

## NEW ISSUE — BOOK ENTRY ONLY

RATINGS: See “Ratings” herein.

*In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special 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 Series 2016 Notes is excluded from gross income for federal income tax purposes. Such interest income 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 Special Counsel, interest income on the Series 2016 Notes is exempt from Arizona income taxes. See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “NOTE PREMIUM” herein.*

\$70,000,000\*

**CITY OF MESA, ARIZONA**  
**TRANSPORTATION PROJECT ADVANCEMENT NOTES, SERIES 2016**

Dated: Date of Initial Delivery

Due: July 1, as shown below

The City of Mesa, Arizona (the “City”) Transportation Project Advancement Notes, Series 2016 (the “Series 2016 Notes”) 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 Series 2016 Notes will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The Series 2016 Notes are being issued pursuant to a Trust Agreement, dated \_\_\_\_\_ 1, 2016 (the “Trust Agreement”) between the City and \_\_\_\_\_, as trustee (the “Trustee”). The Series 2016 Notes are being issued to provide funds (i) for the acceleration of the construction of certain transportation improvements and (ii) to pay costs of issuance of the Series 2016 Notes.

Interest on the Series 2016 Notes will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 20\_\_\_\_, until maturity or prior redemption, and principal of the Series 2016 Notes will be payable in accordance with the maturity schedule set forth below. So long as the Series 2016 Notes are in book-entry-only form, principal of and interest on the Series 2016 Notes 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 Series 2016 Notes (the “Beneficial Owners”). See Appendix D — “Book-Entry-Only System.”

**MATURITY SCHEDULE\***

Maturity (July 1)	Principal Amount	Interest Rate	Price or Yield
2020	\$13,185,000	%	
2021	13,580,000		
2022	13,990,000		
2023	14,405,000		
2024	14,840,000		

The Series 2016 Notes are subject to optional and extraordinary redemption prior to maturity, as described herein. See “THE SERIES 2016 NOTES — Redemption Provisions”, herein.

The Series 2016 Notes will be special obligations of the City payable solely from the Excise Taxes and Repayments (each as defined herein) received by the City as described herein. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2016 NOTES.” *The Series 2016 Notes are not general obligations of the City and neither constitute an indebtedness of the City when computing its limit imposed by constitutional, statutory or charter provisions or a charge against the general credit or taxing power of the City nor a liability of the City for payment of the Series 2016 Notes other than from the Excise Taxes and Repayments. The Series 2016 Notes do not constitute an obligation of the City of Phoenix, Arizona (“Phoenix”) for any purpose and Phoenix has no liability for the debt service requirements of the Series 2016 Notes.*

The Series 2016 Notes will be offered when, as and if issued by the City, and received by the Underwriters, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP. It is expected that the Series 2016 Notes will be delivered through DTC on or about \_\_\_\_\_, 2016.

*This cover page contains certain information for convenience of reference only. It is not a summary of material information with respect to the Series 2016 Notes. 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 Series 2016 Notes.*

**RBC CAPITAL MARKETS**

BofA Merrill Lynch

Barclays Capital

\* Subject to change.

## **CITY OF MESA**

### **CITY COUNCIL**

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

### **SPECIAL COUNSEL**

Gust Rosenfeld P.L.C.  
Phoenix, Arizona

### **FINANCIAL ADVISOR**

Wedbush Securities  
Phoenix, Arizona

### **TRUSTEE**

[TBD]

## **REGARDING THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the City of Mesa, Arizona (the “City”), Transportation Project Advancement Notes, Series 2016 (the “Series 2016 Notes”), 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 Series 2016 Notes 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 the Financial Advisor. 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 Series 2016 Notes 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 Series 2016 Notes 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 City will covenant to provide continuing disclosure as described in this Official Statement under “Continuing Secondary Market Disclosure” and in Appendix F — “Form of Continuing Disclosure Certificate” pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The City, Financial Advisor and Special 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 System.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS 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 SERIES 2016 NOTES 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.

## TABLE OF CONTENTS

	<u>Page</u>
Introductory Statement .....	1
The Series 2016 Notes .....	1
Authorization and Purpose .....	1
General Provisions .....	1
Redemption Provisions.....	2
Optional Redemption .....	2
Extraordinary Redemption.....	2
Notice of Redemption.....	2
Effect of Call for Redemption.....	3
Redemption of Less Than All of a Note .....	3
The Project and Plan of Finance.....	3
Security for and Sources of Payment of the Series 2016 Notes.....	3
General .....	3
Additional Notes, Parity Repayment Notes and Parity Repayment Notes .....	4
Parity Obligations.....	5
Subordinate Obligations .....	5
Debt Service Coverage .....	6
Excise Tax Receipts.....	6
City General Fund .....	7
City Enterprise Funds .....	8
City Special Revenue Funds .....	9
Sources and Uses of Funds .....	10
Debt Service Requirements and Coverage .....	11
Noteholders' Risk .....	12
No Pledge of Department Funds to Make Repayments.....	12
Excise Taxes and Economic Conditions in the City and the State .....	12
Legislative Ability to Eliminate or Reduce State-Shared Taxes.....	12
Ratings.....	13
Legal Matters.....	13
Tax Exemption .....	13
Original Issue Discount .....	14
Note Premium.....	15
Litigation .....	15
Underwriting.....	15
Certification Concerning Official Statement .....	15
Financial Advisor .....	15
Continuing Secondary Market Disclosure .....	16
Cancellation of Contracts .....	16
General Purpose Financial Statements .....	17
Concluding Statement.....	17
Appendix A: City of Mesa, Arizona – General Economic and Demographic Information	
Appendix B: City of Mesa, Arizona – Financial Data	
Appendix C: Audited General Purpose Financial Statements for the Year Ended June 30, 2015	
Appendix D: Book – Entry – Only System	
Appendix E: Form of Approving Legal Opinion	
Appendix F: Form of Continuing Disclosure Certificate	
Appendix G: Excise Taxes	
Appendix H: Summary of Select Provisions of the Trust Agreement	

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**OFFICIAL STATEMENT**  
**\$70,000,000\***  
**CITY OF MESA, ARIZONA**  
**TRANSPORTATION PROJECT ADVANCEMENT NOTES, SERIES 2016**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”) in connection with the original issuance of \$70,000,000\* Transportation Project Advancement Notes, Series 2016 (the “Series 2016 Notes”), identified on the cover page hereof. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Series 2016 Notes is set forth in this Official Statement. Capitalized terms not otherwise defined in this Official Statement have the respective meanings as set forth in Appendix H – “Summary of Select Provisions of the Trust Agreement.”

Initially, the Series 2016 Notes 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 Series 2016 Notes will be registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in the Series 2016 Notes will be offered for sale in integral multiples of \$5,000, and payments of principal of and interest on the Series 2016 Notes will be made to DTC and, in turn, through participants in the DTC system. See “Appendix D — 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 from 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.

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 SERIES 2016 NOTES**

**Authorization and Purpose**

The Series 2016 Notes will be issued pursuant to a Trust Agreement dated \_\_\_\_\_ 1, 20\_\_ (the “Trust Agreement”) between the City and \_\_\_\_\_, as trustee (the “Trustee”), under the authority of Title 28, Chapter 21, Article 7, A.R.S. (the “Act”) and a resolution adopted by the Mayor and Council on October 19, 2015. The Series 2016 Notes are being issued to provide funds (i) for the acceleration of the construction of certain transportation improvements, and (ii) to pay costs of issuance of the Series 2016 Notes. See “THE PROJECT AND PLAN OF FINANCE.” A copy of the full text of the Trust Agreement may be inspected at the Chief Financial Officer of the City, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

**General Provisions**

The Series 2016 Notes will be dated as the date of initial delivery, and will bear interest from such date, payable on July 1, \_\_\_\_ and semiannually thereafter on January 1 and July 1 of each year (each an “Interest Payment Date”) until maturity or prior redemption. The Series 2016 Notes will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth on the cover page of this Official Statement. Interest will be computed on the basis of a year comprised of 360 days consisting of 12 months of 30 days each.

The Series 2016 Notes will be issued only in fully registered form in the principal amount of \$5,000 and any integral multiples thereof and will be initially registered in the name of Cede & Co., as nominee for the DTC. For

---

\* Subject to change.

description of registration and transfer of the Series 2016 Notes through DTC, see Appendix D: “Book-Entry-Only System.”

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2016 NOTES, REFERENCES IN THIS OFFICIAL STATEMENT EXCEPT THOSE UNDER THE HEADING “TAX EXEMPTION”, “ORIGINAL ISSUE DISCOUNT” AND “NOTE PREMIUM” TO THE REGISTERED OWNERS OF THE SERIES 2016 NOTES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 NOTES.

