



# County of Lancaster

## Correctional Facility Financing Discussion

March 31, 2026

**Presented by:**  
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# County's Financing Team

- For the proposed correctional facility financing, the County has assembled a team of industry professionals to ensure the proposed financing(s) are completed in the most thoughtful and efficient manner possible.

County of Lancaster	Title
Commissioners D'Agostino, Parsons, & Yoder	County Commissioners
Larry George	Chief Clerk
Scott Wiglesworth	Controller
Jacquelyn Pfursich	Solicitor
<b>Bond Underwriters</b>	
<b>Raymond James</b>	
Ken Phillips, <i>Managing Director</i>	
Lou Verdelli, <i>Managing Director</i>	
Lauren Stadel, <i>Managing Director</i>	
Ryan Brockman, <i>Vice President</i>	
<b>RBC Capital Markets</b>	
Jay Wenger, <i>Managing Director</i>	
Tim McEneny, <i>Analyst</i>	
<b>Municipal Advisor</b>	
<b>PFM Financial Advisors LLC</b>	
Scott Shearer, <i>Managing Director</i>	
Zach Williard, <i>Managing Director</i>	
Garrett Moore, <i>Sr. Managing Consultant</i>	
<b>Bond Counsel</b>	
<b>Eckert Seamans Cherin &amp; Mellott, LLC</b>	
Tim Horstmann, <i>Member</i>	
Ryan Mentzer, <i>Member</i>	



# Borrowing Capacity

- State law (the Local Government Unit Debt Act) limits the amount of debt any county can borrow to the preceding 3-year average of a County's **total** revenue (after adjusting for certain one-time revenues) multiplied by 3.00 for direct debt.

<b>Total Revenues</b>	
Year 1 (2023)	\$303,772,165
Year 2 (2024)	\$325,902,540
Year 3 (2025 Budgeted)	\$312,742,993
<b>A. Annual Average</b>	<b>\$314,139,233</b>
<b>B. Legally Permitted Borrowing Capacity (3-year Average multiplies by 300%)</b>	<b>\$942,417,698</b>
<b>C. Currently Outstanding Debt</b>	<b>\$110,545,000</b>
<b>D. Remaining Borrowing Capacity</b>	<b>\$831,872,698</b>



# Possible Financing Tools & Strategies

- ◆ Timing of issue(s) based on cash needs and other budget considerations initiatives
  - Single borrowing/multiple borrowings
- ◆ Bonds / Bank Loan / Other State/Federal Funding Sources
- ◆ Debt financing strategies to consider:
  - Shorten/extend borrowing length based on budgetary implications
  - Phase in of debt service to ensure a gradual increase to budget; mitigating the impact to taxpayers
  - Other various structures of borrowing all to meet specific needs of County
- ◆ Use interest earnings on bond proceeds to downsize overall project cost or phase in the debt service
- ◆ Debt restructuring
- ◆ Use of capitalized interest
- ◆ Use of existing reserves to offset borrowing costs





# Determine a Financing Plan

- ◆ Deciding on whether to borrow for the entire cost of the project “today” versus taking a multi-step borrowing approach can depend on a number of factors such as:
  - Current and projected interest rate environment
  - Budget capacity for debt service
  - Project cost & timing certainty
- ◆ Given budget constraints and other considerations, gradually phase the debt service associated with the project into your budget over multiple years.
- ◆ Evaluate potential interest earnings on unspent bond proceeds and how to best deploy those proceeds.
- ◆ Match the final borrowing amount to the final costs of the project.
- ◆ Manage your interest rate exposure by borrowing multiple times over the coming years.



# Use of Existing Reserves

- ◆ Contributing available reserves towards a project typically comes in one of two ways:
  - 1) Utilizing reserves to downsize the total financing requirements
  - 2) Utilizing reserves to better phase the debt service impact into the budget
- ◆ Contributing available reserves towards a financing plan comes with tradeoffs. The considerations below highlight some of the costs, and benefits, associated with it.
- ◆ **Benefits:**
  - Interest cost savings associated with decreasing the borrowing amount
  - Ability to shorten overall borrowing term and/or structuring flexibility
  - Increased ability to manage the County's budget by phasing in the debt service over a longer period of time.
- ◆ **Considerations:**
  - Potential rating agency actions associated with a decrease in reserves
  - Lack of flexibility in the future should negative events occur
  - Forgone interest earnings on existing cash reserves



# How Much does the County have to Borrow?

- Knowing the right amount to borrow, and when to borrow, can often be a difficult question to answer as it involves several variables.
- There are more than one plan/strategies that the County could consider to fully fund the proposed project.
- A construction draw schedule helps provide a more prescriptive financing plan.

