Ozarks Chapter

Municipal Bond Market Status and Outlook

Spring Education Seminar
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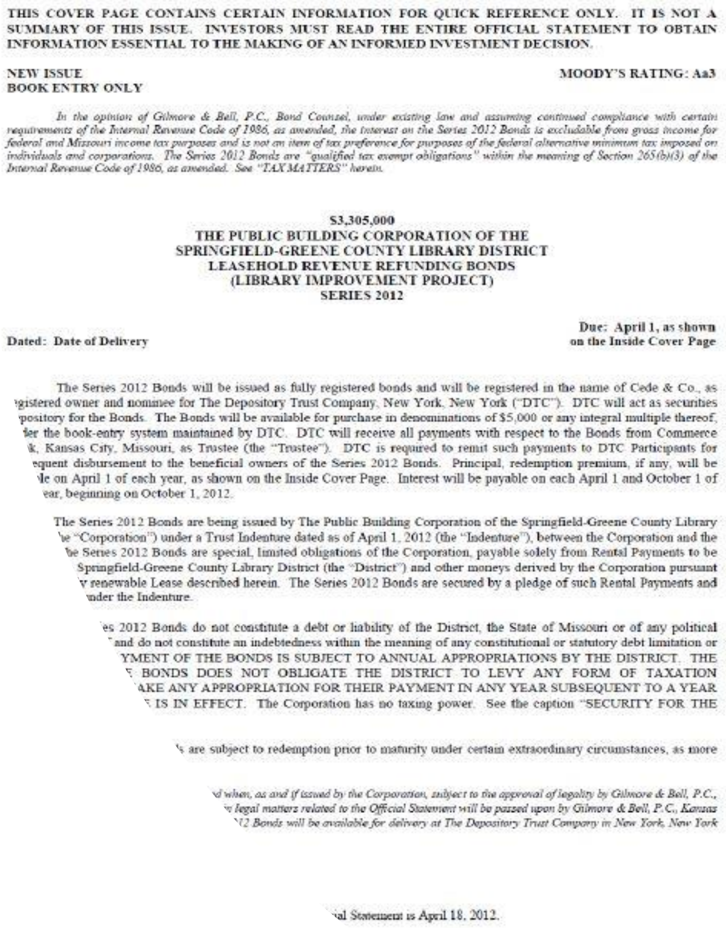
Economic Update & Trends

- What is a Municipal Bond?
  - General Obligation Bonds
  - Annual Appropriation Bonds
  - Municipal Bond Credit Ratings
- Municipal Capital Market Update
  - Volatility Characteristics
  - Recent Interest Rate Trends (last ten years)
  - Municipal Bond Volume history
- What Does the Future Hold? Beware the "I.R.S." (Inflation, Recession and Stagflation)
  - Inflation
  - Recession
  - Stagnation

What is a Municipal Bond?

- Issued by a state or local government to finance capital infrastructure
- An I.O.U. - a promise to repay the face value of the bond (i.e., the principal) plus interest over a period of time
- Interest rate - fixed or variable (rates are subject to statutory limits)
- Payment dates can vary – Typically semi-annual
- Source of funds for repayment depends on the type of bond



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

NEW ISSUE
BOOK ENTRY ONLY

MOODY'S RATING: Aa3

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Series 2012 Bonds is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2012 Bonds are "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein.

$3,305,000
THE PUBLIC BUILDING CORPORATION OF THE SPRINGFIELD-GREENE COUNTY LIBRARY DISTRICT LEASEHOLD REVENUE REFUNDING BONDS (LIBRARY IMPROVEMENT PROJECT) SERIES 2012

Dated: Date of Delivery

Due: April 1, as shown on the Inside Cover Page

The Series 2012 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds will be available for purchase in denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. DTC will receive all payments with respect to the Bonds from Commerce Bank, Kansas City, Missouri, as Trustee (the "Trustee"). DTC is required to remit such payments to DTC Participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds. Principal, redemption premium, if any, will be payable on April 1 of each year, as shown on the Inside Cover Page. Interest will be payable on each April 1 and October 1 of each year, beginning on October 1, 2012.

The Series 2012 Bonds are being issued by The Public Building Corporation of the Springfield-Greene County Library District (the "Corporation") under a Trust Indenture dated as of April 1, 2012 (the "Indenture"), between the Corporation and the Trustee. The Series 2012 Bonds are special, limited obligations of the Corporation, payable solely from Rental Payments to be made by the Springfield-Greene County Library District (the "District") and other moneys derived by the Corporation pursuant to the annually renewable Lease described herein. The Series 2012 Bonds are secured by a pledge of such Rental Payments and other moneys under the Indenture.

