

NEW ISSUE - BOOK ENTRY ONLY

RATINGS: See "Ratings" herein.

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City, as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See "TAX EXEMPTION", "BOND PREMIUM" and "ORIGINAL ISSUE DISCOUNT" herein.

\$101,795,000*

CITY OF MESA, ARIZONA

UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2014

**DRAFT
9-16-14**

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover

The City of Mesa, Arizona (the "City") Utility Systems Revenue Refunding Bonds, Series 2014 (the "Bonds") will be initially issued in book-entry-only form in the name of Cede & Co., as nominee of The Depository Trust Company, a registered securities depository ("DTC"). Beneficial interests in the Bonds will be offered for sale in \$5,000 denominations and integral multiples thereof. The Bonds are being issued to provide funds to (i) refund in advance of maturity the Bonds Being Refunded (as defined herein) and (ii) pay costs related to issuance of the Bonds. See "PLAN OF REFUNDING" herein.

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2015*, until maturity or redemption prior to maturity, and principal of the Bonds will be payable in accordance with the maturity schedule set forth on the inside front cover. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds (the "Beneficial Owners"). See APPENDIX F – "Book-Entry-Only System" herein.

Certain of the Bonds are subject to redemption prior to their stated maturity dates, as described herein under "THE BONDS – Redemption Provisions".*

The Bonds are special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the ownership, use and operation of its water, electrical, natural gas, wastewater and solid waste systems (collectively, the "System") after provision has been made for payment of the reasonable and necessary costs of the operation, maintenance and repair of the System, excluding depreciation (the "Net Revenues"), and on a parity of lien on such Net Revenues with the Parity Bonds (as defined herein), now outstanding and hereafter issued. **The Bonds do not constitute an obligation or indebtedness or pledge of the general credit of the City within the meaning or application of any constitutional, charter or statutory limitation or provision, and the owners of the Bonds shall never have the right to compel any exercise of the taxing power of the City or to demand payment of the Bonds or interest thereon out of any funds other than from the Net Revenues. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" herein.**

See Inside Front Cover for Maturity Schedule and Additional Information

The Bonds are offered when, as and if issued by the City and paid for by the Underwriters, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire Patton Boggs (US) LLP, Counsel to the Underwriters. It is expected that the Bonds will be delivered to DTC on or about _____, 2014*.

This cover page contains certain information for convenience of reference only. It is not a summary of material information with respect to the Bonds. Investors must read this entire official statement and all appendices to obtain information essential to the making of an informed investment decision with respect to the Bonds.

J.P. Morgan

BofA Merrill Lynch

RBC Capital Markets

* Subject to change.

\$101,795,000*
CITY OF MESA, ARIZONA
UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2014

MATURITY SCHEDULE*

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP^(a) No. (Base 590545)</u>
2019	\$ 155,000			
2020	690,000			
2021	720,000			
2022	760,000			
2023	795,000			
2024	835,000			
2025	880,000			
2026	11,605,000			
2027	12,060,000			
2028	19,100,000			
2029	31,295,000			
2030	22,900,000			

* Subject to change.

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CITY OF MESA

CITY COUNCIL

John Giles, Mayor
Christopher Glover, Vice Mayor
Alex Finter, Councilmember
Dennis Kavanaugh, Councilmember
David Luna, Councilmember
Dave Richins, Councilmember
Scott Somers, Councilmember

CITY ADMINISTRATIVE OFFICERS

Christopher Brady, City Manager
Kari Kent, Deputy City Manager
John Pombier, Deputy City Manager
Michael Kennington, Chief Financial Officer
Dee Ann Mickelsen, City Clerk

BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Wedbush Securities Inc.
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of Mesa, Arizona (the “City”) Utility Systems Revenue Refunding Bonds, Series 2014 (the “Bonds”), identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been provided by the City, the Maricopa County Assessor’s, Finance and Treasurer’s offices, the State of Arizona Department of Revenue, and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City or Wedbush Securities Inc. (the “Financial Advisor”), or Merrill Lynch, Pierce, Fenner & Smith, Incorporated, J.P. Morgan Securities LLC and RBC Capital Markets, LLC (collectively, the “Underwriters”). The presentation of information, including tables of receipts from taxes and other revenue sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer or salesman has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. All beliefs, assumptions, estimates, projections, forecasts and matters of opinion contained herein are forward looking statements which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon the exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, pertaining to the issuance and sale of municipal securities, nor will the Bonds be qualified under the Securities Act of Arizona in reliance upon various exemptions contained in such Act. Neither the Securities and Exchange Commission nor any other Federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of the Official Statement or approved this series of securities for sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The City, the Underwriters, counsel to the Underwriters, and Bond Counsel (as defined herein) are not actuaries, nor have any of them performed any actuarial or other analysis of the City’s unfunded liabilities under the Arizona State Retirement System, the Arizona Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

The City will covenant to provide continuing disclosure, as described in this Official Statement under “Continuing Secondary Market Disclosure” and in APPENDIX H – “Form of Continuing Disclosure Certificate,” pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”).

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT
\$101,795,000*
CITY OF MESA, ARIZONA
UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2014

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original issuance of \$101,795,000 Utility Systems Revenue Refunding Bonds, Series 2014 (the “Bonds”), identified on the cover page hereof. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Bonds is set forth in this Official Statement.

Initially, the Bonds will be administered under a book-entry-only system (the “Book-Entry-Only System”) by The Depository Trust Company, a registered securities depository (“DTC”). Unless and until the Book-Entry-Only System is discontinued, the Bonds will be registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in the Bonds will be offered for sale in integral multiples of \$5,000, and payments of principal of and interest on the Bonds will be made to DTC and, in turn, through participants in the DTC system. See APPENDIX F – “Book-Entry-Only System.”

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts by the City from the System (as defined below), taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position, results of operations, or other affairs of the City. No representation is made that past experience, as shown by such financial or other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes (“A.R.S.”) or uncoded, or of the Arizona Constitution, or the Charter of the City (the “Charter”), are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

Certain words and terms used herein and not otherwise defined herein shall have the meanings ascribed to such words and terms in APPENDIX E – “Summary of the Master Resolution, as Amended – Definitions.”

As used in this Official Statement “debt service” means principal of and interest on the obligations referred to, “County” means Maricopa County, Arizona and “State” or “Arizona” means the State of Arizona.

THE BONDS

Authorization and Purpose

The Bonds will be issued pursuant to A.R.S. Title 9, Chapter 5, Article 3 as amended; Resolution No. 6362 adopted by the Mayor and Council of the City on July 29, 1991 (the “Master Resolution”), as heretofore amended and supplemented by twenty-eight supplemental resolutions adopted by the Mayor and Council of the City pertaining to the issuance of outstanding bonds secured by the Net Revenues of the System (each as defined herein); and as further amended and supplemented by a Twenty-Ninth Supplemental Resolution to be adopted by the Mayor and Council of the City on September 22, 2014 (the “Twenty-Ninth Supplemental Resolution”), authorizing the issuance of the Bonds (collectively, the “Supplemental Resolutions” and, together with the Master Resolution, the “Bond Resolution”). The Bonds will be issued as Parity Bonds (as hereafter defined) pursuant to the provisions of the Bond Resolution. (See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and APPENDIX E – “Summary of the Master Resolution, as Amended,” herein.) The Bonds are being issued to provide funds to (i) refund in advance of maturity the Bonds Being Refunded (as herein defined) and (ii) pay the costs related to the issuance of the Bonds.

A summary of the Master Resolution is included in APPENDIX E of this Official Statement. Such summary does not purport to be comprehensive or definitive. All references herein to the Master Resolution are qualified in their

* Subject to change.

entirety by reference to the full text of such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Master Resolution and the Twenty-Ninth Supplemental Resolution. All capitalized terms appearing in this Official Statement and not otherwise defined shall have the meanings ascribed to them in the Bond Resolution. Copies of the Master Resolution and the Twenty-Ninth Supplemental Resolution may be inspected at the office of the City's Chief Financial Officer, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

General Provisions

The Bonds will be dated the date of initial delivery, and will bear interest from such date payable on July 1, 2015* and semiannually thereafter on January 1 and July 1 of each year (each an "Interest Payment Date") until maturity or redemption prior to maturity. The Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside cover page of this Official Statement.

The Bonds will be issued only in fully-registered form in the amounts of \$5,000 of principal due on a specific maturity date and any integral multiples thereof, and will initially be registered in the name of Cede & Co., as nominee of DTC. For a description of registration and transfer of the Bonds through the facilities of DTC, see APPENDIX F – "Book-Entry-Only System."

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THE OFFICIAL STATEMENT, EXCEPT THOSE UNDER THE HEADINGS "TAX EXEMPTION", "BOND PREMIUM" AND "ORIGINAL ISSUE DISCOUNT" TO THE OWNERS OR REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

So long as the Bonds are in book-entry-only form, principal and interest on the Bonds will be paid to DTC. If the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check and mailed on or prior to each Interest Payment Date to the registered owners of the Bonds at the addresses shown on the books of the Registrar (the "Bond Register") on the 15th day of the month preceding each such Interest Payment Date (the "Record Date"). Principal of the Bonds will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender on the Bonds to the designated corporate trust office of the Paying Agent. Additionally, if the Book-Entry-Only System is discontinued, payment of interest may also be made by wire transfer upon twenty (20) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Bonds. Interest will be computed on the basis of a year comprised of 360 days consisting of twelve months of 30 days each.

U.S. Bank National Association will act as the initial registrar and paying agent for the Bonds (the "Registrar" and the "Paying Agent"). The City may change the Registrar or the Paying Agent at any time without prior notice. The City may retain separate financial institutions to serve as Registrar and Paying Agent.

Redemption Provisions*

Optional Redemption

Bonds maturing on or before July 1, 2025*, are not subject to call for redemption prior to maturity. Bonds maturing on, or after, July 1, 2026* are subject to call for redemption prior to maturity, at the option of the City, in whole or in part from maturities selected by the City, on July 1, 2025*, or on any date thereafter by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Notice of Redemption

So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC, in the manner required by DTC. If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Registrar not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Notice of any redemption will also be sent to the Municipal Securities Rulemaking

* Subject to change.

Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access system (“EMMA”), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or by a Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on or prior to the date set for redemption and if not so held by such date the redemption shall be cancelled and be of no force and effect. The notice of redemption shall describe the conditional nature of the redemption.

Effect of Call for Redemption

Notice of redemption having been given in the manner described above, the Bonds or portions thereof called for redemption will become due and payable on the redemption date if an amount of money sufficient to redeem all the Bonds or portions thereof called for redemption is held in separate accounts by the City or by the Paying Agent. The Bonds or portions thereof called for redemption will cease to bear interest from and after such redemption date.

Redemption of Less Than All of a Bond

The City may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, \$5,000. In that event, if the Book-Entry-Only System is discontinued, the registered owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Registrar shall cause a new Bond in a principal amount which reflects the redemption so made to be authenticated, issued and delivered to the registered owner thereof.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the ownership, use and operation of its water, electrical, natural gas, wastewater and solid waste systems (collectively, the “System”), after provision has been made for the payment from such revenues of the reasonable and necessary expenses of operation, maintenance and repair of the System, excluding depreciation and debt service (the “Net Revenues”), and on a parity of lien on such Net Revenues with the City’s outstanding Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds previously and presently outstanding in the aggregate principal amount of \$898,394,349* (collectively, with the Bonds, the “Parity Bonds”). See “Schedule of Estimated Combined Annual Utility Systems Revenue Bond Debt Service Requirements and Debt Service Coverage,” APPENDIX C – “City of Mesa, Arizona – Utility Systems Information” and APPENDIX E – “Summary of the Master Resolution, as Amended.”

The Bonds do not constitute an indebtedness or pledge of the general credit of the City within the meaning or application of any constitutional, charter or statutory provision, and the owners of the Bonds shall never have the right to compel any exercise of the taxing power of the City or to demand payment of the Bonds or interest thereon out of any funds other than from the Net Revenues.

Following deposit of monies into the Bond Fund, the City may invest such monies in Permitted Investments. **THE PROCEEDS OF THE BONDS ARE NOT PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS.**

Rate Covenant

Pursuant to the Bond Resolution, the City covenants and agrees with the owners of the Bonds, that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient at all times, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and to produce an aggregate amount of Net Revenues in each Fiscal Year at least equal to one hundred twenty percent (120%) of the current principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and

* Subject to change.

Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the City's obligation to reimburse the issuer of any reserve fund guaranty for any claims thereunder ("Policy Costs") due and owing in such Fiscal Year. But, see "Risk Factors" regarding utility rate setting ordinances.

Reserve Fund: No Current Funding Requirement

The Bond Resolution establishes a Reserve Fund for the benefit of all Parity Bonds, including the Bonds, issued and delivered subsequent to January 1, 2003 (the "Post-2002 Bonds"). To the extent the Reserve Fund is funded for the Post-2002 Bonds (the "Post-2002 Reserve Fund"), the moneys therein will be available to pay principal of or interest on the Post-2002 Bonds in the event and to the extent moneys on deposit in the Bond Fund on any principal or interest payment date are insufficient for such purpose. The Post-2002 Reserve Fund is not currently funded and is required to be funded only if Net Revenues during any Fiscal Year do not equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year. If Net Revenues do not equal or exceed 175% of such principal and interest, then the City will deposit, or cause to be deposited, within 180 days following the end of such Fiscal Year, to the Post-2002 Reserve Fund, moneys, investments, Reserve Fund Guaranties or any combination thereof, equal to the Post-2002 Reserve Requirement. If, thereafter, Net Revenues for two consecutive Fiscal Years equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the respective corresponding Bond Years, then any moneys, investments or Post-2002 Reserve Fund Guaranties in the Post-2002 Reserve Fund may be released and (except as otherwise limited by the terms of such Reserve Fund Guaranties or the related Reserve Fund Guaranty Agreements) used by the City for any lawful purpose, and the City's obligation to maintain the Post-2002 Reserve Fund will terminate, subject, however, to the provisions described in the preceding sentence for re-funding the Post-2002 Reserve Fund. The Bond Resolution also created a reserve fund for Parity Bonds issued prior to January 1, 2003 (the "Pre-2003 Reserve Fund"). Owners of the Post-2002 Bonds will have no claim on the Pre-2003 Reserve Fund.

Additional Parity Bonds

The Bonds will constitute an additional series of Parity Bonds under the Bond Resolution and will be issued in compliance with the requirements of the Bond Resolution set forth in the succeeding paragraph for the issuance of additional Parity Bonds ("Additional Parity Bonds").

Additional Parity Bonds may be issued on a parity with the Bonds only if the Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Additional Parity Bonds have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Parity Bonds to be outstanding immediately after issuance of such Additional Parity Bonds and said Net Revenues must also be sufficient to provide an amount of Net Revenues for the then current Fiscal Year which, net of depreciation and the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the City's Policy Costs due and owing in such Fiscal Year as shown by a certificate signed by the City's Chief Financial Officer. For the purposes of this computation, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing water, wastewater, natural gas, electrical or solid waste (garbage and rubbish) properties for the System, there may be added to the Net Revenues of such preceding Fiscal Year the net revenues derived from the operation of such existing water, wastewater, natural gas, electrical or solid waste (garbage and rubbish) system properties during the immediately preceding Fiscal Year as estimated by an engineer or engineering firm which shall have a wide and favorable reputation in respect to such matters, and (ii) if during such preceding Fiscal Year, the City shall have increased its System rates or charges, there may be added to the Net Revenues of such Fiscal Year the increased amount of Net Revenues which would have been received from the operation of the System during such Fiscal Year had such increase been in effect throughout such Fiscal Year, such increased amount of Net Revenues to be estimated by an engineer or engineering firm which shall have a wide and favorable reputation in respect to such matters.

The City expects to issue Additional Parity Bonds in the future pursuant to existing and future voted bond authorizations and pursuant to additional and supplemental resolutions.

The City is currently authorized to issue \$72,213,190 of Parity Bonds, pursuant to voter approval given at special bond elections held on March 29, 1994 and November 2, 2010. The purposes and amounts of such authorized but unissued Parity Bonds are set forth below. Parity Bonds may also be issued for refunding purposes.

Purpose of Utility Systems Revenue Bond Authorization	Remaining 1994 Bond Authorization*	Remaining 2010 Bond Authorization	Remaining Systems Revenue Bonds Authorized But Unissued*
Gas System Improvements	\$ 0	\$ 15,120,000	\$ 15,120,000
Water System Improvements	0	9,665,402	9,665,402
Wastewater System Improvements	0	36,822,788	36,822,788
Electric System Improvements	0	3,320,000	3,320,000
Solid Waste System Improvements	<u>7,285,000</u>	<u>0</u>	<u>7,285,000</u>
Total	<u>\$ 7,285,000</u>	<u>\$64,928,190</u>	<u>\$72,213,190</u>

* Utility systems bonds remaining authorized but unissued from the City's March 29, 1994 special election may, at the option of the City, be issued as either general obligation bonds or utility systems revenue bonds.