1	2	3	4	5	6	7	8
Beginning Project Year Balance		<i>EST. USES</i>	<i>EST. SOURCES</i>				Ending Project Balance
		Total Construction Draws	Available for Projects From Financing	County Reserves/ Other Sources	Interest Earnings [1] 3.00%	Total Sources	
1		(3,432,353)	150,000,000		744,433	150,744,433	147,312,080
2	147,312,080	(54,801,272)			4,065,696	4,065,696	96,576,504
3	96,576,504	(168,872,391)	200,000,000		5,782,709	205,782,709	133,486,821
4	133,486,821	(178,905,662)	105,500,000		2,519,272	108,019,272	62,600,431
5	62,600,431	(62,923,961)			525,309	525,309	201,779
<b>TOTALS</b>		<b>(468,935,639)</b>	<b>455,500,000</b>	<b>0</b>	<b>13,637,418</b>	<b>469,137,418</b>	

**Note 1:** Estimated based on draw schedule provided by the County on February 2, 2026. Actual project draws will vary

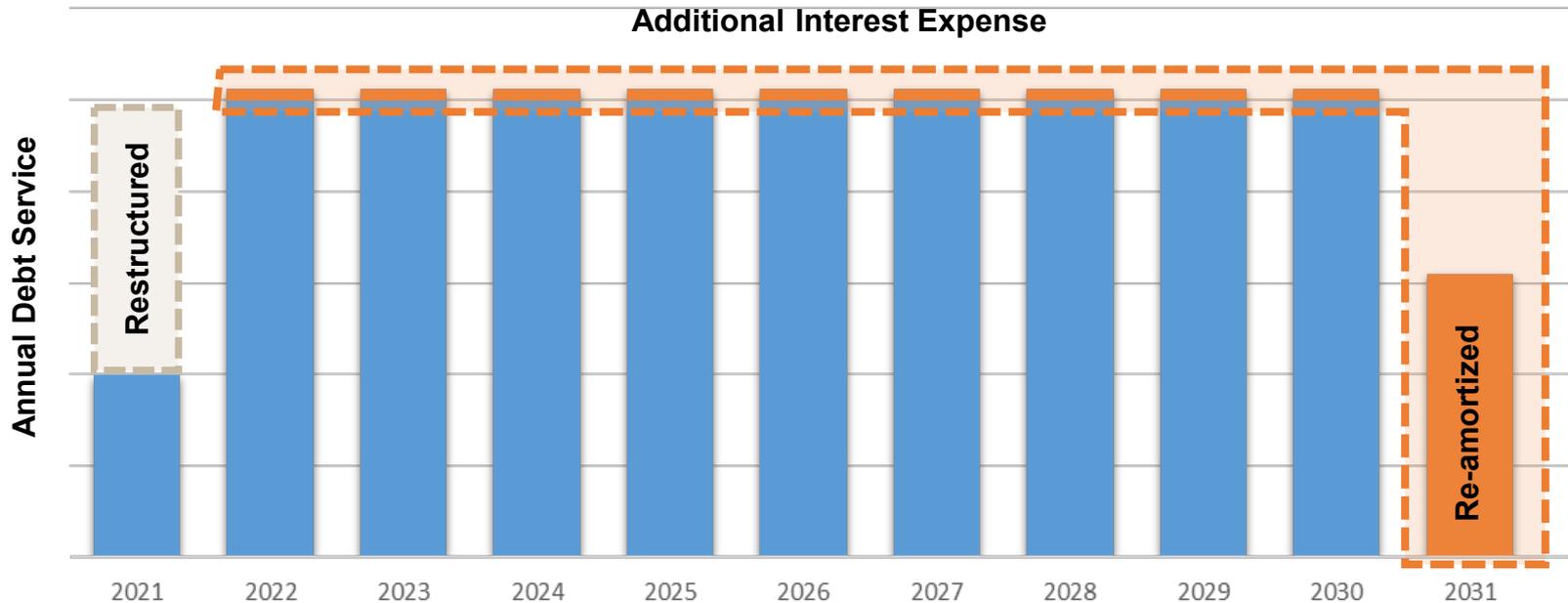
**Note 2:** The above sample draw schedule is illustrative of a three-step financing plan.

[1] Estimated, actual interest earnings will vary.



# Debt Restructuring

- ◆ A debt restructuring is typically characterized by refinancing a portion of the Issuer's near-term debt service payments and amortize the debt over a longer time horizon.
- ◆ Debt restructurings can be a useful tool for issuers facing budgetary pressures or large projects to help mitigate the impact to taxpayers.