\_\_\_\_\_ will act as the initial Trustee under the Trust Agreement. If the Book-Entry-Only System is discontinued, interest on the Series 2016 Notes will be payable by check and mailed on or prior to each Interest Payment Date to the registered owners of the Series 2016 Notes at the addresses shown on the books of the Trustee on the 15<sup>th</sup> day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Series 2016 Notes and redemption price, if any, will then be payable upon surrender of the Series 2016 Notes when due to the designated office of the Trustee. 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 Trustee specifying an account address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Series 2016 Notes.

The City may change the Trustee at any time as provided in the Trust Agreement.

## **Redemption Provisions**

### *Optional Redemption*

The Series 2016 Notes are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, from such maturities as may be selected by the City and by lot within any maturity by the method applied by the DTC or, if the Book-Entry-Only System is discontinued, by the method applied by the Trustee, on \_\_\_\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of the Series 2016 Notes called for redemption plus accrued interest to the date of redemption, but without premium.

### *Extraordinary Optional Redemption*

The Series 2016 Notes maturing on July 1, 20\_\_ are also subject to call for redemption on July 1, 20\_\_, at the option of the City, in whole or in part by lot, by the method applied by the DTC or, if the Book-Entry-Only System is discontinued, by the method applied by the Trustee, to the extent of proceeds of the Series 2016 Notes determined by the City to be unnecessary to make the Advance for the Project (each as defined below) by the payment of a redemption price equal to the Adjusted Redemption Value (as defined below) of the Series 2016 Notes called for redemption plus accrued interest to the date of redemption, plus a premium equal to \_\_\_\_% of the Adjusted Redemption Value. The “Adjusted Redemption Value” for each Series 2016 Note being redeemed on such redemption date will be \_\_\_\_% of the principal amount thereof, representing the principal amount plus the unamortized portion of the original issue premium paid with respect to such Series 2016 Note.

### *Notice of Redemption*

So long as the Series 2016 Notes are held under the Book-Entry-Only System, notices of redemption will be sent solely to DTC by electronic means not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. If less than all of the Series 2016 Notes are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each DTC Participant to be redeemed.

If the Book-Entry-Only System is discontinued, notice of any redemption will be given by the Trustee on behalf of the City by mailing a notice of redemption by first class mail not less than thirty (30) days nor more than sixty (60) days prior to such redemption date, to the registered owner of each Note to be redeemed at the address shown on the books of the Trustee or at such other address as may be furnished in writing by an Owner of a Series 2016 Note to the Trustee. Neither the failure of any Owner of the Series 2016 Notes to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for the redemption of Series 2016 Notes as to which proper notice of redemption was given. Notice of redemption will also be sent to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access (“EMMA”) system by the method required by the MSRB.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or by a Trustee 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 Series 2016 Notes or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Series 2016 Notes or portions thereof called for redemption is held in separate accounts by the City or by a Trustee, then the Series 2016 Notes or portions thereof called for redemption will cease to bear interest from and after such redemption date.

If a conditional redemption notice has been given and money sufficient to redeem all the Series 2016 Notes or portions thereof called for redemption is not held in separate accounts by the City or by a Trustee on the day set for redemption, then such redemption shall be cancelled and be of no force or effect.

#### *Redemption of Less Than All of a Note*

The City may redeem an amount which is included in a Series 2016 Note 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 Series 2016 Note for partial redemption and the Trustee shall make such partial payment and the Trustee shall cause a new Series 2016 Note in a principal amount which reflects the redemption so made to be authenticated, issued and delivered to the registered owner thereof.

### **THE PROJECT AND PLAN OF FINANCE**

The City has entered into an Amended and Restated Transportation Project Advance Agreement with the City of Phoenix ("Phoenix"), Valley Metro Rail, Inc. ("VMR") and Maricopa Association of Governments ("MAG"), dated as of \_\_\_\_\_, 2015 (the "TPAA"), pursuant to which the City will advance an amount equal to the net proceeds of the Series 2016 Notes (the "Advance") to Phoenix for the acceleration of the design and construction of the 1.9 mile light rail transit extension on Main Street from Mesa Drive to Gilbert Road and the acquisition of right-of-way and light rail vehicles related to such light rail transit extension in the City (the "Project"). State law permits the City to enter into an agreement with a council of governments and a designated grant recipient for the acceleration of a "transportation project." State law further permits the City to borrow monies to fund such advances and to pledge excise taxes to the repayment of such borrowed monies. Phoenix is a designated grant recipient under A.R.S. Sections 28-7691 through 28-7697, inclusive, and the future recipient of federal Surface Transportation Program ("STP") funds and Congestion Mitigation and Air Quality Improvement Program ("CMAQ") funds from the Federal Transit Administration (the "FTA").

The TPAA provides that Phoenix will repay the City the full amount of the Advance ("Repayments") from STP and CMAQ funds pursuant to the Grant Payment Schedule as defined and described in the TPAA. The Advance funding is expected to occur prior to \_\_\_\_\_, 20\_\_ and the Repayments are expected to be received by the City in full prior to \_\_\_\_, 20\_\_. For as long as any Series 2016 Notes remain Outstanding, the City has assigned its right to receive Repayments relating to the Advance to the Trustee. The Trustee is required in the Trust Agreement to deposit all Repayments as received into the Transportation Project Repayment Account of the Mesa 20\_\_ TPAN Payment Fund (the "Payment Fund") established under the Trust Agreement and to apply such monies to the payment of principal, premium, if any, and interest on the Series 2016 Notes or Parity Repayment Notes (as defined below) or to redeem the Series 2016 Notes and any Parity Repayment Notes prior to maturity.

The Repayments are not secured by any lien upon or pledge of any particular revenues, monies or property of Phoenix or the FTA. No assurance can be given that Phoenix or the FTA will have funds available for the Repayments due at the times or in the amounts set forth under the TPAA.

### **SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2016 NOTES**

#### **General**

The Series 2016 Notes will be special obligations of the City payable solely from the Excise Taxes (as defined below) and Repayments received by the City. Payment of the principal and interest (the "Debt Service



Requirements”) on the Series 2016 Notes will be payable solely from and secured by (i) the Repayments if, as and when received by the City from Phoenix and deposited with the Trustee and (ii) a pledge of, and lien on, all of the City’s unrestricted excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, state shared vehicle license taxes, fees for licenses and permits, fines, forfeitures and state revenue sharing that are validly imposed by the City or contributed, allocated or paid to the City and not earmarked by the contributor or the City for a contrary or inconsistent purpose (the “Excise Taxes”). Excise Taxes shall not include excise taxes collected and paid to the City under (a) the .25% transaction privilege (sales) and use tax approved by the voters of the City on May 19, 1998, the use of which is restricted to health, safety and other quality of life uses, (b) the .30% transaction privilege (sales) and use tax approved by the voters of the City on May 16, 2006, the use of which is restricted to street projects in the City, or (c) any other similar tax restricted as to its use. Excise Taxes shall not include the voter approved (March 10, 2009) allocation of the 3% transient occupancy tax proceeds generated at the Gaylord Hotel and Convention Center site, when built, the use of which will be used for the promotion of tourism in the City. See Appendix G – “Excise Taxes.” Such pledge of, and lien on, the Excise Taxes will be on a parity with the pledge of Excise Taxes for the payment of the City’s Excise Tax Revenue Obligations, Series 2013 issued pursuant to a Trust Agreement dated April 1, 2013 (the “Series 2013 Obligations”). Additionally, the pledge of, and lien on, the Excise Taxes will be on a parity with certain Parity Obligations of the City which may be issued or incurred in the future as described below under “Parity Obligations”.

***The Series 2016 Notes are not general obligations of the City and neither constitute an indebtedness of the City when computing its limit imposed by constitutional, statutory or charter provisions or a charge against the general credit or taxing power of the City nor a liability of the City for payment of the Series 2016 Notes other than from the Excise Taxes and Repayments. The Series 2016 Notes do not constitute an obligation of Phoenix for any purpose and the State has no liability for the debt service requirements of the Series 2016 Notes.***

The Trust Agreement permits the issuance or incurrence of Additional Notes or Parity Obligations, which will enjoy a parity first lien on the City’s Excise Taxes with the Series 2016 Notes. Other than Parity Repayment Notes, the Additional Notes and Parity Obligations will have no lien or claim on the Repayments received by the City, as described below under “Additional Notes and Parity Repayment Notes.” Parity Repayment Notes are Additional Notes payable and secured by a lien on the Repayments and Excise Taxes issued to fund an Advance pursuant to the terms of the Trust Agreement or to refund the Series 2016 Notes or prior Parity Repayment Notes.