The City Council has adopted a resolution ordering a special bond election to be held on November 4, 2014, which, if approved, will authorize issuance of \$580,000,000 utility systems revenue bonds. Such authorization will be in addition to the authorized but unissued bonds set forth in the table above.

Subordinate Lien Obligations

The Bond Resolution does not prohibit the City from issuing or incurring bonds or other obligations which are payable from and secured by Net Revenues on a basis junior and subordinate to the lien upon such Net Revenues in favor of the Bonds and other Parity Bonds. The City has no outstanding subordinate lien obligations and has no current plans to issue or incur subordinate lien obligations.

**COMBINED SCHEDULES OF NET
REVENUES AND DEBT SERVICE COVERAGE**

The following table sets forth a record of the combined schedules of annual revenues, expenditures and Net Revenues for the most recent five fiscal years - followed by a statement of utility system revenue bond debt service requirements and debt service coverage provided by such Net Revenues for each fiscal year.

	Preliminary 2013/2014	Audited			
		2012/13	2011/12	2010/11	2009/10
System Revenues:*					
Electric System	\$ 30,795,331	\$ 31,329,590	\$ 34,893,745	\$ 33,439,877	\$ 33,296,661
Gas System	38,807,391	39,479,701	39,687,911	41,564,836	38,908,250
Water System	112,713,697	116,365,932	115,509,376	104,081,108	102,933,842
Wastewater System	66,671,967	68,102,896	65,004,181	60,170,089	57,886,967
Solid Waste System	47,434,966	47,465,809	47,672,855	47,743,120	46,746,901
Total System Revenues	\$ 296,423,352	\$ 302,743,928	\$ 302,768,068	\$ 286,999,030	\$ 279,772,621
System Expenses:*					
Electric System	\$ 22,059,581	\$ 22,653,360	\$ 22,474,739	\$ 22,141,338	\$ 21,851,913
Gas System	26,762,121	26,041,258	25,302,392	27,953,350	27,064,001
Water System	37,279,625	36,419,495	34,263,918	35,202,564	37,779,141
Wastewater System	18,442,161	20,489,961	22,916,754	19,481,237	21,151,463
Solid Waste System	29,498,324	28,836,756	26,652,787	26,534,703	25,963,715
Total System Expense	\$ 134,041,812	\$ 134,440,830	\$ 131,610,590	\$ 131,313,192	\$ 133,810,233
Net Income Available For Debt Service (Net Revenues)	\$ 162,381,540	\$ 168,303,098	\$ 171,157,478	\$ 155,685,838	\$ 145,962,388
Utility Systems Revenue Bond Debt Service Requirements	\$ 69,774,441	\$ 68,041,686	\$ 64,830,323	\$ 55,398,585	\$ 50,854,631
Approximate Debt Service Coverage Provided By Net Revenues	2.33x	2.47x	2.64x	2.81x	2.87x

* System revenues include all income, moneys and receipts derived by the City from the ownership, use and operation of the System. Such revenues include operating revenues, interest income and other miscellaneous revenues. System expenses are the reasonable and necessary costs of System operation, maintenance and repair, but exclude depreciation and debt service expenses. System revenues and expenses indicated in the above schedule are set forth on a modified accrual basis, recognizing revenues when they become measurable and available and expenses when incurred.

Source: City of Mesa, Arizona Financial Services Department

Historically, the City has annually transferred a portion of the Net Revenues to the City's general fund after providing for payment of the current debt service requirements of all Parity Bonds and utility systems – supported general obligation bonds. In fiscal year 2013/14, such transfer occurred in the amount of approximately \$90 million. The City expects to continue this practice in the future.

RISK FACTORS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all the information presented herein. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds.

Additional Bonds and Other Obligations of City. The City has the capacity to enter into other obligations which are payable from the Net Revenues of the System and which are on a parity with the Bonds. To the extent that Additional Parity Bonds or other obligations are issued or incurred by the City, the funds available to make the debt service payments on the Bonds may be decreased.

Economic Downturns; Adverse Effects on System Revenues. A number of factors, many of which may be beyond the control of the City, could have an adverse impact on the level of Net Revenues of the System, including adverse changes in the national economy, the Arizona economy, and interest rate levels.

Costs of System Operation and Availability of Materials. The production of Net Revenues from the System could be affected by the costs of operating and maintaining the System, including the availability and price of commodities, and could be materially adversely affected by factors beyond the control of the City, such as strikes, energy shortages, material shortages, inflation, adverse weather conditions, changes in state or federal law and other contingencies. In addition, there are financial risks associated with purchase of wholesale gas and electric energy and associated transmission capacity, including potential instability of market participants.

Factors Affecting the Utility Industry. The utility industry has been, and in the future may be, affected by a number of factors which could impact electric, gas, water and wastewater utilities. Such factors include, among others: (i) effects of compliance with rapidly changing environmental, health, safety, licensing, regulatory and legislative standards and requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of commodities, (iii) “self” or “co-generation” by certain electric customers, (iv) other changes in actual demand from projected future requirements and (v) issues relating to issuance of tax-exempt obligations and restrictions thereon.

Impact of Electric Deregulation, Open Access and Reliability Standards. Deregulation of the electric utility industry may be revisited. See “Electrical Utility Industry Deregulation” in APPENDIX C – “City of Mesa, Arizona - Utility Systems Information.”

The Energy Policy Act of 1992 resulted in fundamental changes in the federal laws and regulations related to the electric utility industry, particularly in the area of transmission access. However, the City generally is excluded from the provisions of these laws as it is not a “public utility” as defined therein. Additionally, the City does not have any transmission service or power supply arrangements that would otherwise make it subject to open access transmission service and tariff requirements under the Federal Power Act as amended.

Comprehensive energy legislation was also passed in 2005 (the “2005 Energy Policy Act”) which provided in part that an “electric reliability organization” (“ERO”) should, subject to Federal Energy Regulatory Commission (“FERC”) approval, develop reliability standards for operation of the bulk electric power system. FERC subsequently certified the North American Electric Reliability Council (“NERC”) as the nation's ERO and approved various NERC reliability standards. However, the City exclusively provides local distribution of electric energy to retail customer loads and does not operate generation resources, interconnections, transmission lines, or other facilities which would make it subject to current reliability standard compliance requirements, consistent with FERC Order 743A issued in 2011.

Natural Gas Transportation Agreements. Natural Gas supplies secured by the City are transported via a major pipeline system owned and operated by the El Paso Natural Gas Company LLC, a Kinder Morgan Company (“EPNG”) under the terms and conditions of two transportation service agreements (“TSAs”). A 1996 settlement with EPNG provides some rate protection to the City under the TSAs from EPNG’s published Tariff rates. However, these protections are the subject of several Dockets pending before the Federal Energy Regulatory Commission. The results of these pending matters could impact the City’s gas utility operations.

Pending Litigation Involving the Water and Wastewater Utility Operations. The City is a claimant in the pending Arizona General Stream Adjudication (the “Adjudication”), a decades-long judicial proceeding to determine the extent and priority of water rights in the Gila and Little Colorado River systems. The City has participated as a party in the settlement of the claims of a number of Native American Communities, including the Gila River Indian

Community, the White Mountain Apache Tribe, and the Salt River Pima-Maricopa Indian Community (which borders the City on the north). Although a number of significant claims have been resolved through these settlements, other claims of non-Indian parties, including the City, remain outstanding, and the future results of the Adjudication could impact City water utility operations.

The City is also a party to the proceeding in the Arizona Navigable Stream Adjudication (NSA) regarding the Salt River. The NSA deals with matters relating to whether the State of Arizona retains title to the beds of Arizona rivers and streams based on their navigability. The results of the NSA could impact the City's wastewater utility operation.

Possible Future Litigation Regarding Utility Rates. Litigation against the City regarding referendum petitions seeking a referendum as to utility rate increases adopted in 2004 resulted in a final decision holding such increases as not subject to voter approval by referendum. However, an amendment to A.R.S. § 9-511.01 made by the Arizona Legislature in 2006, which requires that rates and charges for water and wastewater services charged by Arizona cities and towns must be "just and reasonable," may encourage litigation against cities and towns, such as the City, to reduce or defer rate increases, or challenge future rate increases.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the fiscal year ended June 30, 2013 and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be placed in an irrevocable depository trust (the "Depository Trust") with U.S. Bank National Association (the "Depository Trustee") to be applied to the payment of the principal of and interest due on the Bonds Being Refunded identified below (the "Bonds Being Refunded"). Such funds will be used to acquire noncallable obligations issued by the United States of America (the "Government Obligations"), the principal of and interest on which, when due, are calculated to be sufficient to provide moneys to pay the principal of, and interest due on the Bonds Being Refunded. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

The Government Obligations will be held by the Depository Trustee in trust for the payment of such principal of, and interest on the Bonds Being Refunded pursuant to the terms of a depository trust agreement (the "Depository Trust Agreement") between the City and the Depository Trustee.

Bonds Being Refunded*

The following table sets forth the stated maturity dates, CUSIP numbers, redemption dates and redemption premium of the Bonds Being Refunded.

Refunded Issue	Maturity Date (July 1)	Principal Amount Outstanding	Amount Being Refunded*	Maturity or Redemption Date	Redemption Price	CUSIP No. (a)
Utility Systems Revenue Bonds, Series 2002	2015	\$ 1,000,000	\$ 1,000,000	7/1/2015	100.00%	590545JB6
Utility Systems Revenue Bonds, Series 2003	2015	1,000,000	1,000,000	7/1/2015	100.00	590545LD9
Utility Systems Revenue Bonds, Series 2005	2026	10,700,000	10,700,000	7/1/2015	100.00	590545MT3
	2027	11,250,000	11,250,000	7/1/2015	100.00	590545MU0
	2028	11,750,000	11,750,000	7/1/2015	100.00	590545MV8
	2029	24,000,000	24,000,000	7/1/2015	100.00	590545MW6
Utility Systems Revenue Bonds, Series 2006	2028	10,750,000	6,640,000	7/1/2016	100.00	590545NE5
	2029	11,000,000	6,795,000	7/1/2016	100.00	590545NF2
	2030	36,750,000	22,710,000	7/1/2016	100.00	590545NG0
Total			<u>\$95,845,000</u>			

*Subject to change.

- (a) Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's Finance Services LLC ("S&P"). This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, the Financial Advisor or the Underwriters and are included solely for convenience of the holders. None of the City, the Financial Advisor or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

Pursuant to the Master Resolution, upon deposit of funds into the Depository Trust and receipt of the verification report described below under "VERIFICATION OF MATHEMATICAL COMPUTATIONS", the Bonds Being Refunded shall no longer be deemed Outstanding under the Bond Resolution or secured by the Net Revenues.

The City is refinancing the Bonds Being Refunded to achieve debt service savings.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the City, on or before the issue date of the Bonds, its verification report indicating, among other things, that it has verified, in accordance with standards for attestation engagements established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when due the principal of, interest and applicable premiums, if any, on the Bonds Being Refunded and (b) the yields on the Government Obligations and the Bonds. The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the City and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the City and its representatives and has assumed the accuracy of the data, information and documents used in the computations.

SOURCES AND USES OF FUNDS

The Proceeds of the Bonds will be applied substantially as follows:

Sources of Funds:

The Bonds	\$
Net Reoffering Premium/(Discount)	
Total Sources of Funds	<u>\$</u>

Uses of Funds:

Deposit to Depository Trust*	\$
Underwriters' Compensation	
Deposit to Bond Fund	
Total Uses of Funds	<u>\$</u>

-
- * Certain costs incurred by the City in connection with the issuance of the Bonds will be paid from the Depository Trust.

ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE*

The following schedule sets forth (i) the estimated annual debt service requirements of the City's outstanding Parity Bonds net of the Bonds Being Refunded, (ii) the estimated annual debt service requirements of the Bonds, (iii) the total estimated annual utility systems revenue bond debt service requirements following issuance of the Bonds and (iv) the estimated debt service coverage ratio provided for such total annual debt service requirements based upon the City's unaudited fiscal year 2013/14 Net Revenues (\$162,381,540).

City of Mesa, Arizona Schedule of Estimated Combined Annual Utility Systems Revenue Bond Debt Service Requirements and Debt Service Coverage

Fiscal Year	Utility Systems Revenue Bonds Outstanding (a)		The Bonds		Estimated Combined Annual Debt Service Requirements	Estimated Debt Service Coverage Provided By Net Revenues (d)
	Principal	Interest (b)	Principal	Estimated Interest (c)		
2014/15	\$ 21,988,389	\$ 43,359,917	\$	\$ 2,619,101	\$ 67,967,407	2.38x
2015/16	24,931,189	42,230,282		3,308,338	70,469,809	
2016/17	26,204,052	41,020,936		3,308,338	70,533,326	
2017/18	32,016,981	39,831,593		3,308,338	75,156,912	
2018/19	34,964,976	38,280,653	155,000	3,308,338	76,708,967	2.11x
2019/20	30,228,040	36,528,839	690,000	3,303,300	70,750,179	
2020/21	31,671,173	35,089,326	720,000	3,280,875	70,761,374	
2021/22	33,194,378	33,565,301	760,000	3,257,475	70,777,154	
2022/23	34,817,657	31,941,173	795,000	3,232,775	70,786,605	
2023/24	36,566,010	30,193,725	835,000	3,206,938	70,801,673	
2024/25	38,434,440	28,324,217	880,000	3,179,800	70,818,457	
2025/26	29,467,949	26,590,895	11,605,000	3,151,200	70,815,044	
2026/27	30,671,538	25,276,456	12,060,000	2,774,038	70,782,032	
2027/28	25,410,210	23,862,632	19,100,000	2,382,088	70,754,930	
2028/29	14,977,367	22,675,470	31,295,000	1,761,338	70,709,175	
2029/30	25,110,000	21,952,830	22,900,000	744,250	70,707,080	
2030/31	49,985,000	20,782,931			70,767,931	
2031/32	52,195,000	18,573,851			70,768,851	
2032/33	54,770,000	15,996,430			70,766,430	
2033/34	58,175,000	12,591,363			70,766,363	
2034/35	61,640,000	9,124,691			70,764,691	
2035/36	67,300,000	6,039,000			73,339,000	
2036/37	67,290,000	3,347,000			70,637,000	
2037/38	16,385,000	655,400			17,040,400	
	<u>\$ 898,394,349</u>		<u>\$ 101,795,000</u>			

(a) Represents all Parity Bonds outstanding, net of Bonds Being Refunded.

(b) Interest on the City's Taxable Utility Systems Revenue Bonds, Series 2009 (Build America Bonds – (Direct Pay) and the City's Taxable Utility Systems Revenue Bonds, Series 2010 (Build America Bonds – Direct Pay) is without reduction of the federal subsidy payments. See footnote (j) on page B-3 herein.

(c) Interest on the Bonds is estimated at 3.25%.

(d) Debt Service Coverage is computed using the unaudited Net Revenues of \$162,381,540 for Fiscal Year 2013/14. See "COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE", herein. The Fiscal Year 2013/14 Net Revenues provide coverage for the total estimated annual debt service

* Subject to change.

requirements in Fiscal Year 2014/15 of approximately 2.38x* and approximately 2.11x* the total estimated annual debt service requirements for Fiscal Year 2018/19, the Maximum Annual Debt Service payable on all Parity Bonds to be outstanding immediately after issuance of the Bonds.

RATINGS

Moody's Investor Service ("Moody's") and S&P have assigned credit ratings of "Aa2" and "AA-", respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of such ratings may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, 23rd Floor, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. Such ratings may subsequently be revised downward or withdrawn entirely by Moody's or S&P, if, in their respective judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The City will covenant in its continuing disclosure certificate (see "Continuing Secondary Market Disclosure" below) that it will cause notices to be filed with the Municipal Securities Rulemaking Board (the "MSRB"), through EMMA of any formal change in the ratings relating to the Bonds.

LEGAL MATTERS

Legal matters relating to the issuance and delivery of the Bonds, validity of the Bonds under Arizona law and the tax-exempt status of the interest on the Bonds (see "TAX EXEMPTION") are subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, ("Bond Counsel") whose services as Bond Counsel have been retained by the City. The signed legal opinion of Bond Counsel dated and premised on the law in effect only as of the date of original delivery of the Bonds, will be delivered to the City at the time of original issuance.

The proposed text of the legal opinion is set forth as APPENDIX G. The legal opinion to be delivered may vary from the text of APPENDIX G if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Such legal opinion expresses the professional judgment of Bond Counsel as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the performance of parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

Certain legal matters will be passed upon solely for the benefit of the Underwriters (as defined below under "UNDERWRITING") by Squire Patton Boggs (US) LLP, as counsel to the Underwriters.

