Aztec Municipal School District No. 2

Local Sources of Capital Funds

Debt and Tax Rate Management

Finance Plan Update

July 9th, 2026

STRICTLY PRIVATE AND CONFIDENTIAL

Local Sources of Capital Funds

RBC Capital Markets

Local Sources of Funds for Capital Improvements

There are two main sources of local capital funding through either (1) the issuance of debt (Bonds or ETNs) or (2) annual capital mill levies

Issuance of Debt:

- General Obligation Bonds
- Education Technology Notes

Capital Mill levies:

- SB 9 or Two Mill Levy (Public Schools Capital Improvement Act)
- HB 33 (Public School Building Act Tax Levy

In both cases these are property tax sources of revenue, which may or may not require voter approval

Source: New Mexico Legislature https://www.nmlegis.gov/Entity/LFC/Documents/Finance_Facts/finance%20facts%20public%20school%20capital%20outlay.pdf
Justia US Law http://law.justia.com/codes/new-mexico/2011/chapter22/article26

General Obligation (GO) and Education Technology (ETN) Debt Service Mill Levy Overview

Debt Levy	GO	ETN
Voter Approval/Election	Required	Not Required but can be voter approved
Expiration of Voter Authorization	4 Years	4 Years if voter authorization was received
Maximum Term of the Borrowing	20 Years from the date of issuance	5 Years from the date of issuance
Maximum Tax Rate Authorization Term	As long as there is outstanding principal and interest on the Bonds or Notes	
Maximum Tax Rate Allowed	No Maximum Rate	
Pledged Revenue	Ad Valorem Taxes	
Uses of Fund	General Capital Improvements	Education Technology
Subject to Yield Control	No	
Borrowing Amount Limitation	6% of District's Assessed Value	
Tax Rate Setting	Annually	

Source: New Mexico Secretary of State http://www.sos.state.nm.us. Justia US Law http://law.justia.com/codes/new-mexico/2011/chapter22/article26.
New Mexico Legislature https://www.nmlegis.gov/Entity/LFC/Documents/Finance_Facts/finance%20facts%20public%20school%20capital%20outlay.pdf

Public Schools Capital Improvement Act (Two Mill Levy or SB #9) and Public School Buildings Act (HB #33 Levy)

Mill Levy	SB#9	HB#33
Voter Approval/Election	Required	
Expiration of Voter Authorization	Up to 6 Years	
Maximum Tax Rate Allowed	Shall not exceed $2.00 per $1,000 of Assessed Valuation	The rate of the proposed tax, when added to any SB9 and bond debt service, shall not exceed $15.00 per $1,000 of Assessed Valuation
Uses of Fund	Capital Improvements and Education Technology	
Subject to Yield Control	Yes	
Tax Rate Setting	Every 6 years, can fluctuate due to yield control	

Source: New Mexico Legislature https://www.nmlegis.gov/Entity/LFC/Documents/Finance_Facts/finance%20facts%20public%20school%20capital%20outlay.pdf
Justia US Law http://law.justia.com/codes/new-mexico/2011/chapter22/article26

Tax Rate Setting Timeline - Example

Year 1

April 1

Notice of values sent out by County Assessor

May 1

Protest Period Ends

June 30

PED sends out 955Fs

July 1

Preliminary Assessed Value distributed net of Protested Property (Preliminary Tax Rates Set)

August 1

PED begins tax rate setting process

September 1

Tax Rates adopted by County Commission

October 1

Final Assessed Value Set

November 1

Property tax bills sent by County Treasurer

First Tuesday in November

Regular School Board Election Conducted by Secretary of State

November/December

1st portion of property taxes due

Source: RBC Capital Markets

Debt and Tax Rate Management

Tax Rate Management Options

There are three main ways to maintain stable debt service tax rate

Bond Cycling (GO Elections Every 4 years)	▪ Issue new debt as prior debt declines to allow additional issuance without a change in tax rate (voter approval required)
Refunding, Prepayment, and Restructuring	▪ Refinance or modify current debt with a new issuance that has a lower rate ▪ Prepay current debt with excess cash collections ▪ No voter approval required
Educational Technology Notes (ETNs)	▪ Short-term debt issued for education technology purposes (no voter approval required but board of education can call an election for ETNs)

