This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 19, 2017**

**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.*

# $123,875,000
# CITY OF MESA, ARIZONA
# UTILITY SYSTEMS REVENUE BONDS, SERIES 2017

*Dated:* Date of Initial Delivery *Due:* July 1, as shown on inside front cover

The City of Mesa, Arizona (the "City"), Utility Systems Revenue Bonds, Series 2017 (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) acquire and construct certain improvements to the utility systems of the City and (ii) pay the costs of issuance of the Bonds.

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2018, 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 page hereof. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds (the "Beneficial Owners"). See APPENDIX F – "Book-Entry-Only System."

**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.**

***Electronic (via PARITY) unconditional proposals for the purchase of the Bonds will be received until 10:30 a.m. Mountain Standard Time, on May 3, 2017, in accordance with the Notice Inviting Bids for the Purchase of Bonds (the "Notice"). Please refer to the Notice herein for additional information concerning bidding parameters and requirements for the purchase of the Bonds (including good faith deposit requirements)***

The Bonds are offered when, as and if issued by the City, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. It is expected that the Bonds will be delivered to DTC on or about May 24, 2017.

*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*

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**$123,875,000**
**CITY OF MESA, ARIZONA**
**UTILITY SYSTEMS REVENUE BONDS, SERIES 2017**

**MATURITY SCHEDULE**

| Maturity (July 1) | Principal Amount | Interest Rate | Price or Yield | CUSIP® (a) (Base No. 590545) |
|---|---|---|---|---|
| 2021 | $ 2,000,000 | % | % | |
| 2022 | 2,325,000 | | | |
| 2023 | 2,400,000 | | | |
| 2024 | 2,500,000 | | | |
| 2025 | 2,600,000 | | | |
| 2026 | 2,700,000 | | | |
| 2027 | 2,825,000 | | | |
| 2028 | 2,925,000 | | | |
| 2029 | 3,050,000 | | | |
| 2030 | 3,175,000 | | | |
| 2031 | 3,300,000 | | | |
| 2032 | 3,425,000 | | | |
| 2033 | 3,550,000 | | | |
| 2034 | 3,700,000 | | | |
| 2035 | 3,850,000 | | | |
| 2036 | 4,000,000 | | | |
| 2037 | 4,175,000 | | | |
| 2038 | 16,825,000 | | | |
| 2039 | 17,475,000 | | | |
| 2040 | 18,175,000 | | | |
| 2041 | 18,900,000 | | | |

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(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© 2017 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 or their agents or counsel assume responsibility for the accuracy of such numbers.

# CITY OF MESA

## CITY COUNCIL

John Giles, *Mayor*
David Luna, *Vice Mayor*
Mark Freeman, *Councilmember*
Christopher Glover, *Councilmember*
Kevin Thompson, *Councilmember*
Jeremy Whittaker, *Councilmember*
Ryan Winkle, *Councilmember*

## CITY ADMINISTRATIVE OFFICERS

Christopher Brady, *City Manager*
Kari Kent, *Assistant City Manager*
John Pombier, *Assistant City Manager*
Michael Kennington, *Chief Financial Officer*
Irma Ashworth, *Finance Director*
Dee Ann Mickelsen, *City Clerk*

## BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

## FINANCIAL ADVISOR

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

## BOND REGISTRAR & PAYING AGENT

U.S. Bank National Association
Phoenix, Arizona

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of Mesa, Arizona (the "City"), Utility Systems Revenue Bonds, Series 2017 (the "Bonds"), identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

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

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.

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**$123,875,000**
**CITY OF MESA, ARIZONA**
**UTILITY SYSTEMS REVENUE BONDS,**
**SERIES 2017**

## NOTICE INVITING BIDS FOR THE PURCHASE OF BONDS

(Electronic Bidding Only)

**NOTICE IS HEREBY GIVEN** that unconditional bids will be received to and including the hour of 10:30 a.m., Mountain Standard Time ("*M.S.T.*"), on May 3, 2017, by the City of Mesa, Arizona (the "*City*"), for the purchase of all, but not less than all, of $123,875,000 aggregate principal amount of the City's Utility Systems Revenue Bonds, Series 2017 (the "*Bonds*"). A bid may be submitted only through the facilities of PARITY ("*PARITY*"). Submission of bids is further discussed below. Through PARITY, the City's Chief Financial Officer or FirstSouthwest, a Division of Hilltop Securities Inc., the City's financial advisor (the "*Financial Advisor*"), will electronically receive the bids at such time. The Mayor and Council will meet at the hour of 7:30 a.m. on May 4, 2017, for the purpose of considering bids received and, if an acceptable bid is received, awarding the contract for the purchase of the Bonds to the winning bidder.

The City reserves the right to continue the date for receipt of bids. If the date for receipt of bids is continued, prior to 10:00 a.m. M.S.T. on May 3, 2017, or prior to 10:00 a.m., M.S.T., on the day prior to the date to which receipt of bids has been continued, the City will give notice of the continuance through PARITY at *www.ipreo.com*.

The Bonds will be dated as of the date of initial delivery, and will bear interest from their date to the maturity of each of the Bonds at a rate or rates per annum of not to exceed eight percent (8.00%). Interest on the Bonds is payable semiannually on January 1 and July 1 during the term of the Bonds, commencing January 1, 2018. The Bonds will mature on July 1 in the years and in the principal amounts as follows:

| Maturity Date (July 1) | Principal Amount | Maturity Date (July 1) | Principal Amount |
|---|---|---|---|
| 2021 | $ 2,000,000 | 2032 | $ 3,425,000 |
| 2022 | 2,325,000 | 2033 | 3,550,000 |
| 2023 | 2,400,000 | 2034 | 3,700,000 |
| 2024 | 2,500,000 | 2035 | 3,850,000 |
| 2025 | 2,600,000 | 2036 | 4,000,000 |
| 2026 | 2,700,000 | 2037 | 4,175,000 |
| 2027 | 2,825,000 | 2038 | 16,825,000 |
| 2028 | 2,925,000 | 2039 | 17,475,000 |
| 2029 | 3,050,000 | 2040 | 18,175,000 |
| 2030 | 3,175,000 | 2041 | 18,900,000 |
| 2031 | 3,300,000 | | |

**<u>TIME FOR RECEIPT OF BIDS</u>**: Bids will be received to and including the hour of 10:30 a.m. M.S.T., unless the sale is postponed. The time maintained by PARITY shall constitute the official time.

**<u>ELECTRONIC BIDDING PROCEDURES</u>**: All bids must be submitted only through the facilities of PARITY in accordance with this Notice Inviting Bids for the Purchase of Bonds (the "*Notice*"). The normal fee for the use of PARITY may be obtained from PARITY and such fee will be the responsibility of the bidder. All bids must be submitted on the official bid form that resides on the PARITY system (the "*Official Bid Form*"), without alteration or interlineation. Subscription to the Ipreo LLC's BidCOMP Competitive Bidding System is required in order to submit a bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The City is using PARITY as a communication media, and not as the City's agent, to conduct electronic bidding for the Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Bonds on the terms provided in this Notice and shall be binding upon the entity making the bid, as if made by a signed, sealed bid delivered to the City. The City and the Financial Advisor assume no responsibility or liability for bids submitted through PARITY. Neither the City nor the Financial Advisor shall be responsible for any malfunction or mistake made by, or as result of the use of the electronic bidding facilities provided and maintained by, PARITY. The use of PARITY is at the sole risk of the prospective bidders.

If any provisions of this Notice shall conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BidCOMP/PARITY, c/o Ipreo, 1359 Broadway, 2nd Floor, New York, New York 10018, Attn: Customer Support (212.849.5021).

Bidders are requested to state in their bids the net interest cost to the City, as described under "AWARD AND DELIVERY" herein. All electronic bids shall be deemed to incorporate the provisions of this Notice and the Official Bid Form.

**PURPOSE**: The Bonds are being issued for the purpose of making improvements to the utility systems of the City and to pay the costs of issuance of the Bonds.

**BOOK-ENTRY-ONLY SYSTEM**: The Bonds will be initially issued to, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as the securities depository of the Bonds for a book-entry-only system (the "*Book-Entry-Only System*"). Under the Book-Entry-Only System, beneficial ownership interests in the Bonds will be available in book-entry form only through direct or indirect DTC participants.

Ownership interests in the Bonds may be purchased in denominations of $5,000 of principal amount due on a specific maturity date or integral multiples thereof.

Transfers of beneficial ownership interest in the Bonds will be accomplished by book entries made by DTC and the DTC Participants or Indirect DTC Participants who act on behalf of the beneficial owners (the "*Beneficial Owners*"). For every transfer and exchange of a beneficial interest in the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), physical certificates representing the Bonds will be executed and delivered. In addition, the City may determine to discontinue the Book-Entry-Only System of transfers through DTC (or a successor securities depository). In such event, physical certificates representing the Bonds will be registered in the names of the Beneficial Owners and executed and delivered. Upon registration of Bonds in the Beneficial Owner's name, the Beneficial Owners will become the owners of the Bonds (the "*Owners*," and each an "Owner") for all purposes, including the receipt of principal and interest payments and notices with respect to the Bonds.

For a more detailed description of the Book-Entry-Only System, see the information in the official statement relating to the Bonds entitled "BOOK-ENTRY-ONLY SYSTEM".

**OPTIONAL REDEMPTION**: The Bonds maturing on or before July 1, 2027, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 2028 are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 2027, or on any date thereafter by the payment of a redemption price equal to the principal amount of the Bonds called for redemption plus accrued interest to the date of 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. 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. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. A conditional notice of redemption may be mailed to the registered Owners prior to the deposit of funds for such redemption in the City's Debt Service Fund, conditional upon the deposit of such funds to said Debt Service Fund.

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 any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If 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 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.

**REGISTRATION AND TRANSFER**: U.S. Bank National Association will serve as bond registrar and paying agent with respect to the Bonds (the "*Registrar*"). If the Book-Entry-Only System is discontinued, the Registrar will administer registration and transfer of the Bonds and the Bonds will be transferable only upon the bond register to be maintained by the successor Registrar upon surrender to the Registrar. The Registrar may be changed without notice to any Owner or Beneficial Owner of the Bonds.

**PAYMENT OF BONDS**: So long as the Bonds are held under the Book-Entry-Only System, all payments of principal and interest shall be paid to DTC. If the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check mailed on or prior to the interest payment date to the Owners of the Bonds at the addresses of such Owners as they appear on the books of the Registrar on the record date (as described hereafter). Principal of, and premium, if any, on the Bonds shall be paid when due upon surrender of such Bonds at the designated corporate trust office of the Registrar (unless the Owner of the Bonds is eligible for payment by wire transfer). If the Book-Entry-Only System is discontinued, principal of the Bonds will be payable, when due, only upon presentation and surrender of the Bond at the designated corporate trust office of the Paying Agent (as defined hereafter). Upon written request of a registered Owner of at least $1,000,000 in principal amount of Bonds not less than twenty (20) days prior to an interest payment date, all payments of interest and, if adequate provision for surrender is made, principal shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Owner. Notwithstanding any other provision, payment of principal of and interest on any Bond that is held by a securities depository or Bonds subject to a Book-Entry-Only System may be paid by the Paying Agent by wire transfer in "same day funds".