The Series 2012 Bonds do not constitute a debt or liability of the District, the State of Missouri or of any political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. PAYMENT OF THE BONDS IS SUBJECT TO ANNUAL APPROPRIATIONS BY THE DISTRICT. THE ISSUANCE OF THE BONDS DOES NOT OBLIGATE THE DISTRICT TO LEVY ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT IN ANY YEAR SUBSEQUENT TO A YEAR IN WHICH THE LEASE IS IN EFFECT. The Corporation has no taxing power. See the caption "SECURITY FOR THE

...s are subject to redemption prior to maturity under certain extraordinary circumstances, as more

...d when, as and if issued by the Corporation, subject to the approval of legality by Gilmore & Bell, P.C., ... legal matters related to the Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas ...12 Bonds will be available for delivery at The Depository Trust Company in New York, New York

...al Statement is April 18, 2012.

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Characteristics of General Obligation Bonds

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- Supported by an ad valorem tax on real property within the issuer's limits
- Require voter approval of 4/7 or 2/3 majority, depending on bond election date
- Higher credit rating
- Lower interest rates
- Debt limit as a % of assessed valuation
- Maximum maturity of 20 years (MO Constitution)

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Characteristics of Annual Appropriation Revenue and/or Lease Debt Bonds

- May need voter approval – Only requires simple majority for voter approval of new operating levy (if needed)
- Does not require voter approval if it can be paid from current operating levy or revenues of the proposed project
- Credit rating factors in annual appropriation risk
- Slightly higher interest rates associated with annual appropriation financing
- No debt limit
- Maximum maturity of 30+ years, depending on security

Credit Rating Chart

Credit Quality	Moody's	Standard & Poor's	Fitch
Investment Grade			
Prime	Aaa	AAA	AAA
Excellent	Aa	AA	AA
Upper medium	A	A	A
Lower medium	Baa	BBB	BBB
Non-investment grade			
Speculative	Ba	BB	BB
Very speculative	B, Caa	B, CCC, CC	B, CCC, CC, C
Default	Ca, C	D	DDD, DD, D

Source: The Bond Market Association

Municipal Capital Market Update

- **Market Volatility Is A Defining Characteristic – What To Watch:**
    - Monetary Policy (Federal Reserve)
    - Global Growth
    - $ Inflation
    - Fiscal Spending
    - Federal Policy
    - Recession Risks