Source: RBC Capital Markets

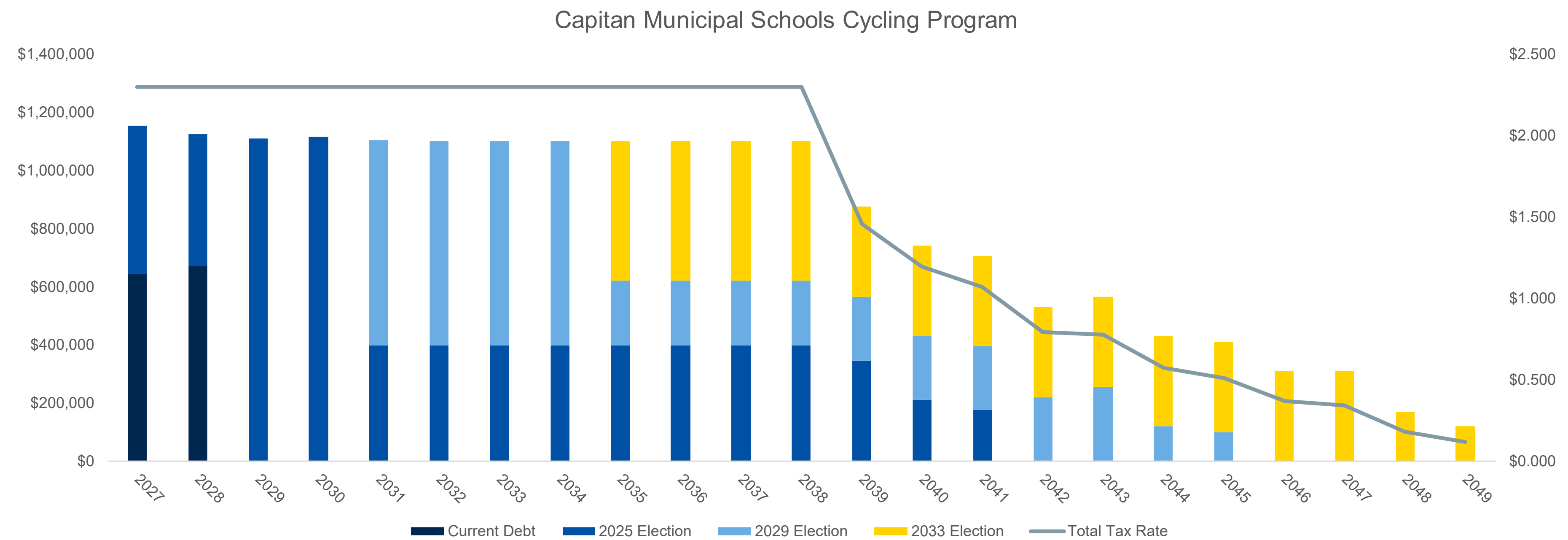
Bond Cycling

What is Bond Cycling

- Programs that issue debt on a consistent basis (i.e. GO Elections every 4 years, Bonds issued every year or every other year) with declining debt requirement to allow additional issuance without a change in tax rate

Benefits of cycling program include:

- Tax rate management tool
- Voters are generally more likely to approve a bond election if it does not result in a tax rate increase
- Consistent and reliable source of capital
- Long-term planning tool
- Lower borrowing cost due to accelerated payment schedule



 Source: RBC Capital Markets

Education Technology Notes Primary Uses

Primary Uses of Education Technology Notes:

Long Term Notes

Part of the Cycling program

Maturity cannot exceed 5 years

Who benefits the most

Districts with a stable tax base and larger upfront technology needs

Short Term Notes

Accumulated during the year and sitting in the ETN debt service fund

One or two day maturity

Who benefits the most

Districts with fluctuating tax bases (i.e. large oil and gas concentration)

Districts that have no voter authorized debt and want to keep their overall tax rate level

Source: RBC Capital Markets

Overnight STO Issuance Timeline

August 2025
- ETN Tax Rate of $10.128 set with PED

November 2025- July 2026
- Tax collections accumulate in the ETN Debt Service Fund (43000)

July 2026
- Amount issued depends on the amount of collections
- ETNs are issued as one day loan through State Treasurer’s Office and paid off the 1-2 days after closing

September 2026
- GO and ETN Proceeds available to spend on capital and technology needs

Next Year
- ETN Tax Rate of $10.128 set with PED again

Source: RBC Capital Markets

Finance Plan Update

Capital
Markets

History of Assessed Valuation

Actual AV

Tax Year	Residential	% Growth	Centrally Assessed	% Growth	Non-Residential	% Growth	Oil & Gas	% Growth	Total Valuation	% Growth
2021	$288,753,254	3%	$61,497,009	-7%	$75,142,609	-3%	$126,225,851	-19%	$551,618,723	-5%
2022	301,084,509	4%	54,154,428	-12%	78,352,723	4%	233,906,607	85%	667,498,267	21%
2023	318,004,485	6%	58,908,739	9%	83,377,152	6%	458,707,492	96%	918,997,868	38%
2024	333,421,731	5%	62,739,725	7%	87,809,688	5%	300,032,168	-35%	784,003,312	-15%
2025	347,271,540	4%	63,632,756	1%	91,771,080	-58%	159,795,134	-47%	662,470,510	-16%

AV for Finance Plan

Tax Year	Residential	% of Actual Valuation	Centrally Assessed	% of Actual Valuation	Non-Residential	% of Actual Valuation	Oil & Gas	% of Actual Valuation	Total Valuation	% of Actual Valuation
2022**	$292,051,974	97%	$52,529,795	97%	$76,002,141	97%	$86,545,445	37%	$507,129,355	76%
2023**	318,004,485	100%	53,017,865	90%	80,875,837	97%	183,482,997	40%	635,381,184	69%
2024**	333,421,731	100%	62,739,725	100%	87,809,688	100%	150,016,084	50%	633,987,228	81%
2025**	347,271,540	100%	63,632,756	100%	91,771,080	100%	79,897,567	50%	490,801,863	74%

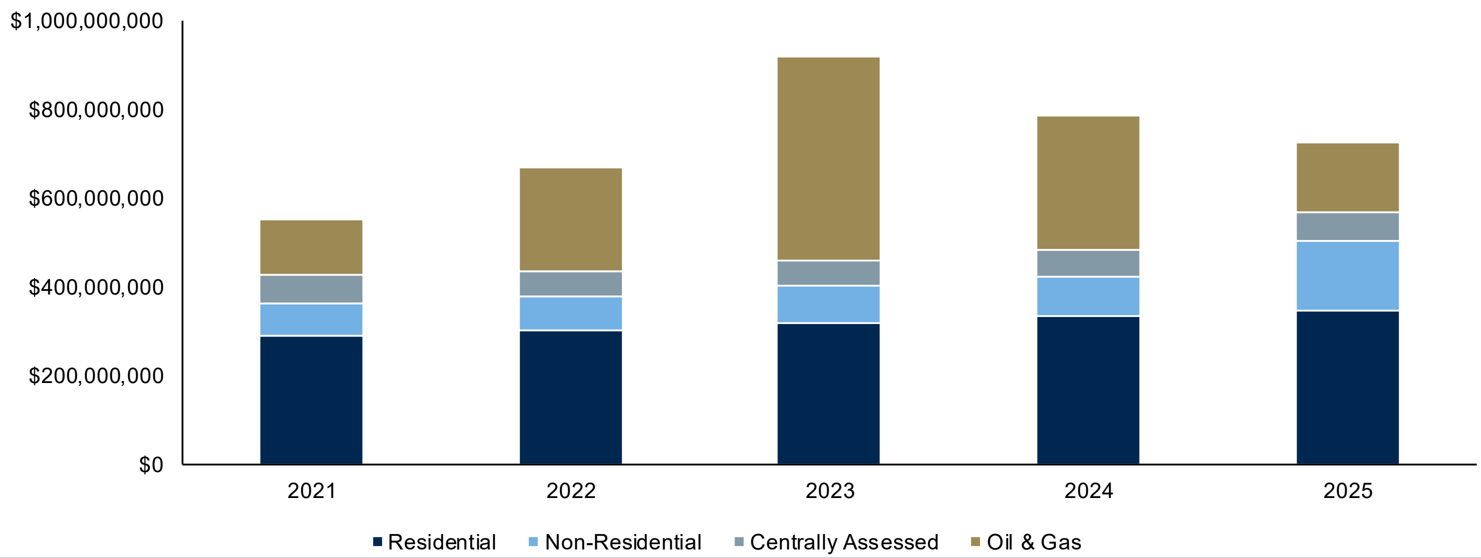
***AV used to set tax rate and manage the finance plan*

Actual AV Growth

5 Year Average Annual Growth	2.72%
10 Year Average Annual Growth	-2.03%

Oil and gas values for tax year 2026 is $202,328,153 which is a 26.62% increase from tax year 2025.