TAX EXEMPTION

In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State of Arizona income taxes. The opinion of Bond Counsel will be dated as of the date of initial delivery of the Bonds. A form of such opinion is included herein in APPENDIX G – "Form of Approving Legal Opinion."

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of its investment earnings with respect to the Bonds. The City has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included in gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Bonds do not provide for an adjustment in interest rate or yield in the event of

* Subject to change.

taxability and an event of taxability does not cause an acceleration of the principal on the Bonds. The opinion of Bond Counsel assumes continuing compliance with such covenants.

The Code also imposes an “alternative minimum tax” upon certain corporations and individuals. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation’s “adjusted current earnings” over the corporation’s AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation’s “adjusted current earnings” includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a Beneficial Owner’s (as defined in Appendix F – “Book-Entry-Only System”) federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations should consult their tax consultants as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the respective Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not “private activity bonds” within the meaning of Section 141 of the Code.

Currently and from time to time, there are legislative proposals in Congress which, if enacted could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX G. The extent of change in Bond Counsel’s opinion cannot be determined at this time. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

BOND PREMIUM

The initial public offering prices of the Bonds maturing July 1, 20__ through and including July 1, 20__ are greater than the amounts payable on such Bonds at maturity (collectively, the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner’s yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

ORIGINAL ISSUE DISCOUNT

The initial offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Discount Bonds”), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Bonds, and the amount payable at maturity of the Discount Bonds, will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the Issue Price and who holds the Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the

Discount Bond for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accruing each period will be added to the Beneficial Owner's tax basis for the Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Bonds. Beneficial Owners who do not purchase the Discount Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in "TAX EXEMPTION" herein.

Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local taxes.

LITIGATION

At the time of delivery of the Bonds, an officer of the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending, or to the knowledge of the City, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or that questions the City's right or authority to receive the sources of payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or the Continuing Disclosure Certificate, or contesting in any way the completeness or accuracy of this Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the City to execute and deliver the Continuing Disclosure Certificate, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Continuing Disclosure Certificate, or have a material adverse effect on the transaction contemplated by this Official Statement.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and RBC Capital Markets, LLC (the "Underwriters") have agreed to purchase the Bonds at an aggregate purchase price of \$_____, pursuant to a bond purchase agreement (the "Purchase Contract") entered into by and between the City and the Underwriters. If the Bonds are sold to produce the yields shown on the front cover hereof, the Underwriters' compensation will be \$_____. The Purchase Contract provides that the Underwriters will purchase all of the Bonds so offered, if any, are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower or yields higher than the public offering prices stated on the cover page hereof. The initial offering prices or yields set forth on inside the front cover may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

The City intends to use a portion of the proceeds from this offering to redeem the Bonds Being Refunded. To the extent an Underwriter or an affiliate thereof is an owner of Bonds Being Refunded, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Bonds Being Refunded being redeemed by the City.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City’s Chief Financial Officer, the descriptions and statements contained in this Official Statement are at the time of issuance of the Bonds, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

CONTINUING SECONDARY MARKET DISCLOSURE

The City will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2015 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”), as set forth in APPENDIX H – “Form of Continuing Disclosure Certificate” (the “Continuing Disclosure Certificate”). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB’s EMMA system as described in APPENDIX H – “Form of Continuing Disclosure Certificate.”

These covenants will be made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H – “Form of Continuing Disclosure Certificate” hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Also, pursuant to Arizona law, the ability of the City to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the City not comply with such covenants due to a failure to appropriate for such purposes, the City has covenanted to provide notice of such fact in the same fashion it provides the Notices. Absence of continuing disclosure due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

With the exception of the instances noted below, the City has complied with all of its existing continuing disclosure undertakings over the last five years in all material respects. The City Finance Department has instituted processes to ensure timely and proper filing of its Annual Reports for all of the City’s outstanding bonds.

The Annual Report, which was due on February 1, 2013, was filed on February 12, 2013. In addition, the City did not file its notice of failure to timely file such Annual Report until June 2, 2014. Inadvertently, the filing on February 12, 2013 did not relate to all of the CUSIP numbers for bonds issued in 2010, 2011 and 2012; this error was corrected on February 27, 2013. In reference to the City's Highway Project Advancement Notes, the Annual Report which was due on February 1, 2010, was filed on _____, 2014. In reference to the Phoenix-Mesa Gateway Airport Authority Special Facility Revenue Bonds (Mesa Project), Series 2012, the City's Annual Report was due on February 1, 2013, but was not filed until February 12, 2014.

The City implemented new accounting software during fiscal year 2013, which caused delays in preparing the Annual Report for the fiscal year ended June 30, 2013. As a result, the Annual Report due on February 1, 2014 was filed on May 12, 2014. The new software has now been fully implemented.

The City inadvertently failed to present certain information in the Annual Reports in the same format and detail as originally presented in the applicable Official Statements. This general information was contained in the Annual Report. For example, schedules of net revenues and debt service coverage for fiscal years ended June 30, 2009 through June 30, 2013 should have been presented on a modified accrual basis as part of the Annual Report related to the City's Utility Systems Revenue Bonds. The schedules of net revenues and debt service coverage were subsequently prepared and filed on March 24, 2014. Other schedules correcting these failures for the past five years were subsequently prepared and filed on or before _____, 2014.

In reference to the City's General Obligation Bonds, Utility Systems Revenue Bonds, Street and Highway User Revenue Bonds, and Excise Tax Obligations, the City did not timely file certain bond insurance rating changes, but the City has filed such notices on or before _____, 2014.

FINANCIAL ADVISOR

Wedbush Securities Inc. is Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Wedbush Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

GENERAL PURPOSE FINANCIAL STATEMENTS

The Audited General Purpose Financial Statements of the City for the year ended June 30, 2013, a copy of which is included in APPENDIX D of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ending June 30, 2013 and are not current. The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include the report, and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve estimates, projections, forecasts or matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Such estimates, projections, forecasts or matters of opinion are forward looking statements which must be read with an abundance of caution. Information set forth in this Official Statement has been derived from the records of the City and from certain other sources, as referenced, and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statements that may have been or that may be made orally or in writing are to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds.

This Official Statement has been prepared by the City and executed for and on behalf of the City by its Chief Financial Officer, as indicated below.

CITY OF MESA, ARIZONA

By: _____
Chief Financial Officer

**CITY OF MESA, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

General

The City of Mesa (the “City” or “Mesa”) is the third largest city in the State and the 38th largest city in the United States. Founded in 1878 and incorporated in 1883, the City has an estimated population of 450,310. The following table illustrates the City’s population statistics since 1990, along with the population statistics for the County and the State, respectively.

POPULATION STATISTICS

Year	City of Mesa	Maricopa County	State of Arizona
2013 Estimate (a)	450,310	3,944,859	6,581,054
2010 Census	439,041	3,817,117	6,392,017
2000 Census	396,375	3,072,149	5,130,632
1990 Census	288,091	2,122,101	3,665,305

(a) Estimate as of July 1, 2013 (Published December 15, 2013).

The following table sets forth a record of the City’s geographic area since 1970.

**SQUARE MILE STATISTICS
City of Mesa, Arizona**

Year	Square Miles
2010	133.14
2000	125.00
1990	122.11
1980	66.31
1970	20.80

Source: City of Mesa, Arizona, Planning and Community Development Department.

Municipal Government and Organization

The City operates under a charter form of government with citizens electing a Mayor and six Council members to set policy for the City. In 1998, a voter initiative was approved changing the way Council members are elected from an at-large to a district system. Six districts were created and in March 2000, the first three district Council members were elected in Districts 1, 2 and 3. In March 2002, Districts 4, 5 and 6 elected their first district Council members. The City's Council members serve terms of four years, with three members being elected every two years. The Mayor continues to be elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is a Council member selected by the City Council.

The City Manager, who has full responsibility for carrying out City Council policies and administering City operations, is appointed by the Mayor and City Council. The City Manager is responsible for the appointment of City department heads. Additionally, City employees are hired under merit system procedures as specified in the City Charter. The various functions of City government and operations are undertaken by City employees working the various City departments.

City Administrative Staff

Christopher Brady, City Manager. Mr. Brady was appointed by the City Council to serve as City Manager effective January 1, 2006. Under Mesa's council-manager form of government, the City Manager serves as the chief operating officer of the City, one of the fastest-growing cities of the United States. Mr. Brady implements the policies established by the City Council and coordinates all City departments and other affairs assigned by the City Charter. Prior to joining the City, Mr. Brady served as Assistant City Manager for the City of San Antonio, Texas. Mr. Brady has a Bachelor of Fine Arts degree in Political Science and a Masters in Public Administration from Brigham Young University.

Kari Kent, Deputy City Manager. Ms. Kent has been with the City since 1993. She was promoted to Solid Waste Management Director in 1999, Assistant Development Services Director in July 2001, and Neighborhood Services Director since June 2006, and was appointed Deputy City Manager in June 2007. Ms. Kent received a Bachelor of Science Degree from Northern Arizona University and a Masters of Public Administration from Arizona State University.

John Pombier, Deputy City Manager. Mr. Pombier was hired as the City Prosecutor in 2003 and was promoted to Deputy City Manager in 2011. Mr. Pombier has a law degree from Arizona State University and a Bachelor of Business Administration from University of Michigan School of Business.

Michael Kennington, Chief Financial Officer. Mr. Kennington was hired as the City's Chief Financial Officer in July 2012 and is responsible for the City's overall financial policies, strategies, planning and forecasts. He has a Master of Accountancy degree and Master of Business Administration degree from Brigham Young University and is a Certified Public Accountant.

Economy

The City's major economic sectors are comprised of manufacturing, non-manufacturing, government and commercial activities (including construction and commerce), agriculture and tourism.

The following table sets forth unemployment averages for the United States, the State, the County and the City for the most recent five full years for which such information is available.

UNEMPLOYMENT AVERAGES

<u>Year</u>	<u>United States</u>	<u>State of Arizona(a)</u>	<u>Maricopa County(a)</u>	<u>City of Mesa(a)</u>
2014(b)	6.7%	7.4%	6.3%	6.2%
2013	7.4	8.0	6.7	6.6
2012	8.1	8.3	7.2	7.1
2011	8.9	9.4	8.5	8.3
2010	9.6	10.4	9.6	8.8
2009	9.3	9.8	9.0	8.3

- (a) This table includes restated data: In 2012 various Local Area Unemployment Statistics ("LAUS") program data was revised between the years 2007 through 2011 to incorporate new population controls, updated inputs, reestimation of models, and adjustment to new census division and national control totals.
- (b) Data is not seasonally adjusted, is preliminary and is an average through March 2014 for LAUS data and through April 2014 for the National Unemployment Rate.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Manufacturing and Non-Manufacturing Employment

A list of significant employers located within the City is set forth in the following table.

MAJOR EMPLOYERS City of Mesa, Arizona (a)

<u>Employer</u>	<u>Description</u>	<u>Approximate Employment</u>
Banner Health System	Hospital Network	9,573
Mesa Public Schools	Public Education	8,770
The Boeing Company	Helicopter Manufacturing and Assembly	4,086
City of Mesa	Government	3,715
Maricopa County Government	Government	2,644
Wal-Mart	Retail	2,533
Mesa Community College	Education	1,951
The Kroger Company (Fry's)	Grocery Store	1,210
Gilbert Unified Schools	Public Education	1,087
Aviall Inc.	Aviation Parts	842
Home Depot	Retail	837

- (a) As of November 2013, Apple announced a planned employee count of 700 employees within the City.

Sources: City of Mesa – Office of Economic Development, Phoenix Business Journal, Reference USA, MAG Employer Database, updated December 2013.

Phoenix-Mesa Gateway Airport and the Airport/Campus District

Phoenix-Mesa Gateway Airport (formerly known as Williams Gateway Airport) has three runways (10,401 feet, 10,201 feet, and 9,301 feet) and a newly expanded and remodeled passenger terminal. Phoenix-Mesa Gateway Airport is a small-hub commercial airport serving the Phoenix-Mesa metropolitan area with direct service to over 30 cities currently provided by Allegiant Air.

Phoenix-Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing, and pilot training. Currently more than 35 aviation companies operate on the airport, including three manufacturer service centers for Cessna, Embraer, and Hawker-Beechcraft. In Fiscal Year 2010, the airport commissioned Arizona State University to conduct an economic impact study. According to that study, the total economic benefit (including all multiplier effects) totaled \$685 million, supporting 4,900 jobs in the area. On-airport economic activity produced \$273 million of output, creating employment for 886 on-airport workers, and proprietor earnings of \$53.6 million.

Phoenix-Mesa Gateway Airport is owned and operated by the Phoenix-Mesa Gateway Airport Authority whose members include the City, City of Phoenix, Town of Gilbert, Town of Queen Creek, the City of Apache Junction and the Gila River Indian Community.

Adjacent to Phoenix-Mesa Gateway Airport, the Airport/Campus District serves approximately 8,700 students. The campus includes five higher education partners - Arizona State University Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace. The ASU Polytechnic campus has expanded and added new academic buildings that doubled the instructional lab and classroom space, and added faculty offices and a 500-seat auditorium.

State Route 24, a one-mile freeway segment extending access from the existing State Route 202 freeway eastward, was completed May 2014. This freeway segment lies immediately north of Phoenix-Mesa Gateway Airport, and will provide freeway access to the east side of the airport property. Such access will be beneficial for the economic development of properties located on, and adjacent to, Phoenix-Mesa Gateway Airport, as well as future terminal development on the east side.

Construction

The following tables set forth annual records of building permit values and new housing permits issued within the City for the period 2009-2014.

VALUE OF BUILDING PERMITS City of Mesa, Arizona (\$000's omitted)

<u>Year (a)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2013/14 (b)	\$274,309	\$246,989	-	\$6,459	\$527,757
2012/13	334,138	308,994	-	5,266	706,865
2012	243,762	331,860	-	2,546	578,168
2011	169,238	293,054	-	35,323	497,615
2010	153,146	26,125	\$2,697	44,181	226,149
2009	162,040	63,988	6,550	35,306	267,884

(a) Data from 2009 through 2012 is for calendar years. Data for 2012/13 through 2013/14 is for fiscal years.

(b) Partial fiscal year data through March 25, 2014.

Source: The City and Arizona State University Realty Studies. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date on which the permit is issued is not to be construed as the date of construction.

NEW HOUSING PERMITS
City of Mesa, Arizona

<u>Year (a)</u>	<u>Total New Housing Units</u>
2013/14 (b)	748
2012/13	957
2012	739
2011	1,447
2010	782

(a) Data from 2009 through 2012 is for calendar years. Data for 2012/13 through 2013/14 is for fiscal years.

(b) Partial fiscal year data through March 25, 2014.

Source: The City and Arizona State University Realty Studies. The date on which the permit is issued is not to be construed as the date of construction.

Retail

The following table set forth is a record of retail sales activity within the City.

**TAXABLE
RETAIL SALES**
City of Mesa, Arizona

<u>Year</u>	<u>Retail Sales</u>
2013	\$3,771,601,899
2012	3,557,501,931
2011	3,458,279,940
2010	3,662,333,085
2009	4,955,009,829

Source: The City.

Agriculture

Although still a contributor to the economic base, the agricultural sector is no longer a significant factor of the City's economy due to the industrial, commercial and residential development which has occurred over the past 30 years. The principal products of the City's remaining agricultural sector are dairy operations and citrus.

Tourism

The tourism sector is a significant contributor to the City's economy. The City's hotels, motels, golf courses, parks and playgrounds, restaurants and retail shops provide tourists with accommodations and recreational facilities.

There are more than 60 hotels in the City, with all of the major hotel brands represented. The table below contains a listing of certain hotels located within the City.

HOTELS City of Mesa, Arizona

<u>Hotel Name</u>	<u>Number of Sleeping Rooms</u>
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	212
Arizona Golf Resort	187
Hyatt Place Phoenix-Mesa	152
Marriott Courtyard	149
Best Western Mezona Inn	128
Country Inn and Suites	126
La Quinta (West)	125
Days Hotel Mesa-Gilbert	120
Quality Inn/Suites	119

Source: Mesa Convention and Visitors Bureau.

The City owns and operates the Mesa Convention Center (the "Convention Center") which offers convention facilities. The Convention Center is situated on a 22-acre site adjacent to the Phoenix Marriott Mesa. The Convention Center includes Centennial Hall, which is a multipurpose facility of approximately 15,000 square feet, and the Centennial Conference Center and the Rendezvous Center, which offer an additional 18,500 square feet of meeting space. The City operates and maintains 58 parks, including 11 sports complexes and 133 basis covering more than 2,000 acres. In addition, The City manages 9 aquatic facilities, 2 professional baseball stadiums and a par 72, 18 hole championship golf course.

The award-winning Mesa Arts Center facility in downtown Mesa opened in spring of 2005. The Mesa Arts Center is a 212,775-square foot performing arts, visual arts and arts education facility, the largest and most comprehensive arts center in the State.

