

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

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

\$93,355,000\*

CITY OF MESA, ARIZONA

UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2016

DRAFT  
2/9/16

Dated: Date of Initial Delivery

Due: July 1, as shown on inside front cover

The City of Mesa, Arizona (the “City”) Utility Systems Revenue Refunding Bonds, Series 2016 (the “Bonds”) will be initially issued in book-entry-only form in the name of Cede & Co., as nominee of The Depository Trust Company, a registered securities depository (“DTC”). Beneficial interests in the Bonds will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The Bonds are being issued to provide funds to (i) refinance the Bonds Being Refunded (as defined herein) and (ii) pay the costs of issuance of the Bonds. See “PLAN OF REFUNDING” herein.

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2016\*, until maturity or redemption prior to maturity, and principal of the Bonds will be payable in accordance with the maturity schedule set forth on the inside front cover. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds. See APPENDIX F – “Book-Entry-Only System.”

**See Inside Front Cover for Maturity Schedule and Additional Information**

Certain of the Bonds are subject to optional redemption prior to maturity. See “THE BONDS – Redemption Provisions”, herein.

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

The Bonds are offered when, as and if issued by the City and received by the Underwriters (as defined herein), subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon solely for the benefit of the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriters. It is expected that the Bonds will be delivered to DTC on or about April \_\_, 2016.\*

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

J.P. Morgan

BofA Merrill Lynch

\* Preliminary, subject to change.

**\$93,355,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2016**

**MATURITY SCHEDULE\***

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP® (a) (Base No. 590545)</u>
2022	\$ 240,000	%	%	
2023	280,000			
2024	290,000			
2025	3,835,000			
2026	7,005,000			
2027	7,160,000			
2028	7,565,000			
2029	7,635,000			
2030	17,445,000			
2031	41,900,000			

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\* Preliminary, 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*  
DeeAnn Mickelsen, *City Clerk*

## **BOND COUNSEL**

Gust Rosenfeld P.L.C.  
Phoenix, Arizona

## **FINANCIAL ADVISOR**

FirstSouthwest, a Division of Hilltop Securities Inc.  
Phoenix, Arizona

## **DEPOSITORY TRUSTEE, BOND REGISTRAR & PAYING AGENT**

U.S. Bank N.A.  
Phoenix, Arizona

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the Utility Systems Revenue Refunding Bonds, Series 2016 (the “Bonds”) of the City of Mesa, Arizona (the “City”), identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy of completeness of such information.

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

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

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this official statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

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

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## **OFFICIAL STATEMENT**

**\$93,355,000\***

### **CITY OF MESA, ARIZONA UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2016**

#### **INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”) in connection with the original issuance of \$93,355,000\* Utility Systems Revenue Refunding Bonds, Series 2016 (the “Bonds”), identified on the cover page hereof. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Bonds is set forth in this Official Statement.

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts 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.

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

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

#### **THE BONDS**

##### **Authorization and Purpose**

The Bonds will be issued pursuant to A.R.S. Title 9, Chapter 5, Article 3, as amended; Resolution No. 6362 adopted by the Mayor and Council of the City on July 29, 1991 (the “1991 Master Resolution”); Resolution No. 7960 that amended the 1991 Master Resolution, thirty supplemental resolutions adopted by the Mayor and Council of the City (excluding Resolution No. 10183 adopted by the Mayor and Council of the City on January 28, 2013 and Resolution No. 10200 adopted by the Mayor and Council of the City on March 18, 2013, amending Resolution No. 10183 (together, the “Twenty-Sixth Supplemental Resolution”), both of which were repealed on September 22, 2014 by the twenty-ninth supplemental resolution (the “Twenty-Ninth Supplemental Resolution”)) pertaining to the issuance of outstanding bonds secured by the Net Revenues of the System (each as defined herein); and the Thirty-First Supplemental Resolution adopted by the Council of the City on February 22, 2016 (the “Thirty-First Supplemental Resolution”), authorizing the issuance of the Bonds. The 1991 Master Resolution together with all resolutions amending and supplementing the 1991 Master Resolution (excluding the Twenty-Sixth Supplemental Resolution) are hereafter collectively referred to as the “Master Resolution.”

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\* Subject to change.

The Bonds will be issued as Parity Bonds (as hereafter defined) pursuant to the provisions of the Master Resolution. (See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and APPENDIX E – “Summary of the Master Resolution, as Amended,” herein.) The Bonds are being issued to provide funds to (i) refinance the Bonds Being Refunded (as defined herein) and (ii) pay the costs related to the issuance of the Bonds.

In addition to the Bonds, the City expects to issue \$20,475,000\* of General Obligation Refunding Bonds, Tax-Exempt Series 2016A (“Tax-Exempt Series 2016A General Obligation Refunding Bonds”), and \$22,935,000\* General Obligation Refunding Bonds, Taxable Series 2016B (“Taxable Series 2016B General Obligation Refunding Bonds”) concurrently with the Bonds, but pursuant to separate official statements.

A summary of the Master Resolution is included in APPENDIX E of this Official Statement. Such summary does not purport to be comprehensive or definitive. All references herein to the Master Resolution are qualified in their entirety by reference to the full text of such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Master Resolution and the Thirty-First Supplemental Resolution. All capitalized terms appearing in this Official Statement and not otherwise defined shall have the meanings ascribed to them in the Master Resolution. Copies of the Master Resolution may be inspected at the office of the City’s Chief Financial Officer, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

### **General Provisions**

The Bonds will be dated as the date of initial delivery, and will bear interest from such date payable on July 1, 2016\* and semiannually thereafter on January 1 and July 1 of each year (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the cover page of this Official Statement.

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

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

So long as the Book-Entry-Only System is in effect, U.S. Bank National Association will act as the registrar and paying agent for the Bonds (the “Registrar” and “Paying Agent”). If the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check drawn on the Paying Agent, and mailed on or prior to each Interest Payment Date to the registered owners of the Bonds at the addresses shown on the books of the Registrar (the “Bond Register”) on the 15<sup>th</sup> day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Bonds will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender on the Bonds to the designated corporate trust office of the Paying Agent. Additionally, if the Book-Entry-Only System is discontinued, payment of interest may also be made by wire transfer upon twenty (20) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Bonds. Interest will be computed on the basis of a year comprised of 360 days consisting of 12 months of 30 days each.

The City may change the Registrar or the Paying Agent at any time without prior notice. The City may retain separate financial institutions to serve as Registrar and Paying Agent.

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\* Subject to change.

## **Redemption Provisions \***

### *Optional Redemption*

Bonds maturing on or prior to July 1, 20\_\_, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 20\_\_, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 20\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

### *Notice of Redemption*

So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC, in the manner required by DTC. If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Registrar not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Notice of any redemption will also be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the MSRB's Electronic Municipal Market Access system ("EMMA"), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

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

### *Effect of Call for Redemption*

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

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

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

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**

### **General**

The Bonds are special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the ownership, use and operation of its water, electrical, natural gas, wastewater and solid waste systems (collectively, the "System"), after provision has been made for the payment from such revenues of the reasonable and necessary expenses of operation, maintenance and repair of the System, excluding depreciation and debt service (the "Net Revenues"), and on a parity of lien on such Net Revenues with the City's outstanding Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds outstanding and to be outstanding in the

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\* Subject to change.



aggregate principal amount of \$998,400,962\* following delivery of the Bonds (collectively, with the Bonds, the “Parity Bonds”). See “SCHEDULE OF ESTIMATED COMBINED ANNUAL UTILITY SYSTEMS REVENUE BOND ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE,” APPENDIX C – “City of Mesa, Arizona – Utility Systems Information” and APPENDIX E – “Summary of the Master Resolution, as Amended.”

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

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

### **Rate Covenant**

Pursuant to the Master Resolution, the City covenants and agrees with the owners of the Bonds, that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Net Revenues fully sufficient at all times, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and to produce an aggregate amount of Net Revenues in each fiscal year at least equal to one hundred twenty percent (120%) of the current principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the City’s obligation to reimburse the issuer of any reserve fund guaranty for any claims thereunder (“Policy Costs”) due and owing in such fiscal year. But, see “RISK FACTORS” and “LITIGATION” regarding rate setting ordinances and for a discussion of litigation that may affect future coverage.

### **Reserve Fund: No Current Funding Requirement**

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

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\* Subject to change.

### Additional Parity Bonds

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

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

The City expects to issue Additional Parity Bonds in the future pursuant to existing and future voted bond authorizations and pursuant to additional and supplemental resolutions. The City expects to issue approximately \$90,500,000 Utility Systems Revenue Bonds, Series 2016 in the second quarter of 2016.

The City is currently authorized to issue \$621,993,190 of Parity Bonds, pursuant to voter approval given at special bond elections held on March 29, 1994, November 2, 2010 and November 4, 2014. The purposes and amounts of such authorized but unissued Parity Bonds are set forth below. Parity Bonds may also be issued for refunding purposes.