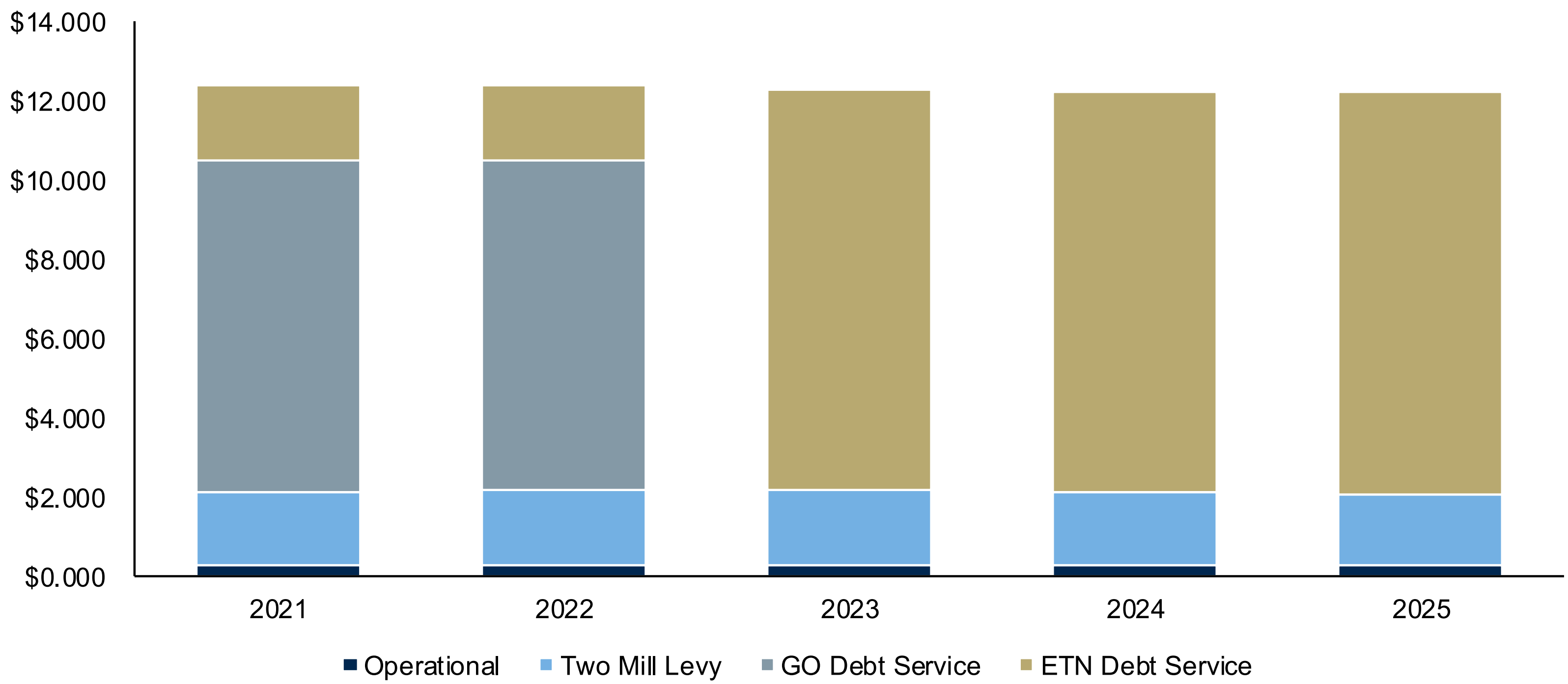
Source: New Mexico Department of Finance & Administration and San Juan County Assessor.



History of Tax Rates

Tax	Operational		Two Mill Levy		GO Debt	ETN Debt	Total Debt	Total	
Year	Resid.	Non-Resid.	Resid.	Non-Resid.	Service	Service	Service	Resid.	Non-Resid.
2021	$0.274	$0.500	$1.886	$1.886	$8.325	$1.893	$10.218	$12.378	$12.604
2022	0.277	0.500	1.886	1.886	8.326	1.892	10.218	12.381	12.604
2023	0.280	0.500	1.886	1.886	0.000	10.128	10.128	12.294	12.514
2024	0.274	0.496	1.847	1.873	0.000	10.128	10.128	12.249	12.497
2025	0.271	0.500	1.828	1.886	0.000	10.128	10.128	12.227	12.514

Source: New Mexico Department of Finance & Administration.



Debt Management Plan

- The District has no GO Bonds outstanding
  - Successful bond election in 2012 for $11,000,000
    - $11,000,000 sold in 2015
  - The next time the District can go out for a regular election is November 2027.
    - Election amount to be determined based on needs and tax rate target.
- Election Timing
  - Two Mill Levy election every six years, most recently in March 2024. Next election scheduled for November 2029.
- Tax Rates
  - Maintain the combined debt service tax rate at its current level of $10.128.
    - Debt service tax rate can be a combination of GO and ETN
  - Continue to levy a full ETN tax rate until voters approve the issuance of GO Bonds

Bonding Capacity	
2025 Assessed Valuation	$662,470,510
6% of Assessed Valuation	39,748,231
Less Outstanding Debt	0
Remaining Capacity	39,748,231
% Bonded to Capacity	**0%**