**Note 1:** Figures for illustrative purposes only.

**Note 2:** Restructurings are limited to the useful lives of the underlying projects financed – Subject to Bond Counsel review.



# Credit Rating Scales

- Over the last decade the County has made a concerted effort to bolster its credit rating knowing that it would be beneficial in the future, should a significant capital project arise.
- Credit rating agencies evaluate several different metrics in determining the appropriate rating for an issuer, including debt, long-term liabilities and cash reserves.
- Future borrowing plans could apply downward pressure on the County's rating.

DESCRIPTION	MOODY'S
<b>Strongest</b>	Aaa
<b>Very Strong</b>	Aa1/Aa2/Aa3
<b>Above-Average</b>	A1/A2/A3
<b>Average</b>	Baa1/Baa2/Baa3
<b>Below-Average</b>	Ba1/Ba2/Ba3
<b>Weak</b>	B1/B2/B3
<b>Very Weak</b>	Caa1/Caa2/Caa3
<b>Extremely Weak</b>	Ca
<b>Default</b>	C

Lancaster County's Credit Rating History		
Year	Rating	Action
2016	A1	
2017	A1	
2018	Aa3	<b>Upgrade</b>
2019	Aa3	
2020	Aa2	<b>Upgrade</b>
2021	Aa2	
2022	Aa2	
2023	Aa2	
2024	Aa2	
2025	Aa2	
Current	Aa2	



# County's Existing Debt

Debt Service Requirements														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Fiscal Year Ended	Qualified Energy Conservation Bonds Series B of 2013 [2]	G.O. Bonds Series B of 2016	G.O. Bonds Series A of 2017	G.O. Bonds Series B of 2017	G.O. Bonds Series C of 2017	G.O. Bonds Series of 2018	G.O. Bonds Series of 2019	G.O. Bonds Series A of 2020	G.O. Bonds Series B of 2020	G.O. Bonds Series C of 2020	G.O. Bonds Series of 2023	G.O. Bonds Series of 2024		Sub-Total Debt Service
12/31/2026	607,972	298,700	2,121,773	485,996	1,799,650	1,394,925	1,232,963	2,213,200	426,263	1,458,200	2,260,750	1,239,888		15,540,278
12/31/2027	618,054		2,123,273	489,621	1,800,650	1,397,100	1,237,563	2,210,400	1,416,200	1,458,600	2,257,000	1,239,723		16,248,186
12/31/2028	626,605		2,118,873	489,421	1,807,650	1,392,600	1,230,763	2,209,800	1,416,400	1,462,200	2,244,000	1,239,563		16,237,874
12/31/2029	633,623		2,119,043	488,571	1,807,050	1,396,100	1,227,963	2,206,200	1,415,000	1,463,800	2,232,000	1,239,400		16,228,750
12/31/2030	641,955		541,855	487,321	1,804,050	1,397,400	878,963	2,199,600	1,417,000	1,463,400	2,220,750	1,239,238		14,291,531
12/31/2031	648,341		536,418	490,296	1,803,650		872,563		1,417,200	1,455,000		1,239,073		8,462,542
12/31/2032	657,783		545,413	487,591	1,807,650		875,563		1,415,600	1,461,200		1,238,913		8,489,712
12/31/2033	665,003		538,200	489,260			872,563		1,417,200			4,158,750		8,140,975
12/31/2034				489,910			753,763		1,416,800			5,457,500		8,117,973
12/31/2035				489,823			753,763		1,414,400			5,459,000		8,116,985
12/31/2036				488,763			752,963					6,879,500		8,121,225
12/31/2037				487,155			756,363					6,877,500		8,121,018
12/31/2038							753,763							753,763
12/31/2039							755,363							755,363
12/31/2040							753,250							753,250
12/31/2041							755,413							755,413
12/31/2042							756,669							756,669
12/31/2043							757,019							757,019
12/31/2044							756,463							756,463
12/31/2045														
<b>Totals</b>	<b>5,099,336</b>	<b>298,700</b>	<b>10,644,845</b>	<b>5,863,729</b>	<b>12,630,350</b>	<b>6,978,125</b>	<b>16,733,688</b>	<b>11,039,200</b>	<b>13,172,063</b>	<b>10,222,400</b>	<b>11,214,500</b>	<b>37,508,050</b>		<b>141,404,985</b>
Principal <sup>[1]</sup> :	4,025,000	290,000	9,540,000	4,725,000	11,010,000	5,160,000	12,200,000	9,830,000	10,535,000	8,805,000	9,715,000	24,710,000		110,545,000

