principal	Coupon	Interest	Annual DS	Principal	Coupon	Interest	Annual DS	Principal	Coupon	Interest	Annual DS
2013			251,450	251,450	290,000	4.890%	276,495	566,495					
2014			502,900	502,900	315,000	4.990%	538,810	853,810	3,450,000	4.000%	1,979,869	5,429,869	
2015			502,900	502,900	340,000	5.110%	522,264	862,264	3,590,000	4.000%	1,839,069	5,429,069	
2016			502,900	502,900	365,000	5.210%	504,068	869,068	5,945,000	5.000%	1,618,644	7,563,644	
2017			502,900	502,900	390,000	5.310%	484,206	874,206	6,255,000	5.000%	1,313,644	7,568,644	
2018			502,900	502,900	325,000	5.810%	464,410	789,410	5,950,000	5.000%	1,008,519	6,958,519	
2019	2,300,000	5.125%	443,963	2,743,963	345,000	5.810%	444,946	789,946	4,310,000	5.000%	752,019	5,062,019	
2020	2,420,000	5.125%	323,013	2,743,013	365,000	5.810%	424,321	789,321	4,510,000	4.250%	548,431	5,058,431	
2021	2,545,000	5.000%	197,375	2,742,375	390,000	5.810%	402,388	792,388	4,705,000	4.375%	349,672	5,054,672	
2022	2,675,000	5.000%	66,875	2,741,875	415,000	5.810%	379,003	794,003	4,935,000	5.000%	123,375	5,058,375	
2023			-	-	440,000	6.230%	353,241	793,241			-	-	
2024			-	-	465,000	6.230%	325,050	790,050			-	-	
2025			-	-	495,000	6.230%	295,146	790,146			-	-	
2026			-	-	530,000	6.230%	263,218	793,218			-	-	
2027			-	-	560,000	6.230%	229,264	789,264			-	-	
2028			-	-	600,000	6.230%	193,130	793,130			-	-	
2029			-	-	635,000	6.230%	154,660	789,660			-	-	
2030			-	-	680,000	6.230%	113,698	793,698			-	-	
2031			-	-	720,000	6.230%	70,088	790,088			-	-	
2032			-	-	765,000	6.230%	23,830	788,830			-	-	
2033			-	-			-	-			-	-	
Total:	9,940,000		3,797,175	13,737,175	9,430,000		6,462,233	15,892,233	43,650,000		9,533,241	53,183,241	
Notes					Parks and Recreation				Refunded Series 1997&1998 C/O Bonds, Series 1998 LTGO, Series 2001&2002 C/O Bonds				
Purpose:													
Underwriter:	Salomon Smith Barney				Merrill Lynch & Co				Merrill Lynch & Co				
FA:	Coastal Securities				Coastal Securities				Coastal Securities				
Bond Counsel:	McCabe & Associates				Fulbright & Jaworski				Fulbright & Jaworski				

Current Outstanding GO Debt (continued)

