



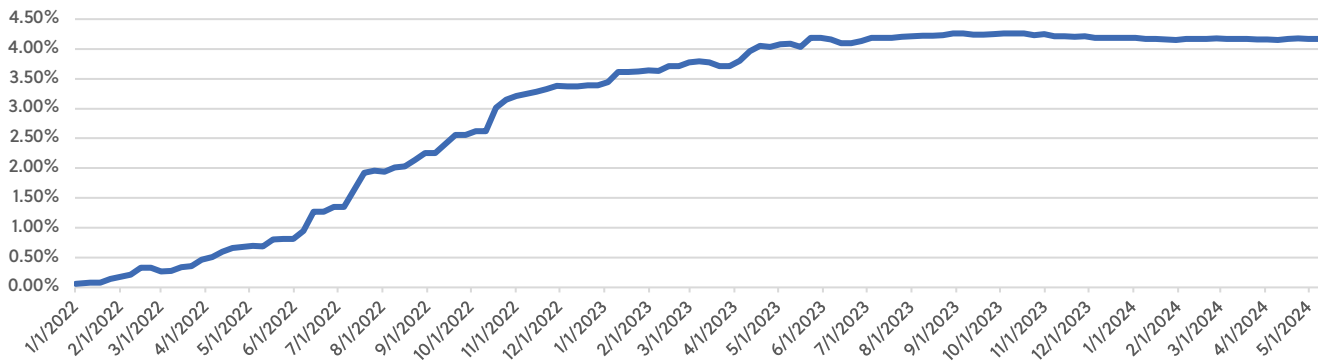
Discover the Unique Potential of Demand Deposit SLGS

Overview

Demand Deposit State and Local Government Series (SLGS) securities provide a compelling investment opportunity in this high interest rate environment. Key features of Demand Deposit SLGS include:

- A form of U.S. Treasury security backed by the federal government.
- Earnings exempt from both yield restriction and arbitrage rebate.
- Creates opportunity to potentially earn and keep positive arbitrage.
- Required redemption is between 1 to 3 business days, providing a liquid investment.
- Partial or full drawdowns can be made even during a SLGS suspension.
- Yields are based on Treasury bill auctions and adjusted down to reflect tax-exempt status.
- Available for investment of proceeds of tax-exempt bond issues.

Demand Deposit SLGS Yields Since 2022¹



¹ Source: SLGS Daily Rate Table, TreasuryDirect, as of May 21, 2024.

Market Dynamics

Over the past year, the yield on Demand Deposit SLGS has hovered around 4.20%, significantly higher than historical norms. The current yield is higher than many tax-exempt bond arbitrage yields related to issuances from the past few years. As a result, issuers may have an opportunity to earn positive arbitrage that can be kept. Consultation with your legal and tax advisors is strongly recommended.

Demand Deposit SLGS could be appropriate for many types of accounts including:

- Project funds
- Cash defeasance escrows
- Capitalized interest funds
- Reserve funds

Careful consideration should be given to whether any funds may otherwise be subject to exceptions to the arbitrage rebate rules such as spending exceptions for project funds. Issuers should also keep in mind that the Federal Reserve may start cutting interest rates later this year such that immediate attention to this opportunity is warranted.



Hypothetical Analysis

Below is an analysis of a hypothetical example in which an issuer is contemplating investment strategies of bond proceeds that are restricted to an arbitrage yield below the current yield of Demand Deposit SLGS. The base case scenario assumes the issuer invests in a money market fund for one year. Since this fund is yielding higher than the arbitrage yield, the issuer will have to make rebate payments. Scenario 2 demonstrates the benefit of investing the funds in Demand Deposit SLGS and retaining the interest earnings. The assumptions and calculations below are for illustrative purposes only and subject to change.

Scenario 1 – Base Case

Bond Proceeds:	\$40,000,000
Yield Limit*:	3.25%
Current Money Market Fund Yield*:	5.25%
Total Earnings**:	$\$40,000,000 * 5.25\% = \$2,151,275$
Maximum Allowable Earnings**:	$\$40,000,000 * 3.25\% = \$1,310,562$
Less Rebate Payment:	-\$840,713
Estimated Net Earnings Retained**:	\$1,310,562

Scenario 2 – Demand Deposit SLGS vs Base Case

Bond Proceeds:	\$40,000,000
Yield Limit*:	3.25%
Current Demand Deposit SLGS Yield*:	4.17%
Total Earnings**:	$\$40,000,000 * 4.17\% = \$1,688,000$
Less Rebate Payment:	N/A
Estimated Net Earnings Retained**:	\$1,688,000

Net Benefit of DD SLGS vs MMF: $\$1,688,000 - \$1,310,562 = \$357,438$

* Market yield estimates as of May 21, 2024, which are preliminary and subject to change.

** Estimated earnings are computed based on day basis and compounding factors for each respective investment.

Our Services

PFM Financial Advisors LLC (PFM) stands ready to assist our clients by carefully evaluating alternatives and investing in Demand Deposit SLGS if beneficial. Please contact your local PFM representative to discuss how we can best assist you.²

² PFM does not provide tax advice. You should seek the advice of tax and bond counsels regarding this opportunity.

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM does not provide tax, legal or accounting advice

Financial advisory services are provided by PFM Financial Advisors LLC, a registered municipal advisor with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. PFM's financial modeling platform for strategic forecasting is provided through PFM Solutions LLC. A web-based platform for municipal bond information is provided through Munite LLC.

For more information regarding PFM's services or entities, please visit www.pfm.com.