<sup>[1]</sup>Outstanding as of March 26, 2026

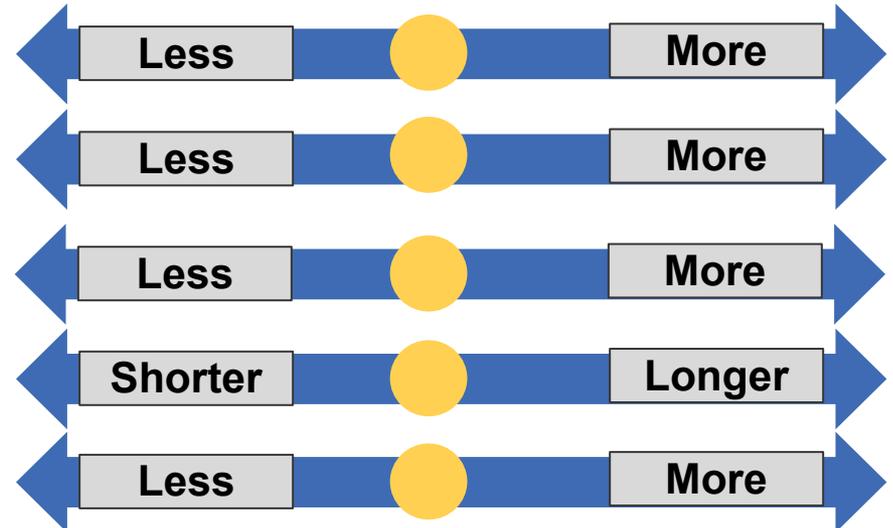
<sup>[2]</sup>Assumes a federal sequestration rate of 5.70%.



# Key Decision Points for Consideration

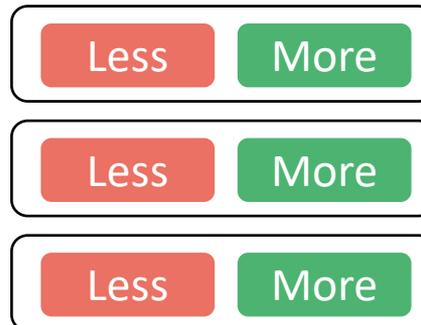
## ◆ Financing Tools & Techniques

- Number of Financings:
- Use of Capitalized Interest:
- Use of County Reserves/  
Interest Earnings:
- Debt Service Phase-In Period
- Restructuring of Existing Debt



## ◆ County Priorities

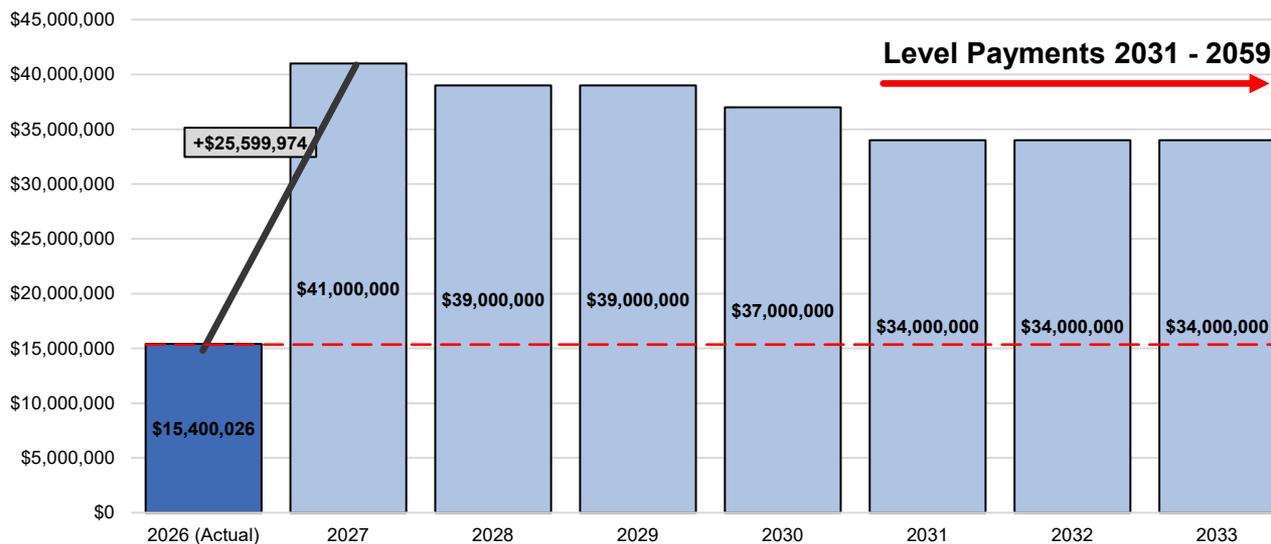
- Lowest possible interest expense:
- Minimizing Annual Budgetary Impact:
- Length of Financing