Type:	Certificates of Obligation				General Obligation Refg Bonds				Certificates of Obligation						
Series:	Series 2007C/O				Series 2011				Series 2012						
Dated Date:	11/1/2007				12/15/2011				7/18/2012						
Original Par:	\$59,835,000				\$11,315,000				\$98,955,000						
Current Par:	\$58,350,000				\$8,415,000				\$96,520,000						
Enhancement:	none				none				none						
Call Provisions:	2/15/18 @ Par				Non-Callable				2/15/21 @ Par. *2/15/17 @ Par.						
Due:	2/15				2/15				2/15						
Fiscal Year	Principal	Coupon	Interest	Annual DS	Principal	Coupon	Interest	Annual DS	Principal	Coupon	Principal	Coupon	Interest	Annual DS	Annual DS
2013															817,945
2014	620,000	4.000%	2,842,331	3,462,331	2,635,000	5.000%	283,544	2,918,544	2,675,000	2.500%			4,500,238	7,175,238	20,342,691
2015	685,000	4.000%	2,816,231	3,501,231	2,740,000	3.000%	176,569	2,916,569	2,750,000	3.000%			4,425,550	7,175,550	20,387,582
2016	750,000	4.000%	2,787,531	3,537,531	800,000	4.000%	119,469	919,469	2,850,000	4.000%			4,327,300	7,177,300	20,569,912
2017	825,000	4.000%	2,756,031	3,581,031	835,000	5.250%	81,550	916,550	2,965,000	4.000%			4,211,000	7,176,000	20,619,331
2018	765,000	4.125%	2,723,753	3,488,753	890,000	5.250%	36,269	926,269	3,070,000	3.000%			4,105,650	7,175,650	19,841,500
2019	875,000	4.250%	2,689,381	3,564,381	125,000	2.125%	11,578	136,578	3,190,000	4.500%			3,987,825	7,177,825	19,474,712
2020	995,000	4.250%	2,649,644	3,644,644	125,000	2.500%	8,688	133,688	3,345,000	5.000%			3,832,425	7,177,425	19,546,521
2021	1,120,000	4.375%	2,604,000	3,724,000	130,000	2.625%	5,419	135,419	3,495,000	4.000%			3,678,900	7,173,900	19,622,754
2022	1,250,000	4.500%	2,551,375	3,801,375	135,000	2.750%	1,856	136,856	3,660,000	5.000%			3,517,500	7,177,500	19,709,984
2023	3,990,000	5.000%	2,423,500	6,413,500			-	-	5,430,000	5.000%			3,290,250	8,720,250	15,926,991
2024	4,195,000	5.000%	2,218,875	6,413,875			-	-	5,525,000*	5.000%	175,000	5.000%	3,012,000	8,712,000	15,915,925
2025	4,405,000	5.000%	2,003,875	6,408,875			-	-	5,815,000*	5.000%	175,000	5.000%	2,719,750	8,709,750	15,908,771
2026	4,635,000	5.000%	1,777,875	6,412,875			-	-	5,950,000*	5.000%	335,000	5.000%	2,412,875	8,697,875	15,903,968
2027	4,870,000	5.000%	1,540,250	6,410,250			-	-	6,660,000	5.000%			2,089,250	8,749,250	15,948,764
2028	5,120,000	5.000%	1,290,500	6,410,500			-	-	6,935,000	5.000%			1,749,375	8,684,375	15,888,005
2029	5,385,000	5.000%	1,027,875	6,412,875			-	-	7,280,000	5.000%			1,394,000	8,674,000	15,876,535
2030	5,660,000	5.000%	751,750	6,411,750			-	-	7,710,000	5.000%			1,019,250	8,729,250	15,934,698
2031	5,950,000	5.000%	461,500	6,411,500			-	-	8,030,000	5.000%			625,750	8,655,750	15,857,338
2032	6,255,000	5.000%	156,375	6,411,375			-	-	8,500,000	5.000%			212,500	8,712,500	15,912,705
2033			-	-			-	-							-
Total:	58,350,000		38,072,653	96,422,653	8,415,000		724,941	9,139,941	96,520,000				55,111,388	151,631,388	340,006,630
Notes															
Purpose:	Court Facilities, Detention Facility, Flood Control, Parking, Road & Bridge, and Water, Sewer, & Drainage.				Refunded Series 2001 C/O Bonds, Series 2002 C/O Bonds				Bridge, road and related facilities, County's Eastside Jail Annex and Courthouse Annexes, Law enforcement vehicles, Roof and other improvements and repairs to existing County facilities, Improvements and repairs to the County Courthouse, Acquire software and hardware for County IT systems						
Underwriter:	Merrill Lynch & Co				Loop Capital Markets				Ramirez & Co, Siebert Brandford Shank & Co, Citigroup, Loop Capital Markets						
FA:	Coastal Securities				Coastal Securities				George K. Baum & Co						
Bond Counsel:	Fulbright & Jaworski				Fulbright & Jaworski				Fulbright & Jaworski						