Series 2026 ETN Time Schedule

Date	Activity	Responsibility
Thursday, July 09, 2026	Board adopts Resolution to determine necessity to issue ETNs and notice of a public hearing	SD, BC, RBC
Wednesday, July 22, 2026	1st publication of Notice of Special Meeting for ETNs	BC
Wednesday, July 29, 2026	2nd publication of Notice of Special Meeting for ETNs	BC
Thursday, July 30, 2026	Interest rate set with NMSTO	RBC, STO
Thursday, August 06, 2026	Special Board meeting to adopt final ETN Resolution at 5:30 PM	SD, RBC, BC
Wednesday, August 12, 2026	Publish Notice of Adoption of Resolution	BC
Saturday, September 12, 2026	30 day limitation of action period expires	SD, RBC, BC, STO
Tuesday, September 22, 2026	Closing of ETNs	SD, RBC, BC, STO
Wednesday, September 23, 2026	Payoff of ETNs	SD, RBC, BC, STO

Working Group Key		
Code	**Participant**	**Role**
SD	School District	Issuer
MA	RBC Capital Markets, LLC	Municipal Advisor
BC	Modrall	Bond Counsel
STO	State Treasurer's Office	Purchaser

Appendix

Constitutional Amendment Update

- Constitutional Amendment 1 widened the property exemption for disabled veterans from 100% disabled veterans to all disabled veterans
  - Allows any disabled veteran to be exempt from their property taxes at the rate they are disabled.
  - Example: A 50% disabled veteran can now qualify to be exempt from 50% of their property taxes.

- Constitutional Amendment 2 increased the property tax exemptions for all veterans (who don't qualify for the disabled veteran exemption) from $4,000 to $10,000.

- Difficult to determine the extent of the impact of these constitutional amendments on the District's net taxable values at this time.
  - The State Legislature signed House Bill 47 into law at the 2025 legislative session.

- Should these new veteran exemptions materially decrease the District's net taxable value, it could potentially impact tax rates and future election amounts.
  - Most recent data shows the District has 562 veterans 107 disabled veterans within the District's boundaries.
    - For the tax year 2025 the total veteran exemption was $5,406,573 and disabled veteran exemption was $6,589,798.

Note: Estimated and Subject to Change. Based upon the factor of disabled veterans for San Juan County as provided by Veteran Affairs compared to 100% disable veteran exemptions for tax year 2025. There can be no assurances that the % of disabled veterans in the county is representative of the disabled veterans within the District's boundaries. Standard veteran exemption is increased by a factor of 2.5x which is the factor of the standard veteran exemption increase from $4,000 to $10,000.

Potential Constitutional Amendment Impact on Assessed Value – TY2024 Values

Tax Year 2024 - Without Consitutional Amendments

		Full Value	Head of Houshold	Veteran	Disabled Veteran	Other	Veteran Org.	Net Taxable Values
District	County							
2 In R	San Juan	$111,867,349	$1,523,431	**$739,101**	**$1,468,870**	$108,784	-	**$108,027,163**
2 In NR	San Juan	87,597,760	-	**-**	**-**	47,342,776	$123,271	**40,131,713**
2 Out R	San Juan	234,010,602	3,283,866	**1,443,476**	**4,317,070**	-	-	**224,966,190**
2 Out NR	San Juan	50,571,840	-	**20,398**	**-**	4,574,182	-	**45,977,260**
61/20 R	San Juan	436,378	4,000	**4,000**	**-**	-	-	**428,378**
61/20 NR	San Juan	1,700,715	-	-	-	-	-	**1,700,715**
TOTAL R & NR VALUES		$ 486,184,644	$ 4,811,297	**$ 2,206,975**	**$ 5,785,940**	$ 52,025,742	$ 123,271	$ 421,231,419
Centrally Assessed		$ 62,739,725						$ 62,739,725
Oil & Gas		$ 300,032,168						$ 300,032,168
Total		**$ 848,956,537**						**$ 784,003,312**

Tax Year 2024 - With Consitutional Amendments

		Full Value	Head of Houshold	Veteran	Disabled Veteran	Other	Veteran Org.	Net Taxable Values
District	County							
2 In R	San Juan	$111,867,349	$1,523,431	**$1,847,753**	**$4,750,876**	$108,784	-	**$103,636,505**
2 In NR	San Juan	87,597,760	-	**-**	**-**	47,342,776	$123,271	**40,131,713**
2 Out R	San Juan	234,010,602	3,283,866	**3,608,690**	**13,963,023**	-	-	**213,155,023**
2 Out NR	San Juan	50,571,840	-	**50,995**	**-**	4,574,182	-	**45,946,663**
61/20 R	San Juan	436,378	4,000	**10,000**	**-**	-	-	**422,378**
61/20 NR	San Juan	1,700,715	-	-	-	-	-	**1,700,715**
TOTAL R & NR VALUES		$ 486,184,644	$ 4,811,297	**$ 5,517,438**	**$ 18,713,900**	$ 52,025,742	$ 123,271	$ 404,992,997
Centrally Assessed		$ 62,739,725						$ 62,739,725
Oil & Gas		$ 300,032,168						$ 300,032,168
Total		**$ 848,956,537**						**$ 767,764,889**
Total Without Amendments								**$ 784,003,312**
Difference								**(16,238,422)**
							Difference (%)	**-2.071%**

Note: Estimated and Subject to Change. Based upon the factor of disabled veterans for San Juan County as provided by Veteran Affairs compared to 100% disable veteran exemptions for tax year 2025. There can be no assurances that the % of disabled veterans in the county is representative of the disabled veterans within the District's boundaries. Standard veteran exemption is increased by a factor of 2.5x which is the factor of the standard veteran exemption increase from $4,000 to $10,000.

Updated Potential Constitutional Amendment Impact on Assessed Value – TY2025 Values

Tax Year 2025 - Without Consitutional Amendments

District	County	Full Value	Head of Houshold	Veteran	Disabled Veteran	Other	Veteran Org.	Net Taxable Values
2 In R	San Juan	$117,493,399	$1,518,941	**$1,757,820**	**$1,786,026**	$111,808	-	**$112,318,804**
2 In NR	San Juan	90,825,118	-	**2,039**	**-**	49,270,700	$120,984	**41,431,395**
2 Out R	San Juan	246,161,083	3,284,151	**3,550,923**	**4,803,772**	-	-	**234,522,237**
2 Out NR	San Juan	53,373,748	-	**85,791**	**-**	4,756,428	-	**48,531,529**
61/20 R	San Juan	444,499	4,000	**10,000**	**-**	-	-	**430,499**
61/20 NR	San Juan	1,808,156	-	-	**-**	-	-	**1,808,156**
TOTAL R & NR VALUES		$ 510,106,003	$ 4,807,092	**$ 5,406,573**	**$ 6,589,798**	$ 54,138,936	$ 120,984	$ 439,042,620
Centrally Assessed		$ 63,632,756						$ 63,632,756
Oil & Gas		$ 159,795,134						$ 159,795,134
Total		**$ 733,533,893**						**$ 662,470,510**