**RECORD DATE**: The record date for determination of ownership for payment of interest shall be the fifteenth calendar day prior to an interest payment date. The Registrar shall pay interest to the Owners of record on the record date notwithstanding that transfers of ownership may occur on any Bond between the record date and the next interest payment date.

**SECURITY**: Pursuant to law, including Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, the Bonds are payable as to both principal and interest solely from the net revenues derived by the City from the ownership, use and operation of its utility systems (the "*Net Revenues*"). Neither the Bonds nor the obligations of the City issued thereunder constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof. The Bonds are being issued on a parity of lien on such Net Revenues with the City's outstanding Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds previously issued and the City's outstanding Loan Agreements with the Water Infrastructure and Finance Authority of Arizona. The aggregate outstanding principal amount for all parity obligations is approximately $1,177,624,773.

**INTEREST RATES**: Bids for the purchase of the Bonds must state the rate or rates of interest to be paid and no bid at a price less than the par value of the Bonds, together with all accrued interest thereon at the date of delivery of the Bonds, will be considered. All Bonds of the same maturity must bear the same rate of interest. The highest rate bid shall not exceed the lowest rate bid by more than two percent (2%) per annum. Bids must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent. Interest will be calculated on the basis of a year comprised of 360 days consisting of twelve (12) months of thirty (30) days each.

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any Bond.

**INFORMATION TO BE PROVIDED BY WINNING BIDDER**: The winning bidder will be required to furnish to the City, at or before the closing, a certificate in a form acceptable to Gust Rosenfeld P.L.C. ("*Bond Counsel*"), Phoenix, Arizona, stating that it did offer all of the Bonds to the public in a bona fide public offering and it reasonably expected that a substantial amount of the Bonds of that maturity (i.e. at least ten percent (10%) of each maturity of the Bonds) would be sold by it, as of the sale date May 3, 2017*, at the initial offering prices set forth in the certificate, together with such additional representations as Bond Counsel may require to verify that it is reasonable to rely on the winning bidder's certification about the reasonably expected initial public offering price, including that the issue price of the Bonds set forth in the certificate did not exceed their fair market value as of the sale date. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters and wholesalers. The initial offering prices to be certified shall be furnished to the City within 24 hours after the award of the Bonds.

**FORM OF BID AND GOOD FAITH DEPOSIT**: The prescribed form of bid for the Bonds will be available on the PARITY system and all bids must be submitted on that form. The winning bidder shall deliver a good faith deposit in the amount of $2,477,500 (the "*Deposit*"), in the form of either of the following: (i) a certified or cashier's check payable to the City or (ii) a wire transfer to the City, delivered to the City within 24 hours of notification of the award. Such bidder shall be solely responsible for the timely delivery of their Deposit whether by check or wire transfer. Neither the City nor the Financial Advisor has any liability for delays in the transmission of the Deposit.

The Deposit made by certified or cashier's check should be made payable to the City and delivered to City of Mesa, Attn: Controller, 20 East Main Street, Suite 300, Mesa, Arizona 85201.

The Deposit sent via wire transfer should be sent to the City according to the following instructions:

*JP Morgan Chase, ABA Number 021000021; Account number 90002519; For Further Credit to: Branch 902711, Reference: Name of Bidder – Utility Systems Revenue Bonds, Series 2017.*

Contemporaneously with such wire transfer, the bidder shall send an e-mail to the City Chief Financial Officer (e-mail address: michael.kennington@mesaaz.gov), to the Finance Director (e-mail address irma.ashworth@mesaaz.gov) and to the Financial Advisor (e-mail addresses: larry.given@hilltopsecurities.com and janelle.gold@hilltopsecurities.com), including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, and (iv) federal reference number, if available.

* Subject to change.

The Deposit received from the winning bidder, the amount of which will be deducted at settlement, will be deposited by the City and no interest will accrue to the winning bidder. In the event the winning bidder fails to comply with the accepted bid, said amount will be retained by the City as liquidated damages.

**CUSIP NUMBERS**: CUSIP numbers will be placed on the Bonds, but neither failure to place such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the winning bidder thereof to accept delivery of and pay for the Bonds in accordance with the terms of the sale. No CUSIP number will be deemed to be part of any Bond or of the contract evidenced thereby. All expenses of printing CUSIP numbers on the Bonds will be paid by the City, but the CUSIP Service Bureau charge for the assignment of CUSIP numbers will be paid by the winning bidder of the Bonds.

**RIGHT OF REJECTION**: The City reserves the right in its discretion to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

**COST OF BOND FORMS**: The City shall bear the cost of printing of the Bonds and will furnish fully executed Bonds, registered in the name of the winning bidder or nominees, to the winning bidder upon payment therefor.

**AWARD AND DELIVERY**: Unless all bids are rejected, the Bonds will be awarded to the bidder who complies with the provisions of this Notice and whose bid results in the lowest net interest cost to the City. The net interest cost will be determined by computing the aggregate amount of interest payable on the Bonds from their date to their respective maturity dates and by deducting therefrom any premium. Delivery of the Bonds will be made to the winning bidder upon payment in federal or immediately available funds at the offices of Bond Counsel, or, at the winning bidder's request and expense, at any other place mutually agreeable to both the City and the winning bidder.

**CANCELLATION**: Bidders are to take notice that, pursuant to Arizona law, if, within three (3) years from the award of the contract to purchase the Bonds, any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Bonds on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the Bonds, the City may cancel the contract without penalty or further obligation by the City. In addition to such cancellation, the City may recoup any fees or commissions paid or due to any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Bonds on behalf of the City.

**LEGAL OPINION**: The Bonds are sold with the understanding that the City will furnish the winning bidder with the approving opinion of Gust Rosenfeld P.L.C., serving as Bond Counsel. An undated copy of such opinion can be found in the preliminary official statement (the "*Preliminary Official Statement*"). Said attorneys have been retained by the City as Bond Counsel and in such capacity are to render their opinion only upon the legality of the Bonds under Arizona law and on the exemption of the interest income on such Bonds from federal and State of Arizona income taxes (see "Tax-Exempt Status" below). Fees of Bond Counsel for services rendered in connection with such approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to validity of the Bonds, Bond Counsel has not been requested to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a bid for the Bonds, the bidder agrees to the representation of the City by Bond Counsel.

**TAX-EXEMPT STATUS**: 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, interest income on the Bonds is excluded from gross income for purposes of calculating federal income taxes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes.

Should changes in the law cause Bond Counsel's opinion to change prior to delivery of the Bonds to the winning bidder, the winning bidder will not be obligated to pick up and pay for the Bonds, and the winning bidder's Deposit will be returned.

**QUALIFIED TAX-EXEMPT OBLIGATIONS**: The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986.

**PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL, DELIVERY OF FINAL OFFICIAL STATEMENT**: The City, acting through its Chief Financial Officer, will deem the Preliminary Official Statement provided in connection with the sale of the Bonds to be final as of its date as required by Section 240.15c2-12, General Rules and Regulations, Securities Exchange Commission Act of 1934 (the "*Rule*"), except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder, all as may be necessary for the City to complete a final official statement.

Within twenty-four (24) hours after the award of the Bonds, the winning bidder must provide the City with all necessary offering price information, selling compensation information, all other terms of the sale which depend on such matters and any underwriter information, all as may be necessary for the City to complete the final official statement.

Within seven (7) business days after the award of the Bonds, the City will provide the winning bidder with the final official statement in an electronic format as prescribed by the MSRB at no cost. The final official statement will be in substantially the same form as the Preliminary Official Statement with such additions, deletions or revisions as the City deems necessary.

The City will deliver at closing an executed certificate stating that as of the date of delivery the information contained in the final official statement, including any supplement, relating to the City and the Bonds is true and correct in all material respects and that such final official statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

**CONTINUING DISCLOSURE**: In connection with the issuance of the Bonds, the City will deliver a continuing disclosure certificate for purposes of the Rule as hereinafter described and as described in the final official statement. For purposes of the Rule, the City is the only "obligated person" with respect to the Bonds. The City will agree, as described in the final official statement, to provide or cause to be provided (i) certain annual financial information and operating data (the "*Annual Information*") for the preceding fiscal year, (ii) the City's audited financial statements, (iii) timely notice, not in excess of ten (10) business days after the occurrence of certain listed events with respect to the Bonds, and (iv) timely notice of any failure by the City to provide its Annual Information within the time specified in that certificate. See the more complete description of the certificate in the final official statement. The City has established procedures to ensure timely and proper filing of its Annual Information.

**NO LITIGATION AND NON-ARBITRAGE**: The City will deliver a certificate to the effect, except as otherwise described in the Preliminary Official Statement or the final official statement, that no litigation is pending affecting the issuance and sale of the Bonds. The City will also deliver an arbitrage certificate covering its reasonable expectations concerning the Bonds.

**ADDITIONAL INFORMATION**: Copies of this Notice and the Preliminary Official Statement relating to the Bonds will be furnished to any bidder upon request made to the Clerk of the City of Mesa, Arizona; or to FirstSouthwest, a Division of Hilltop Securities Inc., 2398 E. Camelback Road, Suite 340, Phoenix, Arizona 85016, telephone 602.224.7112, Financial Advisor to the City with respect to the Bonds.

**CITY OF MESA, ARIZONA**

## OFFICIAL STATEMENT

## $123,875,000
## CITY OF MESA, ARIZONA
## UTILITY SYSTEMS REVENUE BONDS, SERIES 2017

## INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the "City"), in connection with the original issuance of its $123,875,000 Utility Systems Revenue Bonds, Series 2017 (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 uncodified, or of the Arizona Constitution, or the Charter of the City (the "Charter") are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

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

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

## THE BONDS

### Authorization and Purpose

The Bonds will be issued pursuant to A.R.S. Title 9, Chapter 5, Article 3, as amended; approval given by the qualified electors of the City in elections held on March 29, 1994, November 2, 2010 and November 4, 2014; 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-three 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 by Resolution No. 10539 adopted by the Mayor and Council of the City on September 22, 2014), pertaining to the issuance of outstanding bonds secured by the Net Revenues of the System (each as defined herein); and the Thirty-Fourth Supplemental Resolution to be adopted by the Council of the City on May 4, 2017 (the "Thirty-Fourth 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."

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) acquire and construct certain improvements to the System and (ii) pay the costs related to the issuance of the Bonds.