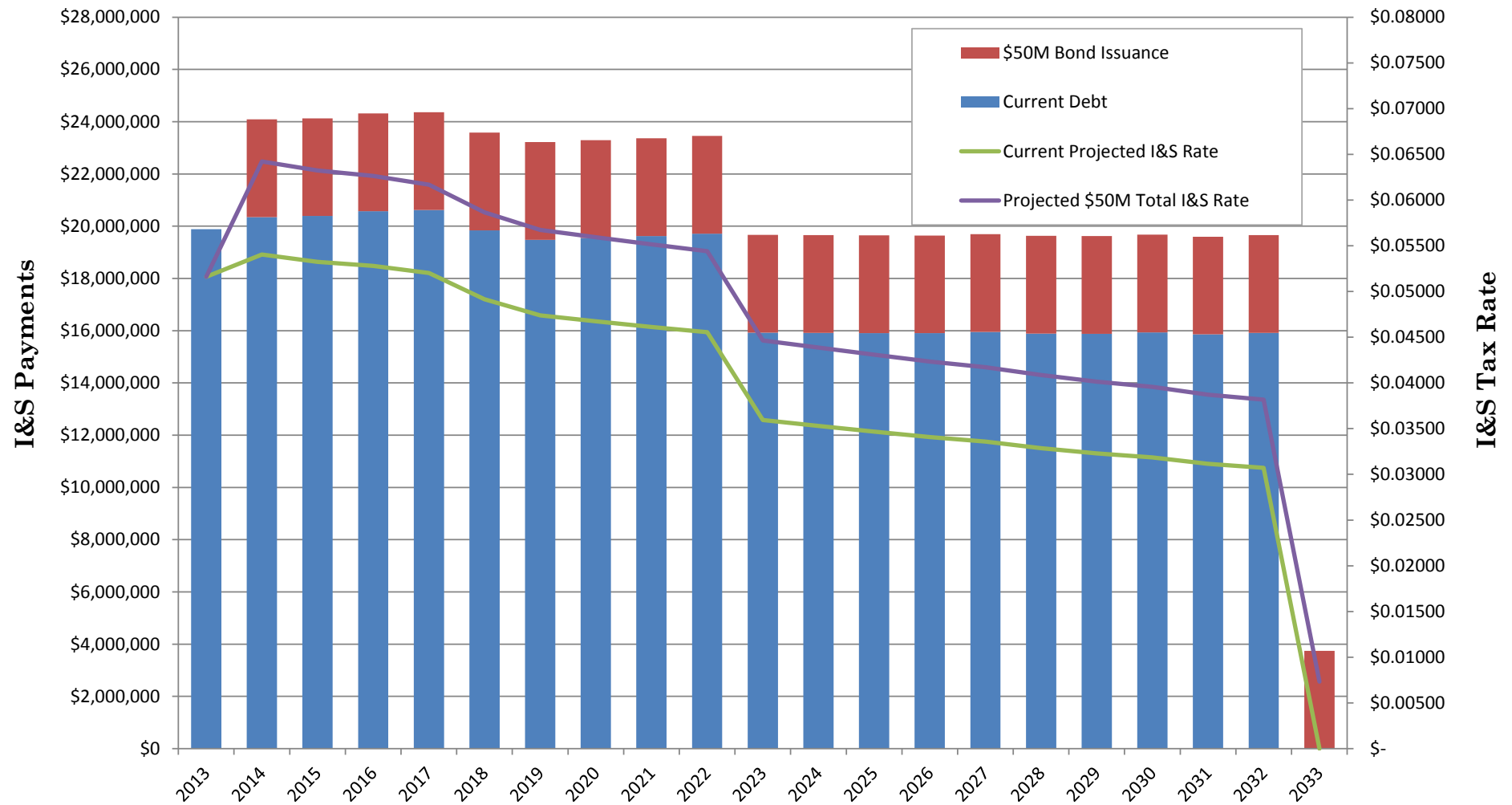
Current Outstanding GO Debt (continued)