Tax Year 2025 - With Consitutional Amendments

District	County	Full Value	Head of Houshold	Veteran	Disabled Veteran	Other	Veteran Org.	Net Taxable Values
2 In R	San Juan	$117,493,399	$1,518,941	**$1,757,820**	**$5,776,678**	$111,808	-	**$108,328,152**
2 In NR	San Juan	90,825,118	-	**2,039**	**-**	49,270,700	$120,984	**41,431,395**
2 Out R	San Juan	246,161,083	3,284,151	**3,550,923**	**15,537,200**	-	-	**223,788,809**
2 Out NR	San Juan	53,373,748	-	**85,791**	**-**	4,756,428	-	**48,531,529**
61/20 R	San Juan	444,499	4,000	**10,000**	**-**	-	-	**430,499**
61/20 NR	San Juan	1,808,156	-	**-**	-	-	-	**1,808,156**
TOTAL R & NR VALUES		$ 510,106,003	$ 4,807,092	**$ 5,406,573**	**$ 21,313,878**	$ 54,138,936	$ 120,984	$ 424,318,540
Centrally Assessed		$ 63,632,756						$ 63,632,756
Oil & Gas		$ 159,795,134						$ 159,795,134
Total		**$ 733,533,893**						**$ 647,746,430**
Total Without Amendments								**$ 662,470,510**
Difference								**(14,724,080)**
							Difference (%)	**-2.223%**

Note: Estimated and Subject to Change. Based upon the factor of disabled veterans for San Juan County as provided by Veteran Affairs compared to 100% disable veteran exemptions for tax year 2025. There can be no assurances that the % of disabled veterans in the county is representative of the disabled veterans within the District's boundaries. Standard veteran exemption is increased by a factor of 2.5x which is the factor of the standard veteran exemption increase from $4,000 to $10,000.

ETN Use of Proceeds

"Education technology equipment" means tools used in the educational process that constitute learning and administrative resources and may include:

1. Closed-circuit television systems; educational television and radio broadcasting; cable television, satellite, copper and fiber-optic transmission; computer network connection devices; digital communications equipment (voice, video and data); servers; switches; portable media such as discs and drives to contain data for electronic storage and playback; and purchase or lease of software licenses or other technologies and services, maintenance, equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities;

2. Improvements, alterations and modifications to, or expansions of, existing buildings, including teacher housing, or personal property necessary or advisable to house or otherwise accommodate any of the tools listed in Paragraph (1) of this subsection; and

Source: 6-15A-3 (C) of the Education Technology Act https://law.justia.com/codes/new-mexico/2006/nmrc/jd_6-15a-3-41b7.html

Public School Buildings Act (HB #33 Levy)

As used in the Public School Buildings Act [22-26-1 to 22-26-9 NMSA 1978], “capital improvements” means expenditures, including payments made with respect to lease-purchase arrangements as defined in the Education Technology Equipment Act but exclusive of any debt service expenses, for:

- Erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings;
- Payments made pursuant to a financing agreement entered into by a school district or charter school for the leasing of a building or other real property with an option to purchase for a price that is reduced according to payments made;
- Purchasing or improving public school grounds;
- Purchasing activity vehicles for transporting students to and from extracurricular school activities, provided that this authorization for expenditure does not apply to school districts with a student MEM greater than 60,000; or
- Administering the projects undertaken, including expenditures for facility maintenance software, project management software, project oversight and district personnel specifically related to administration of projects funded by the Public School Buildings Act; provided that expenditures pursuant to this section shall not exceed 5% of the total project costs.
- purchasing and installing education technology improvements, excluding salary expenses of school district employees, but including tools used in the educational process that constitute learning and administrative resources, and which may also include:

1. satellite, copper and fiber-optic transmission; computer and network connection devices; digital communication equipment, including voice, video and data equipment; servers; switches; portable media devices, such as discs and drives to contain data for electronic storage and playback; and purchase or lease of software licenses or other technologies and services, maintenance, equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities; and
2. improvements, alterations and modifications to, or expansions of, existing buildings or tangible personal property necessary or advisable to house or otherwise accommodate any of the tools listed in this subsection.

Limitations

- The authorized tax rate under the Public School Buildings Act, when added to the tax rates for servicing debt of the school district shall be expended only for capital improvements.
- Limit the tax rate to $10.00 per $1,000 of net taxable value of property allocated to the District
- **The rate of the proposed tax, when added to any SB9 and bond debt service, shall not exceed $15.00 per $1,000 of net taxable value of property allocated to the district.**
- Limit imposition of the proposed tax to no more than **six** property tax years.

Source: Justia US Law
http://law.justia.com/codes/new-mexico/2011/chapter22/article26/

Public Schools Capital Improvement Act (Two Mill Levy or SB #9)

As used in the Public School Capital Improvements Act [22-25-1 to 22-25-10 NMSA 1978]:

“Capital Improvements” means expenditures, including payments made with respect to lease-purchase arrangements as defined in the Education Technology Equipment Act or the Public School Lease Purchase Act but exclusive of any other debt service expenses, for:

(1) erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings;

(2) purchasing or improving public school grounds;

(3) maintenance of public schools buildings or public school grounds, including the purchasing or repairing of maintenance equipment, participating in the facility information management system as required by the Public School Capital Outlay Act and including payments under contracts with regional education cooperatives for maintenance support services and expenditures for technical training and certification for maintenance and facilities management personnel, but excluding salary expenses of school district employees;

(4) purchasing activity vehicles for transporting students to extracurricular school activities; or

(5) purchasing computer software and hardware for student use in public school classrooms.

Limitations:

- Identify the capital improvements for which the revenue proposed to be produced will be used;
- specify the rate of the proposed tax, which shall not exceed $2.00 on each $1,000 of net taxable value of property allocated to the school district under the Property Tax Code;
- specify the date an election will be held to submit the question of imposition of the tax to the qualified electors of the district; and
- limit the imposition of the proposed tax to no more than **six** property tax years.