Set forth in the table below is a listing of the projects expected to be funded by the Bonds and estimates of their respective costs.

| Projects to be Funded | Estimated Cost |
|---|---|
| Natural Gas System Improvements | $ 6,520,000 |
| Water System Improvements | 75,225,000 |
| Electric System Improvements | 2,010,000 |
| Wastewater System Improvements | 40,120,000 |
| Total | $ 123,875,000 |

In addition to the Bonds, the City expects to issue $47,180,000 of General Obligation Bonds, Series 2017 ("2017 General Obligation Bonds"), concurrently with the Bonds, but pursuant to a separate official statement.

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-Fourth 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 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 January 1, 2018 and semiannually thereafter on July 1 and January 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 inside front 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 TO THE REGISTERED OWNERS OF THE BONDS IN THIS OFFICIAL STATEMENT, EXCEPT THOSE UNDER THE HEADING "TAX EXEMPTION," "BOND PREMIUM" AND "ORIGINAL ISSUE DISCOUNT," 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 a bank or trust company doing business in the State, to be named by the City as the successor Registrar and 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 15th day of the month preceding each such Interest Payment Date (the "Record Date"). Principal of the Bonds will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender on the Bonds to the designated corporate trust office of the Paying Agent. Additionally, if the Book-Entry-Only System is discontinued, payment of interest may also be made by wire transfer upon twenty (20) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any owner of at least $1,000,000 aggregate principal amount of the Bonds. Interest will be computed on the basis of a year comprised of 360 days consisting of 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 the Registrar and the Paying Agent.

## Redemption Provisions

*Optional Redemption*

Bonds maturing on or prior to July 1, 2027, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 2028, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 2027 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

## Security for the Bonds

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 previously and presently outstanding in the aggregate principal amount of $1,177,624,773 (collectively, with the Bonds, the "Parity Bonds"). See "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 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. See "Risk Factors" and "Litigation" regarding rate setting ordinances and for a discussion of litigation that may affect future coverage.

**Reserve Fund**

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.

**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.

After issuance of the Bonds, the City will be authorized to issue $407,618,190 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.

| Purpose of Utility Systems Revenue Bond Authorization | 1994 | 2010 | 2014 | Remaining Utility Systems Revenue Bonds Authorized But Unissued (a) |
|---|---|---|---|---|
| Gas System Improvements | $ - | $1,875,000 | $ 59,100,000 | $ 60,975,000 |
| Water System Improvements | - | - | 156,620,402 | 156,620,402 |
| Wastewater System Improvements | - | - | 162,262,788 | 162,262,788 |
| Electric System Improvements | - | - | 24,190,000 | 24,190,000 |
| Solid Waste System Improvements | 3,570,000 | - | - | 3,570,000 |
| | $3,570,000 | $1,875,000 | $402,173,190 | $407,618,190 |

(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 (in thousands).

| | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|---|---|---|---|---|
| System Revenues: (a) | | | | | |
| Electric System | $ 32,654 | $ 33,697 | $ 31,319 | $ 31,330 | $ 34,894 |
| Gas System | 40,027 | 39,511 | 38,811 | 39,480 | 39,688 |
| Water System | 137,234 | 122,379 | 143,526 | 116,366 | 115,509 |
| Wastewater System | 76,961 | 74,737 | 73,660 | 68,103 | 65,004 |
| Solid Waste System | 55,124 | 52,506 | 47,715 | 47,465 | 47,673 |
| Total System Revenues | $342,006 | 322,830 | 335,031 | 302,744 | 302,768 |
| System Expenses: (a) | | | | | |
| Electric System | $ 21,690 | $ 22,669 | $ 22,115 | $ 22,653 | $ 22,475 |
| Gas System | 21,274 | 24,614 | 26,755 | 26,041 | 25,302 |
| Water System | 38,395 | 37,806 | 37,673 | 36,420 | 34,264 |
| Wastewater System | 22,711 | 20,850 | 20,779 | 20,490 | 22,917 |
| Solid Waste System | 31,799 | 31,914 | 31,338 | 28,837 | 26,653 |
| Total System Expense | $135,869 | 137,853 | 138,660 | 134,441 | 131,611 |
| Net Income Available For Debt Service (Net Revenues) | $206,137 | $184,977 | $196,371 | $168,303 | $171,157 |
| Utility Systems Revenue Bond Debt Service Requirements (b) | $ 70,629 | $ 67,556 | $ 67,337 | $ 68,042 | $ 64,830 |
| Approximate Debt Service Coverage Provided By Net Revenues | 2.92x | 2.74x | 2.92x | 2.47x | 2.64x |

(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.

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 2015/16, such transfer was approximately $101.2 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.

Limited Obligations. 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 Net Revenues of the System, on a parity of lien with the Parity Bonds. 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 a payment of the Bonds or interest thereon out of any funds other than from the Net Revenues.

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

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

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

Factors Affecting the Utility Industry. The utility industry has been, and in the future may be, affected by a number of factors which could impact electric, gas, water and wastewater utilities. Such factors include, among others: (i) effects of compliance with rapidly changing environmental, health, safety, licensing, regulatory and legislative standards and requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of commodities, (iii) "self" or "co-generation" by certain electric customers, (iv) other changes in actual demand from projected future requirements (v) expansion of competition in the utility industry and (vi) issues relating to issuance of tax-exempt obligations and restrictions thereon. The City cannot predict what effects these factors will have on the business, operations and financial condition of the Utility System, but the effects could be significant.

Impact of Electric Deregulation, Open Access and Reliability Standards. Beginning in the 1990s, the Arizona legislature adopted statutes, and the Arizona Corporation Commission adopted Administrative Rules, which attempted to establish a framework for competition for the sale of retail electric power in Arizona. However, electrical retail competition in Arizona was effectively stopped in large part due to a 2004 Arizona Court of Appeals decision, Phelps Dodge Corp. v. Arizona Elec. Power Co-Op, Inc., 83 P.3d 573 (Ariz. Ct. App. 2004), which among other holdings found parts of the adopted rules to be unconstitutional. More recently, the ACC opened a docket to revisit electric retail competition in 2013, but again closed the matter without taking further action in September of that year. Any future efforts at electric retail competition in Arizona will likely require statutory changes, and possibly even amendments to the Arizona Constitution.

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 it 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 agreements are the subject of several Dockets pending before the Federal Energy Regulatory Commission. The results of these pending matters could impact the pass through costs 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 Salt, 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. The NSA Commission recently concluded a series of hearings and determined that the Salt River is not navigable. This decision will likely be subject to appeal.

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. § 9-511.01 made by the Arizona Legislature in 2006, which requires that rates and charges for water and wastewater services charged by Arizona cities and towns must be "just and reasonable," may encourage litigation against cities and towns, such as the City, to reduce or defer rate increases, or challenge future rate increases.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the fiscal year ended June 30, 2016 and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

## SOURCES AND USES OF FUNDS

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of the Obligations | $123,875,000 |
| [Net] Original Issue [Premium/Discount] (a) | |
| Total Sources of Funds | $ |
| **Uses of Funds** | |
| Deposit to Construction Fund and Costs of Issuance (b) | $ |
| Underwriter Compensation | |
| Total Uses of Funds | $ |

(a) Original issue premium less original issue discount on the Bonds.

(b) Certain costs incurred by the City in connection with the issuance of the Bonds will be paid from the Construction Fund.

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

The table below sets forth (i) the annual debt service requirements of the City's outstanding utility systems revenue bonds, (ii) the estimated annual debt service requirements of the Bonds, (iii) the City's estimated total annual utility systems revenue bond debt service requirements after issuance of the Bonds, and (iv) the debt service coverage ratio provided for such total annual debt service requirements based upon the City's Fiscal Year 2015/16 Net Revenues.

**City of Mesa, Arizona**
**$123,875,000**
**Utility Systems Revenue Bonds, Series 2017**
**Estimated Debt Service Requirements**

| Fiscal Year Ending (6-30) | Utility Systems Revenue Bonds Outstanding* | | The Bonds | | Estimated Combined Annual Debt Service | Estimated Debt Service Coverage Provided by Net Revenues (b) |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Estimated Interest (c) | | |
| 2017 | $ 14,019,052 | $46,727,646 | | | $60,746,698 | 3.39x |
| 2018 | 31,491,981 | 46,147,097 | | 5,367,917 | 83,006,995 | |
| 2019 | 32,799,976 | 44,636,657 | | 4,955,000 | 82,391,633 | |
| 2020 | 30,703,040 | 43,025,643 | | 4,955,000 | 78,683,683 | |
| 2021 | 31,986,173 | 41,594,817 | 2,000,000 | 4,955,000 | 80,535,990 | |
| 2022 | 36,129,378 | 40,084,843 | 2,325,000 | 4,875,000 | 83,414,221 | |
| 2023 | 37,877,657 | 38,329,164 | 2,400,000 | 4,782,000 | 83,388,821 | |
| 2024 | 39,676,010 | 36,493,691 | 2,500,000 | 4,686,000 | 83,355,701 | |
| 2025 | 41,514,440 | 34,499,258 | 2,600,000 | 4,586,000 | 83,199,698 | |
| 2026 | 43,272,949 | 32,722,161 | 2,700,000 | 4,482,000 | 83,177,110 | |
| 2027 | 45,111,538 | 30,885,838 | 2,825,000 | 4,374,000 | 83,196,376 | |
| 2028 | 46,915,210 | 29,052,488 | 2,925,000 | 4,261,000 | 83,153,698 | |
| 2029 | 49,337,367 | 27,184,514 | 3,050,000 | 4,144,000 | 83,715,881 | |
| 2030 | 51,345,000 | 25,273,949 | 3,175,000 | 4,022,000 | 83,815,949 | |
| 2031 | 53,530,000 | 23,134,074 | 3,300,000 | 3,895,000 | 83,859,074 | |
| 2032 | 55,785,000 | 20,913,445 | 3,425,000 | 3,763,000 | 83,886,445 | |
| 2033 | 58,295,000 | 18,599,330 | 3,550,000 | 3,626,000 | 84,070,330 | |
| 2034 | 61,850,000 | 15,069,763 | 3,700,000 | 3,484,000 | 84,103,763 | |
| 2035 | 65,465,000 | 11,473,341 | 3,850,000 | 3,336,000 | 84,124,341 | |
| 2036 | 69,150,000 | 8,262,650 | 4,000,000 | 3,182,000 | 84,594,650 | 2.44x |
| 2037 | 71,365,000 | 5,515,150 | 4,175,000 | 3,022,000 | 84,077,150 | |
| 2038 | 39,505,000 | 2,701,300 | 16,825,000 | 2,855,000 | 61,886,300 | |
| 2039 | 24,075,000 | 1,375,000 | 17,475,000 | 2,182,000 | 45,107,000 | |
| 2040 | 22,550,000 | 676,500 | 18,175,000 | 1,483,000 | 42,884,500 | |
| 2041 | | | 18,900,000 | 756,000 | 19,656,000 | |
| | $1,053,749,773 | | $123,875,000 | | | |

(a) Prepared by the Financial Advisor.