# Scenario 1: Single Borrowing

- Number of Financings: **Less** ← ● → **More**
- Use of Capitalized Interest: **Less** ← ● → **More**
- Use of County Reserves/  
Interest Earnings: **Less** ← ● → **More**
- Debt Service Phase-In Period: **Shorter** ← ● → **Longer**
- Existing Debt Restructuring: **Less** ← ● → **More**



Scenario 1 Overview	
Total Project Financed:	<b>\$465,000,000</b>
Est. Total Cost of the Project [1]	<b>\$867,000,000</b>
Number of Financings:	<b>1</b>
Debt Service Phase-In Period:	<b>1 Year</b>
Final Maturity:	<b>2059</b>
Debt Restructuring:	<b>None</b>
Capitalized Interest:	<b>None</b>
Use of County Reserves/Interest Earnings:	<b>None</b>

**Note:** ESTIMATED – Subject to Change and for Illustrative Purposes

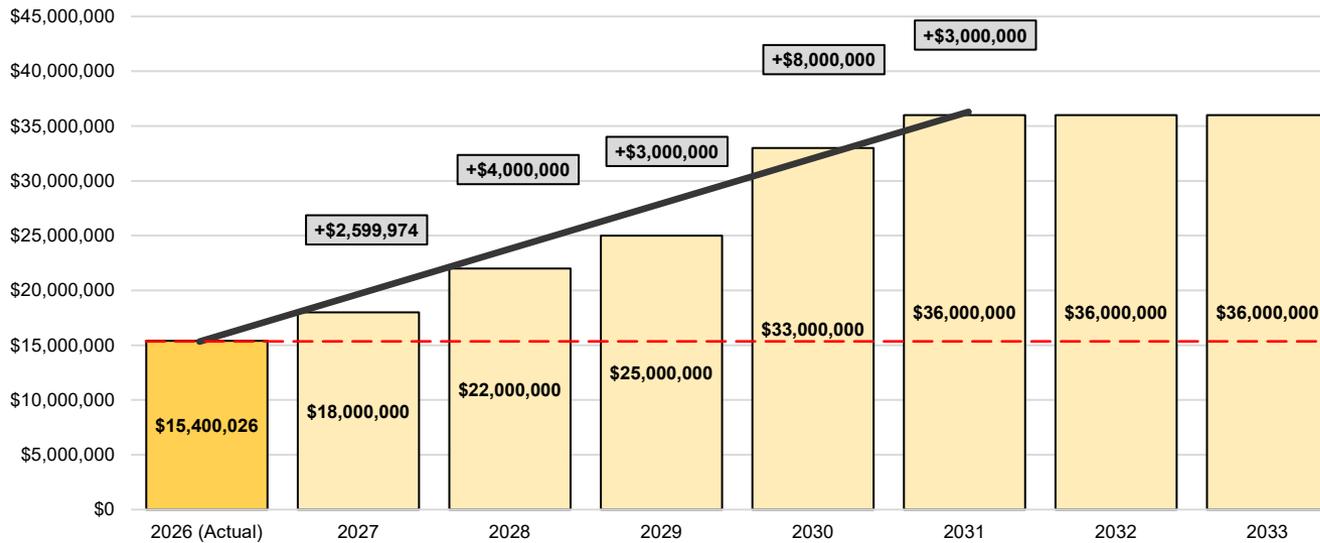
[1] Inclusive of principal and interest.



# Scenario 2: Multi-Borrowing with Capitalized Interest

- Number of Financings: **Less** ← → **More**
- Use of Capitalized Interest: **Less** ← → **More**
- Use of County Reserves/  
Interest Earnings: **Less** ← → **More**
- Debt Service Phase-In Period: **Shorter** ← → **Longer**
- Existing Debt Restructuring: **Less** ← → **More**

Level Payments 2031 - 2059  
→



Scenario 2 Overview	
Total Project Financed:	\$465,000,000
Est. Total Cost of the Project [1]	\$1,045,000,000
Number of Financings:	3
Debt Service Phase-In Period:	5 Years
Final Maturity:	2059
Debt Restructuring:	None
Capitalized Interest:	Yes
Use of County Reserves/Interest Earnings:	None