El Paso County, Texas
General Obligation Interest & Sinking Fund Map



Financing Example

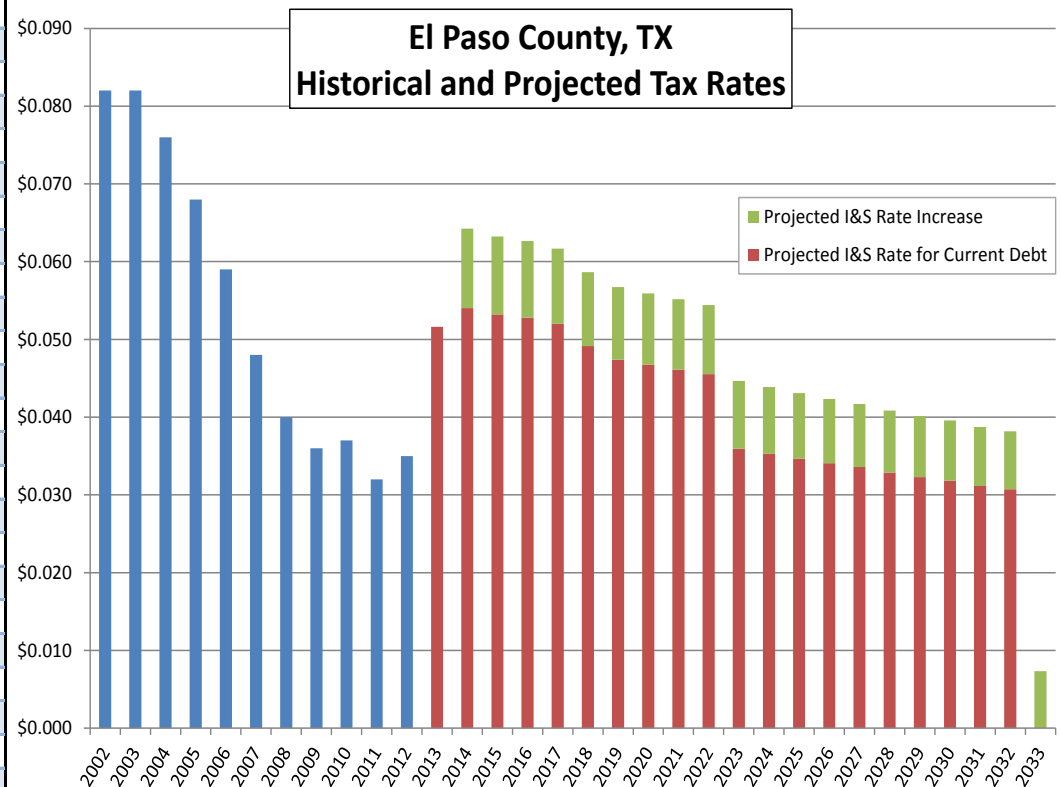
Projected I&S Payments and Tax Rates



- A \$50,000,000 debt issuance would increase the I&S Tax Rate approximately \$0.0087 above the current projected I&S rate when assuming an assessed valuation growth rate of 1.75%.

Historical and Projected Tax Rates

Fiscal Year	Projected I&S Rate for Current Debt	Projected I&S Rate Increase	Projected Total I&S Tax Rate
2002	\$0.082		\$0.082
2003	\$0.082		\$0.082
2004	\$0.076		\$0.076
2005	\$0.068		\$0.068
2006	\$0.059		\$0.059
2007	\$0.048		\$0.048
2008	\$0.040		\$0.040
2009	\$0.036		\$0.036
2010	\$0.037		\$0.037
2011	\$0.032		\$0.032
2012	\$0.035		\$0.035
2013	\$0.052	\$0.000	\$0.052
2014	\$0.054	\$0.010	\$0.064
2015	\$0.053	\$0.010	\$0.063
2016	\$0.053	\$0.010	\$0.063
2017	\$0.052	\$0.010	\$0.062
2018	\$0.049	\$0.010	\$0.059
2019	\$0.047	\$0.009	\$0.057
2020	\$0.047	\$0.009	\$0.056
2021	\$0.046	\$0.009	\$0.055
2022	\$0.046	\$0.009	\$0.054
2023	\$0.036	\$0.009	\$0.045
2024	\$0.035	\$0.009	\$0.044
2025	\$0.035	\$0.008	\$0.043
2026	\$0.034	\$0.008	\$0.042
2027	\$0.034	\$0.008	\$0.042
2028	\$0.033	\$0.008	\$0.041
2029	\$0.032	\$0.008	\$0.040
2030	\$0.032	\$0.008	\$0.040
2031	\$0.031	\$0.008	\$0.039
2032	\$0.031	\$0.007	\$0.038
2033	\$0.000	\$0.007	\$0.007



Refunding Analysis – Savings by Maturity

Tax Exempt Bonds

- For bonds callable **on or before 2015**, a 1% savings threshold has been used to determine potential refunding candidates.
- For bonds callable **after 2015**, a 3% savings threshold has been used to determine potential refunding candidates.