(b) Debt Service Coverage is computed using the Net Revenues of $206,137,000 for Fiscal Year 2015/16. See "COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE" herein. The Fiscal Year 2015/16 Net Revenues provide coverage for the total estimated annual debt service requirements in Fiscal Year 2016/17 of approximately 3.39x and approximately 2.44x the total estimated annual debt service requirements for Fiscal Year 2035/36, the Maximum Annual Debt Service payable on all Parity Bonds to be outstanding immediately after issuance of the Bonds.

(c) The first interest payment on the Bonds is due on January 1, 2018, 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%.

* Subject to change per the Series 2017 Utility Refunding Bonds.

## RATINGS

Moody's Investor Service ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned credit ratings of "Aa2" and "AA-", respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of such ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich 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 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.

## 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, 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, or the Continuing Disclosure Certificate, or have a material adverse effect on the transaction contemplated by this Official Statement.

## ADDITIONAL INFORMATION

Copies of the Notice and the Preliminary Official Statement relating to the Bonds will be furnished to any bidder upon request made to the Clerk of the City of Mesa, Arizona; or the Financial Advisor, 2398 E. Camelback Road, Suite 340, Phoenix, Arizona 85016, telephone 602.224.7112.

## 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, 2018 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in APPENDIX H – "Form of Continuing Disclosure Certificate" (the "Continuing Disclosure Certificate"). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB's EMMA system as described in APPENDIX H – "Form of Continuing Disclosure Certificate."

These covenants will be made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H 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. Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability. The City's Finance Department has instituted processes to ensure timely and proper filing of its Annual Reports and Notices for all of the City's outstanding bonds.

The Annual Report due to be filed on February 1, 2013 was filed on February 12, 2013 and the notice of failure to timely file such Annual Report was filed June 2, 2014. The filing on February 12, 2013 did not relate to all of the CUSIP numbers for bonds issued in 2012; which 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 Reports due to be filed on February 1, 2013 and February 1, 2016, respectively, were not filed until February 12, 2014 and March 8, 2016 respectively.

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 to be filed on February 1, 2014 was not filed until May 12, 2014. The new software has since been fully implemented.

Certain financial and operating data for Fiscal Years 2011/12 and 2012/13 related to the City's utility systems revenue bonds, street and highway user revenue bonds, highway project advancement notes, excise tax obligations and Phoenix-Mesa Gateway Airport Authority special facility revenue bonds were not presented in the Annual Reports in the same format as originally presented in the applicable Official Statements. Such financial and operating data related to the various bonds were subsequently prepared and filed at various times on or before January 25, 2017.

The presentation of the financial and operating data referenced above has changed over time in the City's various Official Statements. Therefore the presentation of such financial and operating data in the City's Annual Reports may match the current presentation of such financial and operating data instead of the presentation of such financial and operating data when bonds were originally issued. Similarly, certain references to financial and operating data in the City's prior disclosure certificates do not specifically identify which data within an Official Statement appendix the City was to provide in its Annual Reports. In such circumstances, the City has provided data pertaining to the City in its Annual Reports, for example excise tax collections in the City, and the City's Annual Reports do not include data not specifically pertaining to the City, for example excise tax collections in the County or State.

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.

## FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. is financial advisor ("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 Audited General Purpose Financial Statements of the City for the year ended June 30, 2016, a copy of which is included in APPENDIX D of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ending June 30, 2016 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 a 2016 estimated population of 467,532. 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 |
|---|---|---|---|
| 2016 Estimate (a) | 467,532 | 4,137,076 | 6,835,518 |
| 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 |

(a) The July 1, 2016 population estimates include October 2015 special census data for certain jurisdictions and such data also indirectly impacts population estimates for other jurisdictions and Maricopa County.

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, 2016*.

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

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

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

Source: The City.

### Municipal Government and Organization

The City operates under a charter form of government with citizens electing a Mayor and six City 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 in March 2000, with City Councilmembers serving staggered four year terms. 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 Mayor and 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, Assistant 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 Assistant 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, Assistant City Manager*. Mr. Pombier was hired as the City Prosecutor in 2003 and was promoted to Assistant 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) |
|---|---|---|---|---|
| 2016 (b) | 5.0% | 5.6% | 4.7% | 4.7% |
| 2015 | 5.3 | 6.1 | 5.2 | 5.2 |
| 2014 | 6.2 | 6.8 | 5.8 | 5.8 |
| 2013 | 7.4 | 7.7 | 6.6 | 6.7 |
| 2012 | 8.1 | 8.3 | 7.3 | 7.3 |

(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 October 2016 for LAUS data and through October 2016 for the National Unemployment Rate. Data accessed December 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**
**City of Mesa**

| Employer | Description | Approximate Employment |
|---|---|---|
| Banner Health System | Hospital Network | 9,573 |
| Mesa Public Schools | Public Education | 8,435 |
| The Boeing Company | Helicopter Manufacturing and Assembly | 4,700 |
| City of Mesa | Government | 3,798 |
| Wal-Mart | Retail | 2,541 |
| Gilbert Unified Schools | Public Education | 1,229 |
| The Kroger Company (Fry's) | Grocery Store | 1,128 |
| Drivetime Automotive Group | Automotive Financing | 990 |
| Maricopa County Government | Government | 986 |
| Santander Consumer Holdings | Finance | 970 |

Source: The City, Office of Economic Development as of June 30, 2016.

**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 and two Canadian cities through WestJet beginning January 21, 2017.

Phoenix-Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing, and pilot training. Currently more than 40 companies operate on the airport, including manufacturer service centers for Cessna and Embraer. In Fiscal Year 2012/13, 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 $1.3 billion, supporting 10,470 jobs in the area. On-airport economic activity produced $373 million of output, creating employment for 2,042 on-airport workers.

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 (University of North Dakota, John D. Odegard School of Aerospace Sciences – Phoenix Flight Training Center). 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 provides freeway access to the east side of the airport property. Such access is 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 2012/13-2016/17.

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

| Year | Residential | Commercial | Industrial | Other | Total |
|---|---|---|---|---|---|
| 2016/17 (a) | $347,773 | $184,298 | - | $24,729 | $ 556,800 |
| 2015/16 | 708,158 | 487,914 | | 25,752 | 1,221,824 |
| 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 |

(a) Partial fiscal year data from July 1, 2016 through December 31, 2016.

Source: The City. 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 | Total New Housing Units |
|---|---|
| 2016/17 (a) | 1,132 |
| 2015/16 | 2,301 |
| 2014/15 | 1,446 |
| 2013/14 | 1,073 |
| 2012/13 | 957 |

(a) Partial fiscal year data from July 1, 2016 through December 31, 2016.

Source: The City. 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**

| Fiscal Year | Retail Sales |
|---|---|
| 2017(a) | $1,744,505,531 |
| 2016 | 4,331,420,270 |
| 2015 | 4,069,591,771 |
| 2014 | 3,944,036,123 |
| 2013 | 3,771,601,899 |
| 2012 | 3,557,501,931 |

(a) Data reflects collections from July 1, 2016 through November 30, 2016.

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 Mesa at Wrigleyville West | 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 |

Source: Mesa Convention and Visitors Bureau.

The City owns and operates the Mesa Convention Center (the "Convention Center") which offers convention facilities. The Convention Center is situated on a 22-acre site adjacent to the Phoenix Marriott Mesa. The Convention Center includes Centennial Hall, which is a multipurpose facility of approximately 15,000 square feet, and the Centennial Conference Center and the Rendezvous Center, which offer an additional 18,500 square feet of meeting space. The City operates and maintains 58 parks, including 11 sports complexes and 133 basins covering more than 2,000 acres. In addition, the City manages 9 aquatic facilities, 2 Major League Baseball Spring Training stadiums and a par 72, 18 hole championship golf course. The award-winning Mesa Arts Center facility in downtown Mesa opened in spring of 2005. The Mesa Arts Center is a 212,775 square-foot performing arts, visual arts and arts education facility, the largest and most comprehensive arts center in the State.

**APPENDIX B**

## CITY OF MESA, ARIZONA
## FINANCIAL DATA

**Current Year Statistics (For Fiscal Year 2016/17)**

| | | |
|---|---|---|
| **City of Mesa, Arizona** | | |
| Total General Obligation Bonds to Be Outstanding | $ 398,130,000 | (a) |
| Total Utility Systems Revenue Bonds to Be Outstanding | 1,177,624,773 | (b) |
| Total Street and Highway User Revenue Bonds Outstanding | 92,895,000 | (c) |
| Total Excise Tax Obligations Outstanding | 111,985,000 | (d) |
| Net Assessed Limited Property Value | 2,888,290,611 | (e) |
| Estimated Net Full Cash Value | 32,414,724,417 | (f) |
| **Estimated Net Assessed Limited Property Value (For Fiscal Year 2017/18) (g)** | $3,048,893,359 | |

(a) Represents all general obligation bonds to be outstanding following issuance of the Series 2017 General Obligation 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 following issuance of the Bonds. See "Statements of Bonds Outstanding – Utility Systems Revenue Bonds to Be Outstanding" in this appendix.

(c) Represents all street and highway user revenue bonds outstanding. See "Statements of Bonds Outstanding – Street and Highway User Revenue Bonds Outstanding" in this appendix.

(d) Represents all excise tax obligations of the City outstanding. See "Statements of Bonds Outstanding – Excise Tax Obligations Outstanding" in this appendix.

(e) 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 2017/18 provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2017/18 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.

## 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 | $ 17,145,000 | |
| 2005 | Various Purpose | 11,705,000 | 7-1-12/24 | 500,000 | |
| 2006 | Various Purpose | 9,710,000 | 7-1-13/25 | 1,750,000 | |
| 2007 | Various Purpose | 15,915,000 | 7-1-19/27 | 2,815,000 | |
| 2008 | Various Purpose | 15,450,000 | 7-1-09/21 | 1,875,000 | |
| 2009 | Various Purpose | 61,830,000 | 7-1-10/19 | 6,120,000 | |
| 2010 | Various Purpose | 30,865,000 | 7-1-20/30 | 30,865,000 | (a) |
| 2011 | Various Purpose | 29,320,000 | 7-1-12/31 | 23,675,000 | |
| 2012 | Refunding | 31,665,000 | 7-1-13/22 | 12,630,000 | |
| 2012 | Various Purpose | 27,290,000 | 7-1-13/32 | 23,825,000 | |
| 2013 | Refunding | 8,915,000 | 7-1-14/24 | 8,825,000 | |
| 2013 | Various Purpose | 59,960,000 | 7-1-14/33 | 54,450,000 | |
| 2014 | Various Purpose | 37,550,000 | 7-1-15/34 | 30,925,000 | |
| 2015 | Various Purpose | 13,690,000 | 7-1-16/35 | 6,990,000 | |
| 2016A | Refunding | 20,475,000 | 7-1-17/27 | 20,475,000 | |
| 2016B | Refunding | 22,935,000 | 7-1-17/29 | 22,935,000 | |
| 2016 | Various Purpose | 37,700,000 | 7-1-17/36 | 37,700,000 | |
| 2017 | Refunding | 47,450,000 | 7-1-17/29 | 47,450,000 | |
| Total General Obligation Bonds Outstanding | | | | $350,950,000 | |
| Plus the Series 2017 General Obligation Bonds (b) | | | | 47,180,000 | |
| Total General Obligation Bonds to Be Outstanding (b) | | | | $398,130,000 | |

(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 6.9%, 6.8%, and 7.3% for the federal Fiscal Years 2016/17, 2015/16 and 2014/15, 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 issue $47,180,000 of General Obligation Bonds, Series 2017 (the “Series 2017 General Obligation Bonds”) concurrently with the Bonds and pursuant to a separate official statement.