Purpose of Utility Systems Revenue Bond Authorization	1994	2010	2014	Remaining Utility Systems Revenue Bonds Authorized But Unissued (a)
Gas System Improvements	\$ -	\$11,505,000	\$ 59,100,000	\$ 70,605,000
Water System Improvements	-	-	304,785,402	304,785,402
Wastewater System Improvements	-	36,822,788	178,200,000	215,022,788
Electric System Improvements	-	1,010,000	27,000,000	28,010,000
Solid Waste System Improvements	3,570,000	-	-	3,570,000
	<u>\$3,570,000</u>	<u>\$49,337,788</u>	<u>\$569,085,402</u>	<u>\$621,993,190</u>

- (a) Utility Systems Revenue Bonds remaining authorized but unissued from the City’s March 29, 1994 special election may, at the option of the City, be issued as either general obligation bonds or utility systems revenue bonds.

Source: The City.

### Subordinate Lien Obligations

The Master Resolution does not prohibit the City from issuing or incurring bonds or other obligations which are payable from and secured by Net Revenues on a basis junior and subordinate to the lien upon such Net Revenues

in favor of the Bonds and other Parity Bonds. The City has no outstanding subordinate lien obligations and has no current plans to issue or incur subordinate lien obligations.

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

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

	Audited (in thousands)				
	2014/15	2013/14	2012/13	2011/12	2010/11
System Revenues: (a)					
Electric System	\$33,697	\$31,319	\$ 31,330	\$34,894	\$33,440
Gas System	39,511	38,811	39,480	39,688	41,565
Water System	122,379	143,526	116,366	115,509	104,081
Wastewater System	74,737	73,660	68,103	65,004	60,170
Solid Waste System	52,506	47,715	47,465	47,673	47,743
Total System Revenues	<u>\$322,830</u>	<u>\$335,031</u>	<u>\$302,744</u>	<u>\$302,768</u>	<u>\$286,999</u>
System Expenses: (a)					
Electric System	\$2,669	\$22,115	\$ 22,653	\$22,475	\$22,141
Gas System	24,614	26,755	26,041	25,302	27,953
Water System	37,806	37,673	36,420	34,264	35,203
Wastewater System	20,850	20,779	20,490	22,917	19,481
Solid Waste System	31,914	31,338	28,837	26,653	26,535
Total System Expense	<u>\$137,853</u>	<u>\$138,660</u>	<u>\$134,441</u>	<u>\$31,611</u>	<u>\$131,313</u>
Net Income Available For Debt Service (Net Revenues)	<u>\$184,977</u>	<u>\$196,371</u>	<u>\$168,303</u>	<u>\$71,157</u>	<u>\$155,686</u>
Utility Systems Revenue Bond Debt Service Requirements (b)	<u>\$67,556</u>	<u>\$67,337</u>	<u>\$ 68,042</u>	<u>\$ 64,830</u>	<u>\$ 55,399</u>
Approximate Debt Service Coverage Provided By Net Revenues	2.74x	2.92x	2.47x	2.64x	2.81x

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

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

Source: City of Mesa, Arizona Financial Services Department.

Historically, the City has annually transferred a portion of the Net Revenues to the City's general fund after providing for payment of the current debt service requirements of all Parity Bonds and utility systems – supported general obligation bonds. In Fiscal Year 2014/15, such transfer (less land sale proceeds) occurred in the amount of approximately \$\_\_ million. The City expects to continue this practice in the future.

## **RISK FACTORS**

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

**Additional Bonds and Other Obligations of City.** The City has the capacity to enter into other obligations which are payable from the Net Revenues of the System and which are on a parity with the Bonds. To the extent that Additional Parity Bonds or other obligations are issued or incurred by the City, the funds available to make the debt service payments on the Bonds may be decreased. The City expects to issue approximately \$90,500,000 Utility Systems Revenue Bonds, Series 2016 in the second quarter of 2016.

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

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

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

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

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

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

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

Pending Litigation Involving the Water and Wastewater Utility Operations. The City is a claimant in the pending Arizona General Stream Adjudication (the “Adjudication”), a decades-long judicial proceeding to determine the extent and priority of water rights in the Gila and Little Colorado River systems. The City has participated as a party in the settlement of the claims of a number of Native American Communities, including the Gila River Indian Community, the White Mountain Apache Tribe, and the Salt River Pima-Maricopa Indian Community (which borders the City on the north). Although a number of significant claims have been resolved through these settlements, other claims of non-Indian parties, including the City, remain outstanding, and the future results of the Adjudication could impact City water utility operations.

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

Possible Future Litigation Regarding Utility Rates. Litigation against the City seeking a referendum as to utility rate increases adopted in 2004 resulted in a final decision holding such increases as not subject to voter approval by referendum. However, an amendment to A.R.S. § 9-511.0 I made by the Arizona Legislature in 2006, which requires that rates and charges for water and wastewater services charged by Arizona cities and towns must be “just and reasonable,” may encourage litigation against cities and towns, such as the City, to reduce or defer rate increases, or challenge future rate increases.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the fiscal year ended June 30, 2015 and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

## **PLAN OF REFUNDING**

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

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

## Bonds Being Refunded

The following table sets forth the stated maturity dates, redemption dates and redemption prices of the Bonds Being Refunded:

Refunded Issue*	Maturity Date (July 1)*	Principal Amount Outstanding	Amount Being Refunded*	Maturity or Redemption Date	Redemption Price	CUSIP® (a) No. (Base No. 590545)
Utility Systems Revenue Bonds, Series 2003	2016	\$ 1,000,000	\$ 820,000	07/01/2016	N/A	LE7
	2017	1,000,000	1,000,000	07/01/2017	N/A	LF4
	2018	1,000,000	1,000,000	07/01/2018	N/A	LG2
	2019	1,000,000	1,000,000	07/01/2019	N/A	LH0
Utility Systems Revenue Bonds, Series 2004	2019	1,125,000	1,125,000	07/01/2019	N/A	MA4
	2020	1,250,000	1,250,000	07/01/2020	N/A	MB2
	2021	1,500,000	1,500,000	07/01/2021	N/A	MC0
Utility Systems Revenue Bonds, Series 2005	2019	750,000	750,000	07/01/2019	N/A	ML0
	2020	1,000,000	1,000,000	07/01/2020	N/A	MM8
	2021	1,000,000	1,000,000	07/01/2021	N/A	MN6
Utility Systems Revenue Bonds, Series 2006	2025	3,535,000	3,535,000	07/01/2016	100%	NB1
	2026	3,725,000	3,725,000	07/01/2016	100%	NC9
	2027	3,915,000	3,915,000	07/01/2016	100%	ND7
	2028	4,110,000	4,110,000	07/01/2016	100%	UU1
	2029	4,205,000	3,205,000	07/01/2016	100%	UV9
	2030	14,040,000	6,040,000	07/01/2016	100%	UW7
Utility Systems Revenue Bonds, Series 2007	2026	3,000,000	3,000,000	07/01/2017	100%	QJ1
	2027	3,000,000	3,000,000	07/01/2017	100%	QK8
	2028	3,250,000	3,250,000	07/01/2017	100%	QL6
	2029	3,250,000	3,250,000	07/01/2017	100%	QM4
	2030	3,250,000	3,250,000	07/01/2017	100%	QN2
	2031	41,800,000	41,800,000	07/01/2017	100%	QP7
		<u>\$101,705,000</u>	<u>\$92,525,000</u>			

(a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ, Copyright(c) 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

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

The City is refinancing the Bonds Being Refunded to achieve debt service savings and to achieve restructuring of a portion of the City’s utility systems bonds debt service configuration.

### VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certificate public accountants, will deliver to the City, on or before the issue date of the Bonds, its verification report indicating, among other things, that it has verified, in accordance with the standards of attestation engagements established by the American Institute of Certified Public

\* Subject to change.

Accountants, the mathematical accuracy of (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when due the principal of, applicable premiums, if any, and interest on the Bonds Being Refunded and (b) the yields on the Government Obligations and the Bonds. The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the City and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the City and its representatives and has assumed the accuracy of the data, information and documents used in the computations.

## SOURCES AND USES OF FUNDS

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

### Sources of Funds

The Bonds	\$	*
[Net] Reoffering [Premium/Discount] (a)		
Total Sources of Funds	\$	

### Uses of Funds

Costs of Issuance (b)	\$	
Deposit to Depository Trust		
Total Uses of Funds	\$	

- 
- (a) [Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.]
- (b) Includes Underwriters' compensation and costs of the Underwriters as defined herein as well as legal, financial advisory, rating and other fees.

## ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE (a)

The table below sets forth (i) the estimated annual debt service requirements of the City's outstanding Parity Bonds net of the Bonds Being Refunded, (ii) the estimated annual debt service requirements of the Bonds, (iii) the estimated total annual utility systems revenue bond debt service requirements after issuance of the Bonds, and (iv) the estimated debt service coverage ratio provided for such total annual debt service requirements based upon the City's Fiscal Year 2014/15 Net Revenues (\$184,977 thousand).