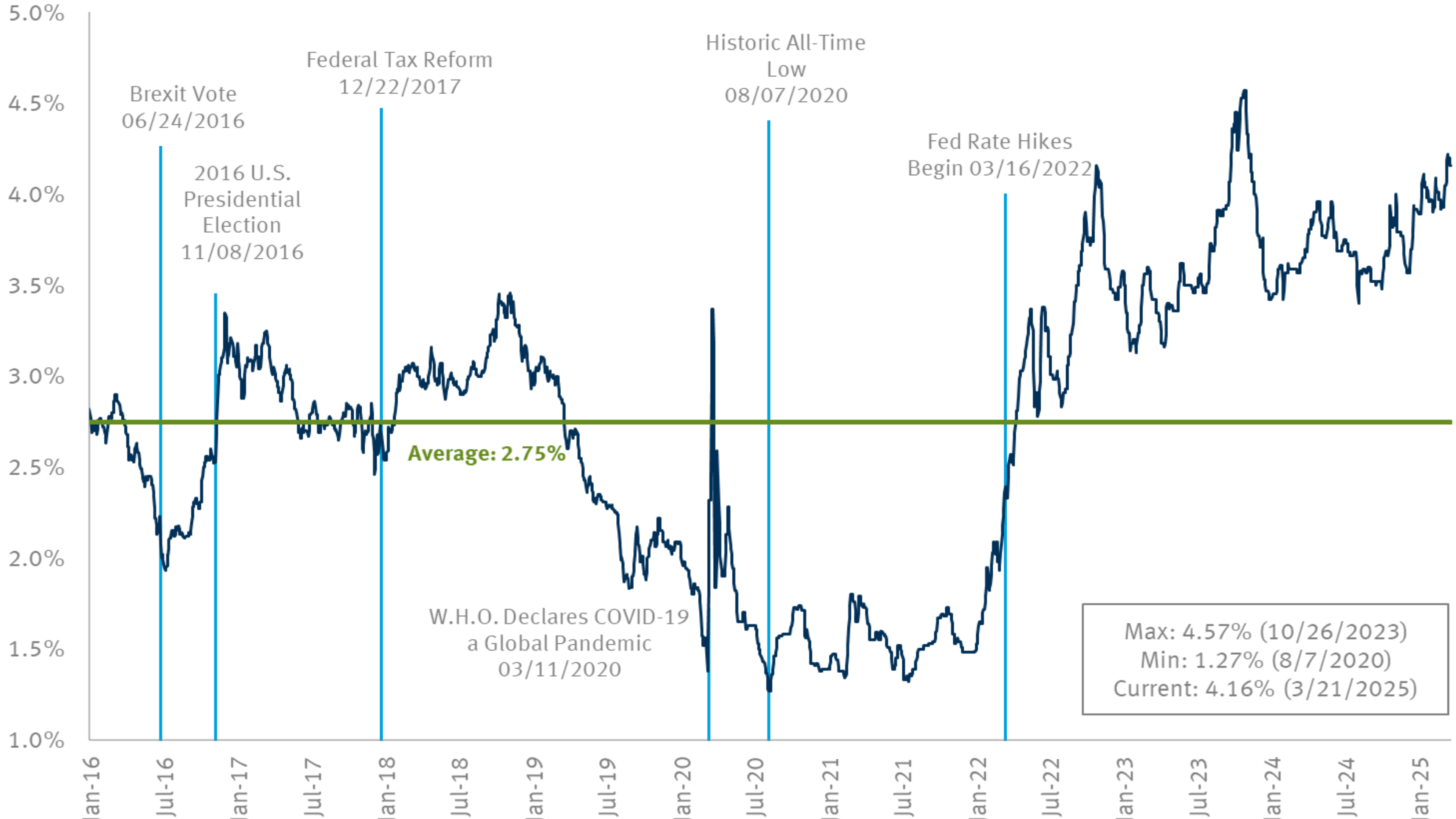
- **US Treasury Yields – 10 Year Constant Maturity**

	2-Year UST	10-Year UST	30-Year UST
Current	3.94%	4.25%	4.59%
Weekly Change	-8 bps	-6 bps	-3 bps
2025 Year-to-Date			
YTD Change	-31 bps	-32 bps	-20 bps
High	4.40%	4.79%	4.98%
Low	3.89%	4.16%	4.45%
Average	4.17%	4.47%	4.72%
Beginning of 2025	4.25%	4.57%	4.79%
Since January 1, 2018			
High	5.19%	4.98%	5.11%
Low	0.09%	0.52%	0.99%
Average	2.51%	2.71%	3.05%

- **Municipal Market**
    - Treasury rates have fallen since the beginning of 2025, but are elevated compared to their 5- year average
    - Market volatility has increased, driven by inflationary concerns and federal policies