**Utility Systems Revenue Bonds to be Outstanding**
**City of Mesa, Arizona**

| Issue Series | Purpose | Original Amount | Maturity Dates | Balance Outstanding |
|---|---|---|---|---|
| 2002 | Utility Improvement | 57,950,000 | 7-1-09/21 | $ 1,000,000 |
| 2002 | Refunding | 129,000,000 | 7-1-04/17 | 5,360,000 |
| 2004 | Refunding | 40,345,000 | 7-1-14/19 | 40,235,000 |
| 2004 | Utility Improvement | 64,625,000 | 7-1-19/28 | 2,250,000 |
| 2005 | Utility Improvement | 91,200,000 | 7-1-19/29 | 10,750,000 |
| 2006 | Utility Improvement | 105,400,000 | 7-1-23/30 | 13,255,000 |
| 2006 | Refunding | 61,300,000 | 7-1-09/21 | 58,075,000 |
| 2006 | Refunding | 127,260,000 | 7-1-12/24 | 56,585,000 |
| 2007 | Utility Improvement | 65,550,000 | 7-1-23/31 | 6,315,000 |
| 2008 | Refunding | 21,125,000 | 7-1-09/18 | 4,300,000 |
| 2008 | Utility Improvement | 52,875,000 | 7-1-23/32 | 6,100,000 |
| 2009 | Utility Improvement | 59,900,000 | 7-1-23/33 | 59,900,000 (a) |
| 2009 | WIFA Loans | 3,758,810 | 7-1-10/29 | 1,984,773 |
| 2010 | Utility Improvement | 50,380,000 | 7-1-34 | 50,380,000 (a) |
| 2011 | Utility Improvement | 53,950,000 | 7-1-35 | 53,950,000 |
| 2012 | Refunding | 31,580,000 | 7-1-16,17,20,21 | 14,905,000 |
| 2012 | Taxable Refunding | 80,295,000 | 7-1-20/27 | 80,295,000 |
| 2012 | Utility Improvement | 67,300,000 | 7-1-36 | 67,300,000 |
| 2013 | Utility Improvement | 47,290,000 | 7-1-37 | 47,290,000 |
| 2014 | Utility Improvement | 36,385,000 | 7-1-37/38 | 36,385,000 |
| 2014 | Utility Refunding | 102,945,000 | 7-1-18/30 | 102,945,000 |
| 2015 | Utility Improvement | 30,220,000 | 7-1-20/39 | 30,220,000 |
| 2016 | Utility Refunding | 138,035,000 | 7-1-25/32 | 138,035,000 |
| 2016 | Utility Improvement | 90,500,000 | 7-1-20/40 | 90,500,000 |
| 2017 | Utility Refunding | 75,435,000 | 7-1-23/28 | 75,435,000 |
| Total Utility Systems Revenue Bonds Outstanding | | | | $ 1,053,749,773 |
| Plus the Bonds | | | | 123,875,000 |
| Total Utility Systems Revenue Bonds to Be Outstanding | | | | $1,177,624,773 |

(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 6.9%, 6.8%, and 7.3% for the federal Fiscal Years 2016/17, 2015/16 and 2014/15, 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.

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

| Issue Series | Purpose | Original Amount | Maturity Dates | Balance Outstanding |
|---|---|---|---|---|
| 2003 | Street Improvements | $26,805,000 | 7-1-10/22 | $ 1,700,000 |
| 2004 | Refunding | 17,760,000 | 7-1-14/18 | 11,875,000 |
| 2004 | Street Improvements | 9,585,000 | 7-1-10/23 | 875,000 |
| 2005 | Refunding | 23,800,000 | 7-1-07/23 | 23,750,000 |
| 2005 | Street Improvements | 10,225,000 | 7-1-10/24 | 975,000 |
| 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 | 22,840,000 |
| 2013 | Refunding | 8,500,000 | 7-1-24 | 8,500,000 |
| 2015 | Refunding | 17,555,000 | 7-1-24/27 | 17,555,000 |
| Total Street and Highway User Revenue Bonds Outstanding | | | | $92,895,000 |

**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, 32 | $ 94,060,000 |
| Subordinate Obligations: | | | | |
| 2012 | Phoenix-Mesa Gateway Airport Authority | 19,220,000 | 7-1-14/38 | 17,925,000 |
| Total Excise Tax Obligations Outstanding | | | | $111,985,000 |

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

The City has other obligations which are payable from various City funds, including purchase obligations, lease obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 8 of the City's Audited General Purpose Financial Statements for the Year Ended June 30, 2016, contained in APPENDIX D of this Official Statement.

**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 benefited City employees, except sworn fire and police personnel and the Mayor and City Councilmembers, 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 Councilmembers 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, 2016" for a more detailed description of these plans and the City contributions to the various plans.

Beginning with the 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 City's pension expense, as set forth hereunder, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share.

The City's Mayor and City Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing defined benefit pension plan. The EORP is not described herein because of its relative insignificance to the City's financial statements.

At June 30, 2016, 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 | $ 634,414 | $ 47,493 | $ 681,907 |
| Deferred Outflows of Resources | 105,401 | 4,555 | 109,956 |
| Deferred Inflows of Resources | 37,881 | 4,653 | 42,534 |
| Pension Expense | 53,949 | 2,058 | 56,007 |

*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 2015/16, covered employees were required by state statute to contribute at the actuarially determined rate of 11.47 percent (11.35 pension 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 11.47 percent (10.85 percent for retirement, 0.50 percent for the health insurance premium benefit, 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 2015/16 was 9.57 percent. The City's ACR contributions to the ASRS for the Fiscal Year 2015/16 were $111,503.

For Fiscal Year 2016/17, covered employees are required by State statute to contribute at the actuarially determined rate of 11.50 percent (11.34 pension plus 0.16 long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for pension, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

Pension Liability. At June 30, 2016, the City reported a liability of $255,337,070 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

The City's reported liability at June 30, 2016, increased by $13,545,310 from the City's prior year liability of $241,791,760 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, 2015, was 1.639250 percent, which was a decrease of 0.005147 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources. For Fiscal Year 2015/16, the City recognized pension expense for ASRS of $11,066,538. At June 30, 2016, 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 | $ 6,968 | $ 13,380 |
| Net difference between projected and actual earnings on pension plan investments | - | 8,183 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 569 | 3,455 |
| City contributions subsequent to the measurement date | 16,955 | - |
| Total | $ 24,492 | $ 25,018 |

*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.

On February 16, 2016, the Governor of Arizona signed into law pension overhaul legislation which makes several changes to the PSPRS. The changes, which only affect new hires that start work after July 1, 2017, will require new public employees to serve until the age of 55 before being eligible for full pension benefits. The legislation caps pension benefits for new hires and split the cost of pensions 50/50 between employers and new employees, offer new hires the option of a 100% defined contribution plan and tie cost-of-living adjustments to the regional Consumer Price Index, with a cap of 2% (the "COLA Provision"). The COLA Provision also applies to current members of the PSPRS due to voter approval at an election held on May 17, 2016.

On November 11, 2016, the City was notified by PSPRS that the Arizona Supreme Court overturned two provisions of state law designed to provide financial relief to the underfunded retirement plans managed by PSPRS to also include EORP. The 2011 legislative reforms to increase employee contribution rates and modest reductions to pension benefits were determined unconstitutional. As a result, partial refunds for any contributions rates above 7.65 percent and any retroactive benefit increases will be calculated under the previous permanent benefit formula.

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

| | PSPRS Firefighters | PSPRS Police |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 219 | 475 |
| Inactive employees or beneficiaries entitled to but not yet receiving benefits | 56 | 129 |
| Active employees | 382 | 748 |
| Total | 657 | 1,352 |

Contributions. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 11.65 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 2015/16 were 34.40 percent (34.17 pension plus 0.23 health care), for fire personnel and 35.52 percent (34.58 pension plus 0.94 health care) for police members.

Annual Pension Contributions. Fire personnel contributed $3,914,204 ($3,800,638 regular members plus $113,566 DROP members) and police personnel contributed $7,521,263 ($7,303,439 regular members plus $217,824 DROP members) during Fiscal Year 2015/16. For 2016, the City's annual pension cost of $11,223,876 ($11,146,750 pension, $77,126 health care) for fire and $22,267,577 ($21,673,738 pension, $593,839 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 2015/16 was 28.62 percent for both fire and police. The City's ACR contributions for Fiscal Year 2015/16 were $49,968 for fire and $23,632 for police.

Pension Expense and Deferred Outflows/Inflows of Resources. For Fiscal Year 2015/16, the City recognized pension expense of $14,385,864 and $30,683,253 for fire and police, respectively. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| **Fire** | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 8,072 |
| Changes in assumptions | 16,673 | - |
| Net difference between projected and actual earnings on pension plan investments | 484 | - |
| City contributions subsequent to the measurement date | 11,197 | - |
| Total | $ 28,354 | $ 8,072 |

| Police | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 9,444 |
| Changes in assumptions | 34,475 | - |
| Net difference between projected and actual earnings on pension plan investments | 939 | - |
| City contributions subsequent to the measurement date | 21,697 | - |
| Total | $ 57,111 | $ 9,444 |

*Other Post-Employment Benefits*

Beginning with the 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, 2016, approximately 1,825 former employees and beneficiaries were eligible for these benefits. Other Post Employment Benefits costs incurred by the City in Fiscal Year 2015/16 were $17.9 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, 2016."

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, 2016 (in thousands):

| | |
|---|---|
| Annual Required Contribution | $ 53,744 |
| Interest on Net OPEB Obligation | 20,547 |
| Adjusted to Annual Required Contribution | (28,033) |
| Annual OPEB Cost | 46,258 |
| Contributions Made | (17,858) |
| Increase in Net OPEB Obligation | 28,400 |
| Net OPEB Obligation - Beginning of Year | 456,625 |
| Net OPEB Obligation - End of Year | $ 485,025 |

The City's net OPEB obligation as of June 30, 2016 was $485,025 (in thousands). Contributions for Fiscal Year 2015/16 were $17,858 (in thousands).