(The Series 2016 Notes, Parity Repayment Notes and Additional Notes are collectively referred to herein and in the Trust Agreement as the “Notes”).

***THE PROCEEDS OF THE SERIES 2016 NOTES ARE NOT PLEDGED TO, NOR DO THEY SECURE PAYMENT OF THE SERIES 2016 NOTES.***

#### **Additional Notes, Parity Repayment Notes and Parity Repayment Notes**

The City reserves the right in the Trust Agreement to issue Additional Notes or Parity Repayment Notes upon delivery of each of the following to the Trustee:

(1) A written order of the City as to the delivery of the Additional Notes or Parity Repayment Notes, as applicable, signed by a City Representative;

(2) An opinion of Special Counsel to the effect that:

(i) the Additional Notes or Parity Repayment Notes, as applicable, to be executed and delivered will be valid and legal special obligations in accordance with their terms and (A) will be secured thereunder as to Excise Taxes equally, and on a parity with the Notes and Parity Obligations at the time Outstanding under the Trust Agreement, and (B) with respect to Parity Repayment Notes, will be secured thereunder as to Repayments, equally and on a parity with the Parity Repayment Notes at the time Outstanding, and

(ii) the execution and delivery of the Additional Notes or Parity Repayment Notes will not result in the interest of any Notes at the time Outstanding becoming included in gross income for federal income tax purposes and that the issuance of the Additional Notes or Parity Repayment Notes will not result in the loss of exemption from the registration requirements under the Securities Act of 1933, as amended, of the Notes outstanding under the Trust Agreement;

(3) A duly executed counterpart of a new trust agreement or a supplement to the Trust Agreement providing terms and provisions of the Additional Notes or Parity Repayment Notes and the provisions for the execution and delivery of the Additional Notes or Parity Repayment Notes; and

(4) A certificate of the City Representative to the effect that:

(i) the Excise Taxes received by the City in the next preceding fiscal year shall have amounted to at least two (2) times the highest combined Debt Service requirements for any succeeding fiscal year for amounts payable on any Outstanding Notes and Parity Obligations, including those so proposed to be secured by a pledge of the same Excise Taxes,

(ii) if the Additional Notes are to be secured by the Repayments, that the proceeds of the Additional Notes will be used to make an Advance pursuant to the TPAA, to pay costs of issuance with respect to the Additional Notes or to refund prior Series 2016 Notes or Parity Repayment Notes; and

(iii) if the City is issuing Additional Notes or Parity Repayment Notes, the additional projects qualify as a transportation project as defined in A.R.S. Sections 9-500.17 and 28-7691.

### **Parity Obligations**

Parity Obligations are any other notes, bonds or obligations issued or incurred by the City payable from a pledge of, and secured by a lien on, the Excise Taxes, equal in all respects and priority to the pledge of and lien on Excise Taxes securing the Outstanding Notes and Parity Obligations. So long as any of the Notes or Parity Obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, the City will not further encumber the Excise Taxes pledged on a basis equal to the pledge thereunder unless the Excise Taxes received by the City in the next preceding Fiscal Year shall have amounted to at least two (2) times the highest combined Debt Service Requirements for any succeeding Fiscal Year for amounts payable on any Outstanding Notes and any Parity Obligations, including those so proposed to be secured by a pledge of the same Excise Taxes.

Subject to the foregoing, and to other terms and conditions set forth in the Trust Agreement, the City shall have the right to issue or incur future obligations payable from and secured by the Excise Taxes on a parity with the Notes. See "ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE" herein.

The City currently has the following Parity Obligations outstanding.

#### **OUTSTANDING PARITY OBLIGATIONS**

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2013	Excise Tax Revenue Obligations	\$94,060,000	7/1/27-7/1/32	\$94,060,000

### **Subordinate Obligations**

The City reserves the right to pledge or encumber Excise Taxes for payment of obligations issued or incurred on a basis junior or subordinate to the pledge of Excise Taxes for payment of any Outstanding Notes or Parity Obligations (the "Subordinate Obligations"). The City currently has the following Subordinate Obligations outstanding:

#### **OUTSTANDING SUBORDINATE OBLIGATIONS**

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2012	Phoenix Mesa - Gateway Airport Authority	\$19,220,000	7/1/14-7/1/38	\$18,370,000

## Debt Service Coverage

Pursuant to the Trust Agreement, and to the extent permitted by law, Excise Tax receipts must be retained and maintained by the City so that the combined amount of Excise Taxes in any fiscal year of the City will be equal to at least two (2) times the total of all Debt Service Requirements of all Notes and Parity Obligations payable during such fiscal year. If receipts from Excise Taxes for any fiscal year do not equal at least two (2) times the Debt Service Requirements of all Notes and Parity Obligations payable for the such fiscal year, the City is required under the Trust Agreement to promptly impose new taxes of the type included within the definition of “Excise Taxes” or other City taxes or fees, or increase the rates for the Excise Taxes currently imposed in order that (i) the current receipts will be sufficient to meet all such requirements under the Trust Agreement, and (ii) the current year’s receipts will be reasonably calculated to attain the level as required above for the succeeding fiscal year’s Debt Service Requirements of the Notes and Parity Obligations.

The City's charter currently provides that prior voter approval would be required for the City to impose new City sales taxes or to increase the rates for current City sales taxes, but no voter approval would be required in connection with the imposition or increase in fines or other components of Excise Taxes. See “EXCISE TAX RECEIPTS” below and Appendix G –“EXCISE TAXES.”

### EXCISE TAX RECEIPTS (a) (b)

[To be updated]

The following table sets forth the record of Excise Taxes received by the City for the most recent five fiscal years for which such information is available. The table is intended to show the City’s recent financial experience only, and is not intended to indicate future or continuing trends in the financial position, or operations, of the City. For descriptions of the City’s revenue components comprising Excise Taxes, see Appendix G: “Excise Taxes.”

Excise Tax Revenue Source	2014/15	2013/14	2012/13	2011/12	2010/11
City Sales and Use Tax				\$86,996,212	\$83,409,001
State-shared Sales Tax				34,306,796	34,220,312
State-shared Income Tax				37,704,566	43,067,956
State-shared Vehicle License Tax (Auto Lieu)				14,092,038	15,324,590
Licenses, Fees and Permits				10,984,707	9,291,101
Fines and Forfeitures				15,864,392	15,560,437
Transient Lodging Tax				2,018,764	2,148,216
Total Revenues					

Source: City of Mesa.

- (a) The table above indicates a series of declines in the receipts of Excise Taxes since fiscal year 2010/11. Such declines occurred primarily in the Excise Tax revenues received from the City’s Sales and Use Tax and State-Shared Sales Tax Revenues and reflect a weakening in general economic conditions within the City and the State during such period.
- (b) Does not include excise taxes imposed or earmarked by the City for specific purposes, which currently includes excise taxes collected and paid to the City under (i) the .25% transaction privilege (sales) and use tax approved by the voters of the City on May 19, 1998, the use of which is restricted to health, safety and other quality of life uses, (ii) the .30% transaction privilege (sales) and use tax approved by the voters of the City on May 16, 2006, the use of which is restricted to streets projects in the City, or (iii) any other similar tax restricted as to its use. Also does not include the voter approved (March 10, 2009) allocation of the 3% transient occupancy tax proceeds generated at the Gaylord Hotel and Convention Center site, when built, the use of which will be used for the promotion of tourism in the City.