### City of Mesa, Arizona \$93,355,000\* Utility Systems Revenue Refunding Bonds, Series 2016 Estimated Debt Service Requirements and Debt Service Coverage

Fiscal Year Ending (6-30)	Utility Systems Revenue Bonds Outstanding (b)*		The Bonds*		Estimated Combined Annual Debt Service*	Estimated Debt Service Coverage Provided by Net Revenues (d)*
	Principal	Interest	Principal	Estimated Interest (c)		
2016	\$24,166,189	\$44,530,328		\$ 860,941	\$69,557,457	2.66x
2017	25,204,052	40,988,536		3,734,200	69,926,789	
2018	31,491,981	39,849,193		3,734,200	75,075,375	2.46x
2019	32,799,976	38,338,753		3,734,200	74,872,929	
2020	29,703,040	36,727,739		3,734,200	70,164,979	
2021	30,961,173	35,346,913		3,734,200	70,042,287	
2022	35,054,378	33,888,189	\$ 240,000	3,734,200	72,916,767	
2023	36,752,657	32,186,260	280,000	3,724,600	72,943,517	
2024	38,571,010	30,357,762	290,000	3,713,400	72,932,172	
2025	37,004,440	28,404,104	3,835,000	3,701,800	72,945,344	
2026	35,622,949	26,758,882	7,005,000	3,548,400	72,935,231	
2027	37,266,538	25,245,294	7,160,000	3,268,200	72,940,032	
2028	38,650,210	23,721,419	7,565,000	2,981,800	72,918,430	
2029	40,392,367	22,214,395	7,635,000	2,679,200	72,920,962	
2030	32,375,000	20,751,080	17,445,000	2,373,800	72,944,880	
2031	9,885,000	19,527,581	41,900,000	1,676,000	72,988,581	
2032	53,970,000	19,027,001			72,997,001	
2033	56,645,000	16,378,580			73,023,580	
2034	60,125,000	12,898,513			73,023,513	
2035	63,690,000	9,353,841			73,043,841	
2036	67,300,000	6,196,400			73,496,400	
2037	69,440,000	3,504,400			72,944,400	
2038	18,655,000	748,300			19,403,300	
2039	2,375,000	47,500			2,422,500	
	<u>\$908,100,962</u>			<u>\$93,355,000</u>		

- (a) Prepared by the Financial Advisor (as defined below).
- (b) Represents all outstanding Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds, net of the Bonds Being Refunded.
- (c) The first interest payment on the Bonds is due on July 1, 2016\*, representing interest from the initial execution and delivery of the Bonds. Thereafter, interest payments will be made semiannually on January 1 and July 1, until maturity or prior redemption. Interest is estimated at 4.00%.
- (d) Debt Service Coverage is computed using the Net Revenues of \$184,977 thousand for Fiscal Year 2014/15. See "COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE" herein. The Fiscal Year 2014/15 Net Revenues provide coverage for the total estimated annual debt service requirements in Fiscal Year 2015/16 of approximately 2.66x\* and approximately 2.46x\* the total estimated annual debt service

\* Subject to change.



requirements for Fiscal Year 2017/18\*, the Maximum Annual Debt Service payable on all Parity Bonds to be outstanding immediately after issuance of the Bonds.

## **RATINGS**

Moody's Investor Service ("Moody's") and Standard & Poor's Financial Services LLC ("S&P") have assigned credit ratings of "\_\_\_" and "\_\_\_", respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. Such ratings may subsequently be revised downward or withdrawn entirely by Moody's or S&P, if, in their respective judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price and transferability of the Bonds. The City will covenant in its continuing disclosure certificate (see "Continuing Secondary Market Disclosure" below) that it will cause notices to be filed with the MSRB of any formal change in the ratings relating to the Bonds.

## **LEGAL MATTERS**

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

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

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

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

## **TAX EXEMPTION**

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

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

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

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

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

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

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

### **BOND PREMIUM**

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

### **ORIGINAL ISSUE DISCOUNT**

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

income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

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

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

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

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

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

## **LITIGATION**

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

## **UNDERWRITING**

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

## **CERTIFICATION CONCERNING OFFICIAL STATEMENT**

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

## **CONTINUING SECONDARY MARKET DISCLOSURE**

The City will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2017 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in APPENDIX H – "Form of Continuing Disclosure Certificate" (the "Continuing Disclosure Certificate"). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB's EMMA system as described in APPENDIX H – "Form of Continuing Disclosure Certificate."

These covenants will be made in order to assist the Underwriters in complying with the Securities Exchange and Commission Rule 15c2-12 (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. The City's undertaking to comply with such covenants is payable solely from Net Revenues of the System. Until payment of the Bonds, no receipts segregated or collected for the purpose of paying the principal of and interest and redemption charges on bonds and other lawful long-term obligations issued or incurred for a specific capital purpose shall be subject to the provisions of A.R.S. Title 42, Chapter 17, the State budget law. . Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability. The City's Finance Department has instituted processes regarding timely 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. 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 2012/13, which caused delays in preparing the Annual Report for Fiscal Year 2012/13. As a result, the Annual Report due on February 1, 2014 was filed on May 12, 2014. The new software has since been fully implemented.

The City 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 Year 2008/09 through 2012/13 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, all contracts entered into by the City must give notice of the provisions of A.R.S. Section 38-511. A.R.S. Section 38-511 provides that within three years of its execution, the City may 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. Notwithstanding the foregoing, the Depository Trust Agreement provides that the Depository Trust created is irrevocable and the Depository Trust Agreement shall not be revoked or amended in any manner which may adversely affect the Depository Trust and the rights of the owners of the Bonds Being Refunded.

## **FINANCIAL ADVISOR**

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

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

The City's Audited General Purpose Financial Statements for the Year Ended June 30, 2015, a copy of which is included in APPENDIX D of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ended June 30, 2015 and are not current. The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include the report, and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

## **CONCLUDING STATEMENT**

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

Neither this Official Statement nor any statements that may have been or that may be made orally or in writing are to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds. **This Official Statement has been prepared by the City and executed for and on behalf of the City by its Chief Financial Officer, as indicated below.**

**CITY OF MESA, ARIZONA**

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

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

**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 460,950. The following table illustrates the City's population statistics since 1990, along with the population statistics for the County and the State, respectively

**POPULATION STATISTICS**

Year	City of Mesa	Maricopa County	State of Arizona
2015 Estimate	460,950	4,076,438	6,758,251
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	3,665,228

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Source: U.S. Census Bureau, Population Division – *Annual Estimates of the Resident Population* and U.S. Census Bureau – *2010 Census, 2000 Census and 1990 Census*. Arizona Department of Administration, Office of Employment and Population Statistics – *State, County, Place Level Population Estimates for July 1, 2015*.

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

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

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

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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 Councilmembers to set policy for the City. In 1998, a voter initiative was approved changing the way that City Councilmembers are elected from an at-large to a district system. Six districts were created and in March 2000, the first three district City Councilmembers were elected in Districts 1, 2 and 3. In March 2002, Districts 4, 5 and 6 elected their first district City Councilmembers. The City's Councilmembers 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 City Council are elected on a non-partisan basis, and the Vice Mayor is a City Councilmember 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 rate 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 RATE AVERAGES

Year	United States	State of Arizona(a)	Maricopa County(a)	City of Mesa(a)
2015 (b)	5.3%	6.1%	5.2%	5.2%
2014	6.2	6.9	5.9	5.9
2013	7.4	7.8	6.6	6.7
2012	8.1	8.4	7.3	7.4
2011	8.9	9.5	8.6	8.7

(a) This table includes restated data: Local Area Unemployment Statistics ("LAUS") program data is intermittently revised 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, 2015 for LAUS data. Data accessed January, 2016.

Source: U.S. Department of Labor, Bureau of Labor Statistics— *Local Area Unemployment Statistics* and *National Labor Force 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

Employer	Description	Approximate Employment
Banner Health System	Hospital Network	9,573
Mesa Public Schools	Public Education	8,500
The Boeing Company	Helicopter Manufacturing and Assembly	4,700
City of Mesa	Government	3,577
Wal-Mart	Retail	2,507
Gilbert Unified Schools	Public Education	1,300
The Kroger Company (Fry's)	Grocery Store	1,087
Mesa Community College	Education	1,002
Home Depot	Retail	963
Maricopa County Government	Government	902

Source: MAG Employer Database, updated 2015.

### 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 2009/10, 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 2011-2015/16.

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

Year (a)	Residential	Commercial	Industrial	Other	Total
2015/16 (b)	\$335,148	\$175,698	-	\$11,524	\$522,370
2014/15	489,961	417,428	-	27,523	934,642
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

(a) Data from 2011 and 2012 is for calendar years. Data for 2012/13 through 2014/15 is for fiscal years.

(b) Partial fiscal year data from July 1, 2015 through December 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**

Year (a)	Total New Housing Units
2015/16 (b)	905
2014/15	1,446
2013/14	1,073
2012/13	957
2012	739
2011	1,447

(a) Data from 2011 and 2012 is for calendar years. Data for 2012/13 through 2014/15 is for fiscal years.

(b) Partial fiscal year data from July 1, 2015 through December 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**

Year	Retail Sales
2015	\$4,069,891,771
2014	3,944,036,123
2013	3,771,601,899
2012	3,557,501,931
2011	3,458,279,940

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 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**

Hotel Name	Number of Sleeping Rooms
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	213
Arizona Golf Resort	187
Sheraton Riverview	180
Westgate Painted Mountain	152
Hyatt Place Phoenix-Mesa	152
Marriott Courtyard	149
Best Western Mezona Inn	132
Country Inn and Suites	126
La Quinta (West)	125
Days Hotel Mesa-Gilbert	120
Quality Inn/Suites	119

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Source: Mesa Convention and Visitors Bureau 2015.