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

**APPENDIX C**

**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 five and a half square miles including the downtown business center of the City. As of Fiscal Year 2015/16, the Electric System served a total of 16,854 customers comprised of 14,311 residential and 2,543 commercial and other customers. The summer system experienced a peak demand in 2016 of approximately 85 MWs and fiscal year system energy requirements of 334,518 MWhs were metered at the Rogers Substation, the Electric System's point of supply.

During Fiscal Year 2015/16, 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 2015/16 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:

| | | Maximum Contract MW | |
|---|---|---|---|
| Electric Power Resources | Expiration Dates | Summer | Winter |
| Western Area Power Administration (a): | | | |
| Parker-Davis Project | Sep-2028 | 10.4 | 8 |
| Colorado River Storage Project | Sep-2024 | 4.3 | 3.4 |
| Exelon Generation Company, LLC (b) | Sep-2018 | 15 | 15 |
| Exelon Generation Company, LLC (c) | Aug-2020 | 10 | _ |
| Exelon Generation Company, LLC (d) | Oct-2018 | 10 | _ |
| Shell Energy North America, L.P. (e) | Dec-2018 | 10 | 11 |
| Shell Energy North America, L.P. (f) | Sep-2020 | 15 | 0 |

(a) 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.

(b) 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 which was scheduled to expire on March 31, 2017 and has been extended through September 30, 2018.

(c) Mesa and Constellation are also parties to 5-year firm 10 MW, 7 x 16, on-peak power purchase and sale agreement for demand with associated energy beginning July 1, 2016 (for power in July and August) and expiring August 31, 2020.

(d) 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.

(e) 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.

(f) 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, 2016 and terminating September 30, 2020.

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, Western, and Mesa. Mesa's transmission contracts with Western expire in September of 2018, and the City is exploring options regarding procuring transmission on a network basis as an alternative to point to point agreements. The power and energy are transmitted at Rogers Substation 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 2015/16 there were approximately 197.1 miles of overhead primary and approximately 251.8 miles of underground primary distribution lines that distribute power to the customer end-use distribution transformers.

The table below contains information with respect to the City's Electric System.

**Current Electric System Fees and Charges**

| Description of Electric Services | Fee/Charge (a) (2016/17) |
|---|---|
| Residential Electric Service = E1.1 | |
| Monthly Bill Per Meter | |
| **May 1 to October 31** | |
| Customer Charge | $9.50 |
| Usage Charge | |
| First 1200 kWh | $0.05128 per kWh |
| > 1200 kWh | $0.04822 per kWh |
| **November 1 to April 30** | |
| Customer Charge | $9.50 |
| Usage Charge | |
| First 800 kWh | $0.03765 per kWh |
| > 800 kWh | $0.01633 per kWh |
| Energy Cost Adjustment Factor (b) | |
| Minimum | $9.50 |
| Non-Residential Service = E3.1 | |
| Monthly Bill Per Meter | |
| **May 1 to October 31** | |
| Customer Charge (c) | $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(b) | |
| Distribution | |
| First 15,000 kWh | $0.06491 per kWh |
| 15,001-75,000 kWh | $0.04125 per kWh |
| >75,000 kWh | $0.02901 per kWh |
| **November 1 to April 30** | |
| Customer Charge (c) | $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 (b) | |
| 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 |

(a) The City may require special service agreements for consumers requiring large electric loads.

(b) 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. The average Fiscal Year 2015/16 factor for residential was $0.05027 per kWh and the average Fiscal Year 2015/16 factor for non-residential was $0.03892 per kWh.

(c) Monthly Customer Charge for single phase E3.1 customers. Monthly Customer Charge for three phase E3.1 customers is $12.24.

Source: The City. 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**
**(2012 through 2016)**

| Date | Rate Increase |
|---|---|
| August 1, 2016 | $1.50 (a) |
| August 1, 2015 | $1.50 (a) |
| August 1, 2014 | $0.79 (b) |
| August 1, 2013 | None |
| August 1, 2012 | None |

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

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

Source: The City.

**Electric System Customers**
**(Fiscal Years 2011/12 through 2015/16)**

| Fiscal Year | Residential Customers | Commercial Customers | Other Customers | Total Customers |
|---|---|---|---|---|
| 2015/16 | 14,311 | 2,333 | 210 | 16,854 |
| 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 |

Source: The City. 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 for Fiscal Year 2015/16.

**Ten Largest Electric System Customers**

Mesa Public Schools
Centurylink, Inc
Mesa Cold Storage
Pacifica Centennial, LLC
Mesa Arizona Temple
Promise Hospital of Phoenix, Inc
Valley Metro Rail
Rohrer Corporation
Basha's Market-2
Epicurean Fine Food, Inc

The combined 2015/16 Electric System fees/charges for the top ten Electric System customers set forth above was $2,979,050, constituting 9.3% of the total 2015/16 Electric System operating revenue. No individual Electric System customer above constitutes more than 3% of the total 2015/16 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2015/16, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations, and the weather. 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 2015/16, Electric System interdepartmental revenues were $3,502,731. The City as a customer constitutes approximately 11% of the total 2015/16 Electric System operating revenue.

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Source: The City.

**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 2015/16, as the 16th largest publicly-owned natural gas utility system in the United States in terms of customers served. The Natural Gas System's 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 Fiscal Year 2015/16, the City's combined Natural Gas System operated 1,299 miles of distribution mains and served approximately 60,384 total customers comprised of 57,908 residential and 2,476 commercial and other customers.

The City's 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 Tear 2015/16, 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 City's 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 2015/16, the Natural Gas System experienced a total coincident hourly system peak demand of 1,565.6 DTh per hour. Total natural gas supply deliveries at the Natural Gas System's gate stations during Fiscal Year 2015/16 were 3,182,948 DTh. Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed with the exception of infill projects. 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 (2016/17) |
|---|---|
| **City Service Area Residential Gas Service = G1.1** | |
| **May 1st through October 31st** | |
| Gas System Service Charge | $ 13.11 |
| First 25 Therms | 0.6685 / therm |
| All Additional Therms | 0.2167 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **November 1st through April 30th** | |
| Gas System Service Charge | $ 16.04 |
| First 25 Therms | 0.6685 / therm |
| All Additional Therms | 0.4926 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **City Service Area Gas Service = G3.1** | |
| **May 1st through October 31st** | |
| Monthly Service Charge | $ 32.46 |
| First 1200 Therms | 0.5280 / therm |
| All Additional Therms | 0.3166 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **November 1st through April 30th** | |
| Monthly Service Charge | $ 42.14 |
| First 1200 Therms | 0.5718 / therm |
| All Additional Therms | 0.4574 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **Magma Service Area Residential Gas Service = GM1.1** | |
| **May 1st through October 31st** | |
| Gas System Service Charge | $ 14.10 |
| First 25 Therms | 0.7370 / therm |
| All Additional Therms | 0.2388 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **November 1st through April 30th** | |
| Gas System Service Charge | $ 17.34 |
| First 25 Therms | 0.7370 / therm |
| All Additional Therms | 0.5433 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **Magma Service Area General Gas Service = GM3.1** | |
| **May 1st through October 31st** | |
| Monthly Service Charge | $ 39.28 |
| First 1200 Therms | 0.6522 / therm |
| All Additional Therms | 0.3910 / therm |
| Natural Gas Supply Cost Adjustment* | |
| **November 1st through April 30th** | |
| Monthly Service Charge | $ 51.21 |
| First 1200 Therms | 0.7061 / therm |
| All Additional Therms | 0.5648 / therm |
| Natural Gas Supply Cost Adjustment* | |

* The Natural Gas Supply Cost 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 2015/16 for residential and general service was $0.29824 per therm.

Source: The City. 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 (2012-2016)**

| Date | Rate Increase |
|---|---|
| August 1, 2016 | $1.00 (a) |
| August 1, 2015 | $1.29 (a) |
| August 1, 2014 | $1.14 (b) |
| August 1, 2013 | 0.00% |
| August 1, 2012 | 0.00% |

(a) The increase in the monthly fixed component of rates (Service Charge) affected both residential and non-residential customers

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

Source: The City.

**Natural Gas System Customers**
**(Fiscal Years 2011/12 through 2015/16)**

| Fiscal Year | Residential Customers | Commercial Customers | Other Customers | Total Customers |
|---|---|---|---|---|
| 2015/16 | 57,908 | 2,252 | 224 | 60,384 |
| 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 |

Source: The City.

The following is a list of the ten largest Natural Gas System customers in order by revenue for Fiscal Year 2015/16.

**Ten Largest Natural Gas System Customers**

Banner Desert Medical Center
Mesa Public Schools
Regional Public Transit Authority
Waste Management of Arizona, Inc
Commercial Metal Company
Banner Corporate Center-Mesa
The Boeing Company
Arizona Corrugated Container, LLC
Banner Gateway Hospital
Cal-Am Properties, Inc

The combined Fiscal Year 2015/16 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was $3,703,033, constituting 9.60% of the total Fiscal Year 2015/16 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 3% of the total Fiscal Year 2015/16 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2015/16, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations and the weather. 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 2015/16 Natural Gas System interdepartmental revenues for the City were $509,370.

Source: The City.

**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 148,000 residential, commercial and other 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"), canal, and groundwater wells. In addition, the City has rights to stored groundwater in an amount equal to approximately five times its annual demand 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 19 reservoirs and other storage facilities in the Water System service area capable of holding 109 million gallons of treated water. The City has approximately 2,370 miles of water distribution mains. A backflow prevention program has been implemented to protect the quality of the drinking water from possible sources of contamination. The total current capacity of the Water System is approximately 245 million gallons per day ("mgd"). The record peak demand day occurred in 2005 and amounted to approximately 138 million gallons of water delivered. The average in calendar year 2016 was 79 mgd, with a peak day of 117 million gallons.

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

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

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

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

**Current Water System Fees and Charges**

| Description of Water System Services | Fees/Charges (2016/17) |
|---|---|
| Monthly Minimum Bill-All Classes, All Zones* | |
| 3/4 Inch | $26.62 |
| 1 Inch | $29.81 |
| 1 1/2 Inch | $41.73 |
| 2 Inches | $54.73 |
| 3 Inches | $108.41 |
| 4 Inches | $171.69 |
| 6 Inches | $328.79 |
| 8 Inches | $486.91 |
| 10 Inches | $659.64 |
| *Includes the first 3,000 gallons of water as a minimum charge for capacity availability | |
| Monthly Volume Charge - Residential | |
| First 10,000 Gallons of Water | $3.02/1,000 Gallons |
| Next 10,000 Gallons of Water | $4.54/1,000 Gallons |
| Next 4,000 Gallons of Water | $5.23/1,000 Gallons |
| Additional Usage | $5.54/1,000 Gallons |

Source: The City. 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 (2012-2016)**

| Date | Rate Increase |
|---|---|
| July 1, 2016 | 5.00% |
| July 1, 2015 | 5.00% |
| July 1, 2014 | 7.00% |
| August 1, 2013 | 2.00% |
| August 1, 2012 | 0.00% |

Source: The City.