**CITY OF MESA, ARIZONA
FINANCIAL DATA**

Current Year Statistics (For Fiscal Year 2014/15)

City of Mesa, Arizona

Total General Obligation Bonds Outstanding	\$ 344,645,000	(a)
Total Utility Systems Revenue Bonds to Be Outstanding	1,000,189,350	(b)*
Total Street and Highway User Revenue Bonds Outstanding	107,705,000	(c)
Total Excise Tax Obligations Outstanding	190,695,000	(d)
Primary Assessed Valuation	\$2,660,122,572	(e)
Secondary Assessed Valuation	2,821,172,754	(e)
Estimated Full Cash Value	\$23,856,664,882	(f)

-
- (a) Represents all general obligation bonds outstanding. See “Statements of Bonds Outstanding – General Obligation Bonds Outstanding” in this appendix.
- (b) Represents all utility systems revenue bonds to be outstanding following issuance of the Bonds. See “Statements of Bonds Outstanding – Utility Systems Revenue Bonds to Be Outstanding” in this appendix.
- (c) Represents all street and highway user revenue bonds outstanding. See “Statements of Bonds Outstanding – Street and Highway User Revenue Bonds Outstanding” in this appendix.
- (d) Represents all excise tax obligations of the City outstanding. See “Statements of Bonds Outstanding – Excise Tax Obligations Outstanding” in this appendix.
- (e) Arizona legislation divides property taxes into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are currently subject to certain limitations. Pursuant to a State Constitutional amendment in 2012 and enacting legislation, beginning in fiscal year 2015/16, annual increases in the valuation of property for both primary and secondary tax purposes will become subject to limitations.
- (f) Total estimated full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

* Subject to change.

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds Outstanding (g) City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2002	Refunding	24,840,000	7-1-04/15	\$ 1,420,000
2004	Refunding	46,445,000	7-1-09/18	46,180,000
2005	Various Purpose	11,705,000	7-1-12/24	1,500,000
2006	Various Purpose	9,710,000	7-1-13/25	9,425,000
2007	Various Purpose	15,915,000	7-1-19/27	15,915,000
2008	Various Purpose	15,450,000	7-1-09/28	13,450,000
2009	Various Purpose	61,830,000	7-1-10/29	45,495,000
2010	Various Purpose	30,865,000	7-1-20/30	30,865,000 (h)
2011	Various Purpose	29,320,000	7-1-12/31	26,350,000
2012	Refunding	31,665,000	7-1-13/22	23,685,000
2012	Various Purpose	27,290,000	7-1-13/32	25,600,000
2013	Refunding	8,915,000	7-1-14/24	8,885,000
2013	Various Purpose	59,960,000	7-1-14/33	58,325,000
2014	Various Purpose	37,550,000	7-1-15/34	37,550,000
Total General Obligation Bonds Outstanding				<u><u>\$344,645,000</u></u>

- (g) Excludes \$8,705,000 of the City's General Obligation Bonds, Series 2005, which were refunded by the City's General Obligation Refunding Bonds, Series 2013. Debt service requirements for such refunded bonds are provided for by obligations of the United States of America that are held in irrevocable trust by U.S. Bank National Association.
- (h) These bonds were issued as taxable bonds under the Build America Bond program for which subsidy payments equal to 35% of the interest payments on such bonds are expected to be made by the federal government. Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 8.7% for the federal fiscal year 2012/13, and by 7.2% in federal fiscal year 2013/14 due to sequestration reductions imposed by the federal government. Additional sequestration reductions or other reductions may be imposed by the federal government in future years. The City is required to pay the shortfall in the interest payments caused by the reduction.

Utility Systems Revenue Bonds to Be Outstanding (i)*
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding*
2002	Utility Improvement	57,950,000	7-1-09/21	\$ 3,000,000
2002	Refunding	129,000,000	7-1-04/17	22,310,000
2002A	Refunding	48,850,000	7-1-08/17	17,890,000
2003	Utility Improvement	50,470,000	7-1-10/22	5,000,000
2004	Refunding	40,345,000	7-1-14/19	40,325,000
2004	Utility Improvement	64,625,000	7-1-19/28	6,125,000
2005	Utility Improvement	91,200,000	7-1-19/29	71,200,000
2006	Utility Improvement	105,400,000	7-1-23/30	87,325,000
2006	Refunding	61,300,000	7-1-09/21	58,075,000
2006	Refunding	127,260,000	7-1-12/28	126,965,000
2007	Utility Improvement	65,550,000	7-1-23/31	65,550,000
2008	Refunding	21,125,000	7-1-09/18	8,275,000
2008	Utility Improvement	52,875,000	7-1-23/32	52,875,000
2009	Utility Improvement	59,900,000	7-1-23/33	59,900,000 (j)
2009	WIFA Loans	3,758,810	7-1-10/29	2,244,351
2010	Utility Improvement	50,380,000	7-1-34	50,380,000 (j)
2011	Utility Improvement	53,950,000	7-1-35	53,950,000
2012	Refunding	31,580,000	7-1-16,17,20,21	31,580,000
2012	Taxable Refunding	80,295,000	7-1-20/27	80,295,000
2012	Utility Improvement	67,300,000	7-1-36	67,300,000
2013	Utility Improvement	47,290,000	7-1-37	47,290,000
2014	Utility Improvement	36,385,000	7-1-37/38	36,385,000
Total Utility Systems Revenue Bonds Outstanding				\$994,239,351
Less: Bonds Being Refunded				(95,845,000) *
Plus the Bonds				101,795,000 *
Total Utility Systems Revenue Bonds to Be Outstanding				<u>\$1,000,189,351 *</u>

(i) Excludes \$56,430,000 principal amount of the City's Utility Systems Revenue Refunding Bonds, Series 2002, which were refunded by the City's Taxable Utility Systems Revenue Refunding Bonds, Series 2012. Debt service requirements for such refunded bonds are provided for by obligations issued by the United States of America that are held in irrevocable trust by U.S. Bank National Association.

(j) These bonds were issued as taxable bonds under the Build America Bond program for which subsidy payments equal to 35% of the interest payments on such bonds are expected to be made by the federal government. Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 8.7% for the federal fiscal year 2012/13, and by 7.2% in federal fiscal year 2013/14 due to sequestration reductions imposed by the federal government. Additional sequestration reductions or other reductions may be imposed by the federal government in future years. The City is required to pay the shortfall in the interest payments caused by the reduction.

* Subject to change.

Street and Highway User Revenue Bonds Outstanding (k)
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2003	Street Improvements	\$26,805,000	7-1-10/22	\$ 3,200,000
2004	Refunding	17,760,000	7-1-14/18	17,740,000
2004	Street Improvements	9,585,000	7-1-10/23	1,075,000
2005	Refunding	23,800,000	7-1-07/23	23,750,000
2005	Street Improvements	10,225,000	7-1-10/24	1,175,000
2006	Street Improvements	11,675,000	7-1-23/25	11,675,000
2007	Street Improvements	10,675,000	7-1-23/27	10,675,000
2012	Refunding	36,090,000	7-1-14/22	29,915,000
2013	Refunding	8,500,000	7/1/2024	8,500,000
Total Street and Highway User Revenue Bonds Outstanding				<u><u>\$107,705,000</u></u>

(k) Excludes \$8,500,000 principal amount of the City's Street and Highway User Revenue Bonds, Series 2005, which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2013. Debt service requirements for such refunded bonds are provided for by obligations of the United States of America that are held in irrevocable trust by U.S. Bank National Association.

Excise Tax Obligations Outstanding
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
Senior Obligations:				
2011A	Highway Project Advancement Notes	77,835,000	7/1/2017-21	77,835,000
2013	Excise Tax Revenue Obligations	94,060,000	7/1/27, 7/1/32	94,060,000
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7/1/14-38	18,800,000
Total Excise Tax Obligations Outstanding				<u><u>\$190,695,000</u></u>

Retirement Plans and Other Post Employment Benefits
City of Mesa, Arizona

The City contributes to three separate defined benefit pension plans for the benefit of all general employees of the City and elected officials. Please refer to APPENDIX D – “Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2013” for a more detailed description of these plans and the City contributions to the various plans.

The Arizona State Retirement System (“ASRS”), a cost-sharing, multiple employer defined benefit plan, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: <https://www.azasrs.gov/content/annual-reports>. The effect of the increase in ASRS’ unfunded liabilities on the City, or on the City’s and its employees’ future annual contribution to ASRS, are projected to increase in future years.

The City’s contributions to the ASRS for Fiscal Years 2012/13 and 2011/12 were \$16.61 million and \$14.56 million, respectively, both of which were equal to the required contributions for the year. The contribution rate, including retirement and long-term disability, for Fiscal Year 2011/12 was 10.74 percent for the City and for member employees, and for Fiscal Year 2012/13, the rate increased to 11.14 percent for the City and for member employees. Additional increases are projected by the actuary through Fiscal Year 2017/18.

The Arizona Public Safety Personnel Retirement System (“PSPRS”), an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members’ contribution rate, has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The effect of the increase in the PSPRS’s unfunded liabilities is expected to result in increased contributions by the City and its employees, however the specific impact on the City, or on the City’s and its employees’ future annual contributions to the PSPRS, cannot be determined at this time.

For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members’ annual covered payroll, and the City was required to contribute at the actuarially determined rate of 27.62 percent for fire and 27.51 percent for police, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution was set at 1.68 percent for fire and 1.88 percent for police of covered payroll.

The Elected Officials Retirement Plan (EORP) is relatively insignificant to the City’s financial picture.

New Reporting Requirements

Government Accounting Standards Board adopted Statement Number 68, Accounting and Financial Reporting for Pensions (“GASB 68”), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their “proportionate share” of the plan’s net pension liability in their government-wide financial statements. GASB 68 will also require that the cost-sharing employer’s pension expense component include its proportionate share of the plan’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. The new reporting requirements imposed by GASB 68 will change the financial statements of the City, but what the specific effect will be is unknown at this time.

Other Post-Employment Benefits

Beginning with the Fiscal Year that commenced on July 1, 2008, the City implemented GASB 45, *Accounting by Employers for Other Post Employment Benefits (OPEB)*, which will require the City to report the actuarially accrued cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. GASB 45 will require that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not prefunded, GASB 45 will require the reporting of such costs as a financial statement liability. Under GASB 45, the City will be required to commission an actuarial valuation of its OPEB costs every two years. City contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in net OPEB costs, which under GASB 45 will be required to be recorded as a liability in the City’s financial statements.

The City provides post-retirement health care benefits to all retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2013, approximately 1,615 former employees and beneficiaries were eligible for these benefits. Other Post Employment Benefits costs incurred by the City in Fiscal Year 2012/13 were \$83.6 million for health care costs for retired employees. This cost represents actual claims paid for retirees under the self-insurance program and premiums paid to the vision care provider, net of contributions received from retirees and retirement systems. See Note 16 – Post Employment Benefit on page 79 of the City’s audited financial statements for Fiscal Year 2012/13 presented in APPENDIX D.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost and the related information for the plan are as follows at June 30, 2013:

Annual Required Contribution	\$86,593,869
Interest on Net OPEB Obligation	12,447,374
Adjusted to Annual Required Contribution	<u>(15,471,899)</u>
Annual OPEB Cost	83,569,344
Contributions Made	<u>(14,676,902)</u>
Increase in Net OPEB Obligation	68,892,442
Net OPEB Obligation - Beginning of Year	<u>320,156,613</u>
Net OPEB Obligation - End of Year	<u>\$389,049,055</u>

The City's net OPEB obligation as of June 30, 2013 was \$389,049,055. Contributions for Fiscal Year 2012/13 were \$14,676,902.

Beginning January 1, 2009, all new hires are ineligible for coverage under the City's self-insured health plan.

**CITY OF MESA, ARIZONA
UTILITY SYSTEMS INFORMATION**

Electric System

The City of Mesa (the “City” or “Mesa”) Energy Resources Department’s Electric Utility (“Electric Utility”) has been in operation since 1917. The Electric Utility’s electric service area (“ESA”) covers approximately six square miles including the downtown business center of the City. As of the fiscal year ended June 30, 2014, the Electric Utility served a total of 16,460 customers comprised of 13,966 residential and 2,494 commercial and other customers. There are no industrial customers in the ESA. A fiscal year summer system peak demand of approximately 82.8 MWs and system energy requirements of 323,552 MWhs was metered at the Rogers Substation, the Electric Utility’s point of supply.

During the fiscal year ended June 30, 2014, the Electric Utility’s power and transmission resource scheduling and utilization were managed through its participation in the Resources Management Services program (“RMS”) administered by the Western Area Power Administration (“Western”) of the United States Department of Energy. Western provided scheduling, dispatching and accounting functions and purchased supplemental power, as needed, on a monthly, daily and real-time basis. The RMS group consists of Mesa, Electrical District Number Two (ED-2), the Town of Fredonia, Aha Macav Power Service, and the Cortaro-Marana Irrigation and Drainage District. As part of the RMS group, these entities pool loads and resources to achieve the benefits of diversity and greater economies of scale in purchased power transactions.

The supply-side resource portfolio during the Electric Utility’s fiscal year beginning July 1, 2013 and ending June 30, 2014 was comprised of long-term purchased power agreements and short-term seasonal and daily power market purchases. The Electric Utility contracts for long-term power based on the results of competitive requests for proposals. Additionally, as a member in RMS, has access to the wholesale power supply market and the ability to engage in *ad hoc*, short-term firm and non-firm transactions. Current power supply resources for the Electric Utility are as follows:

Electric Power Resources	Expiration Dates	Contract MW	
		Summer	Winter
Western Area Power Administration (1):			
• Parker-Davis Project	09/2028	10.4	8
• Colorado River Storage Project	09/2024	4.3	3.4
Exelon Generation Company, LLC (2)	03/2017	15	15
Exelon Generation Company, LLC (3)	08/2015	10	10
Exelon Generation Company, LLC (4)	10/2018	10	0
Shell Energy North America, L.P. (5)	12/2018	10-0	11-1
Shell Energy North America, L.P. (6)	09/2015	15	0

- (1) Mesa and Western are parties to two long-term contracts that provide hydroelectric power from the Parker-Davis Project (“P-DP”) and the Colorado River Storage Project (“CRSP”). The P-DP contract expires on September 30, 2028, and the CRSP contract expires on September 30, 2024.
- (2) Mesa and Exelon Generation Company, LLC (“Constellation”) are parties to a 5-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand with associated energy beginning April 1, 2012 and expiring March 31, 2017. Please note that effective November 25, 2013, Constellation was merged into Exelon Generation Company, LLC.
- (3) Mesa and Constellation are also parties to 3-year firm 10 MW, 7 x 16, on-peak power purchase and sale agreement for demand with associated energy beginning July 1, 2013 (for power in July and August) and expiring August 31, 2015. Please note that effective November 25, 2013, Constellation was merged into Exelon Generation Company, LLC.

- (4) Mesa and Constellation are also parties to 5-year firm 10 MW, 7 x 16, on-peak, Day-Ahead Call Option power purchase and sale agreement for firm energy beginning June 1, 2014 and expiring October 31, 2018. Please note that effective November 25, 2013, Constellation was merged into Exelon Generation Company, LLC.
- (5) Mesa and Shell Energy North America, L.P. (“SENA”) are parties to a 5-year firm 11-0 MW, 7 x 24, base-load purchased power and sale agreement for demand and associated energy beginning January 1, 2014 and terminating December 31, 2018. This contract has varying levels of power by month.
- (6) Mesa and SENA are also parties to a 3-year firm 15 MW, 7 x 16, on-peak power purchase and sale agreement for demand and associated energy beginning May 1, 2013 and terminating September 30, 2015.

Mesa’s purchased power and energy resources are contractually transmitted over Western’s Parker-Davis and Pacific Intertie transmission systems to Western’s 500/230 kV West Wing and 230 kV Pinnacle Peak Substations and then to the 230 kV Rogers Substation, jointly owned by Salt River Project (“SRP”), Western, and Mesa. The power and energy are then transmitted to Mesa’s 69kV lines to seven electrical distribution substation facilities (12kV and 4kV) owned by Mesa and operated by the Electric Utility and distributed to Mesa’s service area through associated distribution lines. As of June 30, 2014 there were approximately 200 miles of overhead primary and approximately 244 miles of underground primary distribution lines that distribute power to the customer end-use distribution transformers.

Electrical Utility Industry Deregulation

In the 1998 legislative session, the Arizona legislature adopted House Bill 2663 (H.B. 2663) to address many of the issues and the implementation of electric industry deregulation within Arizona. H.B. 2663 attempted to establish a framework for the adoption of administrative rules by the Arizona Corporation Commission’s (“ACC”) phasing in of electric competition for the sale of retail power by public power entities (such as Mesa), and confirmed the ACC’s authority to set the framework for public service corporations. Under H.B. 2663, however, Mesa could “opt out” and not open its service area to competition so long as Mesa did not provide service outside its service area boundaries. In August of 1998, Mesa adopted a resolution exercising its authority to “opt out” of competition due to non-competition covenants made by Mesa in the Bond Resolution. In 2000, however, the Arizona legislature adopted Senate Bill 1056 (S.B. 1056) under which Mesa was required to open its service territory to competition beginning in January 2002.