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.

**CITY OF MESA, ARIZONA  
FINANCIAL DATA**

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

**City of Mesa, Arizona**

Total General Obligation Bonds to Be Outstanding	\$ 334,200,000 *(a)
Total Utility Systems Revenue Bonds to Be Outstanding	998,400,962 *(b)
Total Street and Highway User Revenue Bonds Outstanding	100,285,000 (c)
Total Excise Tax Obligations Outstanding	112,430,000 (d)
Net Assessed Limited Property Value	2,757,912,916 (e)
Estimated Net Full Cash Value	29,165,292,711 (f)

**Estimated Net Assessed Value (For Fiscal Year 2016/17) (g) )**

Net Assessed Limited Property Value \$\_\_\_\_\_

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- (a) Represents all general obligation bonds to be outstanding following issuance of the Tax-Exempt Series 2016A Bonds and Taxable Series 2016B Bonds. See “Statements of Bonds Outstanding – General Obligation Bonds to Be Outstanding” in this appendix.
- (b) Represents all utility systems revenue bonds to be outstanding after issuance of the Bonds. See “Statements of Bonds Outstanding – Utility Systems Revenue Bonds to Be Outstanding” in this appendix.
- (c) Represents all street and highway user revenue bonds outstanding. See “Statements of Bonds Outstanding – Street and Highway User Revenue Bonds Outstanding” in this appendix.
- (d) Represents all excise tax obligations of the City outstanding. See “Statements of Bonds Outstanding – Excise Tax Obligations Outstanding” in this appendix.
- (e) Net of property exempt from taxation and reflects application of applicable assessment ratios.
- (f) Estimated net full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes
- (g) Estimated valuations for Fiscal Year 2016/17 provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2016/17 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors of the County. Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

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\* Subject to change.

## STATEMENTS OF BONDS OUTSTANDING

### General Obligation Bonds to Be 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 (a)
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				\$337,190,000
Less the Bonds to be Refunded by the Tax-Exempt Series 2016A Bonds (b)				(20,475,000) *
Plus the Tax-Exempt Series 2016A Bonds (b)				20,475,000 *
Less the Bonds to be Refunded by the Taxable Series 2016B Bonds (b)				(25,925,000) *
Plus the Taxable Series 2016B Bonds (b)				22,935,000 *
Total General Obligation Bonds to Be Outstanding (b)				<u>\$334,200,000 *</u>

- (a) 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 6.8%, 7.3% and 7.2 % for the federal Fiscal Years 2015/16, 2014/15 and 2013/14, respectively, 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
- (b) The City expects to offer \$20,475,000\* of General Obligation Refunding Bonds, Tax-Exempt Series 2016A (the "Tax-Exempt Series 2016A Bonds") and \$22,935,000\* of General Obligation Refunding Bonds, Taxable Series 2016B (the "Taxable Series 2016A Bonds"), pursuant to separate official statements.

\* Subject to change.

**Utility Systems Revenue Bonds to Be Outstanding (a)**  
**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	42,180,000 (b)
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 (c)
2009	WIFA Loans	3,758,810	7-1-10/29	2,115,962
2010	Utility Improvement	50,380,000	7/1/1934	50,380,000 (c)
2011	Utility Improvement	53,950,000	7/1/1935	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	7/1/1936	67,300,000
2013	Utility Improvement	47,290,000	7/1/1937	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				\$1,000,570,962
Less the Bonds Being Refunded				(95,525,000) *
Plus the Bonds				93,355,000 *
Total Utility Systems Revenue Bonds to Be Outstanding				<u>\$998,400,962 *</u>

- (a) Excludes \$29,650,000 principal amount of the City's Utility Systems Revenue Refunding Bonds, Series 2002, which were refunded by the City's Taxable Utility Systems Revenue Refunding Bonds, Series 2012. Debt service requirements for such refunded bonds are provided for by obligations issued by the United States of America that are held in irrevocable trust by U.S. Bank National Association.
- (b) Excludes \$9,000,000 principal amount of the City's Utility Systems Revenue Bonds, Series 2006 which are defeased to the July 1, 2017 redemption date. Debt service requirements for such defeased bonds are provided for by cash held in irrevocable trust by U.S. Bank National Association.
- (c) 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 6.8%, 7.3% and 7.2 % for the federal Fiscal Years 2015/16, 2014/15 and 2013/14, respectively, due to sequestration reductions imposed by the federal government. Additional sequestration reductions or other reductions may be imposed by the federal government in future years. The City is required to pay the shortfall in the interest payments caused by the reduction.

\* Subject to change.

**Street and Highway User Revenue Bonds Outstanding (a)**  
**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>

- (a) 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 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
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7/1/14-38	18,370,000
Total Excise Tax Obligations Outstanding				<u>\$112,430,000</u>

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

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent multiple-employer plan. The Mayor and City Council Members contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan. 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.

At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 603,333	\$ 45,382	\$ 648,715
Deferred Outflows of Resources	115,762	5,320	121,082
Deferred Inflows of Resources	72,554	9,083	81,637
Pension Expense	62,962	2,488	65,450

#### *Arizona State Retirement System Defined Benefit Plan*

All the City's eligible benefitted general employees participate in the Arizona State Retirement System ("ASRS"), a multiple-employer, cost-sharing defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

**Contributions.** Arizona law provides statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For Fiscal Year 2014/15, covered employees were required by state statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent plus 0.12 long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

For Fiscal Year 2015/16 the City was required by statute to contribute at the actuarially determined rate of 11.47 percent (13.35 percent for pension and 0.12 percent for long-term disability) of the active members' annual covered payroll.

Additionally, the City is required to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for Fiscal Year 2014/15 was 9.57 percent. The City's ACR contributions to the ASRS for Fiscal Year 2014/15 were \$103,843.

**Pension Liability.** Beginning with Fiscal Year 2014/15, the City implemented GASB 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which requires cost-sharing employer's pension expense component include its proportionate share of the ASRS'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.

At June 30, 2015, the City reported a liability of \$241,791,760 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The City's reported liability at June 30, 2015, decreased by \$38,614,708 from the City's prior year liability of \$280,406,468 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The City's proportion of the net pension liability was based on the City's Fiscal Year 2014/15 contributions. The City's proportion measured as of June 30, 2014, was 1.634103 percent, which was a decrease of 0.052619 from its proportion measured as of June 30, 2013.

**Pension Expense and Deferred Outflows/Inflows of Resources.** For Fiscal Year 2014/15, the City recognized pension expense for ASRS of \$13,253,255. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):



	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,289	\$ -
Net difference between projected and actual earnings on pension plan investments	-	42,282
Changes in proportion and differences between City contributions and proportionate share of contributions	-	6,113
City contributions subsequent to the measurement date	16,146	-
Total	<u>\$ 28,435</u>	<u>\$ 48,395</u>

#### *Public Safety Personnel Retirement System*

The City contributes to the Public Safety Personnel Retirement System (“PSPRS”), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various sworn fire and police agencies within the state. All sworn fire and police personnel are eligible to participate in the plan. The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by its fund manager and 256 local boards and was established by Title 38, Chapter 5 Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 602-255-5575.

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Firefighters	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	207	444
Inactive employees entitled to but not yet receiving benefits	53	105
Active employees	360	722
Total	<u>620</u>	<u>1,271</u>

Contributions. Benefit and contribution provisions are established by State law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 11.05 percent of their annual covered salary. The City is required to contribute an actuarially determined rate expressed as a percent of covered salary and a distribution of the net earnings of the PSPRS. The City’s rates for Fiscal Year 2014/15 were 32.59 percent (30.99 pension plus 1.60 health care), for fire personnel and 33.07 percent (31.26 pension plus 1.81 health care) for police members.

Annual Pension Contributions. Fire personnel contributed \$3,567,975 (\$3,492,231 regular members plus \$75,744 DROP members) and police personnel contributed \$7,095,849 (\$6,926,574 regular members plus \$169,275 DROP members) during Fiscal Year 2014/15. For Fiscal Year 2015/16, the City’s annual pension cost of \$10,299,545 (\$9,794,140 pension, \$505,667 health care) for fire and \$20,724,742 (\$19,592,917 pension, \$1,134,459 health care) for police was equal to the City’s required and actual contributions for the pension cost including health care. The required contribution was determined as part of the June 30, 2012 actuarial valuation using an individual entry-age actuarial cost method.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for Fiscal Year 2014/15 was 19.65 percent for both fire and police. The City’s ACR contributions for the year ending June 30, 2015 were \$32,681 for fire and \$54,230 for police.