- Potential refunding candidates
- Not considered a refunding candidate

- Assumes rates and yields as of 7/19/2013
- Assumes refunding bonds will be issued in conjunction with a new money issue.
- Escrow assumes the use of SLGs. Savings may be increased with the use of Open Market Securities.
- The Series 2007, Series 2007 C/O's and Series 2012 C/O's currently have no savings.

Refunding Candidates El Paso County, Texas Monitor Case Tax Exempt (All Dollar Amounts in Thousands)										
	Candidate		Individual					Cumulative		
	Maturity	Par	Rate	New Yield	Refunding	Savings	Percent	Refunding	Savings	Percent
SER07:										
	2/15/2019	4,310	5.000%	2.011%	4,621	-96	-2.239%	4,621	-96	-2.239%
	2/15/2020	4,510	4.250%	2.361%	4,719	-138	-3.061%	9,339	-235	-2.659%
	2/15/2021	4,705	4.375%	2.691%	4,700	-164	-3.488%	14,040	-399	-2.948%
	2/15/2022	4,935	5.000%	3.971%	5,430	-500	-10.141%	19,470	-899	-4.871%
		18,460			19,470	-899				
SER07CO:										
	2/15/2019	875	4.250%	2.011%	912	-25	-2.826%	20,382	-924	-4.778%
	2/15/2020	995	4.250%	2.361%	1,041	-30	-3.061%	21,423	-954	-4.694%
	2/15/2021	1,120	4.375%	2.691%	1,119	-39	-3.488%	22,542	-993	-4.631%
	2/15/2022	1,250	4.500%	3.971%	1,350	-144	-11.530%	23,892	-1,137	-5.011%
	2/15/2023	3,390	5.000%	3.161%	3,748	-88	-2.590%	27,640	-1,225	-4.696%
	2/15/2024	4,295	5.000%	3.391%	4,492	-198	-4.600%	32,132	-1,423	-4.683%
	2/15/2025	4,405	5.000%	3.591%	4,678	-281	-6.374%	36,810	-1,704	-4.897%
	2/15/2026	4,635	5.000%	3.811%	5,005	-384	-8.286%	41,815	-2,088	-5.295%
	2/15/2027	4,870	5.000%	4.001%	5,335	-482	-9.903%	47,150	-2,570	-5.802%
	2/15/2028	5,120	5.000%	4.141%	5,669	-567	-11.078%	52,819	-3,137	-6.349%
	2/15/2029	5,385	5.000%	4.241%	6,007	-641	-11.910%	58,826	-3,778	-6.895%
	2/15/2030	5,660	5.000%	4.321%	6,352	-711	-12.568%	65,179	-4,490	-7.426%
	2/15/2031	5,950	5.000%	4.541%	7,280	-714	-12.004%	72,459	-5,204	-7.836%
	2/15/2032	6,255	5.000%	4.601%	7,722	-786	-12.573%	80,180	-5,991	-8.244%
		54,205			60,710	-5,091				
SERIES12:										
	2/15/2022	3,660	5.000%	3.971%	4,163	-517	-14.115%	84,343	-6,507	-8.526%
	2/15/2023	5,430	5.000%	3.161%	6,206	-356	-6.565%	90,549	-6,864	-8.395%
	2/15/2024	5,525	5.000%	3.391%	5,660	-119	-2.162%	96,210	-6,983	-8.001%
	2/15/2025	5,815	5.000%	3.591%	6,049	-228	-3.918%	102,258	-7,211	-7.746%
	2/15/2026	5,950	5.000%	3.811%	6,294	-346	-5.820%	108,552	-7,557	-7.630%
	2/15/2027	6,660	5.000%	4.001%	7,542	-930	-13.971%	116,094	-8,488	-8.030%
	2/15/2028	6,935	5.000%	4.141%	7,937	-1,051	-15.150%	124,031	-9,538	-8.468%
	2/15/2029	7,280	5.000%	4.241%	8,395	-1,164	-15.986%	132,425	-10,702	-8.924%
	2/15/2030	7,710	5.000%	4.321%	8,944	-1,283	-16.646%	141,370	-11,986	-9.391%
	2/15/2031	8,030	5.000%	4.541%	10,156	-1,283	-15.982%	151,526	-13,269	-9.781%
	2/15/2032	8,500	5.000%	4.601%	10,846	-1,407	-16.551%	162,372	-14,676	-10.180%
		71,495			82,192	-8,685				