# **CITY GENERAL FUND**

Set forth below is a record of the City's general fund revenues, expenditures and changes in fund balance for the most recent five fiscal years for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

## **CITY OF MESA, ARIZONA GENERAL FUND REVENUES, EXPENSES AND CHANGES IN FUND BALANCE [To be updated]**

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Revenues:					
Taxes (b)	\$ 122,806	\$ 100,819	\$ 86,996	\$ 95,279	\$ 95,177
Property Taxes	13,886	14,274	14,323	14,404	22,500
Occupancy Taxes	1,581	2,148	2,019	1,903	1,919
Licenses and Permits	9,271	9,291	10,985	14,054	15,356
Intergovernmental Revenues	137,770	114,737	106,521	108,420	112,304
Charges for Services	11,843	12,127	9,102	16,603	20,829
Fines and Forfeitures	10,508	15,560	15,864	8,502	8,012
Interest	347	372	385	1,011	131
Capital Contributions	-	-	-	132	65
Miscellaneous Revenues	12,264	6,523	5,792	3,036	1,498
Total Revenues	\$ 320,276	\$ 275,851	\$ 251,987	\$ 263,344	\$ 277,791
Expenditures:					
Current:					
General Government	\$ 42,203	\$ 40,652	\$ 41,669	\$ 68,090	\$ 69,314
Public Safety	211,004	208,436	209,703	199,298	205,433
Cultural-Recreational	40,124	42,211	32,002	31,671	32,495
Community Environment	37,937	11,650	7,329	10,388	8,050
Bad Debt (c)	2,959	5,399	6,980	-	-
Total Current Expenditures	\$ 334,227	\$ 308,348	\$ 297,683	\$ 309,447	\$ 315,292
Revenues Over (Under)					
Current Expenditures	\$ (13,951)	\$ (32,497)	\$ (45,696)	\$ (46,103)	\$ (37,501)
Capital Outlay	\$ 22,029	\$ 18,654	\$ 16,304	\$ 12,961	\$ 7,853
Debt Service (d)	32,460	30,609	28,894	36,037	31,280
Total Other Expenditures	\$ 54,489	\$ 49,263	\$ 45,198	\$ 48,998	\$ 39,133
Revenues Over (Under) Expenditures	\$ (68,440)	\$ (81,760)	\$ (90,894)	\$ (95,101)	\$ (76,634)
Operating Transfers In (Net) (d)	\$ 75,875	\$ 76,471	\$ 77,863	\$ 63,731	\$ 101,661
Revenues and Transfers Over					
(Under) Expenditures	\$ 7,435	\$ (5,289)	\$ (13,031)	\$ (31,370)	\$ 25,027
Unrestricted Fund Balance-Beginning	101,471	113,034	122,118	108,851	77,504
(Incr.)Decr.-Restricted Funds	4,128	14,373	(236)	23	(3,467)
Unrestricted Fund Balance-Ending	\$ 113,034	\$ 122,118	\$ 108,851	\$ 77,504	\$ 99,064
Restricted Funds (e)	\$ 41,496	\$ 3,208	\$ 3,444	\$ 3,467	\$ -
Total Fund Balance - Ending	\$ 154,530	\$ 125,326	\$ 112,295	\$ 80,971	\$ 99,064

Source: The City.

- (a) The table above includes a restatement of funds for all previous years.
- (b) Beginning with Fiscal Year 2010/11, the City reclassified the Street Sales Tax Fund from the General Fund to the Special Revenue Funds. In addition, the City reclassified the Public Art Fund from the Special Revenue Funds to the General Fund. These changes were required due to the implementation of GASB Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.
- (c) Beginning with Fiscal Year 2012/13, bad debt is no longer a material line item.
- (d) Fiscal Year 2012/13 Debt Service has been adjusted to reflect the full General Obligation Bond Redemption. Net Operating Transfers In has been adjusted to reflect a reduction in Transfers Out, which was transferred to the Debt Service Fund to cover this obligation.
- (e) As of Fiscal Year 2013/14, Restricted Funds are no longer included in the General Fund.

### CITY ENTERPRISE FUNDS

The City annually provides for a significant portion of the City's general fund revenue from the transfer of certain net revenues generated by the City's enterprise funds, particularly the utility systems enterprise fund. Set forth below is a record of City enterprise fund revenues, expenditures and changes in fund balance for the most recent five fiscal years for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

### CITY OF MESA, ARIZONA ENTERPRISE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE [To be updated]

	2009/10	2010/11	2011/12	2012/13	2013/14
Operating Revenue	\$ 285,377	\$ 296,063	\$ 311,926	\$ 296,554	\$ 302,575
Operating Expense	148,625	147,085	146,894	146,847	151,559
Net Income from Operations	\$ 136,752	\$ 148,978	\$ 165,032	\$ 149,707	\$ 151,016
Development/Impact Fees	\$ 3,655	\$ 3,258	\$ 4,338	\$ 7,000	\$ 7,023
Miscellaneous Income	7,285	6,543	7,499	4,534	40,792
Interest Income	2,604	595	835	772	1,323
Capital Expense	(9,171)	(5,249)	(7,289)	(5,685)	(6,177)
Debt Service/Replacement	(57,591)	(61,911)	(71,762)	(73,435)	(73,415)
Income before Transfers	\$ 83,534	\$ 92,214	\$ 98,653	\$ 82,893	\$ 120,562
Operating Transfers (Out)	\$ (84,447)	\$ (83,615)	\$ (83,615)	\$ (83,615)	\$ (109,520)
Net Income	\$ (913)	\$ 8,599	\$ 15,038	\$ (722)	\$ 11,042
Beginning Fund Balance	\$ 58,681	\$ 57,768	\$ 66,367	\$ 81,405	\$ 80,683
Ending Fund Balance	\$ 57,768	\$ 66,367	\$ 81,405	\$ 80,683	\$ 91,725

Source: City of Mesa.

## CITY SPECIAL REVENUE FUNDS

Set forth below is a record of City special revenue fund revenues, expenditures and changes in fund balance for the most recent five fiscal years for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

<b>CITY OF MESA, ARIZONA SPECIAL REVENUE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE</b>					
	<b>[To be updated]</b>				
	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Revenues:					
Taxes (a)	\$ -	\$ 20,792	\$ 39,857	\$ 42,002	\$ 45,390
Licenses & Permits	2,553	3,286	2,374	3,629	3,441
Intergovernmental Revenues	53,215	54,616	50,716	57,562	55,473
Charges for Services	8,680	8,345	16,847	11,057	11,203
Fines and Forfeitures	771	108	226	517	1,098
Contributions	-	-	-	2,131	1,042
Interest	23	132	393	384	429
Miscellaneous Revenues	1,104	247	835	2,695	2,814
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Revenues	\$ 66,346	\$ 87,526	\$ 111,248	\$ 119,977	\$ 120,890
Expenditures:					
General Government	\$ -	\$ -	\$ -	\$ 6,063	\$ 5,763
Cultural-Recreational	21	-	11,890	6,096	6,293
Public Safety	5,243	5,985	15,792	27,373	25,931
Community Environment	34,127	56,831	57,244	44,809	48,523
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Current Expenditures	\$ 39,391	\$ 62,816	\$ 84,926	\$ 84,341	\$ 86,510
Revenues Over (Under)					
Current Expenditures	\$ 26,955	\$ 24,710	\$ 26,322	\$ 35,636	\$ 34,380
Capital Outlay	\$ 8,941	\$ 16,358	\$ 18,955	\$ 17,226	\$ 12,761
Debt Service (b)	17,766	17,033	15,742	17,177	17,207
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Other Expenditures	\$ 26,707	\$ 33,391	\$ 34,697	\$ 34,403	\$ 29,968
Revenues Over (Under) Expenditures	\$ 248	\$ (8,681)	\$ (8,375)	\$ 1,233	\$ 4,412
Operating Transfers In/(Out)	\$ 6,908	\$ 7,351	\$ 5,449	\$ (1,696)	\$ (3,835)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Revenues and Transfers Over (Under) Expenditures	\$ 7,156	\$ (1,330)	\$ (2,926)	\$ (463)	\$ 577
Fund Balance-Beginning	\$ 29,529	\$ 48,607	\$ 47,279	\$ 44,354	\$ 43,891
Fund Balance-Ending	<u>\$ 36,685</u>	<u>\$ 47,277</u>	<u>\$ 44,353</u>	<u>\$ 43,891</u>	<u>\$ 44,468</u>

Source: The City.

- (a) Beginning with Fiscal Year 2010/11, the City reclassified the Street Sales Tax Fund from the General Fund to the Special Revenue Funds. In addition, the City reclassified the Court Construction Fee Fund from the Special Revenue Funds to the Debt Service Fund, the Vehicle Replacement Fund from the Special Revenue Funds to the Capital Project Funds, the Public Art Fund from the Special Revenue Funds to the General Fund and the Regional Transportation Plan Fund from the Special Revenue Funds to the Capital Project Funds. These

changes were required due to the implementation of GASB Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

- (b) Fiscal Year 2012/13 debt service has been adjusted to include HPAN debt service.

#### **SOURCES AND USES OF FUNDS**

**Sources of Funds:**

Principal amount of the Series 2016 Notes	\$
Original Issue Premium	
Total Sources of Funds	<u>\$</u>

**Uses of Funds:**

Advance Account	\$
Costs of Issuance	
2016 Payment Fund – Capitalized Interest	
Account	
Total Uses of Funds	<u>\$</u>

- 
- \* Includes costs incurred by the City in connection with the issuance of the Series 2016 Notes and Underwriters' compensation.