**Water System Customers (Fiscal Years 2011/12 through 2015/16)**

| Fiscal Year | Residential Customers | Commercial Customers | Multi-Unit Customers | Total Customers |
|---|---|---|---|---|
| 2015/16 | 126,612 | 10,703 | 4,545 | 141,861 |
| 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 |

Source: The City. 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 for Fiscal Year 2015/16.

**Ten Largest Water System Customers**

Mesa Public Schools
The Church of Jesus Christ of Latter-Day Saints
Cal-Am Properties, Inc.
Arizona State University-East.
Gilbert Public Schools
Commercial Metal Company
Banner Desert Medical Center
Bella Via Community Association
Las Sendas Community Association
Viewpoint RV Resort, LLC

The combined Fiscal year 2015/16 Water System fees/charges for the top ten Water System customers set forth above was $5,850,540 constituting 4.7% of the total Fiscal Year 2015/16 Water System operating revenue. No individual Water System customer above constitutes more than 2% of the total Fiscal Year 2015/16 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2015/16, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations and the weather. 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 water services from the Water System and records the revenue as interdepartmental revenue. For Fiscal Year 2015/16 Water System interdepartmental revenues for the City were $3,600,378.

Source: The City.

**Wastewater System**

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

The Phoenix-operated 91st 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 WRPs. The Northwest Water Reclamation Plant ("NWWRP") currently has a treatment capacity of 18 mgd. Reclaimed water from the NWWRP is primarily 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 NWWRP 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 SEWRP 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 anticipated to reach 56 mgd with Mesa's portion expected to be 27 mgd. The GWRP 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 delivery by its potable system for every five acre-feet of reclaimed water that is delivered to the Community.

The City has approximately 1,688 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 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 during calendar year 2016 was 33.4 mgd, with a peak day of 35.7 million gallons.

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 (2016/17) |
|---|---|
| **Residential Sewer Service - Inside City** | |
| Monthly Bill | |
| Service Charge | $18.08 |
| User Charge Component (average winter water consumption) | $1.48 / 1,000 gallons |
| Capital Related Component (average winter water consumption in excess of 5,000 gallons) | $2.68 / 1,000 gallons |
| **General Commercial Sewer Service - Inside City** | |
| Monthly Bill | |
| Service Charge | $18.59 |
| User Charge Component (all water used) | $1.48 / 1,000 gallons |
| Capital Related Component (all water used in excess of 5,000 gallons) | $4.69 / 1,000 gallons |
| **Multi-Unit Dwelling Sewer Service - Inside City** | |
| Monthly Bill | |
| Service Charge | $18.59 |
| User Charge Component (all water used) | $1.48 / 1,000 gallons |
| Capital Related Component (all water used in excess of 5,000 gallons) | $2.68 / 1,000 gallons |
| **Industrial Sewer Service - Inside City** | |
| Monthly Bill | |
| Capital Component | |
| Flow (in excess of 5,000 gallons) | $2.613 / 1,000 gallons |
| Biochemical Oxygen Demand ("BOD") (in excess of lbs. contributed in first 5,000 gallons) | $0.203 / pound |
| Suspended Solids ("SS") (in excess of lbs. contributed in first 5,000 gallons) | $0.168 / pound |
| | User Charge Component |
| Flow | $0.768 / 1,000 gallons |
| BOD | $0.375 / pound |
| SS | $0.224 / pound |
| Minimum - Capital Component (includes use of 5,000 gallons) | $14.35 |
| User Charge Billing Component | $3.60 |

Source: The City. 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 (2012-2016)**

| Date | Rate Increase |
|---|---|
| July 1, 2016 | 5.00% |
| July 1, 2015 | 5.00% |
| July 1, 2014 | 7.00% |
| August 1, 2013 | 2.00% |
| August 1, 2012 | 0.00% |

Source: The City.

**Wastewater System Customers (Fiscal Years 2011/12 through 2015/16)**

| Fiscal Year | Residential Customers | Commercial Customers | Multi-Unit Customers | Industrial Customers | Other Customers | Total Customers |
|---|---|---|---|---|---|---|
| 2015/16 | 114,107 | 5,597 | 4,399 | 0 | 0 | 124,103 |
| 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 |

Source: The City. 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 for Fiscal Year 2015/16.

**Ten Largest Wastewater System Customers**

Salt River Pima-Maricopa Indian Community
Mesa Public Schools
Town of Gilbert
Cal-Am Properties, Inc.
Arizona State University-East
Banner Desert Medical Center
AMEC Environment & Infrastructure, Inc.
IMT-LB Del Coronado/Mesa LLC
Wal-Mart Stores, Inc.
MHC Viewpoint, LLC

The combined Fiscal Year 2015/16 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was $4,241,766 constituting 5.92% of the total Fiscal Year 2015/16 Wastewater System operating revenue. No individual Wastewater System customer above constitutes more than 2% of the total Fiscal Year 2015/16 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2015/16, 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 receives wastewater services from the Wastewater System and records the revenue as interdepartmental revenue. For Fiscal Year 2015/16 Wastewater System interdepartmental revenues for the City were $340,009.

Source: The City.

**Solid Waste System**

The City's solid waste system (the "Solid Waste System") is the exclusive provider of solid waste collection services to single family residences located within the City. Standard residential solid waste service includes once per week collection of trash and once per week collection of recyclables. Single-family residences and many multi-family residences are serviced using automated side-loader trucks, thereby reducing the personnel required from a collection crew to a single driver/operator. The City's solid waste collection system utilizes both blue barrel and green barrel curbside recycling programs. The blue barrel Recycling Program accepts paper, plastic containers #1-#7, glass bottles and jars and metal cans and the green barrels are for the Green Yard Waste Program. A 32% diversion rate in materials going to landfills is realized from these programs, saving the City considerable expense. The residential Solid Waste System currently consists of approximately 134,000 customers. The City currently has approximately 2,500 customers who have metal bin service.

The City competes with private solid waste hauler and collection services for commercial customers within the City. As of July 2016, the City competes with private solid waste haulers for apartment complexes with five or more units.

In 2014, the City entered into six agreements with eleven landfills, transfer stations, and recycling centers for the disposal of solid waste and processing of recycle materials. 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*: $27.79 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 System service area, for once per week residential solid waste barrel collection and once per week recycling barrel collection (90 gallon individual garbage barrel).

Rate R1.2A*: $24.81 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 System 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: $13.12 per each additional 60/90 gallon solid waste barrel collected on same day as first solid waste barrel. Service will be billed for a minimum of six months.

Rate R1.23: $29.82 per unit for the first barrel in addition to the above R1.2 rate for twice per week solid waste collection, and $13.25 for each additional barrel at twice per week.

Rate R1.24*: $24.81 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*: $27.79 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. Applicability of this rate shall be based on one-half cubic yard at capacity per unit per week.

Rate R1.27*: $24.81 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 System 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: $6.56 per each 90 gallon green waste barrel collected once per week.

Rate R1.29*: $26.88 per unit for single dwelling units, when the water account servicing the unit is active or where the resident resides within Mesa Solid Waste System 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 Assistant City Manager or designee.

Rate R2.9A*: $23.89 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste System 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 Assistant City Manager or designee.

Rate R2.9B*: $22.48 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste System 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 Assistant City Manager or designee.

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* A $0.84 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit. Service will be billed for a minimum of six months.

**Commercial Solid Waste System Monthly Billing**

Rate R3.8: $27.79 for the first 90 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R3.8A: $24.81 for the first 60 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R3.81: $13.12 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: $29.76 per unit for the first barrel in addition to the above R3.8 rate for twice per week solid waste barrel collection, and $13.12 for each additional barrel at twice per week.

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

**Schedule of Solid Waste System Rate Increases**
**(2012-2016)**

| Date | Rate Increase |
|---|---|
| July 1, 2016 | 4.00% |
| August 1, 2015 | 5.00% |
| July 1, 2014 | 6.90% |
| August 1, 2013 | 2.00% |
| August 1, 2012 | 0.00% |

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Source: The City.

**Schedule of Solid Waste System Customers**
**(Fiscal Years 2011/12 through 2015/16)**

| Fiscal Year | Residential Customers | Commercial Customers (a) | Other Customers | Total Customers |
|---|---|---|---|---|
| 2015/16 | 134,259 | 2,481 | 300 | 136,987 |
| 2014/15 | 132,209 | 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 |

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(a) Fiscal Year 2012/13 through 2014/15 included both special handling and caster services for certain customers. These numbers have been revised to count these commercial customers only once.

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

The following is a list of the ten largest Solid Waste System Customers in order by revenue for Fiscal Year 2015/16.

**Ten Largest Solid Waste System Customers**

Cal-Am Properties, Inc.
Mesa Public Schools
MHC Viewpoint, 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 2015/16 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was $1,853,130 constituting 3.38% of the total Fiscal Year 2015/16 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1% of the total 2015/16 Solid Waste System operating revenue.

The City receives solid waste services from the Solid Waste System and records the revenue as interdepartmental revenue. For Fiscal Year 2015/16 Solid Waste System interdepartmental revenues for the City were $532,577.

Source: The City.

**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, 2016**

The following audited financial statements are the most recent available to the City. These audited 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

The following is a summary of certain provisions of the Master Resolution, which was adopted by the Mayor and City Council of the City of Mesa on July 29, 1991, as amended. A summary of the Thirty-Fourth Supplemental Resolution follows this Summary of the Master Resolution. The Thirty-Fourth Supplemental Resolution is substantially the same as the other thirty-three Supplemental Resolutions. The Master Resolution authorized the issuance of the Series 1991 Bonds and set the conditions for issuance of later Parity Bonds such as the City's Utility Systems Revenue Bonds, Series 2017. In addition the Master Resolution was amended in 2002, changing the requirements pertaining to the Reserve Fund. The summary does not purport to be a full statement of the terms of the Master Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

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

***"Agreement"*** - any Reserve Fund Guaranty Agreement.

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

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

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

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

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

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

***"Chief Financial Officer"*** – the City's Chief Financial Officer.

***"City"*** - the City of Mesa, Arizona.

***"Council"*** - the governing body of the City.

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

***"Drawdown"*** - any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

***"Drawdown Date"*** - the date of any Drawdown.

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

***"Master Resolution"*** - the Master Resolution adopted by the Mayor and City Council of the City of Mesa on July 29, 1991, as thereafter supplemented and amended.