Municipal Capital Market Update

Municipal Market Data



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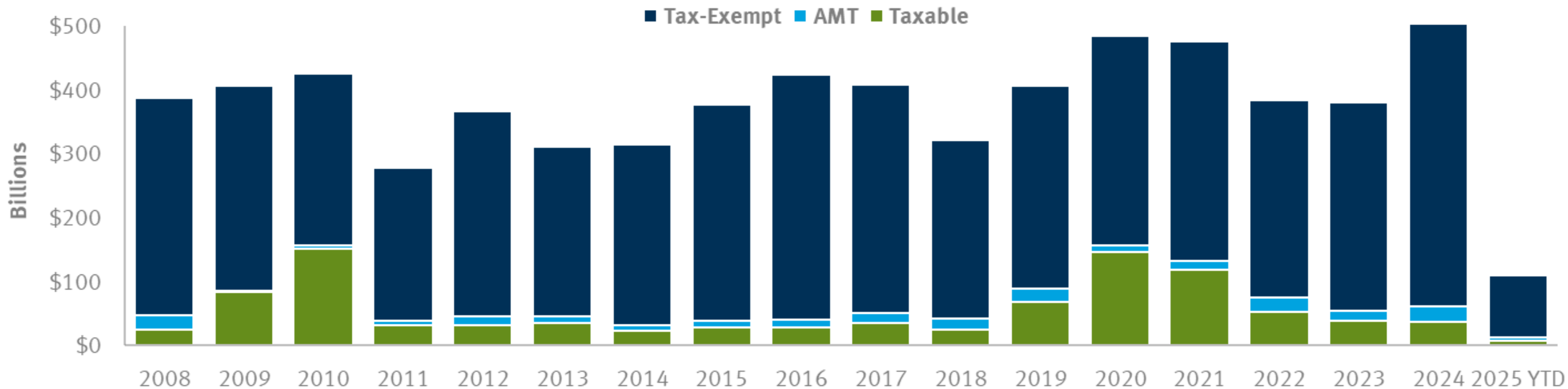
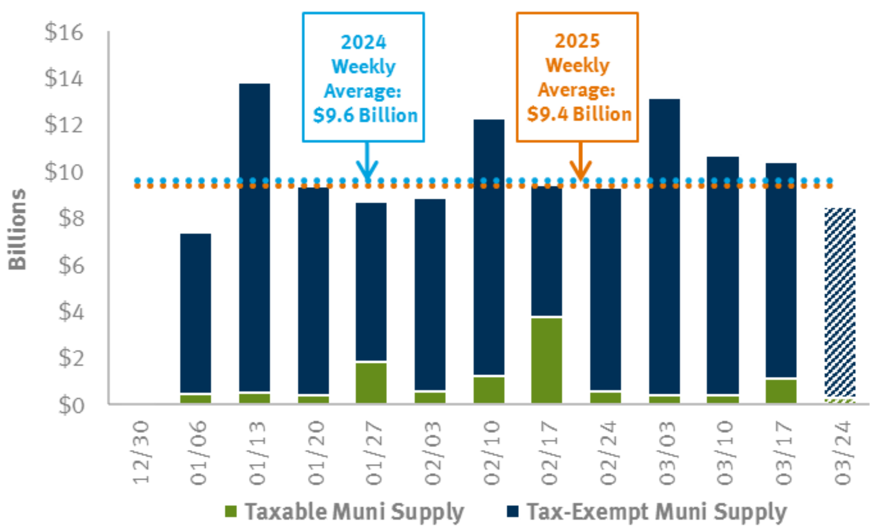
Municipal Capital Market Update

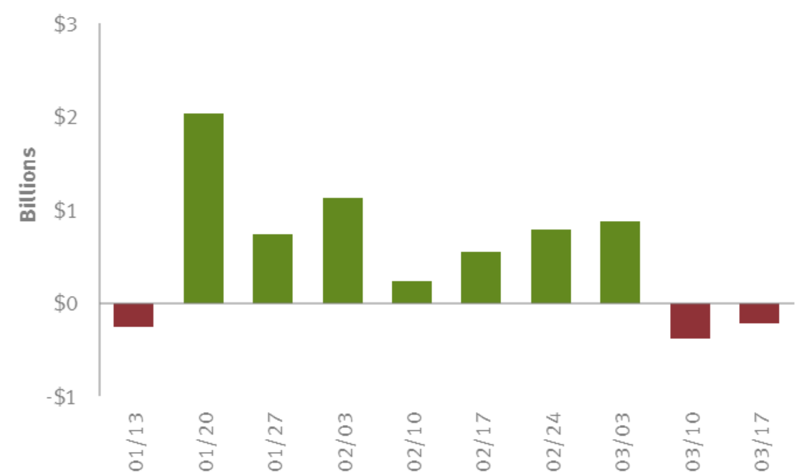
National Issuances of Municipal Bonds



Municipal Market Supply



Municipal Market Fund Flows



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What Does the Future Hold? Beware the "I.R.S." (Inflation, Recession and Stagflation)

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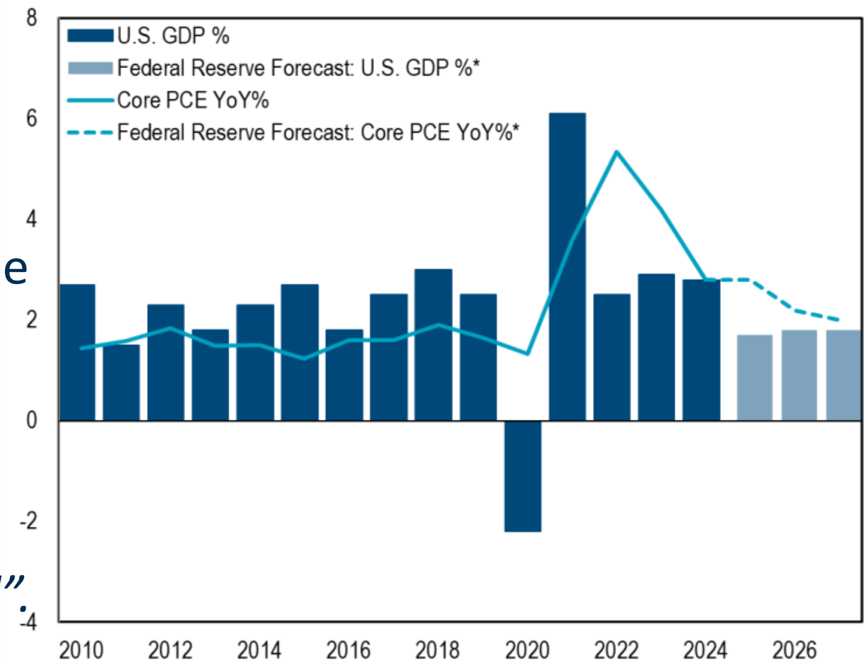
- The Federal Open Market Committee (FOMC) of the Federal Reserve last met on March 19, 2025, and opted to keep interest rates steady in a range of 4.25% to 4.50%.
- In doing so, the FOMC commented on the following*:
  - ➢ Economic growth is "solid";
  - ➢ Unemployment rate *"stabilizing"* at a low level; and
  - ➢ Inflation remains *"somewhat elevated"*.