**DEBT SERVICE REQUIREMENTS AND COVERAGE\* (a)**  
**[To be updated]**

The table below sets forth (i) the combined annual debt service requirements of the Excise Tax obligations outstanding, (ii) the annual debt service requirements of the Series 2016 Notes, (iii) the combined debt service requirements of these obligations, and (iv) the estimated debt coverage ratio for such combined debt service requirements based upon the City's unaudited fiscal year 2014/15 Excise Taxes (\$\_\_\_\_\_).

Fiscal Year Ending (6-30)	Pledged Excise Taxes	Excise Tax Obligations		Series 2016 Notes		Estimated	Combined
		Outstanding		To Be Issued		Combined	Annual
		Senior	Subordinate			Annual	Debt
		Obligations	Obligations			Debt	Service
		Outstanding	Outstanding	Principal	Interest ( b )	Service	Coverage
2017	\$	\$ 4,703,000	\$ 1,321,550	\$	\$ 2,893,333	\$ 8,917,883	___x
2018		4,703,000	1,317,750		2,100,000	8,120,750	
2019		4,703,000	1,318,950		2,100,000	8,121,950	
2020		4,703,000	1,319,350	13,185,000	2,100,000	21,307,350	
2021		4,703,000	1,318,950	13,580,000	1,704,450	21,306,400	
2022		11,323,000	1,317,750	13,990,000	1,297,050	27,927,800	
2023		11,322,000	1,320,750	14,405,000	877,350	27,925,100	
2024		11,324,500	1,322,000	14,840,000	445,200	27,931,700	___x
2025		11,324,500	1,321,750			12,646,250	
2026		11,326,250	1,320,000			12,646,250	
2027		11,323,750	1,321,750			12,645,500	
2028		11,326,250	1,321,750			12,648,000	
2029		11,322,500	1,320,000			12,642,500	
2030		11,321,750	1,321,500			12,643,250	
2031		11,322,750	1,321,000			12,643,750	
2032		11,324,250	1,318,500			12,642,750	
2033			1,319,000			1,319,000	
2034			1,317,250			1,317,250	
2035			1,318,250			1,318,250	
2036			1,321,750			1,321,750	
2037			1,317,500			1,317,500	
2038			2,640,000			2,640,000	

- (a) Prepared by Wedbush Securities Inc. (the "Financial Advisor").
- (b) Interest is estimated at 3.00%. The first interest payment on the Series 2016 Notes is due on July 1, 20\_\_, representing interest from the initial execution and delivery of the Series 2016 Notes. Thereafter, interest payments will be made semiannually on January 1 and July 1, until maturity or prior redemption.
- (c) Debt Service Coverage is computed using the unaudited Excise Taxes of \$\_\_\_\_\_ - for fiscal year 2014/15. See "Excise Tax Receipts", herein.

\* Subject to change.



## **NOTEHOLDERS' RISKS**

### **TBD**

The discussion herein of risks to the owners of the Series 2016 Notes is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Series 2016 Notes. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein.

#### **No Pledge of Phoenix Funds to Make Repayments**

The TPAA provides that Phoenix will provide the Repayments to the City according to the Grant Payment Schedule as set forth in the TPAA. The Repayments are expected to be used toward payment of principal of and interest on the Series 2016 Notes when due. However, the Repayments are not secured by any lien upon, or pledge of any particular revenues, monies or property of Phoenix, and the TPAA expressly provides that the Repayments are contingent upon federal funds received by Phoenix. No Repayments provide security for the repayment of the Series 2016 Notes except and to the extent they are actually received by the Trustee and deposited under the Trust Agreement. Accordingly, there can be no assurance that Repayments will be received by the City and transferred to the Trustee and applied under the Trust Agreement in amounts or at times sufficient to pay the principal of and interest on the Series 2016 Notes when due.

#### **Excise Taxes and Economic Conditions in the City and the State**

The 2016 Notes are payable from and secured by a first lien pledge of Excise Taxes, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 NOTES" and "EXCISE TAX RECEIPTS." The amount of Excise Taxes at any time is largely dependent upon the level of retail and other sales activity, which level is, in turn, dependent upon the level of economic activity in the City and in the State generally.

The economy of the City, as in the State as a whole, continues to be weak, as evidenced by a series of decreases in annual receipts of Excise Taxes, continuing high unemployment rate and other economic indicators. Current domestic and international economic conditions have had, and are expected to continue to have, negative repercussions for the City. State, national and global economies, including reduced revenues for government, high unemployment, a scarcity of credit, reduced confidence in the financial sector, volatility in the financial markets, potential increase in interest costs and weak business activity, increased consumer bankruptcies and increased business failures and bankruptcies. Governmental bodies in the State, including the City, are addressing budget deficits, in part, by reducing expenditures for public employees through lay-offs and other cost cutting measures.

For additional information relating to historic and current economic conditions in the City which indicate a slowdown in the current economy of the City, see "City of Mesa Excise Tax Receipts" above and Appendix A -- CITY OF MESA, ARIZONA -- GENERAL AND DEMOGRAPHIC INFORMATION."

#### **Legislative Ability to Eliminate or Reduce State-Shared Taxes [To be updated]**

As described above under "EXCISE TAXES -- Legislative Ability to Eliminate or Reduce State-Shared Taxes; No Debt Service Coverage Covenant," the State has shared transaction privilege tax receipts with Arizona cities and towns continuously since 1942 and shared income tax receipts continuously since 1972. However, the State Legislature may eliminate State-shared sales and income taxes and any other State-shared revenues or may change the amount and timing of State-shared sales and income taxes and any other State-shared revenues and is under no legal obligation to maintain the amount of State-shared sales and income taxes or any other State-shared revenues distributed to the City at any amount or level. Accordingly, the City is unable to covenant to maintain its State-shared sales and income taxes at any particular level of coverage to debt service on the Notes, including the Series 2016 Notes or Parity Obligations.

From time to time, bills are introduced in the State Legislature to make changes to the formulas used to allot State-shared sales taxes and State revenue sharing. The possibility of changes in this regard is more likely to be adverse to the City when the State is experiencing financial difficulties. The continuing budget difficulties currently being experienced by the State for fiscal years 2010-11 and 2011-12 increase the likelihood of changes to such formulas that could have adverse results for the City. The City cannot determine whether any such measures will become law or how they might affect the revenues that comprise the Excise Taxes. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which repeal or modify State sales taxes and

State income taxes (the major sources of funds for State revenue sharing). The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

## **RATINGS**

Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service Inc. ("Moody's") have assigned credit ratings of "\_\_\_" and "\_\_\_", respectively, to the Series 2016 Notes. Such ratings reflect only the views of S&P and Moody's. An explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, New York 10041 and from Moody's at 99 Church Street, New York, New York 10007. Such ratings may subsequently be revised downward or withdrawn entirely by S&P or Moody's, if, in their judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Series 2016 Notes. 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 MSRB, of any formal change in the ratings relating to the Series 2016 Notes.

## **LEGAL MATTERS**

Legal matters relating to the issuance and delivery of the Series 2016 Notes, the validity of the Series 2016 Notes under Arizona law and the tax-exempt status of the interest on the Series 2016 Notes (see "TAX EXEMPTION") are subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona ("Special Counsel") whose services as Special Counsel have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect only as of the date of initial execution and delivery of the Series 2016 Notes, will be delivered to the City at the time of issuance of the Series 2016 Notes.

The proposed text of the legal opinion is set forth as Appendix \_\_\_\_\_. The legal opinion to be delivered may vary from the text of Appendix \_\_\_\_\_ if necessary to reflect the facts and law on the date of initial execution and 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 Special Counsel has reviewed or expressed any opinion concerning any matters relating to the Series 2016 Notes subsequent to the original delivery of the Series 2016 Notes.

Such legal opinion expresses the professional judgment of Special 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 for the Underwriters by Squire Patton Boggs (US) LLP, Counsel to the Underwriters.

## **TAX EXEMPTION**

In the opinion of Special 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 Series 2016 Notes is excluded from gross income for federal income tax purposes. In the opinion of Special Counsel, interest income on the Series 2016 Notes is exempt from Arizona income taxes. The opinion of Special Counsel will be dated as of the date of delivery of the Series 2016 Notes. A form of such opinion is included herein in Appendix E: "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 Series 2016 Notes 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 Series 2016 Notes. 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 Series 2016 Notes being included in gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Series 2016 Notes do not provide for an adjustment in interest rate or yield in the event of taxability, and an event of taxability does not cause an acceleration of the principal of the Series 2016 Notes. The opinion of Special Counsel assumes continuing compliance with such restrictions, conditions and requirements.