**Note:** ESTIMATED – Subject to Change and for Illustrative Purposes

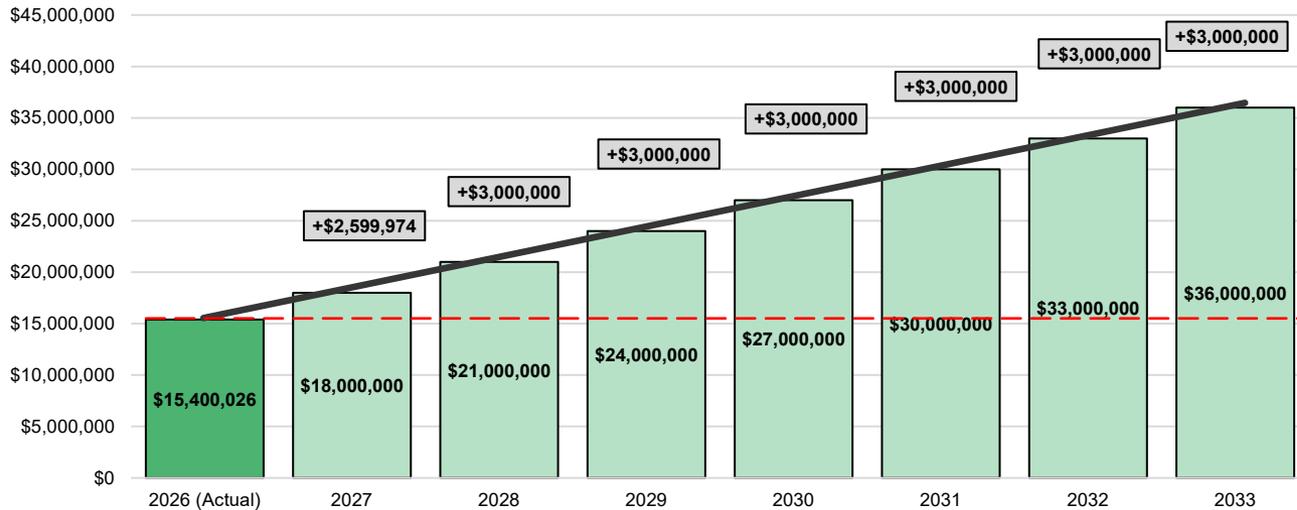
[1] Inclusive of principal, interest, and capitalized interest.



# Multi-Borrowing, Capitalized Interest & Use of Reserves

- Number of Financings: **Less** ← → **More**
- Use of Capitalized Interest: **Less** ← → **More**
- Use of County Reserves/  
Interest Earnings: **Less** ← → **More**
- Debt Service Phase-In Period: **Shorter** ← → **Longer**
- Existing Debt Restructuring: **Less** ← → **More**

**Level Payments 2033 - 2059**



Scenario 3 Overview	
Total Project Financed:	<b>\$465,000,000</b>
Est. Total Cost of the Project [1]	<b>\$1,061,000,000</b>
Number of Financings:	<b>3</b>
Debt Service Phase-In Period:	<b>7 Years</b>
Final Maturity:	<b>2059</b>
Debt Restructuring:	<b>None</b>
Capitalized Interest:	<b>Yes</b>
Use of County Reserves/Interest Earnings:	<b>Yes</b>

**Note:** ESTIMATED – Subject to Change and for Illustrative Purposes

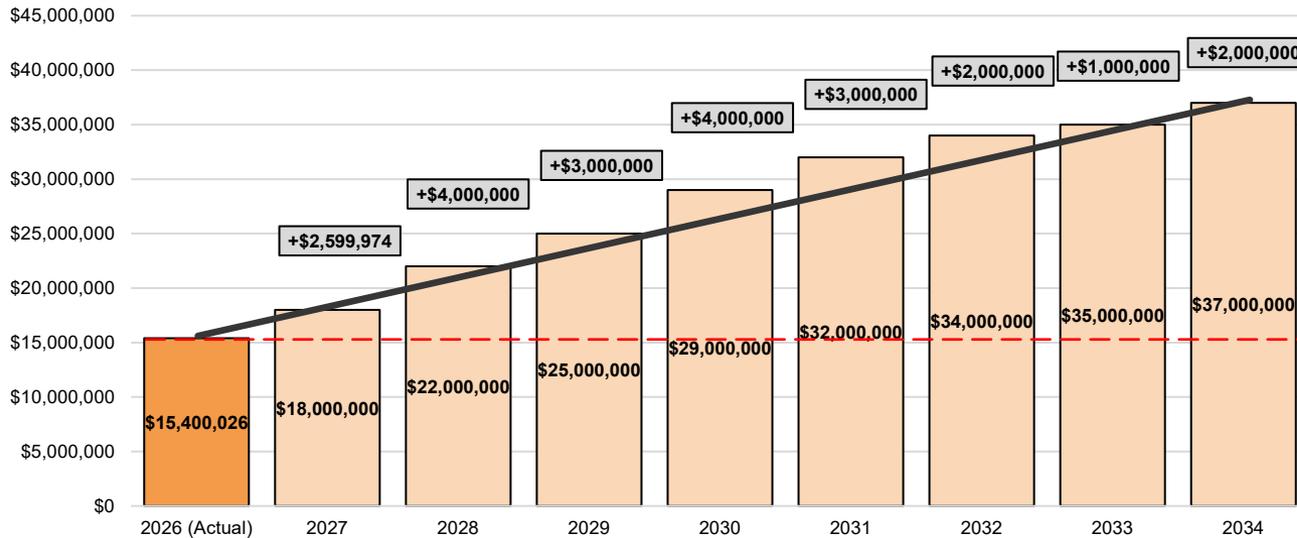
[1] Inclusive of principal, interest, capitalized interest, interest earnings and County reserves.