Source: New Mexico Legislature
https://www.nmlegis.gov/Entity/LFC/Documents/Finance_Facts/finance%20facts%20public%20school%20capital%20outlay.pdf

Market Update

Capital Markets

Economic Commentary

- US equities posted mixed results last week, with the DJIA gaining 0.6% while the S&P500 and Nasdaq declined 2.0% and 4.6%, respectively
  - Stock market volatility has been fueled by uncertainty over tech/AI valuations as well as geopolitical tensions
- The US and Iran agreed to halt attacks as officials meet to resume peace talks
  - Tensions escalated in recent days despite a ceasefire agreement
- First-quarter GDP grew at an annualized rate of 2.1%, revised up from earlier readings of 1.6%.
  - The GDP price index ticked up from an annualized 3.5% to 3.6% in Q1, while the core index was unchanged at 4.4%
- This week brings consumer confidence, JOLTS, ISM manufacturing, jobless claims, and the June employment report
  - Bloomberg forecasts call for non-farm payroll gains of 113k alongside an unchanged unemployment rate of 4.3% for June
- US IG issuance is expected to total $10-15bn this week, adding to a record June that has seen over $180bn of new-issue volume

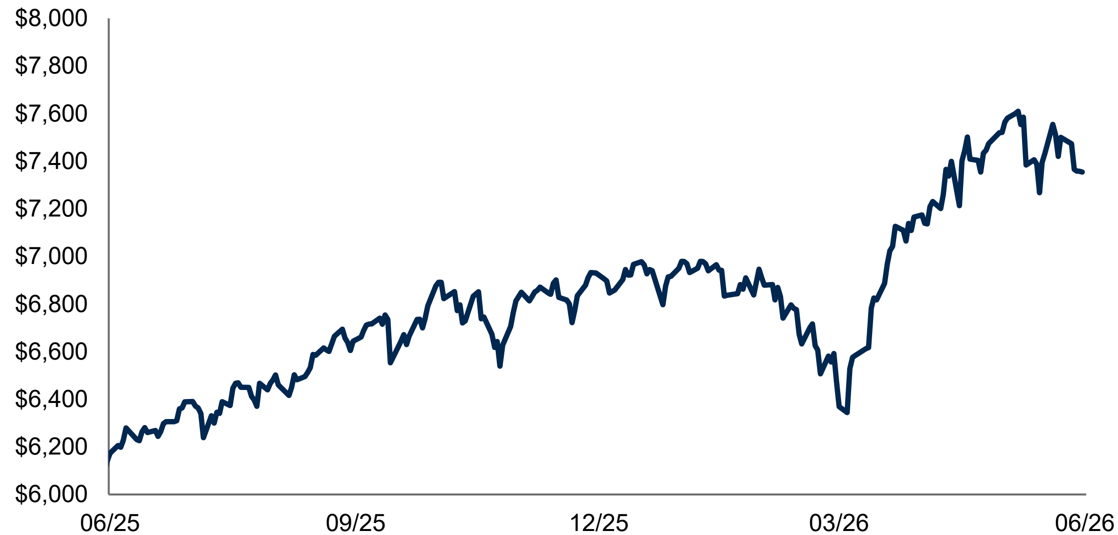
Bloomberg

Dip Buyers Lift US Stocks Despite Rise in Oil: Markets Wrap

(Bloomberg: June 29, 2026)

- S&P 500 futures gained 0.9% with traders buying the dip after a rotation out of this year’s top-performing stocks
- Oil rose after a weekend of tensions in the Middle East, with Brent climbing 0.9% to $72.67 a barrel
- Traders will shift their focus this week to the annual gathering of central bankers in Portugal and the monthly US jobs report on Thursday

Stock Market Performance (S&P 500)

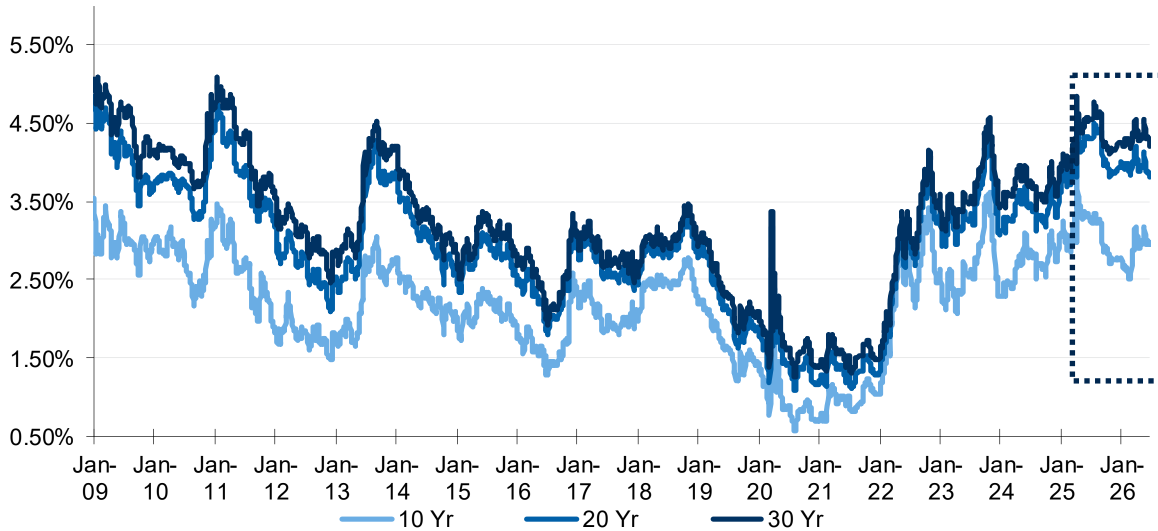


Sources: Bloomberg; Refinitiv; RBC Capital Markets as of COB June 26, 2026

Current Municipal Market Conditions: “AAA” MMD

After closing at 4.27% the previous week, 30-year “AAA” MMD has decreased by six basis points to 4.21%.