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 Series 2016 Notes 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 Series 2016 Notes.

Although Special Counsel will render an opinion that, as of the delivery of the Series 2016 Notes, interest income on the Series 2016 Notes is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2016 Notes, may otherwise affect a Beneficial Owner’s federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing the Series 2016 Notes, 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. Special Counsel expresses no opinion regarding any such other tax consequences.

The Series 2016 Notes 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 Series 2016 Notes.

#### **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of the Series 2016 Notes maturing on July 1, 20\_\_ through and including July 1, 20\_\_ (collectively, the “Discount Notes”), are less than the respective amounts payable at maturity. As a result, the Discount Notes will be considered to be issued with original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Notes, and the amount payable at maturity of the Discount Notes will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Note in the initial public offering at the Issue Price and who holds the Discount Note 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 Note 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 Note at maturity.

The original issue discount on each of the Discount Notes is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Note 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 accreting each period will be added to the Beneficial Owner’s tax basis for the Discount Note. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Note. An initial Beneficial Owner of a Discount Note who disposes of the Discount Note 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 Note 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 Notes. Beneficial Owners who do not purchase the Discount Notes 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 Notes.

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

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

## **NOTE PREMIUM**

The initial public offering prices of the Series 2016 Notes maturing on July 1, 20\_\_ through and including July 1, 20\_\_ (collectively, for the purposes of this section, the “Premium Notes”) are greater than the amount payable on such of each maturity Premium Notes at maturity. An amount equal to the difference between the initial public offering price of a Premium Note (assuming that a substantial amount of the Premium Notes 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 Notes. The basis for federal income tax purposes of a Premium Note 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 Note. 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 Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Notes.

## **LITIGATION**

At the time of delivery of the Series 2016 Notes, 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 Series 2016 Notes or that questions the City's right or authority to receive the sources of payment of the Series 2016 Notes, or in any way contesting or affecting the validity or enforceability of the Series 2016 Notes, the Trust Agreement 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 issue the Series 2016 Notes or to execute and deliver the Trust Agreement or the Continuing Disclosure Certificate, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Series 2016 Notes, the Trust Agreement or the Continuing Disclosure Certificate, or have a material adverse effect on the transaction contemplated by this Official Statement.

## **UNDERWRITING**

RBC Capital Markets, BofA Merrill Lynch and Barclays Capital (together, the “Underwriters”) have agreed to purchase the Series 2016 Notes at an aggregate purchase price of \$ \_\_\_\_\_ (representing the principal amount of the Series 2016 Notes plus a reoffering premium of \$ \_\_\_\_\_ and less underwriter's discount of \$ \_\_\_\_\_) pursuant to a purchase contract (the “Purchase Contract”) entered into by and between the City and the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the Series 2016 Notes so offered, if any, are purchased. The Underwriters may offer and sell the Series 2016 Notes to certain dealers (including dealers depositing Series 2016 Notes into unit investment trusts) and others at prices lower or yields higher than the public offering prices stated on the front cover page hereof. The initial offering prices or yields set forth on the front cover may be changed from time to time by the Underwriters.

## **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 Series 2016 Notes, 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.

## **FINANCIAL ADVISOR**

The Financial Advisor has been engaged by the City for the purpose of advising the City as to certain debt service structuring matters specific to the Series 2016 Notes and on certain matters relative to the City's overall debt financing program. The Financial Advisor has assisted in the assembly and preparation of this Official Statement at the direction and on behalf of the City. No person is entitled to rely on the Financial Advisor's participation as an

assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy and completeness of the information contained herein.

### **CONTINUING SECONDARY MARKET DISCLOSURE**

The City will covenant for the benefit of holders and Beneficial Owners of the Series 2016 Notes to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2016 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”), as set forth in APPENDIX G – “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 G – “Form of Continuing Disclosure Certificate.”

These covenants will be made in order to assist the Underwriter in complying with the Securities Exchange and Commission Rule 15c2-12 (the “Rule”). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX F 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 Series 2016 Notes 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 could adversely affect the Series 2016 Notes 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’s 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 September 10, 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, 2010 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 September 10, 2014.

In reference to the City’s General Obligation Bonds, Utility Systems Revenue Bonds, Street and Highway User Revenue Bonds, and Excise Tax Revenue Obligations, the City did not timely file certain bond insurance rating changes, but the City has filed such notices on or before September 22, 2014.

### **CANCELLATION OF CONTRACTS**

As required by the provisions of A.R.S. Section 38-511, as amended, the City may, within three years of its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension thereof is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

The General Purpose Financial Statements of the City for the year ended June 30, 2015, a copy of which is included in Appendix C 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, 2015 and are not current and may not represent the current financial condition of the City. 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 matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations or fact of certainty and no representation is made that any of these statements have been or will be realized. 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 Series 2016 Notes.

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

**CITY OF MESA, ARIZONA**

By: \_\_\_\_\_  
**Chief Financial Officer**

**CITY OF MESA, ARIZONA  
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION  
[To be updated]**

**General**

The City 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 439,041. The following table illustrates the City's population statistics since 1990, along with the population statistics for the County and the State, respectively.

<b>POPULATION STATISTICS</b>			
<b>Year</b>	<b>City of Mesa</b>	<b>Maricopa County</b>	<b>State of Arizona</b>
2014 Estimate (a)	455,567	4,008,651	6,667,241
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) Source: U.S. Census Bureau. Estimate as of July 1, 2014 (Published December 15, 2014).

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

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

<b>Year</b>	<b>Square Miles</b>
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 in 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)	5.8%	6.8%	5.8%	5.6%
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

- 
- (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 November 2014 for LAUS data and through November 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

<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	4,700
City of Mesa	Government	3,519
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

Sources: City of Mesa – Office of Economic Development, Phoenix Business Journal, Reference USA, MAG Employer Database, updated December 2014.

## 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>
2014/15 (b)	\$291,898	310,527	-	20,434	\$622,860
2013/14	395,286	382,959	-	11,872	790,118
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 2014/15 is for fiscal years.

(b) Partial fiscal year data through March 31, 2015.

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>
2014/15 (b)	790
2013/14	1,073
2012/13	957
2012	739
2011	1,447
2010	782

---

(a) Data from 2010 through 2012 is for calendar years. Data for 2012/13 through 2014/15 is for fiscal years.

(b) Partial fiscal year data through March 31, 2015.

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>
2014	\$3,944,036,123
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 basins 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.

## APPENDIX B

### CITY OF MESA, ARIZONA FINANCIAL DATA [To be updated]

#### Current Year Statistics (For Fiscal Year 2015/16)

##### City of Mesa, Arizona

Total General Obligation Bonds Outstanding	\$ 337,190,000	(a)
Total Utility Systems Revenue Bonds Outstanding	1,009,570,962	(b)
Total Street and Highway User Revenue Bonds Outstanding	100,285,000	(c)
Total Excise Tax Obligations to be Outstanding	182,430,000 *	(d)

- 
- (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 outstanding. See “Statements of Bonds Outstanding – Utility Systems Revenue Bonds 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 to be outstanding following issuance of the Notes. See “Statements of Bonds Outstanding – Excise Tax Obligations to be Outstanding” in this appendix.

### STATEMENTS OF BONDS OUTSTANDING

#### General Obligation Bonds Outstanding

##### City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2004	Refunding	\$ 46,445,000	7-1-09/18	\$ 46,130,000
2005	Various Purpose	11,705,000	7-1-12/24	1,000,000
2006	Various Purpose	9,710,000	7-1-13/25	9,275,000
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	43,745,000
2010	Various Purpose	30,865,000	7-1-20/30	30,865,000 (e)
2011	Various Purpose	29,320,000	7-1-12/31	25,075,000
2012	Refunding	31,665,000	7-1-13/22	16,065,000
2012	Various Purpose	27,290,000	7-1-13/32	24,725,000
2013	Refunding	8,915,000	7-1-14/24	8,855,000
2013	Various Purpose	59,960,000	7-1-14/33	56,425,000
2014	Various Purpose	37,550,000	7-1-15/34	31,975,000
2015	Various Purpose	13,690,000	7-1-16/35	13,690,000
Total General Obligation Bonds Outstanding				<u>\$ 337,190,000</u>

- 
- (e) 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.

---

\* Subject to change.

Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 7.3% for the federal fiscal year 2014/15, and by \_\_% in federal fiscal year 2015/16 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 Outstanding  
City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2002	Utility Improvement	\$ 57,950,000	7-1-09/21	\$ 2,000,000
2002	Refunding	129,000,000	7-1-04/17	20,465,000
2003	Utility Improvement	50,470,000	7-1-10/22	4,000,000
2004	Refunding	40,345,000	7-1-14/19	40,280,000
2004	Utility Improvement	64,625,000	7-1-19/28	6,125,000
2005	Utility Improvement	91,200,000	7-1-19/29	13,500,000
2006	Utility Improvement	105,400,000	7-1-23/30	51,180,000
2006	Refunding	61,300,000	7-1-09/21	58,075,000
2006	Refunding	127,260,000	7-1-12/28	126,835,000
2007	Utility Improvement	65,550,000	7-1-23/31	65,550,000
2008	Refunding	21,125,000	7-1-09/18	6,325,000
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 (f)
2009	WIFA Loans	3,758,810	7-1-10/29	2,115,962
2010	Utility Improvement	50,380,000	7-1-34	50,380,000 (f)
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
2014	Utility Refunding	102,945,000	7-1-18/30	102,945,000
2015	Utility Improvement	30,220,000	7-1-20/39	30,220,000
Total Utility Systems Revenue Bonds Outstanding				<u>\$1,009,570,962</u>

- (f) 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 7.3% for the federal fiscal year 2014/15, and by \_\_% in federal fiscal year 2015/16 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.

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

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2003	Street Improvements	\$26,805,000	7-1-10/22	\$ 2,255,000
2004	Refunding	17,760,000	7-1-14/18	15,320,000
2004	Street Improvements	9,585,000	7-1-10/23	975,000
2005	Refunding	23,800,000	7-1-07/23	23,750,000
2005	Street Improvements	10,225,000	7-1-10/24	1,075,000
2006	Street Improvements	11,675,000	7-1-23/25	1,825,000
2007	Street Improvements	10,675,000	7-1-23/27	3,000,000
2012	Refunding	36,090,000	7-1-14/22	26,030,000
2013	Refunding	8,500,000	7/1/2024	8,500,000
2015	Refunding	17,555,000	7-1-24/27	17,555,000
Total Street and Highway User Revenue Bonds Outstanding				<u>\$100,285,000</u>

(g) 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.

Excludes \$18,670,000 principal amount of the City's Street and Highway User Revenue Bonds originally issued in 2003, 2004, 2005, 2006 and 2007, which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2015. Debt service requirements for such refunded obligations 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 to be Outstanding\***  
**City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
Senior Obligations:				
2013	Excise Tax Revenue Obligations	\$94,060,000	7/1/27, 7/1/32	\$94,060,000
2015	Transportation Project Advancement Notes	70,000,000	7/1/20-24	70,000,000 *
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7/1/14-38	18,370,000
Total Excise Tax Obligations to be Outstanding				<u>\$182,430,000 *</u>

\* Subject to change.

**Other Indebtedness**  
**City of Mesa, Arizona**

The City has other obligations which are payable from various City funds, including purchase obligations, lease obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 8 of the City's Audited General Purpose Financial Statements For The Year Ended June 30, 2015, contained in APPENDIX C of this Official Statement.

## **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, 2015” 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 ASRS contribution rate for Fiscal Year 2015/16 is \_\_\_\_ percent and includes retirement and long-term disability. The City’s contributions to the ASRS for Fiscal Years 2014/15 and 2013/14 were \$\_\_\_\_ million and \$16.9 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 2013/14 was 11.54 percent for the City and for member employees, and for Fiscal Year 2014/15, the rate increased to \_\_\_\_ 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](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 Fiscal Year 2014/15, the City’s contribution rates for PSPRS are 32.59 percent for fire and 33.07 percent for police. For Fiscal Year 2013/14, active PSPRS members were required by statute to contribute 10.35 percent of the members’ annual covered payroll, and the City was required to contribute at the actuarially determined rate of 31.26 percent for fire and 31.21 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, 2015, approximately \_\_\_\_ former employees and beneficiaries were eligible for these benefits. Other Post Employment Benefits costs incurred by the City in Fiscal Year 2014/15 were \$\_\_\_\_ 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 2013/14 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, 2015:

Annual Required Contribution	\$ 00,000,000
Interest on Net OPEB Obligation	00,000,000
Adjusted to Annual Required Contribution	<u>(00,000,000)</u>
Annual OPEB Cost	00,000,000
Contributions Made	<u>(00,000,000)</u>
Increase in Net OPEB Obligation	00,000,000
Net OPEB Obligation - Beginning of Year	<u>000,000,000</u>
Net OPEB Obligation - End of Year	<u><u>\$000,000,000</u></u>

The City’s net OPEB obligation as of June 30, 2015 was \$\_\_\_\_\_. Contributions for Fiscal Year 2014/15 were \$\_\_\_\_\_.

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

**CITY OF MESA, ARIZONA**

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED JUNE 30, 2015**

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.

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

### BOOK-ENTRY-ONLY SYSTEM

**This information concerning DTC and DTC's book-entry system has been obtained from DTC and the City takes no 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 Series 2016 Notes. The Series 2016 Notes 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 Series 2016 Notes certificate will be issued for the single maturity of the Series 2016 Notes, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2016 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Note ("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 Series 2016 Notes 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 Series 2016 Notes, except in the event that use of the book-entry system for the Series 2016 Notes is discontinued.

To facilitate subsequent transfers, all Series 2016 Notes 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 Series 2016 Notes 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 Series 2016 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Notes 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 Series 2016 Notes may wish to take certain steps to augment the transmission to them of

notices of significant events with respect to the Series 2016 Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Series 2016 Notes 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 Series 2016 Notes 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 Series 2016 Notes 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 Series 2016 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2016 Notes 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 Trustee, 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 Trustee, 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 Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2016 Notes at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note 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, Series 2016 Note certificates will be printed and delivered to DTC.

NONE OF THE CITY, THE TRUSTEE, THE FINANCIAL ADVISOR OR THE UNDERWRITERS 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 SERIES 2016 NOTES OR THE CERTIFICATES UNDER THE TRUST AGREEMENT; (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 SERIES 2016 NOTES; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2016 NOTES; OR (5) ANY OTHER MATTERS.

## **APPENDIX E**

### **FORM OF APPROVING LEGAL OPINION**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

\_\_\_\_\_, 2016

The City of Mesa, Arizona

We have acted as Special Counsel in connection with the issuance and sale, and the initial delivery on the date hereof, by the City of Mesa, Arizona (the "City") of its \$70,000,000\* aggregate principal amount of its Transportation Project Advancement Notes, Series 2016 (the "Series 2016 Notes"). The Series 2016 Notes are being issued pursuant to the terms of a Trust Agreement, dated \_\_\_\_\_ (the "Trust Agreement") between the City and \_\_\_\_\_, as trustee (the "Trustee").

We have examined the transcript of proceedings relating to the issuance by the City of the Notes. The Series 2016 Notes are dated \_\_\_\_\_, 2016 and bear interest payable January 1 and July 1 of each year to maturity, commencing July 1, 20\_\_.

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 Series 2016 Notes 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 Series 2016 Notes against payment therefor, that:

1. The Series 2016 Notes and the Trust Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

2. The Series 2016 Notes are special obligations of the City payable from and secured by a pledge of and lien on the Excise Taxes and Repayments as defined in the Trust Agreement. The pledge of Excise Taxes for the Series 2016 Notes is on a parity with the pledge of Excise Taxes for certain outstanding obligations of the City with respect to the lien of Excise Taxes, including the Existing Parity Obligations (as defined in the Trust Agreement). The Existing Parity Obligations are not secured by the Repayments.

3. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Series 2016 Notes is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Series 2016 Notes 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 federal alternative minimum tax. The Series 2016 Notes 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 Series 2016 Notes.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Series 2016 Notes from gross income for federal income tax purposes. Failure to comply with such restrictions, conditions and requirements could cause the Series 2016 Notes to be "arbitrage bonds" within the meaning of the Code or otherwise result in the interest income on the Series 2016 Notes 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 interest



income on the Series 2016 Notes. For purposes of this opinion we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

The opinions expressed in this letter are based upon the law in effect on the date hereof and may be affected by actions taken or omitted or events occurring after the date hereof, and we assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

GUST ROSENFELD P.L.C.

Special Counsel

## **APPENDIX F**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

\$ \_\_\_\_\_  
**CITY OF MESA, ARIZONA**  
**TRANSPORTATION PROJECT ADVANCEMENT NOTES,**  
**SERIES 2016**

**CONTINUING DISCLOSURE CERTIFICATE**  
**(CUSIP Base No. \_\_\_\_\_)**

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Mesa, Arizona (the "*City*") in connection with the issuance of the City's \$\_\_\_\_\_ Transportation Project Advancement Notes, Series 2016 (the "*Series 2016 Notes*"). In consideration of the initial sale and delivery of the Series 2016 Notes, the City covenants as follows:

**Section 1.**     **Purpose of the Disclosure Certificate.** This Disclosure Certificate is for the benefit of the Noteholders 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.