Electric industry restructuring in Arizona, however, may be considered to be on hold indefinitely given the lack of substantive regulatory activity since 2004 and the issuance of a variety of regulatory orders beginning in 2002 that have essentially nullified or placed on hold regulatory actions considered significant prerequisites for implementing deregulation. This stance was reaffirmed on September 2013 when the ACC voted to close its recently opened docket concerning deregulation of the retail electric market in Arizona. This marked the second time the state started down the path of deregulation and opted against it.

The tables below contain information with respect to the City's electric system.

Schedule of Current Electric System Fees and Charges

Description of Electric Services	Fee/Charge * (2013/14)
Residential Electric Service = E1.1	
Monthly Bill Per Meter	
May 1 to October 31	
Customer Charge	\$5.71
Usage Charge	
First 1200 kWh	\$0.05128 per kWh
> 1200 kWh	\$0.04822 per kWh
November 1 to April 30	
Customer Charge	\$5.71
Usage Charge	
First 800 kWh	\$0.03765 per kWh
> 800 kWh	\$0.01633 per kWh
Energy Cost Adjustment Factor**	
Minimum	\$5.71
Non-Residential Service = E3.1	
Monthly Bill Per Meter	
May 1 to October 31	
Customer Charge	\$6.22
Demand Charge	
Generation	
First 50 kW	\$0.00 per kWh
>50 kW	\$3.52 per KW
Distribution	
First 50 kW	\$0.00 per kWh
>50 kW	\$0.3968 per KW
Energy Cost Adjustment Factor**	
Distribution	
First 15,000 kWh	\$0.06491 per kWh
15,001-75,000 kWh	\$0.04125 per kWh
>75,000 kWh	\$0.02901 per kWh
November 1 to April 30	
Customer Charge	\$6.22
Demand Charge	
Generation	
First 50 kW	\$0.00
>50 kW	\$3.20 per kW
Distribution	
First 50 kW	\$0.00
>50 kW	\$0.115 per kW
Energy Cost Adjustment Factor**	
Distribution	
First 15,000 kWh	\$0.05375 per kWh
15,001-75,000 kWh	\$0.03692 per kWh
>75,000 kWh	\$0.02060 per kWh

* The City may require special service agreements for consumers requiring large electric loads.

** The Energy Cost Adjustment Factor is a monthly per KWH charge that was implemented November 1, 2004, which allows for the full recovery of the costs of fuel and purchased power costs. The average Fiscal Year 2013/14 factor for residential was \$0.05152 per kWh and the average Fiscal Year 2013/14 factor for non-residential was \$0.04017 per kWh.

Source: City of Mesa Utility Rate and Fees Book Fiscal Year 2013/14. The information above reflects only certain basic fees and charges of the City's electric system and is not a comprehensive statement of all such fees.

Schedule of Electric System Rate Increases (2010-2014)

<u>Date</u>	<u>Rate Increase</u>
August 1, 2014	Residential*
August 1, 2013	None
August 1, 2012	None
August 1, 2011	None
August 1, 2010	None

* For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$0.79.

Source: City of Mesa Energy Resources Department.

Schedule of Electric System Customers (Fiscal Years 2009/10 through 2013/14)

<u>Fiscal Year</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Other Customers</u>	<u>Total Customers</u>
2013/14	13,966	2,322	172	16,460
2012/13	13,613	2,298	184	16,095
2011/12	13,359	2,289	193	15,841
2010/11	13,290	2,250	185	15,725
2009/10	12,949	2,265	185	15,399

Source: City of Mesa Energy Resources Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Electric System Customers

The following is a list of the ten largest Electric System Customers in order by revenue.

Mesa Public Schools
Centurylink, Inc.
Pacifica Centennial, LLC
Mesa Cold Storage
Promise Hospital of Phoenix, Inc.
Mesa Arizona Temple
Brown and Brown Chevrolet
Basha's Market-2
Epicurean Fine Foods, Inc.
Hogue Printing

The combined 2013/14 Electric System fees/charges for the top ten Electric System customers set forth above was \$3,162,861, constituting 10.27% of the total 2013/14 Electric System operating revenue (\$30,795,331). No individual Electric System customer above constitutes more than 5% of the total 2013/14 Electric System operating revenue.

The City also receives electric services from the Electric System, and records the revenue as Interdepartmental Revenue. For Fiscal Year 2013/14, Electric Interdepartmental Revenues were \$3,404,582. The City as a customer constitutes approximately 11% of the total 2013/14 Electric System operating revenue.

Source: City of Mesa Finance Department

Natural Gas System

The Energy Resources Department's Natural Gas Utility System ("NG Utility") has been in operation since 1917, and the American Public Gas Association ("APGA") ranks the City's NG Utility as the 15th largest publicly-owned gas utility system in the United States in terms of customers served. The NG Utility's natural gas service territory is comprised of two major service areas: 1) the City Service Area ("CSA") of approximately 90 square miles within the City limits; and 2) the Magma Service Area ("MSA"), a 236 square mile system located southeast of the City in Pinal County, Arizona. As of the fiscal year ended June 2014, the City's combined NG Utility operated 1,264 miles of distribution mains and served approximately 58,011 total customers comprised of 55,615 Residential and 2,396 Commercial and other customers.

The NG Utility's natural gas supplies and associated contracts are designed to fulfill not only existing system requirements, but anticipate system growth and peak needs of that growth. During fiscal year ended June 2014, the NG Utility's natural gas supplies were provided by Shell Energy North America, L.P. ("SENA"). The natural gas supplies provided by SENA came from both the San Juan Basin in New Mexico and the Permian Basin in West Texas. The natural gas was transported via a major pipeline system owned and operated by El Paso Natural Gas Company LLC, a Kinder Morgan company ("EPNG"), under the terms and conditions of Transportation Service Agreements ("TSA") No. FT2AF000 and No. FT2AE000 that were effective February 1, 2013. During Fiscal Year 2013/14, TSA No. FT2AE000 was extended for 10 years effective July 1, 2014 given that it was due to expire June 30, 2014, TSA No. FT2AF000 continues on an "evergreen" year-to-year basis. The TSAs provide the NG Utility with the ability to transport its total, daily natural gas supplies to five (5) NG Utility-owned gate stations located in both the CSA and MSA.

For fiscal year ended June 2014, the NG Utility experienced a total natural gas supply hourly peak delivery of 1,308.4 DThs per hour. Total natural gas supply deliveries at the NG Utility's gate stations during fiscal year ended June 2014 were 2,883,963 DThs.

Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed. Continued growth of the NG Utility system, especially in the MSA will require the extension of distribution mains in order to serve developing residential and commercial areas.

The following tables provide information with respect to the City's Natural Gas Utility.

Schedule of Current Natural Gas System Fees and Charges

Description of Natural Gas Services	Fee/Charge (2013/14)
City Service Area Residential Gas Service = G1.1	
May 1st through October 31st	
Gas System Service Charge	\$ 9.68
First 25 Therms	0.6685 / therm
All Additional Therms	0.2167 / therm
November 1st through April 30th	
Gas System Service Charge	\$ 12.61
First 25 Therms	0.6685 / therm
All Additional Therms	0.4926 / therm
Natural Gas Supply Cost Adjustment*	
City Service Area Gas Service = G3.1	
May 1st through October 31st	
Monthly Service Charge	\$ 29.03
First 1200 Therms	0.5280 / therm
All Additional Therms	0.3166 / therm
November 1st through April 30th	
Monthly Service Charge	\$ 38.71
First 1200 Therms	0.5718 / therm
All Additional Therms	0.4574 / therm
Natural Gas Supply Cost Adjustment*	
Magma Service Area Residential Gas Service = GM1.1	
May 1st through October 31st	
Gas System Service Charge	\$ 10.67
First 25 Therms	0.7370 / therm
All Additional Therms	0.2388 / therm
November 1st through April 30th	
Gas System Service Charge	\$ 13.91
First 25 Therms	0.7370 / therm
All Additional Therms	0.5433 / therm
Natural Gas Supply Cost Adjustment*	
Magma Service Area General Gas Service = GM3.1	
May 1st through October 31st	
Monthly Service Charge	\$ 35.85
First 1200 Therms	0.6522 / therm
All Additional Therms	0.3910 / therm
November 1st through April 30th	
Monthly Service Charge	\$ 47.78
First 1200 Therms	0.7061 / therm
All Additional Therms	0.5648 / therm
Natural Gas Supply Cost Adjustment*	

* The Natural Gas Tariff Adjustment allows for the full recovery of the cost of natural gas. It is a monthly per billed therm charge. The average factor for Fiscal Year 2013/14 for residential and general service was \$0.46823 per therm.

Source: City of Mesa Energy Resources Department. The table above reflects only certain basic fees and charges of the City's natural gas system and is not a comprehensive statement of all such fees.

Schedule of Natural Gas System Rate Increases (2010-2014)

<u>Date</u>	<u>Rate Increase</u>
August 1, 2014	\$1.14*
August 1, 2013	0.00%
August 1, 2012	0.00%
August 1, 2011	2.50%
August 1, 2010	2.50%

* The monthly fixed component of rates (Gas System Service Charge/Monthly Service Charge) was increased by \$1.14 for both residential and non-residential customers.

Source: City of Mesa Energy Resources Department. The schedule immediately above reflects customers as of June 30 of each fiscal year.

Schedule of Natural Gas System Customers (Fiscal Years 2009/10 through 2013/14)

<u>Fiscal Year</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Other Customers</u>	<u>Total Customers</u>
2013/14	55,615	2,175	221	58,011
2012/13	54,544	2,191	206	56,941
2011/12	53,408	2,207	213	55,828
2010/11	52,326	2,195	211	54,732
2009/10	51,819	2,215	211	54,245

Source: City of Mesa Energy Resources Department.

Schedule of the 10 Largest Natural Gas System Customers

The following is a list of the ten largest Natural Gas System Customers in order by revenue.

Banner Desert Medical Center
Regional Public Transit Authority
Mesa Public Schools
Waste Management of Arizona, Inc.
Banner Corporate Center
Commercial Metals Company
PI Properties No. 11, LLC
The Boeing Company
Banner Gateway Medical Center
Cal-Am Properties, Inc.

The combined 2013/14 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$3,932,605, constituting 9.96% of the total 2013/14 Natural Gas System operating revenue (\$38,807,391). No individual Natural Gas System customer constitutes more than 3% of the total 2013/14 Natural Gas System operating revenue.

The City receives gas services from the Natural Gas System and records the revenue as Interdepartmental Revenue. For Fiscal Year 2013/14 Natural Gas Interdepartmental Revenues for the City were \$420,252.

Source: City of Mesa Finance Department.

Water System

The water utility system of the City serves a population of over 465,000, residing within a 170 square mile area. The water system currently consists of approximately 135,000 residential and commercial connections. The City is well positioned to ensure reliable delivery of quality water to meet current and future demands.

Water is provided from three general sources: the Salt and Verde River system, the Colorado River via the Central Arizona Project (“CAP”), and groundwater wells. In addition, the City has stored an amount of surface water equal to approximately five times its annual demand in underground aquifers to mitigate future drought. The City is designated with a 100-Year Assured Water Supply by the Arizona Department of Water Resources, and has worked hard to ensure current and future availability of water supplies for normal and drought conditions. Currently, the City has legal access to approximately double the amount of water that it uses today, ensuring adequate supplies for growth. The City has worked hard to provide a current and future availability of water supplies for normal and drought conditions.

The City has 19 storage facilities in the water system service area capable of storing 105 million gallons. The City has approximately 2,300 miles of water distribution mains. A backflow prevention program has been implemented and enforced to protect the quality of the drinking water from possible sources of contamination. The total current capacity of the water system is approximately 245 million gallons per day (“mgd”). The record peak day was in 2005 and required approximately 138 mgd. The average day in calendar year 2013 was 81 mgd with a peak day of 122 mgd.

Surface water from the Salt and Verde Rivers is treated at the Val Vista Water Treatment Plant. The plant is jointly owned by Mesa and the City of Phoenix. Currently, the plant has a treatment capacity of 220 mgd, of which Mesa owns 90 mgd. The plant produces approximately 38% of the water delivered by the City.

Colorado River water is delivered to the City via the CAP Canal. The water is treated at the Mesa CAP Water Treatment Plant, which recently was expanded to 72 mgd and produces approximately 50% of the City’s water.

Groundwater wells produce the remaining 12% of the water used in the City. The City currently has 32 active groundwater wells with a pumping capacity of approximately 83 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought, scheduled maintenance of surface water canals, or operational issues within the surface water system.

The City is actively involved in promoting water conservation. As public education plays a large role in conservation, the City makes available a variety of free publications, participates in community and business sponsored events, maintains a speaker’s bureau, and sponsors a youth education program. The City has also instituted a rebate program for low water use landscaping, and has generally incorporated an inclining block rate structure to encourage water conservation.

The City’s water master plan was updated in 2012.

The following tables provide information with respect to the City's water utility.

Schedule of Current Water System Fees and Charges

<u>Description of Water System Services</u>	<u>Fees/Charges</u>
Monthly Minimum Bill-All Classes, All Zones*	
3/4 Inch	\$ 24.14
1 Inch	27.04
1 1/2 Inch	37.85
2 Inches	49.64
3 Inches	98.33
4 Inches	155.72
6 Inches	298.22
8 Inches	441.64
10 Inches	598.31
*Includes the first 3,000 gallons of water as a minimum charge for capacity availability	
Monthly Volume Charge - Residential	
First 12,000 Gallons of Water	\$2.74/1,000 Gallons
Next 12,000 Gallons of Water	\$4.11/1,000 Gallons
Additional Usage	\$4.60/1,000 Gallons

Source: City of Mesa Water Resources Department. The table above reflects only certain basic fees and charges of the City's water system and is not a comprehensive statement of all such fees.

Schedule of Water System Rate Increases (2010-2014)

<u>Date</u>	<u>Rate Increase</u>
July 1, 2014	7.00%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	6.80%
August 1, 2010	5.50%

Source: City of Mesa Water Resources Department.

**Schedule of Water System Customers
(Fiscal Years 2009/10 through 2013/14)**

<u>Fiscal Year</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Multi-Unit Customers</u>	<u>Total Customers</u>
2013/14	123,064	10,197	4,486	137,747
2012/13	121,486	10,220	4,462	136,168
2011/12	120,335	10,125	4,443	134,903
2010/11	119,359	10,025	4,380	133,764
2009/10	121,194	10,119	4,410	135,723

Source: City of Mesa Water Resources Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Water System Customers

The following is a list of the ten largest Water System Customers in order by revenue.

Mesa Public Schools
ASU East Single Family Homes
LDS Church
Cal-Am Properties, Inc.
Gilbert Public Schools
Commercial Metals Company
Banner Desert Medical Center
Platypus Development, LLC
Bella Via Community Association
IMT-LB Del Coronado/Mesa LLC

The combined 2013/14 Water System fees/charges for the top ten Water System customers set forth above was \$5,451,082 constituting 4.84% of the total 2013/14 Water System operating revenue (\$112,713,697). No individual Water System customer above constitutes more than 2% of the total 2013/14 Water System operating revenue.

The City receives water services from the Water System and records the revenue as Interdepartmental Revenue. For Fiscal Year 2013/14 Water Interdepartmental Revenues for the City were \$4,158,879.

Source: City of Mesa Water Resources Department.

Wastewater System

The City's gravity wastewater collection system currently serves approximately 127,000 residential and commercial connections. Three water reclamation plants (WRP) and one wastewater treatment plant (WWTP) provide wastewater treatment for the City of Mesa.

The Phoenix-operated 91st Avenue WWTP, which is jointly owned by the City of Mesa and four other nearby municipalities within the Sub-Regional Operating Group (SROG), currently has a 205 mgd capacity. Mesa's portion of that amount is approximately 29 mgd.

The City owns and operates three water reclamation plants. The Northwest Water Reclamation Plant (NWWRP) currently has a treatment capacity of 18 mgd. Reclaimed water from the NWWRP is delivered to the Granite Reef Underground Storage Project where it is converted into water rights that can be used to meet future potable water demands. The plant also has solids treatment processing capabilities.

The Southeast Water Reclamation Plant (SEWRP) serves the northeastern part of the City and has a plant capacity of 8 mgd. The plant sends its bio-solids to the Greenfield Water Reclamation Plant (GWRP).