“AAA” MMD January 1, 2009 to Present



Shift in “AAA” MMD Since January 2025

January 1, 2009 to Present

	10 Year	20 Year	30 Year
Maximum	3.89%	4.89%	5.08%
Minimum	0.58%	1.08%	1.27%
Current	2.95%	3.80%	4.21%

Shift in 30-year "AAA" MMD

2019	2020	2021	2022	2023	2024	2025
-0.90%	-0.68%	0.09%	2.08%	-0.15%	0.47%	0.35%

May 1, 2022 to Present

	10 Year	20 Year	30 Year
Maximum	3.89%	4.66%	4.84%
Minimum	2.08%	2.38%	2.51%
Average	2.81%	3.58%	3.83%

Source: Refinitiv
10, 20, and 30 year “AAA” MMD shown to represent different average lives of municipal transactions
Rates as of June 26, 2026.

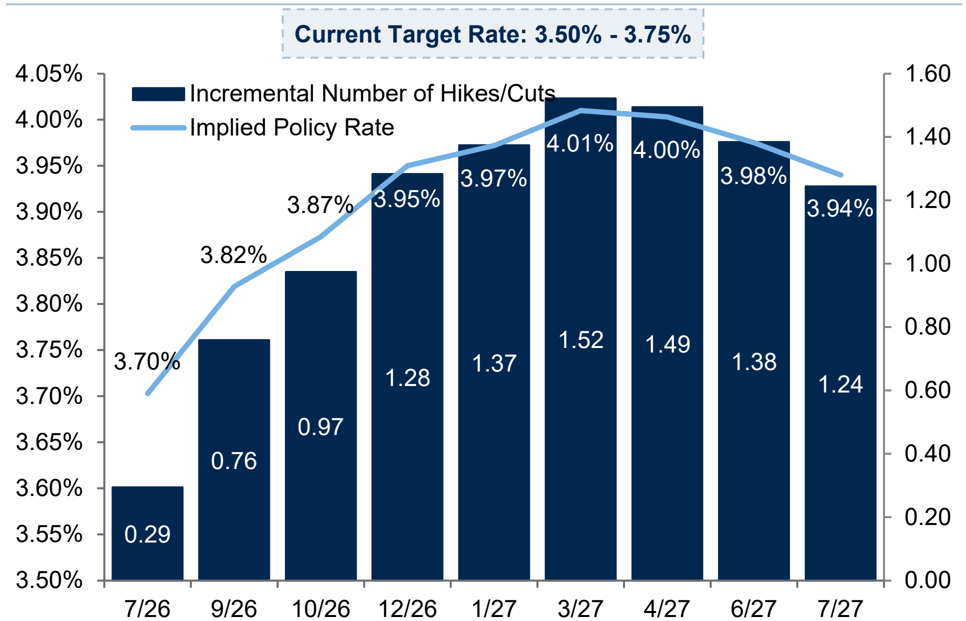
Economic Overview Reflects Monetary Policy Focus, Tariff Implications and Geopolitical Tensions

The Federal Reserve concluded its third meeting of the year by holding the federal funds rate steady in the 3.50%-3.75% range

Municipal Market Commentary

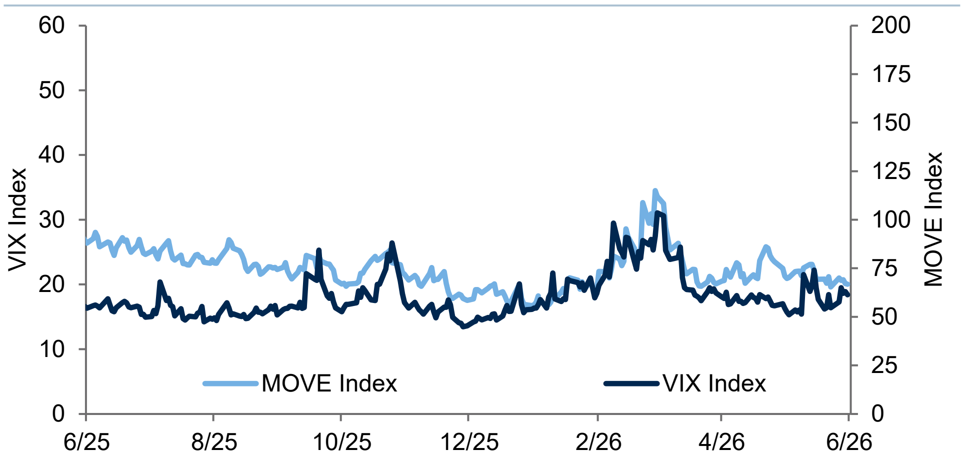
- Municipal supply totaled $13.4bn last week, and pricing results were inconsistent due to stretched ratios and depletion of June cash
- This week's issuance is expected to total a modest $4.1bn heading into the July Fourth holiday
- Year-to-date issuance should end the week around $296bn, up 6% on a year-over-year basis
- July reinvestment cash is expected to total $49.5bn, with $42.1bn hitting in the first half of the month
- Municipal bond funds reported net inflows of $633mm last week, following $1.19bn the previous week
- The SIMFA index rose from 2.59% to 2.67% last week
  - Tax-exempt Money Market funds reported modest inflows of $49mm

Futures Market – Fed Funds Rate Hike/Cut Probability



Note: 25bps equates to one hike or cut

Treasury and Equity Volatility are Elevated



Economic Indicators

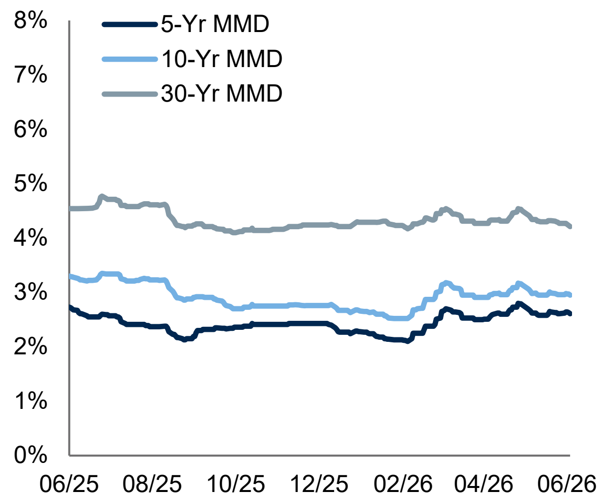
Indicator	Actual	Forecast	Prior
Inflation			
CPI YoY (May)	4.20%	4.20%	3.80%
PCE YoY (April)	3.80%	3.80%	3.50%
PPI YoY (May)	6.50%	6.40%	5.70%
Labor			
Unemployment Rate (May)	4.30%	4.30%	4.30%
Nonfarm Payrolls (May)	172K	85K	179K
Initial Jobless Claims (wkly.)	229K	220K	225K
Production			
GDP QoQ (Q1)	1.60%	2.00%	0.50%