Refunding Analysis – Savings by Maturity

Taxable Bonds

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- Assumes refunding bonds will be issued in conjunction with a new money issue.
- Escrow assumes the use of SLGs. Savings may be increased with the use of Open Market Securities.
- The Series 2007ATA currently have no savings.

Refunding Candidates El Paso County, Texas Monitor Case 02 Taxable (All Dollar Amounts in Thousands)										
	Candidate		Individual					Cumulative		
	Maturity	Par	Rate	New Yield	Refunding	Savings	Percent	Refunding	Savings	Percent
SER07ATA:										
	2/15/2019	345	5.810%	2.730%	420	-19	-5.635%	420	-19	-5.635%
	2/15/2020	365	5.810%	2.930%	444	-16	-4.299%	864	-35	-4.948%
	2/15/2021	390	5.810%	3.230%	474	-16	-4.125%	1,338	-51	-4.656%
	2/15/2022	415	5.810%	3.430%	505	-16	-3.737%	1,843	-67	-4.404%
	2/15/2023	440	6.230%	3.630%	543	-10	-2.232%	2,387	-77	-3.916%
	2/15/2024	465	6.230%	3.730%	574	-6	-1.391%	2,961	-83	-3.431%
	2/15/2025	495	6.230%	3.930%	611	-9	-1.803%	3,572	-92	-3.154%
	2/15/2026	530	6.230%	4.080%	655	-11	-2.009%	4,227	-103	-2.978%
	2/15/2027	560	6.230%	4.230%	692	-14	-2.467%	4,919	-116	-2.907%
	2/15/2028	600	6.230%	4.330%	741	-15	-2.562%	5,660	-132	-2.862%
	2/15/2029	635	6.230%	4.480%	784	-22	-3.441%	6,444	-154	-2.932%
	2/15/2030	680	6.230%	4.630%	840	-31	-4.512%	7,284	-184	-3.113%
	2/15/2031	720	6.230%	4.730%	889	-37	-5.101%	8,174	-221	-3.329%
	2/15/2032	765	6.230%	4.830%	945	-44	-5.812%	9,119	-265	-3.585%
		7,405						9,119	-265	

Refunding Opportunities?

- The County's oldest outstanding bond issue (Series 2001) is non-callable.
 - Non-callable bonds can NOT produce interest rates savings.
- The County has several bond issues that were issued in 2007 with call dates in 2018.
 - Only the callable bonds may produce savings in the future.
 - Currently a refunding of the County's Taxable Series 2007 issue produces over \$1 million in negative arbitrage which erodes any savings achieved by lower rates.
 - A refunding of the 2030 and 2031 maturities produces minimal savings.
 - If rates were to remain constant, negative arbitrage would decrease as we get closer to the call date.
- The Series 2012 Certificates of Obligation have three maturities with a call date in 2017.
 - Refunding the three maturities currently produces minimal net present value savings.
 - We will continue to monitor these maturities for greater debt service savings.
- George K. Baum & Company continues to monitor El Paso County's outstanding debt for other opportunities.



George K. Baum & Company

We are expanding...

- We have opened three new public finance offices in Pittsburgh (PA), San Clemente (CA), and Washington (DC).

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Thank You!



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