## Multi-Borrowing, Capitalized Interest & Debt Restructuring

- Number of Financings: **Less** ← → **More**
- Use of Capitalized Interest: **Less** ← → **More**
- Use of County Reserves/  
Interest Earnings: **Less** ← → **More**
- Debt Service Phase-In Period: **Shorter** ← → **Longer**
- Existing Debt Restructuring: **Less** ← → **More**

Level Payments 2034 - 2059



Scenario 4 Overview	
Total Project Financed:	\$465,000,000
Est. Total Cost of the Project [1]	\$1,050,000,000
Number of Financings:	3
Debt Service Phase-In Period:	8 Years
Final Maturity:	2059
Debt Restructuring:	Yes
Capitalized Interest:	Yes
Use of County Reserves/Interest Earnings:	None

**Note:** ESTIMATED – Subject to Change and for Illustrative Purposes

[1] Inclusive of principal, interest, capitalized interest, and the restructuring of a portion of the County's existing debt.

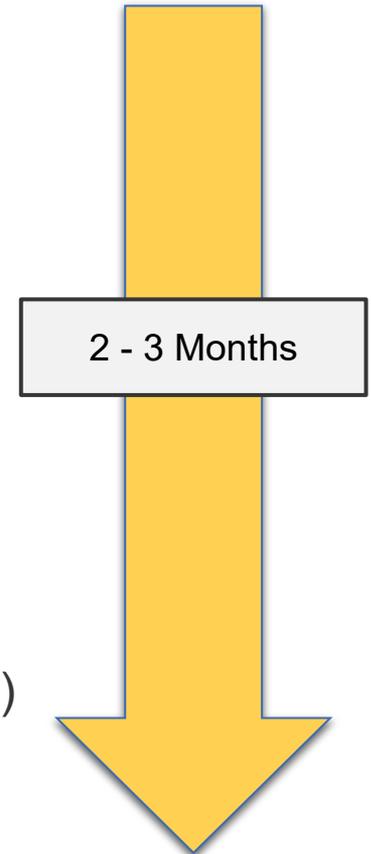


# Basic Steps – Bond Issuance

1. Present, discuss, develop, and adopt a financing plan

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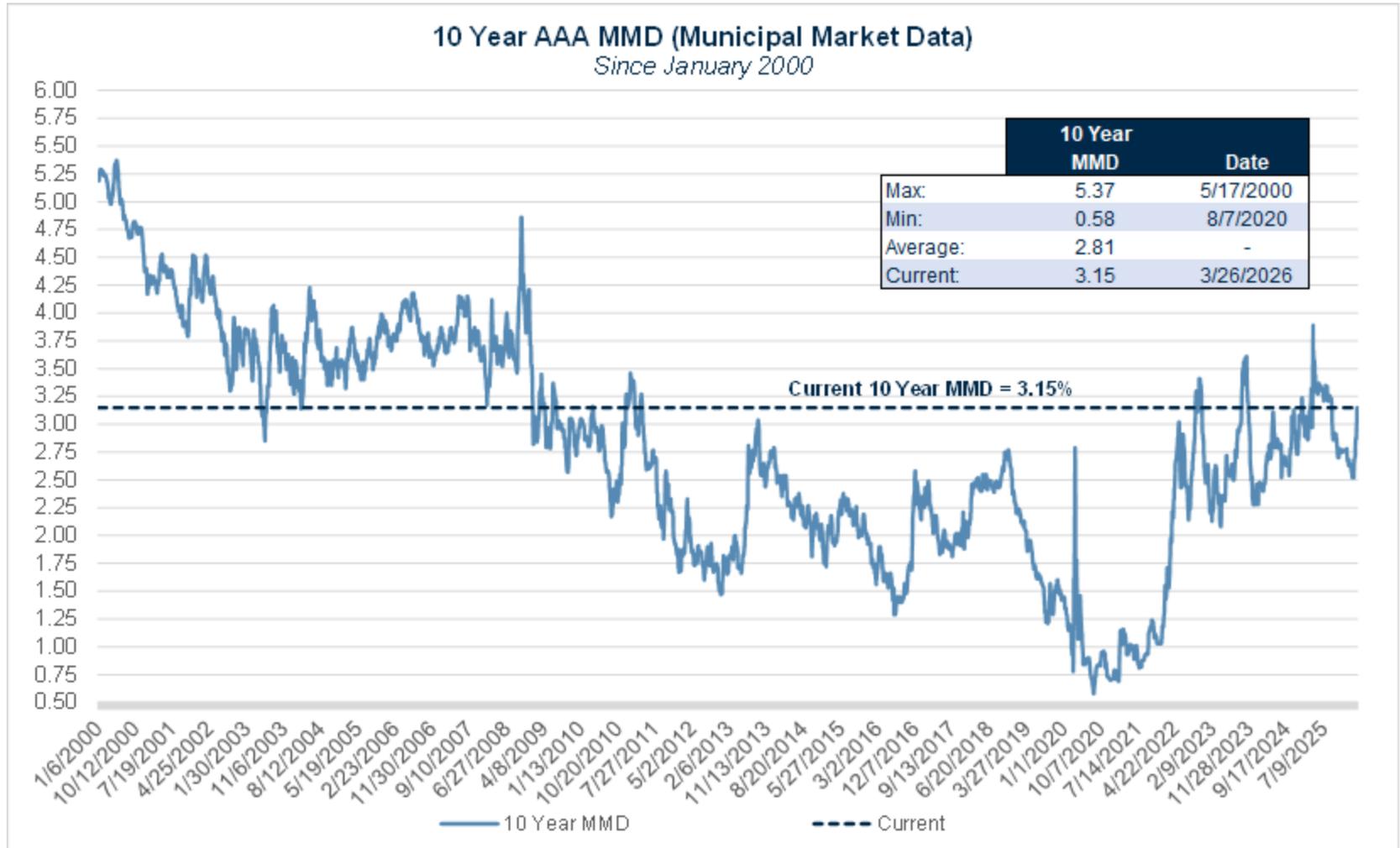
2. Receive official authorization to proceed
3. Prepare Preliminary Official Statement (“POS”)
  - Update statistical data, County financials, etc.
4. Apply for Credit Rating
5. Apply for Bond Insurance (if necessary)
6. Finalize POS
7. Market Bonds
8. Price Bonds (rates locked-in)
9. Prepare Final Official Statement
10. Prepare Legal documents for executing