Pension Expense and Deferred Outflows/Inflows of Resources. For Fiscal Year 2014/15, the City recognized pension expense of \$16,840,086 and \$35,210,813 for fire and police, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<b>Fire</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,993
Changes in assumptions	19,885	-
Net difference between projected and actual earnings on pension plan investments	-	6,617
City contributions subsequent to the measurement date	9,827	-
<b>Total</b>	<b>\$ 29,712</b>	<b>\$ 12,610</b>

  

<b>Police</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,479
Changes in assumptions	42,851	-
Net difference between projected and actual earnings on pension plan investments	-	11,126
City contributions subsequent to the measurement date	19,647	-
<b>Total</b>	<b>\$ 62,498</b>	<b>\$ 20,605</b>

#### *Elected Officials Retirement*

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing defined benefit pension plan. The fund manager of the PSPRS is the administrator for the EORP that was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. EORP was closed to new enrollees December 31, 2013 per Arizona Revised Statute A.R.S. §38-801. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 602-255-5575.

Contributions. The retirement plan's funding policy (required by State Statute) provides for periodic employer contributions at actuarially determined rates and employee contributions of 13.0 percent of their annual covered salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amounts are to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the fund manager, a five-member board. The City's rate for Fiscal Year 2014/15 was 23.5 percent, including healthcare. The City's contribution to EORP for Fiscal Year 2014/15 was \$50,084, which was equal to the required contribution for the year. The City's employees contributed \$27,705 for the same time period.

Pension Liability. At June 30, 2015, the City reported a liability of \$1,406,265 for its proportionate share of the EORP net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP.

The amount the City recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows (in thousands):

City's proportionate share of EORP net pension liability	\$ 1,406
State's proportionate share of net pension liability associated with the City	431
Total	<u>\$ 1,837</u>

Pension Expense and Deferred Outflows/Inflows of Resources. For Fiscal Year 2014/15, the City recognized pension expense for EORP of \$544,638. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6	\$ -
Net difference between projected and actual earnings on pension plan investments	-	27
Changes of assumptions	381	-
City contributions subsequent to the measurement date	50	-
Total	<u>\$ 437</u>	<u>\$ 27</u>

#### *Other Post-Employment Benefits*

Beginning with Fiscal Year 2008/09, the City implemented GASB 45, *Accounting by Employers for Other Post Employment Benefits (OPEB)*, which requires 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 1,700 former employees and beneficiaries were eligible for these benefits. Other Post Employment Benefits costs incurred by the City in Fiscal Year 2014/15 were \$50.8 million for health care costs for active and 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 91 of APPENDIX D – “Audited General Purpose Financial Statements for the Year Ended June 30, 2015.”

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 costs 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 (in thousands):

Annual Required Contribution	\$ 56,339
Interest on Net OPEB Obligation	18,295
Adjusted to Annual Required Contribution	(23,884)
Annual OPEB Cost	<u>50,750</u>
Contributions Made	<u>(17,125)</u>
Increase in Net OPEB Obligation	33,625
Net OPEB Obligation - Beginning of Year	<u>423,000</u>
Net OPEB Obligation - End of Year	<u>\$456,625</u>

The City's net OPEB obligation as of June 30, 2015 was \$465,625. Contributions for Fiscal Year 2014/15 were \$17.1 million.

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

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

**Electric System**

The City of Mesa (the “City” or “Mesa”) Energy Resources Department’s Electric Utility System (“Electric System”) has been in operation since 1917. The Electric System’s electric service area (“ESA”) covers approximately six square miles including the downtown business center of the City. As of Fiscal Year 2014/15, the Electric System served a total of 16,703 customers comprised of 14,170 residential and 2,533 commercial and other customers. There are no industrial customers in the ESA. A fiscal year summer system peak demand of approximately 82.7 MWs and system energy requirements of 321,849 MWhs was metered at the Rogers Substation, the Electric System’s point of supply.

During Fiscal Year 2014/15, the Electric System’s power and transmission resource scheduling and utilization were managed through its participation in the Resources Management Services program (“RMS”) administered by the Western Area Power Administration (“Western”) of the United States Department of Energy. Western provided scheduling, dispatching and accounting functions and purchased supplemental power, as needed, on a monthly, daily and real-time basis. The RMS group consists of Mesa, Electrical District Number Two (ED-2), the Town of Fredonia, Aha Macav Power Service, and the Cortaro-Marana Irrigation and Drainage District. As part of the RMS group, Western pools these entities’ loads and resources to achieve the benefits of diversity and greater economies of scale in purchased power transactions.

The supply-side resource portfolio of the Electric System for Fiscal Year 2014/15 was comprised of long-term purchased power agreements and short-term seasonal and daily power market purchases. The Electric System contracts for long-term power based on the results of competitive requests for proposals. Additionally, as a member in RMS, the City has access to the wholesale power supply market and the ability to engage in *ad hoc*, short-term firm and non-firm transactions. Current power supply resources for the Electric System are as follows:

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

- (1) Mesa and Western are parties to two long-term contracts that provide hydroelectric power from the Parker-Davis Project (“P-DP”) and the Colorado River Storage Project (“CRSP”). The P-DP contract expires on September 30, 2028, and the CRSP contract expires on September 30, 2024.
- (2) Mesa and Exelon Generation Company, LLC (“Constellation”) are parties to a 5-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand with associated energy beginning April 1, 2012 and expiring March 31, 2017. Please note that effective November 25, 2013, Constellation was merged into Exelon Generation Company, LLC.
- (3) Mesa and Constellation are also parties to 3-year firm 10 MW, 7 x 16, on-peak power purchase and sale agreement for demand with associated energy beginning July 1, 2013 (for power in July and August) and expiring August 31, 2015. Mesa will assess its resource needs and issue a Request for Proposals (RFP) to replace this resource contract during the first quarter of 2016.
- (4) Mesa and Constellation are also parties to 5-year firm 10 MW, 7 x 16, on-peak, Day-Ahead Call Option power purchase and sale agreement for firm energy beginning June 1, 2014 and expiring October 31, 2018.

- (5) Mesa and Shell Energy North America, L.P. (“SENA”) are parties to a 5-year firm 11-0 MW, 7 x 24, base-load power purchase and sale agreement for demand and associated energy beginning January 1, 2014 and terminating December 31, 2018. This contract has monthly varying power demand levels from a low of 0 MWs to a high of 11 MWs.
- (6) Mesa and SENA are also parties to a 3-year firm 15 MW, 7 x 16, on-peak power purchase and sale agreement for demand and associated energy beginning May 1, 2013 and terminating September 30, 2015. Mesa will assess its resource needs and issue a Request for Proposals (RFP) to replace this resource contract during the first quarter of 2016

Mesa’s purchased power and energy resources are contractually transmitted over Western’s Parker-Davis and Pacific Intertie transmission systems to Western’s 500/230 kV West Wing and 230 kV Pinnacle Peak Substations and then to the 230 kV Rogers Substation, jointly owned by Salt River Project (“SRP”), Western, and Mesa. The power and energy are transmitted to Mesa’s two (2) radial 69kV lines and then to four (4) Mesa owned and operated 12 kV electrical distribution substation facilities. Power is then transmitted and distributed to Mesa’s service area through associated distribution lines. As of Fiscal Year 2014/15 there were approximately 197.5 miles of overhead primary and approximately 253 miles of underground primary distribution lines that distribute power to the customer end-use distribution transformers.

### **Electrical Utility Industry Deregulation**

#### *Background*

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

#### *Present*

Electric industry restructuring in Arizona, however, continues to be on hold indefinitely given the lack of substantive regulatory activity since 2004 and the issuance of a variety of regulatory orders beginning in 2002 and an Arizona Court of Appeals opinion in 2014, that have invalidated or placed on hold rules and regulatory actions considered significant prerequisites for implementing deregulation. This stance was reaffirmed on September 2013 when the ACC voted to close its recently opened docket concerning deregulation of the retail electric market in Arizona. This marked the second time the state started down the path of deregulation and opted against it.

The tables below contain information with respect to the City's Electric System.

### Current Electric System Fees and Charges

Description of Electric Services	Fee/Charge * (2015/16)
<b>Residential Electric Service = E1.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge	\$8.00
Usage Charge	
First 1200 kWh	\$0.05128 per kWh
> 1200 kWh	\$0.04822 per kWh
<b>November 1 to April 30</b>	
Customer Charge	\$8.00
Usage Charge	
First 800 kWh	\$0.03765 per kWh
> 800 kWh	\$0.01633 per kWh
Energy Cost Adjustment Factor**	
Minimum	\$8.00
<b>Non-Residential Service = E3.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge***	\$6.22
Demand Charge	
Generation	
First 50 kW	\$0.00 per kW
>50 kW	\$3.52 per kW
Distribution	
First 50 kW	\$0.00 per kW
>50 kW	\$0.3968 per kW
Energy Cost Adjustment Factor**	
Distribution	
First 15,000 kWh	\$0.06491 per kWh
15,001-75,000 kWh	\$0.04125 per kWh
>75,000 kWh	\$0.02901 per kWh
<b>November 1 to April 30</b>	
Customer Charge	\$6.22
Demand Charge	
Generation	
First 50 kW	\$0.00
>50 kW	\$3.20 per kW
Distribution	
First 50 kW	\$0.00
>50 kW	\$0.115 per kW
Energy Cost Adjustment Factor**	
Distribution	
First 15,000 kWh	\$0.05375 per kWh
15,001-75,000 kWh	\$0.03692 per kWh
>75,000 kWh	\$0.02060 per kWh

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

\*\* The Energy Cost Adjustment Factor is a monthly per KWH charge that was implemented November 1, 2004, which allows for the full recovery of the costs of fuel and purchased power costs. The average Fiscal Year

2014/15 factor for residential was \$0.06105 per kWh and the average Fiscal Year 2014/15 factor for non-residential was \$0.04970 per kWh.