"*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(a) of this Disclosure Certificate.

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

"*Noteholder*" shall mean any registered owner or beneficial owner of the Series 2016 Notes.

"*Official Statement*" shall mean the final official statement dated \_\_\_\_\_, 2016, relating to the Series 2016 Notes.

"*Participating Underwriter*" shall mean any of the original underwriters of the Series 2016 Notes required to comply with the Rule in connection with offering of the Series 2016 Notes.

"*Resolution*" shall mean the resolution authorizing the issuance and sale of the Series 2016 Notes.

"*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.

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

**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, 20\_\_, provide electronically to MSRB, in a format prescribed by the 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) Excise Tax Receipts;
- (ii) Appendix G – Excise Taxes.

(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 Series 2016 Notes, and the City shall in a timely manner, not in excess of ten (10) 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 Series 2016 Notes, or other material events affecting the tax status of the Series 2016 Notes;
- (7) Modifications to rights of Noteholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2016 Notes, 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.

Note to paragraph 5(12) above: For the purposes of the event identified in paragraph 5(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 Series 2016 Notes. 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 Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2016 Notes, 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 Noteholders, as determined by Special 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 Noteholder 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 Series 2016 Notes or the Trust Agreement for the Series 2016 Notes.

**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, Special Counsel or the City's financial advisor.

**Section 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Noteholders, and shall create no rights in any other person or entity.

**Section 14. Governing Law and Interpretation of Terms.** This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure 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.

**Section 15. Notice Concerning Cancellation of Contracts.** To the extent applicable by provision of law, this Disclosure Certificate is subject to cancellation pursuant to Arizona Revised Statutes, Section 38-511, as amended.

Date: \_\_\_\_\_, 2016.

**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 Issue: \$\_\_\_\_\_ Transportation Project Advancement Notes, Series 2016  
Dated Date of Series  
2016 Notes: \_\_\_\_\_, 2016 CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Financial Report with respect to the above-named Series 2016 Notes as required by Section 3(a) of the Disclosure Certificate dated \_\_\_\_\_, 2016. 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 Issue: \$\_\_\_\_\_ Transportation Project Advancement Notes, Series 2016  
Dated Date of Series  
2016 Notes: \_\_\_\_\_, 2016 CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated \_\_\_\_\_, 2016 with respect to the above-named Series 2016 Notes. 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 \_\_\_\_\_



**[THIS PAGE INTENTIONALLY LEFT BLANK]**

## APPENDIX G

### EXCISE TAXES

#### City Transaction Privilege (Sales) Tax

For most taxable activities occurring within the City, the City's transaction privilege (sales) tax is levied at 1.75%. Such taxes are levied for general municipal purposes upon entities engaging in business within the City by applying the tax rate against the gross proceeds of sales or gross income derived from business activities and is collected by the City on a monthly basis.

The rates applied to the categories of business activities are as shown in the following table.

#### City Transaction Privilege (Sales) Tax Rates by Category

Category	Tax Rate
Amusement, Exhibitions & Similar Activities	1.75%
Contracting Construction; Construction Contractors	1.75
Job Printing	1.75
Hotels	1.75
Publishing & Periodicals Distribution	1.75
Restaurant/Bars	1.75
Retail Sales	1.75
Utility Services	1.75
Advertising	1.75
Jet Fuel Sales	\$0.03/gallon
Manufactured Buildings	1.75
Timbering & Other Extraction	1.75
Mining	0.10
Rental, Leasing & Licensing for Use of Real Property	1.75
Rental, Leasing & Licensing for Use of Real Property; Additional Tax Upon Transient Lodging	3.00
Rental, Leasing & Licensing for Use of Tangible Personal Property	1.75
Telecommunication Services	1.75
Transporting for Hire	1.75

*The City's sales tax for general government purposes of 1.20% is pledged for payment of the Notes, including the Series 2016 Notes and Parity Obligations. The City's sales taxes of 0.25% for health, safety and other quality of life issues, 0.30% for street projects in the City and the allocation of the 3.00% transient occupancy tax proceeds generated at the Gaylord Hotel and Convention Center site, when built, have been authorized for specific projects, and are not pledged for payment of the Series 2016 Notes.*

The table below sets forth a record of City transaction privilege (sales) tax receipts by industry classification for fiscal years 2010/11 through 2014/15.

**TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS  
BY INDUSTRY CLASSIFICATION**

Industry Classification	2014/15	2013/14	2012/13	2011/12	2010/11
Utilities					
Communications					
Publishing					
Printing & Advertising					
Contracting					
Retail Sales					
Restaurants & Bars					
Amusements					
Rentals					
Miscellaneous					
Less: Restricted					
Excise Taxes					
Net Excise Taxes					

Source: City Finance Department.

**State-Shared Revenues**

*State-Shared Sales Taxes.* Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State – levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the City’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As the following table indicates, the rate of taxation as it relates to such portion of the State levied transaction privilege (sales) tax varies among the different types of business activities taxed, with the most common rate being 5% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed month the cities and towns.

**STATE SALES TAX**  
**Taxable Activities, Tax Rates and Distribution Share**

Taxable Activities	State Transaction Privilege (Sales) Tax Rates (a)			
	State Tax Rate	Distribution Share	Education Tax Rate	Combined Tax Rate
Transportation	5.000%	20.000%	0.600%	5.600%
Utilities	5.000%	20.000%	0.600%	5.600%
Telecommunications	5.000%	20.000%	0.600%	5.600%
Pipeline	5.000%	20.000%	0.600%	5.600%
Private Car Line	5.000%	20.000%	0.600%	5.600%
Publication	5.000%	20.000%	0.600%	5.600%
Job Printing	5.000%	20.000%	0.600%	5.600%
Prime Contracting	5.000%	20.000%	0.600%	5.600%
Owner Builder Sales	5.000%	20.000%	0.600%	5.600%
Amusement	5.000%	40.000%	0.600%	5.600%
Restaurant	5.000%	40.000%	0.600%	5.600%
Personal Property - Rental	5.000%	40.000%	0.600%	5.600%
Retail (Excluding Food Sales)	5.000%	40.000%	0.600%	5.600%
Transient Lodging	5.500%	50.000%	N/A	5.500%
Mining - Non-Metal, Oil/Gas	3.125%	32.000%	N/A	3.125%
Commercial Lease	0.000%	53.330%	N/A	0.000%
Severance - Metalliferous Mining	2.500%	80.000%	N/A	2.500%
Use Tax Utilities	5.000%	20.000%	0.600%	5.600%
Jet Fuel Tax	(b)	40.000%	N/A	(b)

N/A = Not applicable.

- (a) Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the "Education Tax") on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the City or pledged to the payment of debt service with respect to the Obligations.** The effective dates for the Education Tax are June 1, 2001 through June 30, 2021.
- (b) Does not include \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.

Source: Arizona Revised Statutes, ADOR, Secretary of State.

*State-Shared Income Tax.* Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections. Distribution of such funds is made monthly based on the proportion of the population of each city and town to the total population of all incorporated cities and towns in the State as determined by the latest census.

*State-Shared Vehicle License Tax.* Approximately twenty percent of the revenues collected for the licensing of motor vehicles is distributed to incorporated cities and towns. A city or town receives its share of the vehicle license tax collections based on its population in relation to the total incorporated population of the county. These monies are distributed on a monthly basis. The only stipulation on the use of this revenue is that it must be expended for a public purpose.

**From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate the State-shared sales taxes, State-shared income taxes and State-shared vehicle license tax, including proposed adjustments that would reduce the distribution to cities and towns. The possibility of changes in this respect is more likely to be adverse to the City when the State is experiencing financial difficulties. The City cannot determine whether any such measures will become law or how they**

**might affect the revenues which comprise the State shared revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify state sales taxes, state income taxes (the major source of funds for state revenue sharing) and vehicle license taxes. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.**

#### **Other Excise Tax Revenues**

Cities and towns in the State have exclusive control over public rights of way dedicated to the municipality, and may grant franchise agreements to, and impose franchise taxes on, utilities using those rights of way. The City also imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic, parking, animal control and other offenses.

## **APPENDIX H**

### **SUMMARY OF SELECT PROVISIONS OF THE TRUST AGREEMENT**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

## **SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

[To Follow]





**WEDBUSH**