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

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

***"Net Revenues"*** - those Revenues remaining after deducting Operating Expenses.

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

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

***"Parity Bonds"*** - the additional Bonds issued on a parity with the Bonds.

***"Permitted Investments"*** - to the extent permitted by law:

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

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

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

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

(5) Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service (hereinafter referred to as Moody's) or Standard & Poor's Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's no S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

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

(7) Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the City or the Bond Registrar and Paying Agent (who shall not be provider of the collateral), or any Federal Reserve Bank or Depository, as custodian for the institution issuing the deposits. The City or the Bond Registrar and Paying Agent

should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

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

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

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

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

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

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

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

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

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

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

***"Post-2002 Bonds"*** -Bonds originally issued after January 1, 2003.

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

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

***"Pre-2003 Reserve Fund Guaranties"*** - 2003 Reserve Fund Guaranties that secure only the Pre-2003 Bonds.

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

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

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

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

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

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

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

***"Revenues"*** - all income, moneys and receipts derived from the System ownership; however, the term Revenues shall not include Bond proceeds or interest received on any investments placed irrevocably in trust to pay, or provide for the payment of, any Bond, Bonds Being Refunded or defeased or other outstanding revenue bonds originally secured in whole or in part by System Revenues, or amounts received which the City is contractually required to pay our as reimbursement for acquisition, construction or installations of System facilities.

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

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

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

**Authorization of Bonds; Special Obligations.**

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

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

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

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

**Creation of Funds: Application of Revenues.**

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

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

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

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

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

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

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

(5) **Replacement Fund**. Fifth, to the Replacement Fund at least 2% of the previous month's Revenues until at least 2% of the value of all tangible assets of the System as shown on the balance sheet in the most recent audit, has been so accumulated. The City may limit additional payments if the balance equals 2% of the value of all tangible assets of the System as shown by the most recent audit. Any money in such Fund may be used to: (a) Pay any sums due to the holders of the Bonds Being Refunded if not paid from the income and proceeds of the investments held under the Depository Trust Agreement. (b) Pay currently maturing the Bond principal and interest to the extent the Bond and the Reserve Funds are insufficiency for such purpose. (c) Acquire System properties. (d) Make other improvements or repairs to the System.

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

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

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

**Remedies of Owners.** Subject to the terms of the Master Resolution, any Owner may by suit in any court of competent jurisdiction protect the lien on the Net Revenues and enforce performance of all duties imposed upon the City. If any default be made in the payment of principal of or interest on any of the Bonds, any court having jurisdiction may appoint a receiver to administer the System to charge and collect sufficient fees to pay Operating Expenses, and make all payments to the Bond, Reimbursement and Reserve Funds required.

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

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

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

**Modification of Resolution.**

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

B. Except as provided in subsection A above, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciate Bond as its principal amount) of the Bonds then Outstanding shall have the right to consent to and approve modifications of any terms or provisions except: (1) Changes in the maturity of any Outstanding Bond. (2) Changes in the interest rate on any Outstanding Bond. (3) Reduction of the principal or redemption premium payable on any Bond. (4) Modification of the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments. (5) Modifications which adversely affect the rights of the Owners of less than all Bonds then Outstanding.

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

**Rights of Reserve Fund Guarantors; Rights of Bond Insurers.**

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

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

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

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

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

Municipal Bond Insurance Policy, and (ii) the City shall pay interest to FGIC on amounts so paid at the Reimbursement Rate.

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

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

**Reporting Requirements.**

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

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

C. The City agrees, so long as a Municipal Bond Insurance Policy is in effect, to provide not more than ten (10) days after the end of each Fiscal Year, a certificate of its Chief Financial Officer to the effect that the City is in compliance with the terms and conditions of the Master Resolution, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

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

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

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

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

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

## SUMMARY OF THIRTY-FOURTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Thirty-Fourth Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Bonds, Series 2017, adopted by the Mayor and Council on May 4, 2017. The summary does not purport to be a full statement of the terms of the Thirty-Fourth Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

**Authority.** The Series 2017 Bonds (as defined below) are authorized to be issued pursuant to Title 9, Chapter 5, Article 3, of the Arizona Revised Statutes, as amended, the Master Resolution, the Thirty-Fourth Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by A.R.S. Section 9-521 et. seq. have been met with respect to the Series 2017 Bonds. The Master Resolution (as amended and supplemented with the exception of the Twenty-Sixth Supplemental Resolution which was previously revoked by the Twenty-Ninth Supplemental Resolution) and the Thirty-Fourth Supplemental Resolution shall stay in effect until all Series 2017 Bonds are fully paid or provided for and all Policy Costs shall have been paid in full.

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

**"Bond Registrar for the Series 2017 Bonds" –** U.S. Bank National Association, Phoenix, Arizona, or its successor, as bond registrar.

**"Bond Year" –** initially the period from the date of the Series 2017 Bonds to July 1, 2017, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the City's Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

**"Series 2017 Bonds"** - the City's $123,875,000 Utility Systems Revenue Bonds, Series 2017.

**"Thirty-Fourth Supplemental Resolution"** – The Thirty-Fourth Supplemental Resolution supplementing the Master Resolution and authorizing the issuance of the Series 2017 Bonds.

**Revocation of the Twenty-Sixth Supplemental Resolution; Authorization of Series 2017 Bonds; Special Obligations.**

A. The Mayor and City Council previously revoked the Twenty-Sixth Supplemental Resolution and exclude the Twenty-Sixth Supplemental Resolution from the definition of "Supplemental Resolutions" because the refunding bonds contemplated by the Twenty-Sixth Supplemental Resolution were not issued.

B. There is authorized the issuance and sale of $123,875,000 City of Mesa, Arizona, Utility Systems Revenue Bonds, Series 2017. The Series 2017 Bonds shall never be construed to be tax secured bonds of the City as defined in A.R.S. §§ 9-531 or 9-521, or general obligation bonds of the City within the meaning of A.R.S. Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Series 2017 Bonds are special obligations of the City payable solely from the Net Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms, the Master

Resolution and the Thirty-Fourth Supplemental Resolution. Subject to the Master Resolution, the Net Revenues are pledged and assigned as security for the payment of the principal and redemption price of, and interest on, the Series 2017 Bonds in accordance with their terms, the Master Resolution and the provisions of the Thirty-Fourth Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the Thirty-Fourth Supplemental Resolution, without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere in the Master Resolution to issue Parity Bonds nor shall be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City which are secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged under the Master Resolution and the Thirty-Fourth Supplemental Resolution.

C. In addition to the payments required to be made into the Bond Fund required by the Master Resolution, the following additional payments shall be made to the Bond Fund with respect to the Series 2017 Bonds on or before the tenth (10th) day of each month:

(1) Commencing on the 10th day of the month following the closing date of the Series 2017 Bonds, the amount due on the next succeeding interest payment date divided by the number of monthly payments that can be made prior to such next succeeding interest payment date, and commencing on the 10th day of the month following the first interest payment date, one-sixth (1/6) of the interest coming due on the next semiannual interest payment date on all of the Series 2017 Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Series 2017 Bonds, the amount due on the next succeeding principal payment date divided by the number of monthly payments that can be made prior to such next succeeding principal payment date and commencing on the 10th day of the month following the first principal payment date, one-twelfth (1/12) of the principal becoming due on the next succeeding principal payment date on all Series 2017 Bonds then Outstanding.

**Resolution a Contract.** The provisions of the Master Resolution and the Thirty-Fourth Supplemental Resolution are deemed incorporated into the Series 2017 Bonds themselves and shall constitute a contract between the City, the bond insurer, if any, and the Owners and, no change, variation or alteration of any kind in the provisions of the Master Resolution or the Thirty-Fourth Supplemental Resolution shall be made in any manner, except as provided in the Master Resolution or until such time as all of the Bonds and interest due thereon have been paid in full.

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

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 Registrar and request that copies of notices be provided directly to them.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interests in the Bonds, on DTC's records, to the Registrar. 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 the Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. 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 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 MASTER RESOLUTION; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE BONDS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (5) ANY OTHER MATTERS.

# APPENDIX G

# FORM OF APPROVING LEGAL OPINION

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______, 2017

MAYOR AND COUNCIL
CITY OF MESA, ARIZONA

Re: City of Mesa, Arizona, Utility Systems
Revenue Bonds, Series 2017

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the "*City*"), of its $123,875,000 aggregate principal amount of Utility Systems Revenue Bonds, Series 2017, dated as of the date of initial delivery (the "*Bonds*"), issued pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, 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, as thereafter amended and supplemented, including by Resolution No. ______ and Resolution No. _____ authorizing the issuance of the Bonds (collectively, the "*Resolution*"), passed and adopted by the Mayor and Council of the City. As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

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

1. The 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 Resolution creates a valid lien for the security of the Bonds on the revenues derived by the City from its utility System (as defined in the Resolution) after provision for expenses of operation and maintenance of the System as provided in the Resolution, on a parity, however, with other Outstanding (as defined in the Resolution) obligations of the City issued or to be issued under the Resolution.

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

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

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

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

GUST ROSENFELD P.L.C.

Zachary D. Sakas
Bond Counsel

# APPENDIX H

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

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**$123,875,000**
**CITY OF MESA, ARIZONA**
**UTILITY SYSTEMS REVENUE BONDS,**
**SERIES 2017**

**CONTINUING DISCLOSURE CERTIFICATE**
**(CUSIP Base No. 590545)**

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is undertaken by the City of Mesa, Arizona (the "*City*"), in connection with the issuance of its Utility Systems Revenue Bonds, Series 2017 (the "*Bonds*"). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

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

**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 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 _________, 2017, relating to the Bonds.

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

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

**Section 3**. **Provision of Annual Reports**.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "*Filing Date*"), commencing February 1, 2018, provide electronically to MSRB, in a format prescribed by the MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Should the City's fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than six (6) months after the end of such fiscal year. Currently, filings are required to be made with EMMA. Notice of any such change in the City's fiscal year will be filed with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(b) If the City is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall, 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 thirty (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 thirty (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; and

- 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 annual audited 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 annual audited 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.

**<u>Section 5</u>. <u>Reporting of Listed Events</u>.**

(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 Bonds, and the City shall, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, provide notice of the following events with EMMA:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service (the "*IRS*") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the City;

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

<u>Note to paragraph 5(a)(12) above</u>: 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 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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

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

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

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

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

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

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

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

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

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

**Section 13**. **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. 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 and Interpretation of Terms**. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Date: ____________, 2017.

**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: $123,875,000 Utility Systems Revenue Bonds, Series 2017
Dated Date of Bonds: ________, 2017 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 Continuing Disclosure Certificate dated _________, 2017. The City anticipates that the Annual Report will be filed by ______________________.

Dated: __________________

CITY OF MESA, ARIZONA

By________________________________________________
Its ________________________________________________

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## EXHIBIT B

### NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: $123,875,000 Utility Systems Revenue Bonds, Series 2017
Dated Date of Bonds: ________, 2017 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 thirty (30) days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated _________, 2017, 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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