The GWRP is a regional plant operated by the City of Mesa, and co-owned with the Towns of Gilbert and Queen Creek. The GWRP serves southeast Mesa and a portion of northeast Mesa. GWRP currently has a treatment capacity of 16 mgd of which Mesa owns 4 mgd. The ultimate treatment capacity of the plant is expected to reach 52 mgd with Mesa's portion expected to reach 26 mgd. The plant currently has bio-solids processing capacity of 24 mgd of which Mesa owns 12 mgd. The ultimate bio-solids capacity of the plant is expected to reach 58 mgd, of which Mesa will own 30 mgd. Reclaimed water from the SEWRP and the GWRP is delivered to the Gila River Indian Community for agricultural use as part of a water exchange program. Through this exchange, the City receives four acre-feet of Central Arizona Project water for use in its potable system for every five acre-feet of reclaimed water that is delivered to the Community.

The City has approximately 1,650 miles of sewer mains, 15 lift stations, 20 odor control stations, 5 metering stations, and 30 diversion structures in its wastewater collection system. In addition, the City is part owner in the Baseline/Southern Interceptors, and the Salt River Outfall (SRO) interceptor mains that transport sludge and wastewater to the 91st Avenue WWTP. The City's wastewater system master plan was updated in 2013.

The City's wastewater system and current agreements allow for a treatment capacity of approximately 60 mgd. The average day during calendar year 2013 was 33.6 mgd, with a peak day of 41.3 mgd.

The following tables provide information with respect to the City's wastewater utility.

Schedule of Current Wastewater System Fees and Charges

User Charge Component (average winter water consumption)	1.34 / 1,000 gallons
Capital Related Component (average winter water consumption in excess of 5,000 gallons)	2.43 / 1,000 gallons
General Commercial Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$16.86
User Charge Component (all water used)	1.34 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	2.43 / 1,000 gallons
Multi-Unit Dwelling Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$16.86
User Charge Component (all water used)	1.34 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	2.43 / 1,000 gallons
Industrial Sewer Service - Inside City	
Monthly Bill	
Capital Component	
Flow (in excess of 5,000 gallons)	\$2.370 / 1,000 gallons
BOD (in excess of lbs. contributed in first 5,000 gallons)	0.184 / pound
SS (in excess of lbs. contributed in first 5,000 gallons)	0.152 / pound
User Charge Component	
Flow	\$0.696 / 1,000 gallons
BOD (Biochemical Oxygen Demand)	0.340 / pound
SS (Suspended Solids)	0.203 / pound
Minimum - Capital Component (includes use of 5,000 gallons)	13.02
User Charge Billing Component	2.81

Source: City of Mesa Water Resource Department. The table above reflects only certain basic fees and charges of the City's wastewater system and is not a comprehensive statement of all such fees.

Schedule of Wastewater System Rate Increases (2010-2014)

Date	Rate Increase
July 1, 2014	7.00%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	5.80%
August 1, 2010	4.50%

Source: City of Mesa Water Resources Department.

Schedule of Wastewater System Customers (Fiscal Years 2009/10 through 2013/14)

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2013/14	112,813	5,457	4,352	1	0	122,623
2012/13	111,171	5,398	4,335	1	0	120,905
2011/12	110,007	5,378	4,333	2	0	119,720
2010/11	107,275	4,839	4,269	2	460	116,845
2009/10	108,355	4,487	4,323	2	880	118,047

No longer reported as industrial, per source doc.

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Largest Wastewater System Customers

The following is a list of the ten largest Wastewater System Customers in order by revenue.

Mesa Public Schools
Cal-Am Properties, Inc.
Town of Gilbert
ASU East Single Family Homes
Platypus Development, LLC
Banner Desert Medical Center
IMT-LB Del Coronado/Mesa LLC
Wal-Mart Stores, Inc.
Standard Phoenix Fund, LLC
Viewpoint RV Resort, LLC

The combined 2013/14 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$3,974,656 constituting 5.84% of the total 2013/14 Wastewater System operating revenue (\$66,671,967). No individual Wastewater System customer above constitutes more than 2% of the total 2013/14 Wastewater System operating revenue.

The City receives wastewater services from the Wastewater System and records the revenue as Interdepartmental Revenue. For Fiscal Year 2013/14 Wastewater Interdepartmental Revenues for the City were \$327,430.

Source: City of Mesa Water Resources Department.

Solid Waste System

The City's solid waste system is the exclusive provider of solid waste collection services to single and multi-family residences located within the City. Standard residential solid waste service includes once per week collection of trash and once per week collection of recyclables. Single-family residences and many multi-family residences are serviced using automated side-loader trucks, thereby reducing the personnel required from a collection crew to a single driver/operator. The residential solid waste system currently consists of approximately 130,073 customers.

The City's solid waste system is also the exclusive provider of solid waste collection services to apartment complexes using front loader trucks. The City currently has approximately 3,000 customers who have metal bin service. The City competes with private solid waste hauler and collection services for commercial customers within the City. It is currently estimated that the City serves approximately 43% of the total commercial customers in the City. The City's solid waste collection system utilizes both a blue barrel and green barrel curbside recycling program. A 32% diversion rate in materials going to landfills is realized from these programs, saving the City considerable expense.

In December 2007, the City extended its agreement through the year 2015 for use of the Salt River-Pima Maricopa Indian Community's landfill located directly north of the City across the Salt River. This landfill is a designed facility that meets all Federal Subtitle D requirements.

In 2014, the City entered into 5 agreements with 8 additional landfills and/or Transfer Stations for the disposal of approximately 25% of the total solid waste. These additional facilities allow the City to reduce our overall operating costs. These facilities meet all Federal Subtitle D requirements.

Schedule of Current Solid Waste System Fees and Charges **Residential Solid Waste System Monthly Billing**

Rate R1.2*: \$25.45 per unit for single dwellings units, duplexes, triplexes and fourplexes when the water account servicing the unit or units is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection and once per week recycling barrel collection (90 gallon individual garbage barrel).

\$22.72 per unit for single dwelling units when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for once per week residential Solid waste barrel collection and once per week recycling barrel collection (60 gallon garbage barrel).

Rate R1.21: \$12.02 per each additional 60/90 gallon solid waste barrel collected on same day as first solid waste barrel.

Rate R1.23: \$27.30 per unit for the first barrel in addition to the above R1.2 rate for twice per week solid waste collection, and \$12.02 for each additional barrel at twice per week.

Rate R1.24*: \$22.72 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R1.26*: \$25.45 per unit for duplexes, triplexes and fourplexes when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for metal bin service.

Rate R1.27*: \$22.72 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for metal bin collection. Applicability of this rate shall be based on one-half cubic yard of capacity per unit per week.

Rate R1.28: \$6.01 per each 90 gallon green waste barrel collected once per week.

Rate R1.29*: \$24.62 per unit for single dwellings units, when the water account servicing the unit is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection (90 gallon individual garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee.

\$21.88 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste service area for once per week residential solid waste barrel collection (60 gallon garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee.

* A \$0.65 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

BULK ITEM COLLECTION PROGRAM

A \$19.99 fee will be assessed per load of bundled or properly prepared bulk items. The maximum volume of one load is equivalent to 128 cubic feet at each individual pick-up location. A customer needs to cancel a scheduled pickup prior to the collection crew arriving at the address or a \$10.23 fee will be assessed if there are no bulk items located at the scheduled address when a crew arrives.

Commercial Solid Waste System Monthly Billing

Rate R3.8: \$25.45 for the first 90 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.

\$22.72 for the first 60 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R3.81: \$12.02 per each additional 60/90 gallon solid waste barrel for once per week solid waste barrel collection on same geographic in-zone day as the first barrel.

Rate R3.82: \$27.30 per unit for the first barrel in addition to the above R3.8 rate for twice per week solid waste barrel collection, and \$12.02 for each additional barrel at twice per week.

Source: City of Mesa Solid Waste Department. The table above reflects only certain basic fees and charges of the City's solid waste system and is not a comprehensive statement of all such fees.

Schedule of Solid Waste System Rate Increases (2010-2014)

<u>Date</u>	<u>Rate Increase</u>
July 1, 2014	6.90%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	0.00%
August 1, 2010	0.00%

Source: City of Mesa Solid Waste Department.

Schedule of Solid Waste System Customers (Fiscal Years 2009/10 through 2013/14)

<u>Fiscal Year</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Other Customers</u>	<u>Total Customers</u>
2013/14	130,073	3,000	300	133,373
2012/13	122,682	3,034	302	126,018
2011/12	120,409	2,906	201	123,516
2010/11	115,811	2,166	219	118,196
2009/10	110,694	2,185	200	113,079

Source: City of Mesa Solid Waste Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Solid Waste Customers

The following is a list of the ten largest Solid Waste Customers in order by revenue.

Cal-Am Properties, Inc.
Mesa Public Schools
ViewPoint RV Resort, L.C.
Casa Fiesta Tempe Ltd. Ptsp.
Norton S. Karno APC ERT
Mobile Homes Communities
Tesoro at Greenfield Condo Assoc.
MHC Monte Vista, LLC
Sierra Villages Associates
Las Palmas, Ltd.

The combined 2013/14 Solid Waste fees/charges for the top ten Solid Waste customers set forth above was \$1,658,247 constituting 3.5% of the total 2013/14 Solid Waste operating revenue (\$47,434,966). No individual Solid Waste customer above constitutes more than 1% of the total 2013/14 Solid Waste operating revenue.

The City receives solid waste services from the Solid Waste Department and records the revenue as Interdepartmental Revenue. For Fiscal Year 2013/14 Solid Waste Interdepartmental Revenues for the City were \$453,679.

Source: City of Mesa Finance Department.

Billing and Collection Procedures

The City bills its utility customers in cycles throughout the month with each customer being billed at approximately the same time every month. Electric, gas and water accounts are based on meter readings, wastewater charges are based on water usage and solid waste disposal fees vary depending on the size of the containers and frequency of collections.

The City's collection procedures for delinquent utility accounts involve a series of billings and notices with a discontinuance of service at the end of 72 days. Due to the collection procedures, utility deposits required on various accounts and the nature of the service being provided, the City has experienced write-offs at or below one-half of one percent during the past four fiscal years.

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CITY OF MESA, ARIZONA

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR
THE YEAR ENDED JUNE 30, 2013**

The following audited financial statements are the most recent available to the City. These financial statements are not current and may not represent the current financial conditions of the City.

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SUMMARY OF THE MASTER RESOLUTION, AS AMENDED

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SUMMARY OF THE MASTER RESOLUTION, AS AMENDED

The following is a summary of certain provisions of the Master Resolution, which was adopted by the Mayor and Council of the City of Mesa on July 29, 1991, as amended. A summary of the Twenty-Ninth Supplemental Resolution follows this Summary of the Master Resolution. The Twenty-Ninth Supplemental Resolution is substantially the same as the other twenty-eight Supplemental Resolutions. The Master Resolution authorized the issuance of the Series 1991 Bonds and set the conditions for issuance of later Parity Bonds such as the Series 2014 Refunding Bonds. In addition the Master Resolution was amended in 2002, changing the requirements pertaining to the Reserve Fund. The summary does not purport to be a full statement of the terms of the Master Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

Definitions. The following definitions also apply throughout this Official Statement unless the context requires otherwise:

“Agreement” - any Reserve Fund Guaranty Agreement.

“Assumed Interest Rate” - an Interest Rate for Variable Rate Obligations computed in the manner set forth in the initial Agreement.

“Average Annual Debt Service” - at computation, the average of each Bond Year’s aggregate scheduled Bond principal (including mandatory redemptions) and interest requirements with Variable Rate Obligations deemed to bear interest at the Assumed Interest Rate).

“Bond Insurer” - with respect to the Series 1991 Bonds, FGIC and with respect to each series of Parity Bonds an issuer of a Municipal Bond Insurance Policy pertaining to any Bonds.

“Bonds” - all bonds issued and outstanding on parity pursuant to the Master Resolution and all Parity Bonds hereafter authorized to be issued.

“Bond Year” - initially the period from the date of the Series 1991 Bonds to July 1, 1992, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

“Capital Appreciation Bonds” - Parity Bonds whose interest component is compounded semiannually on stated dates until maturity or until converted to Bonds paying interest semiannually, if so permitted or required.

“City” - the City of Mesa, Arizona.

“Council” - the governing body of the City.

“Deficiency” - the difference between (i) the total amount then due on a principal or interest payment date for the Bonds and (ii) the then amount of deposit in the Bond Fund (excluding payments made under a Municipal Bond Insurance Policy).

“Drawdown” - any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

“Drawdown Date” - the date of any Drawdown.

“Finance Director” - the City Finance Director.

“Fiscal Year” - the twelve month period commencing July 1 of each year and ending on the next June 30th.

“Master Resolution” - the Master Resolution adopted by the Mayor and Council of the City of Mesa on July 29, 1991, as amended.

“Maximum Annual Debt Service” - at computation, the greatest scheduled Bond principal (including mandatory redemptions) and interest requirements (Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate) occurring in the then current, or any subsequent, Bond Year.

“Municipal Bond Insurance Policy” - any irrevocable municipal bond insurance policy insuring payment of the principal and interest on any Bonds.

“Net Revenues” - those Revenues remaining after deducting Operating Expenses.

“Operating Expenses” - the reasonable and necessary costs of System operation, maintenance, and repair, but excluding depreciation and payments into the Bond, Reserve, Reimbursement and Rebate Funds.

“Owner” - any person who shall be the registered owner of any Bond or Bonds outstanding (for Book-Entry Bonds, the Depository).

“Parity Bonds” - the additional Bonds issued on a parity with the Bonds.

“Permitted Investments” - to the extent permitted by law:

(1) Direct and general obligations of the United States of America, or obligations unconditionally guaranteed as to principal and interest by the same (the **“United States Obligations”**).

(2) Evidences of ownership of proportionate interests in future interest and principal payments of the above United States Obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a Bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

(3) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Farmers Home Administration; Federal Home Loan Mortgage Company; Federal Housing Administration; Private Export Funding Corporation; Federal National Mortgage Association; and obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury.

(4) Prerefunded municipal obligations meeting the following conditions: (a) the bonds are not to be callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption; (b) the bonds are secured by cash or Permitted Investments described in No. 1 which may be applied only to interest, principal, and premium payments of such bonds; (c) the principal of and interest on the United States Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the bonds; (d) the United States Obligations serving as security for the bonds are held by an escrow agent or trustee; and (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

(5) Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody’s Investors Service (hereinafter referred to as Moody’s) or Standard & Poor’s Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody’s nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

(6) Direct and general short term obligations of any state described in No. 4 above which are rated in the highest rating category by either Moody’s or S&P or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody’s nor S&P then rate comparable obligations, the obligations must be rated in the highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

(7) Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC).

These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the City or the Bond Registrar and Paying Agent (who shall not be provider of the collateral), or any Federal Reserve Bank or Depository, as custodian for the institution issuing the deposits. The City or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

(8) Long-term or medium-term corporate debt guaranteed by any corporation rated by Moody's and S&P in their two highest rating categories.

(9) Repurchase agreements, the maturity of which are less than thirty (30) days, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation or with a dealer or parent holding company rated Investment grade by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits. The repurchase agreement should be secured by direct and general obligations of the United States of America or those unconditionally guaranteed as to principal and interest by the same. The United States Obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreement. The City or the Paying Agent (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral. The obligations serving as collateral must be free from all third party claims.

(10) Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's or at least "A-1" by S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

(11) Interests in money market portfolios issued by state banks, trust companies, savings and loan associations, or national banking associations which are members of the FDIC. Such interest should be (a) fully insured by FDIC; or (b) secured by direct and general obligations of the United States or those guaranteed as to principal and interest by the same. The collateral obligations must have a market value, exclusive of accrued interest, at least equal to the principal amount of the interests in the money markets and should be held by a custodian.

(12) Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

(13) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated in the highest rating categories by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits, or money market accounts of the Trustee or any state or federal bank which is rated at least P-1 by Moody's or at least A-1 by S&P or whose one bank holding company parent is rated at least A-1 by S&P or at least P-1 by Moody's; provided, however, that if at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in a comparable rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such entities, all to the extent not fully insured by FDIC having a combined capital and surplus of not less than \$50,000,000 at the time of any such deposit.

(14) Interests in the Local Government Investment Pool managed by the treasurer of the State of Arizona.

Any other provision of this definition of Permitted Investments to the contrary notwithstanding, from and after the execution of the initial Agreement, this definition shall be deemed amended to conform to the definition set forth in such Agreement.

“Policy Costs” - the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown(s) including the Drawdown amount, the Reserve Fund Guarantor’s expenses plus interest on the aggregate thereof at the Reimbursement Rate until paid.

“Post-2002 Reserve Fund” - the Reserve Fund securing all Bonds originally issued after January 1, 2003.

“Post-2002 Bonds” - Bonds originally issued after January 1, 2003.

“Post-2002 Reserve Fund Guaranties” - an irrevocable surety bond, letter of credit or line of credit or insurance policy executed and delivered to the City or a Paying Agent for the City as a Post-2002 Reserve Fund Guaranty for purposes of the Master Resolution.