11. Settlement of Bonds (funds become available for County use)





# Interest Rate History (2000 – YTD)

- ◆ MMD stands for Municipal Market Data; which is the daily index off of which most municipal bonds are priced





# Bond Yield Forecasts – Long-Term Rates

- The Federal Open Markets Committee (“FED” or “FOMC”) controls the overnight lending rate, which banks use to borrow from one another.
- The FED’s actions (increasing or decreasing the overnight borrowing rate) typically has a direct correlation to short-term borrowing rates.
- Long-term rates are more important for issuers to consider when they look towards financing projects as they are more closely correlated to the actual borrowing rates that they may receive on their bonds or bank loans.
- Long-term interest rates are typically less grounded “fact-based” statistics, like unemployment and inflation, and are more driven by market sentiment of the future.

## WORLD BOND YIELD FORECASTS MARCH 23 2026

Rate	Yields	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27	Q1 28	Q2 28
<b>United States</b>											
US 30-Year	4.93 %	4.78 %	4.75 %	4.71 %	4.68 %	4.69 %	4.69 %	4.70 %	4.72 %	4.57 %	4.57 %
US 10-Year	4.37 %	4.17 %	4.14 %	4.12 %	4.11 %	4.12 %	4.10 %	4.11 %	4.12 %	4.01 %	4.00 %
US 5-Year	3.99 %	3.72 %	3.68 %	3.64 %	3.63 %	3.64 %	3.66 %	3.68 %	3.72 %	3.64 %	3.64 %



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