Source: Bureau of Economic Analysis/Federal Reserve *Fed forecast is from March SEP

*Federal Reserve March 19, 2025

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What Happens Next?

Many terms are thrown about by a multitude of economists. The most common:

Recession – Inflation – Stagnation

What Happens Next?

Recession?

- Recession* = A phase of the business cycle where there's a general slowdown or contraction in economic activity.

Key Indicators:

- **Gross Domestic Product (GDP):** A recession is often associated with two consecutive quarters of negative GDP growth, although the NBER considers a broader range of economic indicators.
- **Unemployment:** Recessions typically lead to rising unemployment rates as businesses reduce their workforce.
- **Consumer Spending:** Consumer spending and investment tend to decrease during a recession as people become more cautious about spending.
- **Industrial Production:** Industrial production, which measures the output of factories and mines, also tends to decline during a recession.

**National Bureau of Economic Research (NBER)*

What Happens Next?

Inflation?

Inflation can be defined as the overall general upward price movement of goods and services in an economy.*

- **General Price Increase:** Inflation doesn't just mean that the price of one or two specific items goes up; it refers to a broad increase in the prices of many goods and services across the economy.
- **Erosion of Purchasing Power:** When prices rise, the same amount of money buys fewer goods and services than it used to, meaning your money is worth less.
- **Measuring Inflation:** The Consumer Price Index (CPI) is a common measure of inflation, tracking the percentage change in the price of a basket of goods and services consumed by households.
- **Causes of Inflation:** Inflation can be caused by various factors, including increased demand, rising production costs, or changes in the money supply.

**dol.gov*

What Happens Next?

Stagflation

- **Stagflation** is an economic cycle characterized by slow growth and a high unemployment rate accompanied by inflation.* Economic growth is sluggish, meaning businesses aren't producing at full capacity, there aren't enough jobs to keep everyone employed, and, as a result, consumers drastically reduce spending because they have less money to spend.

**www.investopedia.com*

What Happens Next?

Predictions – No one has the right crystal ball!

- There are as many opinions about what happens next as there are economists active in analyzing the municipal capital markets.
- There remains uncertainty surrounding the economic impact of DOGE government spending cuts.*
- Uncertainly exists surrounding the scope, timing and implementation of international tariffs.#

**Fortune.com, March 21, 2025; #the New York Times, March 19, 2025*

What Happens Next?

"A relative slowdown in consumer and business investment resulted in a muted level of fatigue in the broader economy in '24, keeping growth at a robust pace of 2.8% January to December. As such, the Federal Reserve was confident the Federal Open Market Committee (FOMC) could still achieve a soft-landing heading into the new year whereby monetary policy sufficiently tames inflation without significantly undermining economic activity. Such a utopic outcome, however, has only been achieved once — in the 1990s — throughout the past 11 economic cycles of the last 60 years.

The FOMC has been unexpectedly successful in not only avoiding negative growth since the COVID recession February to April 2020 but, in fact, fostering above trend activity levels. However, as anticipated, the notion of price stability continues to allude Fed officials with still a lack of meaningful disinflation 21 months after the final rate hike. While the risk of an outright downturn remains limited for the current year, the risk of a longer-run stagflationary environment remains amid the risk of a Fed persistently tolerant of above-target inflation."

Lindsey Piegza, Ph.D., Chief Economist, Managing Director, Stifel Nicolaus & Co.

Questions & Discussion

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