“Pre-2003 Bonds” - includes only the following Bonds: Utility Systems Revenue Bonds, Series 1995; Utility Systems Revenue Refunding Bonds, Series 1995; Utility Systems Revenue Bonds, Series 1997; Utility Systems Revenue Bonds, Series 1998; Utility Systems Revenue Refunding Bonds, Series 1998; Utility Systems Revenue Bonds, Series 2000; Utility Systems Revenue Bonds, Series 2002; Utility Systems Revenue Refunding Bonds, Series 2002; Utility Systems Revenue Refunding Bonds, Series 2002A.

“Pre-2003 Reserve Fund Guaranties” - 2003 Reserve Fund Guaranties that secure only the Pre-2003 Bonds.

“Reimbursement Period” - for any Drawdown, the period from the Drawdown Date to the first anniversary of such Drawdown Date.

“Reserve Fund” - collectively, the Pre-2003 Reserve Fund and the Post-2002 Reserve Fund; provided, however, that the Pre-2003 Reserve Fund shall secure only the Pre-2003 Bonds and the Post-2002 Reserve Fund shall only secure the Post-2002 Bonds.

“Reimbursement Rate” - the rate of interest to be paid by the City to reimburse a Reserve Fund Guarantor after a Drawdown.

“Reserve Fund Guarantor” - with respect to any series of Bonds, the issuer of a surety bond, letter of credit or line of credit or insurance policy used as a Reserve Fund Guaranty, if issued by an entity whose Guaranty will not adversely affect the Bonds’ then-current rating.

“Reserve Fund Guaranty” - any irrevocable surety bond, letter of credit or line of credit or insurance policy as a reserve fund guaranty used under the Master Resolution.

“Reserve Fund Value” - as to the Pre-2003 Bonds, the Reserve Fund Value provided by the Pre-2003 Reserve Fund Guaranties and, as to the Post-2002 Bonds, the value of moneys, investments and Reserve Fund Guaranties deposited to the Post-2002 Reserve Fund.

“Reserve Requirement” - as to the Pre-2003 Bonds the aggregate face value of the Pre-2003 Reserve Fund Guaranties in the Pre-2003 Reserve Fund, which shall be not less than the Average Annual Debt Service of the Pre-2003 Bonds; as to the Post-2002 Bonds, if required to be funded, an amount equal to Average Annual Debt Service of all outstanding Post- 2002 Bonds, which amount shall be adjusted upon the issuance of Post-2002 Parity Bonds to equal Average Annual Debt Service immediately after issuance, or the maximum amount of the Post-2002 Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required Reserve and Replacement Fund.

“Revenues” - all income, moneys and receipts derived from the System ownership; however, the term Revenues shall not include Bond proceeds or interest received on any investments placed irrevocably in trust to pay, or provide for the payment of, any Bond, Bonds Being Refunded or defeased or other outstanding revenue bonds originally

secured in whole or in part by System Revenues, or amounts received which the City is contractually required to pay our as reimbursement for acquisition, construction or installations of System facilities.

“Series 1991 Bonds” - the City of Mesa, Arizona, Utility Systems Revenue and Refunding Bonds, Series 1991.

“System” or “Systems” - the complete water, electrical, gas, sewer, garbage and rubbish systems of the City and all water, electrical, gas, sewer and solid waste (garbage and rubbish) properties of every nature hereafter owned by the City, including all improvements and extensions made by the City while any of the Bonds or Parity Bonds remain Outstanding, and including all real and personal property of every nature comprising part of, or used or useful in connection with the City’s water, electrical, gas, sewer and solid waste (garbage and rubbish) systems, and including all appurtenances, contracts, leases, franchises, and other intangibles.

“Variable Rate Obligations” - any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

Authorization of Bonds; Special Obligations.

A. There is authorized to be issued and sold the Series 1991 Bonds. Each supplemental resolution authorized the respective later series of Parity Bonds.

B. The Bonds are special obligations of the City payable solely from the Net Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Master Resolution. The Net Revenues are pledged and assigned as security for the Bonds. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the lien of this pledge shall be valid and binding.

Source of Payment and Pledge of Revenues. The Bonds shall be payable solely from the Net Revenues. All of the Bonds shall be equally and ratably secured by a pledge thereof and a lien thereon without priority one over the other.

Rate Covenant. The City covenants and agrees with the Owners that it will establish and maintain System charges to provide Revenues sufficient to pay all Operating Expenses and to produce aggregate Net Revenues in each Fiscal year equal to one hundred twenty percent (120%) of the current principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the City’s Policy Costs due and owing in such Fiscal Year.

Creation of Funds: Application of Revenues.

A. The Finance Director shall create the following special funds and accounts: (1) the Revenue Fund; (2) the Bond Fund; (3) the Reimbursement Fund; (4) the Reserve Fund, containing the Pre-2003 Reserve Fund and the Post-2002 Reserve Fund, which Post-2002 Reserve Fund shall, if funded, contain the separate Capitalized Reserve Account and Contributed Reserve Account; (5) the Rebate Fund; (6) the Replacement Fund; and (7) the Construction Fund.

B. All Revenues shall be deposited as collected with a Depository, and shall be held in the custody of the Finance Director in the Revenue Fund and, subject to the rights of the Bonds Being Refunded, the Revenue Fund shall be disbursed only as follows:

(1) **Bond Fund.** First, to the Bond Fund: (a) Commencing September 10, 1991, through December 10, 1991, one-fourth (1/4th) of the amount which, when added to accrued interest received from the Series 1991 Bonds, will be sufficient to pay all interest coming due January 1, 1992, and commencing January 10, 1992, one-sixth (1/6th) of the interest becoming due on the next interest payment date on all of the Bonds then Outstanding and; (b) Commencing September 10, 1991, through June 10, 1992, one-tenth (1/10th) and commencing July 10, 1992, one-twelfth (1/12th) of the principal becoming due on the next succeeding principal or mandatory redemption payment date on all bonds

then Outstanding. The Bond Fund shall be a trust fund and shall be used solely for the purpose of paying the principal of and interest on the Bonds.

(2) **Reimbursement Fund.** Second, if a Drawdown occurs, to the Reimbursement Fund commencing the tenth (10th) day of the first month following a Drawdown and each month thereafter for the next succeeding eleven (11) months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs, or all Policy Costs with respect to such Drawdown have been paid, an amount equal to at least one-twelfth (1/12th) of such Policy Costs in the Reimbursement Fund shall be used only to pay Policy Costs. Policy Costs with respect to any Drawdown that occurs against more than one Reserve Fund Guarantor shall be reimbursed on a pro rate basis. Each Supplemental Resolution increased the amounts to be deposited to the Bond and other Funds to cover the respective deposits for the respective Parity Bonds then authorized. If the City fails to repay any Policy Costs, the Reserve Fund Guarantor(s) may exercise all remedies available at law or under the Master Resolution other than (i) acceleration of the Bonds or (ii) remedies adversely affecting the Owner's rights. The Paying Agent acting as the Owners fiduciary shall hold all Reserve Fund Guaranties. Reserve Fund Guaranties shall expire no earlier than the final maturity date of the series for which said Guaranty applies.

(3) **Reserve Fund.** Third, on or before the tenth (10th) day of each month to the Reserve Fund an amount equal to one ninety-sixth (1/96th) of the amount required to restore the Post-2002 Reserve Value to the Post-2002 Reserve Requirement within an eight-year period, or such amount as is required to restore the Post-2002 Reserve Fund Value to the Post-2002 Reserve Requirement after a Reserve Fund withdrawal occurs as to the Post-2002 Reserve Fund. If, on any principal or interest payment date, a deficiency exists, then: (a) if there are investments or cash in the Post-2002 Reserve Fund, such investments shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and (b) if the deficiency is not then cured the Paying Agent shall deliver a request for drawdown to the Reserve Fund Guarantor(s). All drawdown and Reserve Fund proceeds shall be applied to the payment of the interest on, or principal of, the Bonds then due. If Parity Bonds are hereafter originally issued, the proceedings for such Post-2002 Bonds shall not require a deposit to the Post-2002 Reserve Fund unless the City is then required to fund a Post-2002 Reserve Fund; if the Parity Bonds are originally issued during a period the City is then required to maintain the Post-2002 Reserve Fund, the proceedings for such Parity Bonds shall provide for an increase in the Post-2002 Reserve Fund Value sufficient to meet the Post-2002 Reserve Fund Requirement immediately after the issuance of such Post-2002 Parity Bonds.

Drawdowns upon Reserve Fund Guaranties required to pay principal and interest will be replaced therein from the first money in the Revenue Fund thereafter received which is not required for current transfers into the Bond Fund pursuant to subparagraphs (1) or (2) of this subsection. The Post-2002 Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Post-2002 Reserve Fund Moneys and Investments to provide a means of tracking Post-2002 Reserve Fund deposits and investment income thereon for purposes of the Internal Revenue Code of 1986, as amended, or any comparable provision requiring such tracking. All Post-2002 Reserve Fund deposits made from Net Revenues or other available moneys of the City shall be deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Post-2002 Reserve Fund shall be deposited into the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to the issuance of Parity Bonds may satisfy the amount to be deposited in either account, so long as the minimum amount required by the Master Resolution to be deposited to the Post-2002 Reserve Fund shall be so deposited. All Post-2002 Reserve Fund Guaranties shall be deemed to be deposited to, and a part of the Post-2002 Reserve Fund Capitalized Reserve Account.

(4) **Rebate Fund.** Fourth, on or before 30 days after the last day of each Bond Year, to the Rebate Fund the amount determined necessary to cause the amount in the Rebate Fund to equal the cumulative arbitrage rebate obligation.

(5) **Replacement Fund.** Fifth, to the Replacement Fund at least 2% of the previous month's Revenues until at least 2% of the value of all tangible assets of the System as shown on the balance sheet in the most recent audit, has been so accumulated. The City may limit additional payments if the balance equals 2% of the value of all tangible assets of the System as shown by the most recent audit. Any money in such Fund may be used to: (a) Pay any sums due to the holders of the Bonds Being Refunded if not paid from the income and proceeds of the investments held under

the Depository Trust Agreement. (b) Pay currently maturing the Bond principal and interest to the extent the Bond and the Reserve Funds are insufficient for such purpose. (c) Acquire System properties. (d) Make other improvements or repairs to the System.

C. All money remaining in the Revenue Fund after all of the payments required above have been made, may be used for any lawful City purpose. Moneys in the Revenue, Bond, Reserve, Reimbursement and Rebate Funds may be invested and reinvested by the City in Permitted Investments. All investment income, except Rebate Fund investment income, shall be regarded as System Revenues and deposited in the Revenue Fund. Such investments shall be liquidated as needed and the proceeds applied to the purpose for which the respective fund or account was created. Moneys in the Construction and Replacement Funds may be invested in any lawful investment.

D. Proceeds from the Series 1991 Bonds not used to advance refund the Bonds Being Refunded shall be deposited in the Construction Fund and used for any purpose permitted by the Master Resolution or the ballot authorizing the Revenue Bonds. The Construction Fund shall be divided into separate accounts in order to segregate proceeds from differing series of Bonds.

Covenants Regarding the Operation of the System. The City covenants and agrees with each and every Owner that it will: (A) maintain the System in good condition and operate the same in an efficient manner and at reasonable cost, and shall not permit free System services to be furnished to any consumer or user; (B) maintain insurance on all System properties (which may be in the form of or include an adequately-funded self-insurance program) with coverage normally carried by municipalities or private companies engaged in a similar business. System self-insurance may be maintained either separately or in connection with any Citywide self-insurance program if any such program is in writing. The proceeds of any such insurance, except public liability insurance, received by the City shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund; (C) keep proper books and accounts for the System, which will be audited at the end of each Fiscal Year in accordance with generally accepted governmental accounting practices; The City further will furnish copies of such audits to any Owner at their request, within one hundred eighty (180) days after the close of each Fiscal Year; (D) faithfully and punctually perform all legal duties with reference to the System; (E) not sell, lease, mortgage or in any manner dispose of the System or any part thereof, until all of the Bonds and the City's obligations under any Agreement shall have been paid in full except for the disposition of inexpedient property if the proceeds of the disposition are placed in the Revenue Fund; (F) prior to the beginning of each Fiscal Year, prepare and adopt a budget of estimated Revenues and Operating Expenses for the ensuing Fiscal Year, and undertake to operate the System within such budget to the best of its ability and make copies of such budgets and amendments thereto available to any Owner upon request; (G) to the extent allowed by law, discontinue the service to any premises the owner or occupant of which shall be delinquent for a period beyond that allowed by City policy and not resume service until all delinquent charges, with interest and penalties, shall have been paid; (H) pay and discharge all taxes, assessments or other governmental charges, if any, lawfully imposed upon the System or the Revenues when due, and all lawful claims for labor and materials and supplies which, if unpaid, might become a lien or charge on the System or the Revenues, or which might impair the security of the Bonds and, subject to the provisions of the Master Resolution, will duly observe and conform to all valid requirements of any governmental authority relative to the System; (I) deposit the net proceeds realized by the City from any eminent domain proceeding concerning the System in the Revenue Fund; (J) not, to the extent allowed by law, grant a franchise or a permit for the operation of any competing System within the existing service area of the City's respective utility system, provided however, that this covenant shall not prohibit the City from entering into "privatization" contracts, agreements or other similar arrangements with private parties; (K) not issue bonds or other obligations superior in lien to the Bonds or on a parity with the Bonds except in accordance with the Master Resolution; (L) not violate the terms of any Agreement and give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Remedies of Owners. Subject to the terms of the Master Resolution, any Owner may by suit in any court of competent jurisdiction protect the lien on the Net Revenues and enforce performance of all duties imposed upon the City. If any default be made in the payment of principal of or interest on any of the Bonds, any court having

jurisdiction may appoint a receiver to administer the System to charge and collect sufficient fees to pay Operating Expenses, and make all payments to the Bond, Reimbursement and Reserve Funds required.

Equality of Lien; Prohibition of Future Lien. The Bonds shall each enjoy complete parity of lien on the Net Revenues. Parity Bonds may be issued on a party with the Bonds only if all of the following conditions are met: (1) The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all outstanding Bonds immediately after issuance of such Parity Bonds and said Net Revenues must also have been sufficient to provide an amount of Net Revenues for the then current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the City's Policy Costs due and owing in such Fiscal Year as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing water, sewer, gas, electrical, garbage or rubbish system properties, there may be added to the Net Revenues of such preceding Fiscal Year the net revenues derived from the operation of such existing water, sewer, gas, electrical or solid waste (garbage and rubbish) System properties during the immediately preceding Fiscal Year as estimated by an engineer or engineering firm which shall have a wide and favorable reputation in respect to such matters, and (ii) if during such preceding Fiscal Year, the City shall have increased its System rates or charges, there may be added to the Net Revenues of such Fiscal Year the increased amount of net revenues which would have been received from the operation of the System during such Fiscal Year had such increase been in effect throughout such Fiscal Year, such increased amount of Net Revenues to be estimated by an engineer or engineering firm which shall have a wide and favorable repute in respect to such matters; (2) the payments required to be made into the various funds provided in Section 10 of the Master Resolution must be current; (3) The Parity Bonds proceeds must be used solely for System extensions, renewals, improvements, or replacements or to refund any Bonds or general obligation bonds issued for System purposes; and (4) if on the date of issuance of any Parity Bond the Reserve Fund is required to be maintained, the Post-2002 Reserve Fund Value shall be increased in order that the Post- 2002 Reserve Fund Value equal or exceed the Post-2002 Reserve Requirement immediately after issuance of such Parity Bonds, at the City Council's option, by: (i) the deposit of Parity Bond proceeds or available moneys of the City to the Post-2002 Reserve Fund or the immediate delivery of a Post-2002 Reserve Fund Guaranty to the Paying Agent, or any combination thereof.

All or any part of the Bonds may be refunded and the refunding bonds so issued shall enjoy complete equality of lien with the Bonds so refunded, if any there be, and the refunding bonds shall continue to enjoy whatever priority of lien enjoyed by the Bonds being refunded.

Resolution a Contract. The provisions of the Master Resolution are deemed incorporated into the Bonds themselves and shall constitute a contract between the City, any Reserve Fund Guarantor and the Owner or Owners.

Modification of Resolution.

A. Without the consent of or notice to any Owner, the Master Resolution may be modified for one or more of the following purposes: (1) To cure any ambiguity or informal defect or inconsistency; (2) To grant to the Owners any additional authority that may lawfully be granted; (3) To secure additional Revenues or provide additional security or reserves for the Bonds; (4) To comply with the requirements of any federal securities laws or the Trust Indenture Act of 1939; (5) To permit, preserve or continue (upon a change in the Internal Revenue Code (the "**Code**") requiring a Supplement to continue such exclusion) the exclusion of the Bonds' interest income from gross income as defined by the Code or the exemption from State income taxes and to preserve the power of the City to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized under the Master Resolution) the interest income on which is likewise excluded from gross income; (8) To provide any remedies and assurances needed to induce Reserve Fund Guarantors to issue Reserve Fund Guaranties or Bond Insurers to issue Municipal Bond Insurance Policies.