\*\*\* Monthly Customer Charge for single phase E3.1 customers. Monthly Customer Charge for three phase E3.1 customers is \$12.24.

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

#### **Electric System Rate Increases (2011-2015)**

Date	Rate Increase
August 1, 2015	\$1.50*
August 1, 2014	\$0.79**
August 1, 2013	None
August 1, 2012	None
August 1, 2011	None

\* For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.50.

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

Source: City of Mesa Energy Resources Department.

#### **Electric System Customers (Fiscal Year 2010/11 through 2014/15)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2014/15	14,170	2,362	171	16,703
2013/14	13,966	2,322	172	16,460
2012/13	13,613	2,298	184	16,095
2011/12	13,359	2,289	193	15,841
2010/11	13,290	2,250	185	15,725

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

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

#### **Ten Largest Electric System Customers**

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



The combined 2014/15 Electric System fees/charges for the top ten Electric System customers set forth above was \$3,320,450, constituting 10.0% of the total 2014/15 Electric System operating revenue (\$33,239,588). No individual Electric System customer above constitutes more than 3.5% of the total 2014/15 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of June 30<sup>th</sup> of Fiscal Year 2014/15, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses budget forecasting methods to account for such variances. The City also receives electric services from the Electric System, and records the revenue as interdepartmental revenue. For Fiscal Year 2014/15, Electric interdepartmental revenues were \$3,880,327. The City as a customer constitutes approximately 11% of the total 2014/15 Electric System operating revenue.

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Source: City of Mesa Energy Resources Department

### **Natural Gas System**

The City Energy Resources Department's Natural Gas Utility System ("Natural Gas System") has been in operation since 1917, and was ranked by the American Public Gas Association ("APGA") as of Fiscal Year 2014/15 as the 14<sup>th</sup> largest publicly-owned gas utility system in the United States in terms of customers served. The Natural Gas System's natural gas service territory is comprised of two major service areas: 1) the City Service Area ("CSA") of approximately 90 square miles within the City limits; and 2) the Magma Service Area ("MSA"), a 236 square mile system located southeast of the City in Pinal County, Arizona. As of the Fiscal Year 2014/15, the City's combined Natural Gas System operated 1,264 miles of distribution mains and served approximately 59,216 total customers comprised of 56,786 Residential and 2,430 Commercial and other customers.

The Natural Gas System's natural gas supplies and associated contracts have been structured to fulfill not only existing system requirements, but anticipate system growth and peak needs of that growth. During Fiscal Year 2014/15, the Natural Gas System's natural gas supplies were provided by Shell Energy North America, L.P. ("SENA"). The natural gas supplies provided by SENA came from both the San Juan Basin in New Mexico and the Permian Basin in West Texas. The natural gas was transported via a major pipeline system owned and operated by El Paso Natural Gas Company LLC, a Kinder Morgan company ("EPNG"). EPNG provided the transport service under the terms and conditions of Transportation Service Agreements ("TSA") No. FT2AF000 and No. FT2AE000 that were effective February 1, 2013. During Fiscal Year 2013/14, TSA No. FT2AE000 was extended for 10 years effective July 1, 2014 given that it was due to expire June 30, 2014; TSA No. FT2AF000 continues on an "evergreen" year-to-year basis. The TSAs provide the Natural Gas System with the ability to transport its total, daily natural gas supplies to the current five (5) Natural Gas System-owned gate stations located in both the CSA and MSA.

For Fiscal Year 2014/15, the Natural Gas System experienced a total coincident hourly system peak delivery of 1,497.1 DThs per hour. Total natural gas supply deliveries at the Natural Gas System's gate stations during Fiscal Year 2014/15 were 2,869,171 DThs. Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed. Continued growth of the Natural Gas System, especially in the MSA will require the extension of distribution mains in order to serve developing residential and commercial areas.

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

### Current Natural Gas System Fees and Charges

Description of Natural Gas Services	Fee/Charge (2015/16)
<b>City Service Area Residential Gas Service = G1.1</b>	
<b>May 1st through October 31st</b>	\$ 12.11
Gas System Service Charge	0.6685 / therm
First 25 Therms	0.2167 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	\$ 15.04
Gas System Service Charge	0.6685 / therm
First 25 Therms	0.4926 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>City Service Area Gas Service = G3.1</b>	
<b>May 1st through October 31st</b>	\$ 31.46
Monthly Service Charge	0.5280 / therm
First 1200 Therms	0.3166 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	\$ 41.14
Monthly Service Charge	0.5718 / therm
First 1200 Therms	0.4574 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>Magma Service Area Residential Gas Service = GM1.1</b>	
<b>May 1st through October 31st</b>	\$ 13.10
Gas System Service Charge	0.7370 / therm
First 25 Therms	0.2388 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	\$ 16.34
Gas System Service Charge	0.7370 / therm
First 25 Therms	0.5433 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>Magma Service Area General Gas Service = GM3.1</b>	
<b>May 1st through October 31st</b>	\$ 38.28
Monthly Service Charge	0.6522 / therm
First 1200 Therms	0.3910 / therm
All Additional Therms	
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	\$ 50.21
Monthly Service Charge	0.7061 / therm
First 1200 Therms	0.5648 / therm
All Additional Therms	\$ 12.11
Natural Gas Supply Cost Adjustment*	0.6685 / therm

\* The Natural Gas Tariff Adjustment allows for the full recovery of the cost of natural gas. It is a monthly per billed therm charge. The average factor for Fiscal Year 2014/15 for residential and general service was \$0.41325 per therm.

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

**Natural Gas System Rate Increases (2011-2015)**

Date	Rate Increase
August 1, 2015	\$1.25*
August 1, 2014	\$1.14**
August 1, 2013	0.00%
August 1, 2012	0.00%
August 1, 2011	2.50%

\* The monthly fixed component of rates (Service Charge) was increased by \$1.29 for both residential and non-residential customers

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

Source: City of Mesa Energy Resources Department.

**Natural Gas System Customers  
(Fiscal Year 2010/11 through 2014/15)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2014/15	56,786	2,206	224	59,216
2013/14	55,615	2,175	221	58,011
2012/13	54,544	2,191	206	56,941
2011/12	53,408	2,207	213	55,828
2010/11	52,326	2,195	211	54,732

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

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

**Ten Largest Natural Gas System Customers**

Banner Desert Medical Center  
Regional Public Transit Authority  
Mesa Public Schools  
Commercial Metals Company  
Waste Management of Arizona, Inc  
Banner Corporate Center-Mesa  
The Boeing Company  
Arizona Corrugated Container, LLC  
Banner Gateway Hospital  
Quality Emulsions, LLC

The combined Fiscal Year 2014/15 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$4,153,047, constituting 10.60% of the total Fiscal Year 2014/15 Natural Gas System operating revenue (\$39,051,278). No individual Natural Gas System customer constitutes more than 3% of the total Fiscal Year 2014/15 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2014/15, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses conservative budget forecasting methods to account for such variances.

The City receives gas services from the Natural Gas System and records the revenue as interdepartmental revenue. For Fiscal Year 2014/15 Natural Gas interdepartmental revenues for the City were \$460,699.

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Source: City of Mesa Energy Resources Department.

## **Water System**

The water utility system of the City (the “Water System”) serves a population of over 465,000, residing within a 170 square mile area. The Water System currently consists of approximately 146,927 residential and commercial connections. The City is well positioned to provide reliable delivery of quality water to meet current and future demands.

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

The City has 20 storage facilities in the Water System service area capable of holding 112 million gallons. The City has approximately 2,370 miles of water distribution mains. A backflow prevention program has been implemented and enforced to protect the quality of the drinking water from possible sources of contamination. The total current capacity of the Water System is approximately 248 million gallons per day (“mgd”). The record peak day was in 2005 and required approximately 138 mgd. The average day in calendar year 2015 was 78 mgd with a peak day of 111 mgd.

Surface water from the Salt and Verde Rivers is treated at the Val Vista Water Treatment Plant. The plant is jointly owned by Mesa and the City of Phoenix. Currently, the plant has a treatment capacity of 220 mgd, of which Mesa owns 90 mgd. The plant produces approximately 37% of the water delivered by the City.

Colorado River water is delivered to the City via the CAP Canal. The water is treated at the Mesa CAP Water Treatment Plant. Currently the plant has a treatment capacity of 72 mgd and produces approximately 54% of the City’s water.

Groundwater wells produce the remaining 9% of the water delivered by the City on an average day. The City currently has 31 active groundwater wells with a pumping capacity of approximately 86 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought, scheduled maintenance of surface water canals, or operational issues within the surface water system.

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

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

The following tables provide information with respect to the City's Water System.