Sources: Bloomberg; Refinitiv; RBC Capital Markets as of COB June 26, 2026

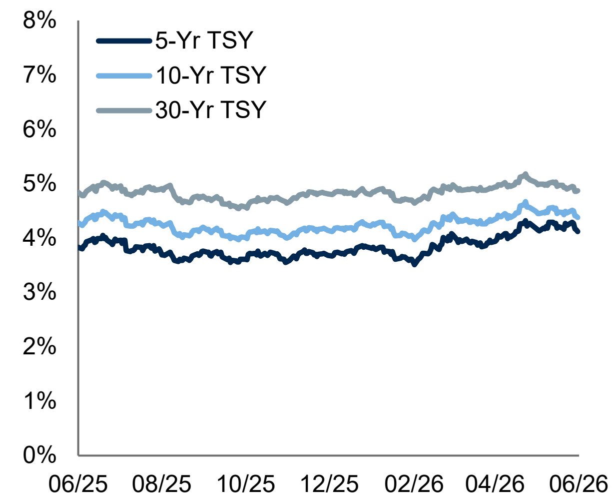
Tax-Exempt and Taxable Rate Environment

MMD/UST ratios have tightened in recent months, particularly inside 10 years

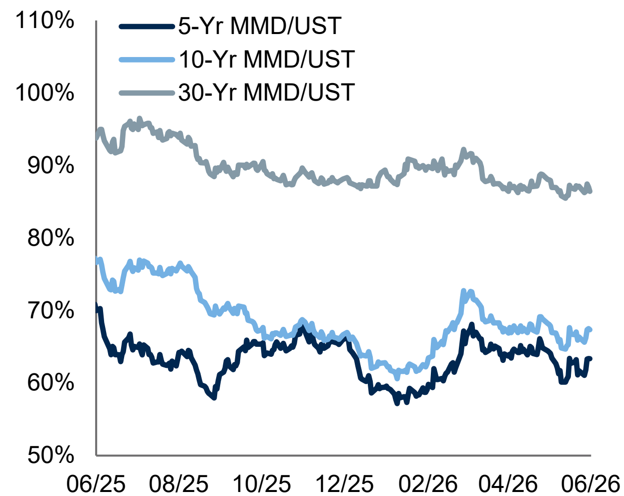
5, 10, and 30-Year MMD Yields



5, 10, and 30-Year UST Yields



5, 10, and 30-Year MMD/UST Ratios

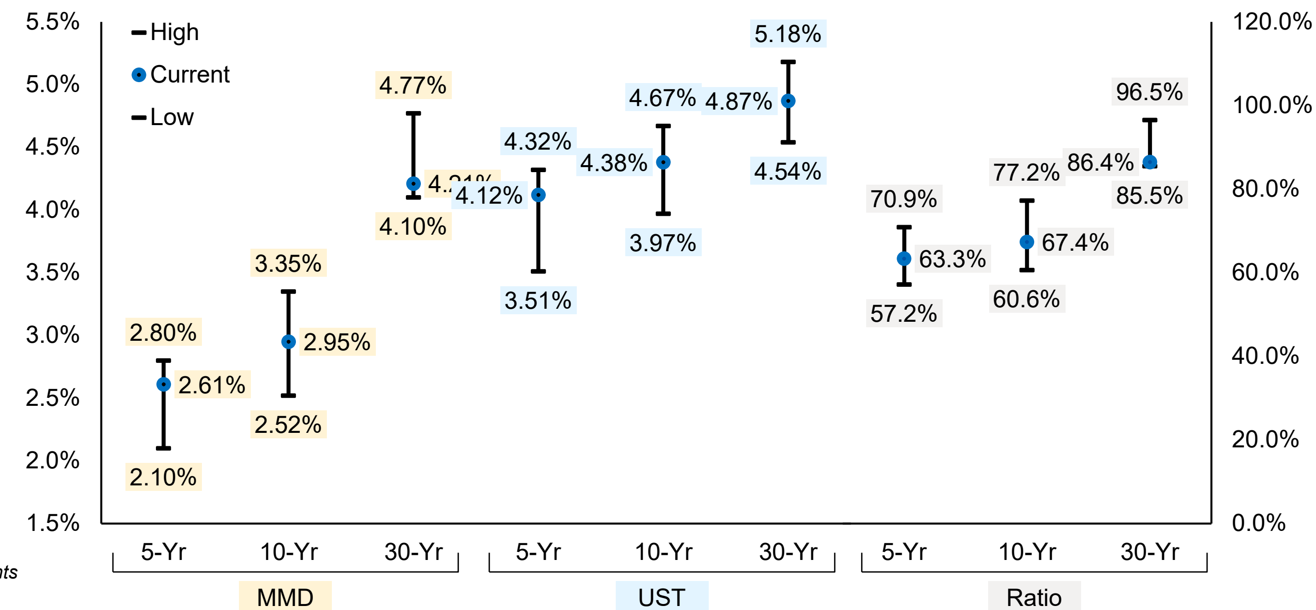


Historical Movement – Change in bps

	Current	WoW Change	YTD Change	LTM High Change
MMD				
5-Yr	2.61%	0	21	-19
10-Yr	2.95%	-1	17	-40
30-Yr	4.21%	-6	-4	-56
UST				
5-Yr	4.12%	-11	38	-20
10-Yr	4.38%	-8	19	-29
30-Yr	4.87%	-3	1	-31
Ratios				
5-Yr	63.3%	1.6%	-0.8%	-7.5%
10-Yr	67.4%	1.0%	1.0%	-9.9%
30-Yr	86.4%	-0.7%	-1.0%	-10.1%

Note: Rate changes are shown in bps and ratio changes are shown in percents

12-Month Lookback | MMD, UST and Ratio Ranges Across the Curve



Sources: Bloomberg; Thomson Financial Municipal Market Monitor (TM3); RBC Capital Markets as of COB June 26, 2026

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