B. Except as provided in subsection A above, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciate Bond as its principal amount) of the Bonds then Outstanding

shall have the right to consent to and approve modifications of any terms or provisions except: (1) Changes in the maturity of any Outstanding Bond. (2) Changes in the interest rate on any Outstanding Bond. (3) Reduction of the principal or redemption premium payable on any Bond. (4) Modification of the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments. (5) Modifications which adversely affect the rights of the Owners of less than all Bonds then Outstanding.

C. No amendment proposed shall become effective until approved by each Reserve Fund Guarantor and each Bond Insurer.

Rights of Reserve Fund Guarantors; Rights of Bond Insurers.

A. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, (i) the pledge of the Net Revenues and all of the City's obligations shall continue to exist and such Reserve Fund Guarantor shall be fully subrogated to all of such Owner's rights.

B. The City may treat the consent of any Bond Insurer as the consent of the Owners of any Bonds then insured by such Insurer, if the credit of said Insurer is then in one of the two highest grades of municipal securities by one of the two most widely recognized rating agencies then rating municipal bond credits.

C. If FGIC is not in default of any payment provision under its municipal Bond Insurance Policy, FGIC shall be deemed the exclusive owner of all Series 1991 Bonds to initiate any action or remedy to be undertaken or to approve any modification or amendment of the Master Resolution.

D. To the extent that FGIC makes payment of principal of or interest on the Series 1991 Bonds, it shall become the Owner of such Bonds and appurtenant interest payments. FGIC shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof.

E. If Series 1991 Bond principal or interest is paid by FGIC pursuant to the Municipal Bond Insurance Policy, (i) the pledge of the Net Revenues and all the City's obligations to the Owners shall continue to exist and FGIC shall be fully subrogated to all rights of such Owners in accordance with the terms and conditions of subparagraph (d) above and the Municipal Bond Insurance Policy, and (ii) the City shall pay interest to FGIC on amounts so paid at the Reimbursement Rate.

F. Without FGIC's consent no Bonds may be issued for solid waste purposes (garbage and rubbish) in an amount which, immediately after the issuance of such Bonds, would result in Bonds then outstanding for solid waste purposes in an amount in excess of the greater of \$12,000,000 or ten percent (10%) of the total of all Bonds then outstanding.

Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at the market value exclusive of accrued interest. A valuation shall occur annually on the first day of each Bond Year and immediately upon withdrawal from the Reserve Fund. If the Reserve Fund Value shall ever be less than the Reserve Requirement, each Reserve Fund Guarantor shall be notified and such deficiency remedied in twelve (12) substantially equal monthly payments.

Reporting Requirements.

A. The City will file or cause to be filed with each Reserve Fund Guarantor and issuer of a Municipal Bond Insurance Policy any official statement issued by, or on behalf of, the City in connection with the incurrence of any Parity Bonds issued by the City.

B. The City promises and agrees promptly to provide or cause to be provided to any issuer of a Municipal Bond Insurance Policy and any Reserve Fund Guarantor such financial, statistical and other factual information regarding the City as any such issue or Guarantor shall from time to time reasonably request.

C. The City agrees, so long as a Municipal Bond Insurance Policy is in effect, to provide not more than ten (10) days after the end of each Fiscal Year, a certificate of its Finance Director to the effect that the City is in compliance with

the terms and conditions of the Master Resolution, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

D. The City agrees, so long as a Municipal Bond Insurance Policy or Reserve Fund Guaranty is in effect, to provide promptly to each Municipal Bond Insurance Policy issue or Reserve Fund Guarantor (i) its audited (or, if not audited, then unaudited) financial statements and quarterly financial statements, (ii) its annual report, (iii) all reports, certificates and financial information required to be filed with the Bond Registrar and Paying Agent pursuant to the Master Resolution or available at the request of Owners and (iv) all reports or certificates prepared by the consulting engineer pursuant to the Master Resolution.

Notices. The City and the Bond Registrar and Paying Agent shall notify any issuer of a Policy of Municipal Bond Insurance or Reserve Fund Guarantor within five (5) days after such entity has received notice or has knowledge of (i) any default by the City in performance of its obligations under the Master Resolution; (ii) the withdrawal of amounts on deposit in the Reserve Fund other than amounts comprising investment earnings thereon; or (iii) the failure to make any required deposit to the Bond Fund to pay principal or interest when due. Any notice that is requested to be given to Owners or the Bond Registrar and Paying Agent pursuant to the Master Resolution or any supplemental resolution shall also be provided to any issuer of a Municipal Bond Insurance Policy or Reserve Fund Guarantor.

Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Governmental Obligations, or both. If the moneys and the maturing principal and interest income on such Government Obligations, if any, shall be sufficient, as evidenced by as certificate of experts in the field of calculating the sufficiency thereof, then to the extent allowed by law, Bonds the payment of which has been provided for in accordance with this section shall no longer be deemed Outstanding or secured under the Master Resolution.

Continuing Disclosure. The First Supplemental Resolution dated September 18, 1995 and all later Supplemental Resolutions contained the following Continuing Disclosure covenant: The Finance Director or Controller of the City are authorized to execute and deliver a written undertaking or agreement containing such terms and provisions as are necessary to comply with the continuing disclosure provisions of Section 240.15c2-12 General Rules and Regulations, Securities Exchange Act of 1934.

Provisions relating to the Reserve Fund. Any provision to the contrary notwithstanding, if Net Revenues during any Fiscal Year ending after June 30, 2003 do not equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year, then the City will deposit, or cause to be deposited, within 180 days following the end of such Fiscal Year, to the Post-2002 Reserve Fund, moneys, investments, Reserve Fund Guaranties or any combination thereof, equal to the Post-2002 Reserve Requirement. If, thereafter, Net Revenues for two consecutive Fiscal Years equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the respective corresponding Bond Years, any moneys, investments or Post-2002 Reserve Fund Guaranties in the Post- 2002 Reserve Fund may be released (except as otherwise limited by Reserve Fund Guaranties or related Reserve Fund Guaranty Agreements) and used for any lawful purpose, and the City's obligation to maintain the Post-2002 Reserve Fund at the Reserve Requirement will terminate, subject to a refunding of the Reserve Fund for Post-2002 Bonds, as described in this section.

SUMMARY OF TWENTY-NINTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Twenty-Ninth Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Refunding Bonds, Series 2014,

adopted by the Mayor and Council on September 22, 2014.* The summary does not purport to be a full statement of the terms of the Twenty-Ninth Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

Authority. The Series 2014 Refunding Bonds (as defined below) are authorized to be issued pursuant to Title 9, Chapter 5, Article 3, of the Arizona Revised Statutes, as amended, the Master Resolution (as amended and supplemented), the Twenty-Ninth Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by A.R.S. Section 9-521 et. seq. have been met with respect to the Series 2014 Refunding Bonds. The Master Resolution, as amended and supplemented with the exception of the Twenty-Sixth Supplemental Resolution that is hereby revoked, and the Twenty-Ninth Supplemental Resolution, shall stay in effect until all Bonds are fully paid or provided for and all Policy Costs shall have been paid in full.

Definitions. Except as hereafter amended or added to, all definitions contained in the Master Resolution (as amended and supplemented) are incorporated by reference into the Twenty-Ninth Supplemental Resolution. The following terms shall have the following meanings in the Master Resolution (as amended and supplemented) and in the Twenty-Ninth Supplemental Resolution unless the text expressly or by necessary implication requires otherwise:

“Bond Year” - initially the period from the date of the Series 2014 Refunding Bonds to July 1, 2015, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the City’s Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

“Series 2014 Refunding Bonds” - the City’s \$_____ Utility Systems Revenue Refunding Bonds, Series 2014.

“Twenty-Ninth Supplemental Resolution” - The Twenty-Ninth Supplemental Resolution supplementing the Master Resolution and authorizing the issuance of the Series 2014 Refunding Bonds.

Revocation of Twenty-Sixth Supplemental Resolution; Authorization of Series 2014 Refunding Bonds; Special Obligations.

A. The Mayor and Council revoke the Twenty-Sixth Supplemental Resolution and exclude the Twenty-Sixth Supplemental Resolution from the definition of “Supplemental Resolutions” because the refunding bonds contemplated by the Twenty-Sixth Supplemental Resolution were not issued.

B. There is authorized the issuance and sale of \$_____ City of Mesa, Arizona, Utility Systems Revenue Refunding Bonds, Series 2014. The Series 2014 Refunding Bonds shall never be construed to be tax secured bonds of the City as defined in A.R.S. § 9-521, or general obligation bonds of the City within the meaning of A.R.S. Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Series 2014 Refunding Bonds are special obligations of the City payable solely from the Net Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms, the Master Resolution (as amended and supplemented), and the Twenty-Ninth Supplemental Resolution. Subject to the Master Resolution (as amended and supplemented), the Net Revenues are pledged and assigned as security for the payment of the principal and redemption price of, and interest on, the Series 2014 Refunding Bonds in accordance with their terms, the Master Resolution (as amended and supplemented) and the provisions of the Twenty-Ninth Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution (as amended and supplemented) and the Twenty-Ninth Supplemental Resolution, without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere in the Master Resolution to issue Parity Bonds nor shall be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City which are secured by moneys, income and funds other than the Net

* Preliminary, subject to change.

Revenues and other moneys and investments pledged under the Master Resolution (as amended and supplemented) and the Twenty-Ninth Supplemental Resolution.

C. In addition to the payments required to be made into the Bond Fund required by the Master Resolution (as amended and supplemented), the following additional payments shall be made to the Bond Fund with respect to the Series 2014 Refunding Bonds on or before the tenth (10th) day of each month:

(1) Commencing on the 10th day of the month following the closing date of the Series 2014 Refunding Bonds, the amount due on the next succeeding interest payment date divided by the number of monthly payments that can be made prior to such next succeeding interest payment date, and commencing on the 10th day of the month following the first interest payment date, one-sixth (1/6) of the interest coming due on the next semiannual interest payment date on all of the Series 2014 Refunding Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Series 2014 Refunding Bonds, the amount due on the next succeeding principal payment date divided by the number of monthly payments that can be made prior to such next succeeding principal payment date and commencing on the 10th day of the month following the first principal payment date, one-twelfth (1/12) of the principal becoming due on the next succeeding principal payment date on all Series 2014 Refunding Bonds then Outstanding.

Resolution a Contract. The provisions of the Master Resolution (as amended and supplemented) and the Twenty-Ninth Supplemental Resolution are deemed incorporated into the Bonds themselves and shall constitute a contract between the City, the bond insurer, if any, and the Owners and, no change, variation or alteration of any kind in the provisions of the Master Resolution (as amended and supplemented) or the Twenty-Ninth Supplemental Resolution shall be made in any manner, except as provided in the Master Resolution or until such time as all of the Bonds and interest due thereon have been paid in full.

Cancellation. To the extent applicable by provision of law, and to the extent the Twenty-Ninth Supplemental Resolution constitutes a contract, it is subject to cancellation pursuant to A.R.S. § 38-511, as amended.

BOOK-ENTRY-ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and none of the City, the Financial Advisor or the Underwriters takes responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants"). DTC has a rating of "AA+" from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant to the Registrar and Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interests in the Bonds, on DTC's records, to the Registrar and Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Registrar and Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NONE OF THE CITY, THE REGISTRAR OR THE FINANCIAL ADVISOR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE RESOLUTIONS; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE BONDS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (5) ANY OTHER MATTERS.

FORM OF APPROVING LEGAL OPINION

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_____, 2014*

MAYOR AND COUNCIL
CITY OF MESA, ARIZONA

Re: City of Mesa, Arizona, Utility Systems
Revenue Refunding Bonds, Series 2014

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the “City”) of its \$101,795,000* aggregate principal amount of Utility Systems Revenue Refunding Bonds, Series 2014, dated _____, 2014* (the “Bond”), issued pursuant to Arizona Revised Statutes, Title 9, Chapter 5, Article 3, and all amendments thereto (the “Act”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, Resolution No. 6362 adopted by the Mayor and Council of the City on July 29, 1991 (the “*Master Resolution*”), as heretofore amended and supplemented by twenty-eight supplemental resolutions heretofore adopted by the Mayor and Council of the City, and as further amended and supplemented by a twenty-ninth supplemental resolution authorizing the issuance of the Bonds, passed and adopted by the Mayor and Council of the City (the Master Resolution, as amended and supplemented, collectively, the “*Bond Resolution*”). As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Bond Resolution has been duly passed and adopted by the Mayor and Council of the City and is valid and binding upon and enforceable against the City.

2. Pursuant to the Act, the Bond Resolution creates a valid lien for the security of the Bonds on the revenues derived by the City from its System (as defined in the Bond Resolution) after provision for expenses of operation and maintenance of the System as provided in the Bond Resolution, on a parity, however, with the City's outstanding Utility Systems Revenue Bonds and Utility System Revenue Refunding Bonds and other obligations of the City issued or to be issued under, or in compliance with, the Bond Resolution.

* Preliminary, subject to change.

3. The Bonds have been duly authorized and delivered by the City and are valid and binding limited obligations of the City payable solely from the sources provided for in the Bond Resolution. Neither the general credit nor any property of the City other than as provided in the Bond Resolution has been pledged or committed to the payment of the Bonds. The Bonds are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the City.

4. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "*Code*"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of the investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The City has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

Bond Counsel

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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\$ _____
CITY OF MESA, ARIZONA
UTILITY SYSTEMS REVENUE
REFUNDING BONDS, SERIES 2014

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. 590545)

This Continuing Disclosure Certificate (the “*Disclosure Certificate*”) is undertaken by the City of Mesa, Arizona (the “*City*”) in connection with the issuance of Utility Systems Revenue Refunding Bonds, Series 2014 (the “*Bonds*”). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. Definitions. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“*Annual Report*” shall mean the annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Bond Counsel*” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the City.

“*Bondholder*” shall mean any registered owner or beneficial owner of the Bonds.

“*Dissemination Agent*” shall mean the City or any person designated in writing by the City as the Dissemination Agent.

“*EMMA*” shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“*Listed Events*” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“*Official Statement*” shall mean the final official statement dated _____, 2014 relating to the Bonds.

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the “*Filing Date*”), commencing February 1, 2015, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Should the City’s fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than six (6) months after the end of such fiscal year. Currently, filings are required to be made with EMMA. Notice of any such change in the City’s fiscal year will be filed with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(b) If the City is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall promptly send a notice to EMMA in substantially the form attached as Exhibit A not later than such Filing Date.

(c) If the City's audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall promptly send a notice to EMMA in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date(s) for providing the Annual Report and audited financial statements the proper address of EMMA; and

(ii) if the Dissemination Agent is other than the City, file a report or reports with the City certifying that the Annual Report and audited financial statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the audited financial statements of the City; provided, however, that if the audited financial statements of the City are not available at the time of the filing of the Annual Report, the City shall file unaudited financial statements of the City with the Annual Report and, when the audited financial statements of the City are available, the same shall be submitted to EMMA within 30 days of receipt by the City.

(b) The City's Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, annual audited financial statements for the City.

(B) Annually updated financial information and operating data of the type contained in the following subsections of the Official Statement:

- (i) Combined Schedules of Net Revenues and Debt Service Coverage;
- (ii) Appendix B – Financial Data – Statements of Bonds Outstanding.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's audited annual financial statements is contained in Note 1 of the audited financial statement included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the Bonds, and the City shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material

"Materiality" will be determined in accordance with the applicable federal securities laws.

Note to Paragraph (12) above: For the purposes of the event identified in paragraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the City to give notice of such defeasance or prior redemption.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate if:

- (a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the City, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Notice of any amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. Filing with EMMA. The City shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. Additional Information. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. Compliance by the City. The City hereby covenants to comply with the terms of this Disclosure Certificate. The City expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Bond Counsel or the City's financial advisor.

Section 13. Subject to Appropriation. Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation, solely from its Net Revenues or such funds as the City chooses, to cover the costs of preparing and sending the Annual Report and notices of material events to EMMA. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of *Exhibit C* attached hereto.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 15. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Date: _____, 2014

CITY OF MESA, ARIZONA

By _____
Its Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: \$_____ Utility Systems Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Disclosure Certificate dated _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated:

City of Mesa, Arizona

By _____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: \$_____ Utility Systems Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated _____, 2014, with respect to the above-named Bonds. The City anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated:

City of Mesa, Arizona

By _____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: \$_____ Utility Systems Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City failed to appropriate funds necessary to perform the undertaking required by the Disclosure Certificate dated _____, 2014.

Dated: _____

City of Mesa, Arizona

By _____
Its _____

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WEDBUSH