**Current Water System Fees and Charges**

Description of Water System Services	Fees/Charges
<b>Monthly Minimum Bill-All Classes, All Zones*</b>	
3/4 Inch	\$ 25.35
1 Inch	28.39
1 1/2 Inch	39.74
2 Inches	52.12
3 Inches	103.25
4 Inches	163.51
6 Inches	313.13
8 Inches	463.72
10 Inches	628.23
*Includes the first 3,000 gallons of water as a minimum charge for capacity availability	
<b>Monthly Volume Charge - Residential</b>	
First 11,000 Gallons of Water	\$2.88/1,000 Gallons
Next 11,000 Gallons of Water	\$4.32/1,000 Gallons
Next 2,000 Gallons of Water	\$4.90/1,000 Gallons
Additional Usage	\$5.05/1,000 Gallons

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

**Water System Rate Increases (2011-2015)**

Date	Rate Increase
July 1, 2015	5.00%
July 1, 2014	7.00%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	6.80%

Source: City of Mesa Water Resources Department.

**Water System Customers  
(Fiscal Year 2010/11 through 2014/15)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2014/15	124,230	10,456	4,492	139,178
2013/14	123,064	10,197	4,486	137,747
2012/13	121,486	10,220	4,462	136,168
2011/12	120,335	10,125	4,443	134,903
2010/11	119,359	10,025	4,380	133,764

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

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

#### **Ten Largest Water System Customers**

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

The combined Fiscal Year 2014/15 Water System fees/charges for the top ten Water System customers set forth above was \$5,398,113 constituting 4.68% of the total Fiscal Year 2014/15 Water System operating revenue (\$115,226,958). No individual Water System customer above constitutes more than 2% of the total Fiscal Year 2014/15 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of the Fiscal Year 2014/15, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of the specific customers. For instance, it is anticipated that Platypus Development, LLC will be replaced on the list in future years. However, the City consistently uses budget forecasting methods to account for such variances.

The City receives water services from the Water System and records the revenue as interdepartmental revenue. For Fiscal Year 2014/15 Water interdepartmental revenues for the City were \$3,207,402.

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Source: City of Mesa Water Resources Department

#### **Wastewater System**

The City's gravity wastewater collection system (the "Wastewater System") currently serves approximately 124,000 residential and commercial connections. Three water reclamation plants ("WRP") and one wastewater treatment plant ("WWTP") provide wastewater treatment for the City of Mesa.

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

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

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

The GWRP is a regional plant operated by Mesa, and co-owned with the Towns of Gilbert and Queen Creek. The GWRP serves southeast Mesa and a portion of northeast Mesa. GWRP currently has a treatment capacity of 16 mgd of which Mesa owns 4 mgd. The ultimate treatment capacity of the plant is expected to reach 56 mgd with Mesa's portion expected to reach 27 mgd. The plant currently has bio-solids processing capacity of 24 mgd of which Mesa owns 12 mgd. The ultimate bio-solids capacity of the plant is expected to reach 64 mgd, of which Mesa will own 35

mgd. Reclaimed water from the SEWRP and the GWRP is delivered to the Gila River Indian Community (the “Community”) for agricultural use as part of a contractual water exchange. Through this exchange, the City receives four acre-feet of Central Arizona Project water for use in its potable system for every five acre-feet of reclaimed water that is delivered to the Community.

The City has approximately 1,705 miles of sewer mains, 15 lift stations, 22 odor control stations, 5 metering stations, and 36 diversion structures in its wastewater collection system. In addition, the City is part owner in the Baseline/Southern Interceptors, and the Salt River Outfall (“SRO”) interceptor mains that transport sludge and wastewater to the 91st Avenue WWTP. The City’s Wastewater System master plan was updated in 2013.

The City’s Wastewater System and current agreements allow for a treatment capacity of approximately 60 mgd. The average day during calendar year 2015 was 33.8 mgd, with a peak day of 37.6 mgd.

The following tables provide information with respect to the City’s Wastewater System.

### **Current Wastewater System Fees and Charges**

Description of Wastewater System Services	Fee/Charge (2015/16)
<b>Residential Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$17.22
User Charge Component	1.41 / 1,000 gallons
(average winter water consumption)	
Capital Related Component	2.55 / 1,000 gallons
(average winter water consumption in excess of 5,000 gallons)	
<b>General Commercial Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$17.70
User Charge Component (all water used)	1.41 / 1,000 gallons
Capital Related Component	2.55 / 1,000 gallons
(all water used in excess of 5,000 gallons)	
<b>Multi-Unit Dwelling Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$17.70
User Charge Component (all water used)	1.41 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	2.55 / 1,000 gallons
<b>Industrial Sewer Service - Inside City</b>	
Monthly Bill	
Capital Component	
Flow (in excess of 5,000 gallons)	\$2.489 / 1,000 gallons
BOD (in excess of lbs. contributed in first 5,000 gallons)	0.193 / pound
SS (in excess of lbs. contributed in first 5,000 gallons)	0.160 / pound
	User Charge Component
Flow	\$0.731 / 1,000 gallons
BOD (Biochemical Oxygen Demand)	0.357 / pound
SS (Suspended Solids)	0.213 / pound
Minimum - Capital Component (includes use of 5,000 gallons)	13.67
User Charge Billing Component	3.43

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

#### **Wastewater System Rate Increases (2011-2015)**

<u>Date</u>	<u>Rate Increase</u>
July 1, 2015	5.00%
July 1, 2014	7.00%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	5.80%

Source: City of Mesa Water Resources Department

#### **Wastewater System Customers (Fiscal Year 2010/11 through 2014/15)**

<u>Fiscal Year</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Multi-Unit Customers</u>	<u>Industrial Customers</u>	<u>Other Customers</u>	<u>Total Customers</u>
2014/15	113,901	5,488	4,362	0	0	123,751
2013/14	112,813	5,457	4,352	1	0	122,623
2012/13	111,171	5,398	4,335	1	0	120,905
2011/12	110,007	5,378	4,333	2	0	119,720
2010/11	107,275	4,839	4,269	2	460	116,845

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

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

#### **Ten Largest Wastewater System Customers**

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

The combined Fiscal Year 2014/15 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$4,181,911 constituting 6.00% of the total Fiscal Year 2014/15 Wastewater System operating revenue (\$70,860,459). No individual Wastewater System customer above constitutes more than 2% of the total Fiscal year 2014/15 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2014/15, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of the specific customers. For instance, it is anticipated that Platypus



Development, LLC will be replaced on the list in future years. However, the City consistently uses budget forecasting methods to account for such variances.

The City receives wastewater services from the Wastewater System and records the revenue as interdepartmental revenue. For Fiscal Year 2014/15 Wastewater interdepartmental revenues for the City were \$349,721.

Source: City of Mesa Water Resource Department.

### **Solid Waste System**

The City's solid waste system (the "Solid Waste System") is the exclusive provider of solid waste collection services to single and multi-family residences located within the City. The City's solid waste collection system utilizes both a blue barrel and green barrel curbside recycling program. A 32% diversion rate in materials going to landfills is realized from these programs, saving the City considerable expense. Standard residential solid waste service includes once per week collection of trash and once per week collection of recyclables. Single-family residences and many multi-family residences are serviced using automated side-loader trucks, thereby reducing the personnel required from a collection crew to a single driver/operator. The residential Solid Waste System currently consists of approximately 132,309 customers.

The City's Solid Waste System is also the exclusive provider of solid waste collection services to apartment complexes using front loader trucks. The City currently has approximately 3,000 customers who have metal bin service.

The City competes with private solid waste hauler and collection services for commercial customers within the City. It is currently estimated that the City serves approximately 43% of the total commercial customers in the City.

In December 2007, the City extended its agreement through Fiscal Year 2014/15 for use of the Salt River-Pima Maricopa Indian Community's landfill located directly north of the City across the Salt River. This landfill is a designed facility that meets all Federal Subtitle D requirements.

In Fiscal Year 2014/15, the City negotiated and entered into six new agreements covering eleven landfills and/or Transfer Stations. These additional facilities allow the City to reduce our overall operating costs. These facilities meet all Federal Subtitle D requirements.

### **Current Solid Waste System Fees and Charges** **Residential Solid Waste System Monthly Billing**

Rate R1.2\*: \$26.72 per unit for single dwellings units, duplexes, triplexes and fourplexes when the water account servicing the unit or units is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection and once per week recycling barrel collection (90 gallon individual garbage barrel). \$23.86 per unit for single dwelling units when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for once per week residential solid waste barrel collection and once per week recycling barrel collection (60 gallon garbage barrel).

Rate R1.21: \$12.62 per each additional 60/90 gallon solid waste barrel collected on same day as first solid waste barrel.

Rate R1.23: \$28.67 per unit for the first barrel in addition to the above R1.2 rate for twice per week solid waste collection, and \$12.62 for each additional barrel at twice per week.

Rate R1.24\*: \$23.86 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R1.26\*: \$26.72 per unit for duplexes, triplexes and fourplexes when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for metal bin service.

Rate R1.27\*: \$23.86 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for metal bin collection. Applicability of this rate shall be based on one-half cubic yard of capacity per unit per week.

Rate R1.28: \$6.31 per each 90 gallon green waste barrel collected once per week.

Rate R1.29\*: \$25.85 per unit for single dwellings units, when the water account servicing the unit is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection (90 gallon individual garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee. \$22.97 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste service area for once per week residential solid waste barrel collection (60 gallon garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee. \$21.62 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste service area for once per week residential solid waste barrel collection (35 gallon garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee

\* A \$0.74 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

### **Commercial Solid Waste System Monthly Billing**

Rate R3.8: \$26.72 for the first 90 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection. \$22.72 for the first 60 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R3.81: \$12.62 per each additional 60/90 gallon solid waste barrel for once per week solid waste barrel collection on same geographic in-zone day as the first barrel.

Rate R3.82: \$28.62 per unit for the first barrel in addition to the above R3.8 rate for twice per week solid waste barrel collection, and \$12.02 for each additional barrel at twice per week. Source: City of Mesa Solid Waste Department.

Source: City of Mesa Utilities Rate book FY2015/16. The table above reflects only certain basic fees and charges of the City's solid waste system and is not a comprehensive statement of all such fees.

### **Solid Waste System Rate Increases (2011-2015)**

Date	Rate Increase
August 1, 2015	5.00%
July 1, 2014	6.90%
August 1, 2013	2.00%
August 1, 2012	0.00%
August 1, 2011	0.00%

Source: City of Mesa Solid Waste Department.

**Solid Waste System Customers  
(Fiscal Year 2010/10 through 2014/15)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2014/15	132,2029	3,000	300	135,509
2013/14	130,073	3,000	300	133,373
2012/13	122,682	3,034	302	126,018
2011/12	120,409	2,906	201	123,516
2010/11	115,811	2,166	219	118,196

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

**Ten Largest Solid Waste System Customers**

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

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

The combined Fiscal Year 2014/15 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$1,763,965 constituting 3.39% of the total Fiscal Year 2014/15 Solid Waste System operating revenue (\$52,025,885). No individual Solid Waste System customer above constitutes more than 1% of the total Fiscal Year 2014/15 Solid Waste System operating revenue.

The City receives solid waste services from the Solid Waste System Department and records the revenue as interdepartmental revenue. For Fiscal Year 2014/15 Solid Waste interdepartmental revenues for the City were \$489,353.

Source: City of Mesa Finance Department.

**Billing and Collection Procedures**

The City bills its utility customers in cycles throughout the month with each customer being billed at approximately the same time every month. Electric, gas and water accounts are based on meter readings, wastewater charges are based on water usage and solid waste disposal fees vary depending on the size of the containers and frequency of collections. The City's collection procedures for delinquent utility accounts involve a series of billings and notices with a discontinuance of service at the end of 72 days. Due to the collection procedures, utility deposits required on various accounts and the nature of the service being provided, the City has experienced write-offs at or below one-half of one percent during the past four fiscal years.

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## **APPENDIX D**

### **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.

## **APPENDIX E**

### **SUMMARY OF THE MASTER RESOLUTION, AS AMENDED**

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**SUMMARY OF THE MASTER RESOLUTION, AS AMENDED**



## **APPENDIX F**

### **BOOK-ENTRY-ONLY SYSTEM**

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## 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 Bonds. The Bonds will be executed and delivered 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 Bonds certificate will be executed and delivered for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the 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.

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

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

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

## **APPENDIX G**

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

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MAYOR AND COUNCIL  
CITY OF MESA, ARIZONA

Re: City of Mesa, Arizona, Utility Systems  
Revenue Refunding Bonds, Series 2016

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the "City") of its \$93,355,000\* aggregate principal amount of Utility Systems Revenue Refunding Bonds, Series 2016, dated \_\_\_\_\_, 2016 (the "*Series 2016 Refunding Bonds*"), issued pursuant to Arizona Revised Statutes, Title 9, Chapter 5, Article 3, and all amendments thereto (the "*Act*").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, Resolution No. 6362 adopted by the Mayor and Council of the City on July 29, 1991 (the "*1991 Master Resolution*"), Resolution No. 7960 that amended the 1991 Master Resolution and thirty supplemental resolutions heretofore adopted by the Mayor and Council of the City (excluding Resolution No. 10183 adopted by the Mayor and Council of the City on January 28, 2013 and Resolution No. 10200 adopted by the Mayor and Council of the City on March 18, 2013, amending Resolution No. 10183 (together, the "*Twenty-Sixth Supplemental Resolution*"), both of which were repealed on September 22, 2014 by the twenty-ninth supplemental resolution (Resolution No. 10539) (the "*Twenty-Ninth Supplemental Resolution*"). The 1991 Master Resolution together with all resolutions amending and supplementing the 1991 Master Resolution, including Resolution No. \_\_\_\_ adopted by the Mayor and Council of the City on \_\_\_\_\_, 2016 (the "*Thirty-First Supplemental Resolution*"), and excluding the Twenty-Sixth Supplemental Resolution, are hereafter collectively referred to as the "*Master Resolution*." The Thirty-First Supplemental Resolution authorized the issuance of the Series 2016 Refunding Bonds. 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 Refunding Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Series 2016 Refunding Bonds against payment therefor, that:

1. The Master Resolution has been duly passed and adopted by the Mayor and Council of the City and is valid and binding upon and enforceable against the City.
2. Pursuant to the Act, the Master Resolution creates a valid lien for the security of the Series 2016 Refunding Bonds on the revenues derived by the City from its System (as defined in the Master

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\* Preliminary, subject to change.

Resolution) after provision for expenses of operation and maintenance of the System as provided in the Master Resolution, on a parity, however, with the City's outstanding Utility Systems Revenue Bonds and Utility System Revenue Refunding Bonds and other obligations of the City issued or to be issued under, or in compliance with, the Master Resolution.

3. The Series 2016 Refunding Bonds have been duly authorized and delivered by the City and are valid and binding limited obligations of the City payable solely from the sources provided for in the Master Resolution. Neither the general credit nor any property of the City other than as provided in the Master Resolution has been pledged or committed to the payment of the Series 2016 Refunding Bonds. The Series 2016 Refunding Bonds are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the City.

4. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Series 2016 Refunding Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Series 2016 Refunding Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. The Series 2016 Refunding Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "*Code*"). We express no opinion regarding other federal tax consequences arising with respect to the Series 2016 Refunding Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Series 2016 Refunding Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of the investment earnings with respect to the Series 2016 Refunding Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Series 2016 Refunding Bonds being included as gross income for federal income tax purposes from their date of issuance. The City has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Series 2016 Refunding Bonds. For purposes of this opinion we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

The rights of the owners of the Series 2016 Refunding Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

Scott W. Ruby  
Bond Counsel



## **APPENDIX H**

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

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**\$93,355,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING**  
**BONDS, SERIES 2016**

**CONTINUING DISCLOSURE CERTIFICATE**  
**(CUSIP NO. 590545)**

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Mesa, Arizona (the "*City*") in connection with the issuance of its Utility Systems Revenue Refunding Bonds, Series 2016 (the "*Series 2016 Refunding Bonds*"). In consideration of the initial sale and delivery of the Series 2016 Refunding Bonds, the City covenants as follows:

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

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

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

"*Bondholder*" shall mean any registered owner or beneficial owner of the Series 2016 Refunding Bonds.

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

"*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 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.

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

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

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

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\* Subject to change.

### **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, 2017, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, filings are required to be made 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, in a timely manner, 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, in a timely manner, 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:

- [- Combined Schedules of Net Revenues and Debt Service Coverage;
- Appendix B – Financial Data – Statements of Bonds Outstanding.]

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

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

(a) 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 Refunding Bonds, and the City shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Refunding Bonds, or other material events affecting the tax status of the Series 2016 Refunding Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2016 Refunding Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material

Note to paragraph 5(a)(12) above: For the purposes of the event identified in paragraph 5(a)(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 Refunding Bonds. Such termination shall not terminate the obligation of the City to give notice of such defeasance or prior redemption.

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

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

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

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2016 Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

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

**Section 11. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Series 2016 Refunding Bonds or the resolution authorizing the Series 2016 Refunding Bonds.

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

**Section 13. Undertaking Payable from Net Revenues.** The City's undertaking to provide information under this Disclosure Certificate is payable solely from Net Revenues of the System (as such terms are defined in the Official Statement) to cover the costs of preparing and sending the Annual Report and notices of listed events to EMMA. Until payment of the Bonds, no receipts segregated or collected for the purpose of paying the principal of and interest and redemption charges on bonds and other lawful long-term obligations issued or incurred for a specific capital purpose shall be subject to the provisions of Arizona Revised Statutes, Title 42, Chapter 17, the State of Arizona budget law.

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

**Section 15. Governing Law.** This Disclosure Certificate shall be governed by the laws 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.

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 Bond Issue: \$\_\_\_\_\_ Utility Systems Revenue Refunding Bonds, Series 2016  
Dated Date of Bonds: \_\_\_\_\_, 2016 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Disclosure Certificate dated \_\_\_\_\_, 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 Bond Issue: \$\_\_\_\_\_ Utility Systems Revenue Refunding Bonds, Series 2016  
Dated Date of Bonds: \_\_\_\_\_, 2016 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated \_\_\_\_\_, 2016, with respect to the above-named Bonds. The City anticipates that the audited financial statements for the fiscal year ended June 30, \_\_\_\_ will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF MESA, ARIZONA

By \_\_\_\_\_  
Its \_\_\_\_\_



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