

**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,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein.*

**\$47,180,000**

**CITY OF MESA, ARIZONA  
GENERAL OBLIGATION BONDS, SERIES 2017**

*Dated:* Date of Initial Delivery

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

The City of Mesa, Arizona (the “City”), General Obligation 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 public safety, streets and parks improvements and (ii) pay the costs of issuance of the Bonds.

The Bonds will mature on the dates and in the principal amounts and will bear interest from their date at the rates set forth on the inside front cover page hereof. 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 prior redemption. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds. See APPENDIX E – “Book-Entry-Only System.”

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

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

Upon their issuance, the Bonds will be direct general obligations of the City, payable as to both principal and interest from ad valorem taxes levied against all taxable property within the City without limit as to rate or amount.

***Electronic (via PARITY) unconditional proposals for the purchase of the Bonds will be received until 10:00 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 legal 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.*

**\$47,180,000**  
**CITY OF MESA, ARIZONA**  
**GENERAL OBLIGATION BONDS, SERIES 2017**

**MATURITY SCHEDULE**

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590485)
2018	\$5,725,000	%	%	
2019	1,500,000			
2020	1,550,000			
2021	1,625,000			
2022	1,675,000			
2023	1,750,000			
2024	1,825,000			
2025	1,900,000			
2026	1,975,000			
2027	2,050,000			
2028	2,125,000			
2029	2,225,000			
2030	2,300,000			
2031	2,400,000			
2032	2,500,000			
2033	2,600,000			
2034	2,700,000			
2035	2,800,000			
2036	2,925,000			
2037	3,030,000			

- (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 General Obligation Bonds, Series 2017 (the “Bonds”), of the City of Mesa, Arizona (the “City”), identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been provided by the City, the Maricopa County Assessor’s, Finance and Treasurer’s offices, the State of Arizona Department of Revenue, and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City or FirstSouthwest, a Division of Hilltop Securities Inc. (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 G – “Form of Continuing Disclosure Certificate” pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

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**\$47,180,000**  
**CITY OF MESA, ARIZONA**  
**GENERAL OBLIGATION 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 10:00 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 \$47,180,000 aggregate principal amount of the City’s General Obligation 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](http://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:

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>
2018	\$5,725,0000	2028	\$2,125,000
2019	1,500,000	2029	2,225,000
2020	1,550,000	2030	2,300,000
2021	1,625,000	2031	2,400,000
2022	1,675,000	2032	2,500,000
2023	1,750,000	2033	2,600,000
2024	1,825,000	2034	2,700,000
2025	1,900,000	2035	2,800,000
2026	1,975,000	2036	2,925,000
2027	2,050,000	2037	3,030,000

**TIME FOR RECEIPT OF BIDS:** Bids will be received to and including the hour of 10:00 a.m., M.S.T., unless the sale is postponed. The time maintained by PARITY shall constitute the official time.

**ELECTRONIC BIDDING PROCEDURES:** 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, 2<sup>nd</sup> 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 providing funds for parks, public safety and street improvements 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:** 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 day of the month preceding each 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:** Principal of and interest on the Bonds are secured by a continuing, direct ad valorem tax levied against all of the taxable property located within the boundaries of the City without limit as to rate or amount.

**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.

**STATE LAW APPLICATION OF NET PREMIUM ON BONDS:** The Bonds may be reoffered to produce a Net Premium (as hereinafter defined) associated with the Bonds. The term “Net Premium” means the difference between the par amount of the Bonds and the issue price of the Bonds determined pursuant to United States Treasury Regulations. Net Premium may be used only for one or more of the following:

1. To pay costs of issuance (subject to Arizona Revised Statutes Section 35-452.C.);
2. As a deposit in the Bond Fund of the City and used only to pay interest on the Bonds; and
3. For any other purpose, provided that such amount used for other purposes will reduce both (a) the available aggregate indebtedness capacity of the City under the statutes and Constitution of the State of Arizona; and (b) the principal amount authorized at the election for the City from which the Bonds are being sold.

The issue price of the Bonds is the aggregate of the issue price of each maturity of the Bonds. The issue price of each maturity of the Bonds is that initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of Bonds of that maturity (at least ten percent (10%) of such maturity) are reasonably expected to be sold as of the sale date May 3, 2017\*. If the offering prices certified by the winning bidder (as described below) cause the Net Premium to not comply with the permitted uses of Net Premium described above, the award will be cancelled and the Bonds will not be delivered to the winning bidder. The issue price of the Bonds may not exceed their fair market value as of the sale date.

**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, 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 \$943,600 (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 – General Obligation 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](mailto:michael.kennington@mesaaz.gov)), to the Finance Director (e-mail address [irma.ashworth@mesaaz.gov](mailto:irma.ashworth@mesaaz.gov)) and to the Financial Advisor (e-mail addresses: [larry.given@hilltopsecurities.com](mailto:larry.given@hilltopsecurities.com) and

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\* Subject to change.

[janelle.gold@hilltopsecurities.com](mailto: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.

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 arbitration 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**  
**\$47,180,000**  
**CITY OF MESA, ARIZONA**  
**GENERAL OBLIGATION BONDS, SERIES 2017**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original issuance of its \$47,180,000 General Obligation 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 the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof, 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 E – “Book-Entry-Only System.”

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

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

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

**THE BONDS**

**Authorization and Purpose**

The Bonds will be issued pursuant to A.R.S. Title 35, Chapter 3, Article 3; approval given by the qualified electors of the City elections held on November 6, 2012, and November 5, 2013 and a resolution authorizing issuance of the Bonds to be adopted by the Mayor and Council of the City on May 4, 2017 (the “Bond Resolution”). The Bonds are being issued to provide funds to (i) acquire and construct certain public safety, streets and parks improvements and (ii) pay the costs of issuance of the Bonds.

A copy of the full text of the Bond Resolution may be inspected at the Office of the Chief Financial Officer of the City, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

In addition to the Bonds, the City expects to issue \$123,875,000 Utility Systems Revenue Bonds, Series 2017 (“Series 2017 Utility Bonds”), concurrently with the Bonds and pursuant to a separate official statement.

**General Provisions**

The Bonds will be dated the date of initial delivery, and will bear interest from such date payable initially on January 1, 2018 and semiannually thereafter on January 1 and July 1 of each year (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the 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 E – “Book-Entry-Only System.”

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS, 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.

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

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

## **Redemption Provisions**

### *Optional Redemption*

Bonds maturing on or 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 from maturities selected by the City and within any maturity by lot, 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 will be direct general obligations of the City, payable as to both principal and interest from ad valorem taxes levied against all taxable property within the City without limit as to rate or amount.

Following deposit of moneys into the debt service fund for payment of the Bonds, the City may invest such moneys in investments comprised of, with certain restrictions: federally insured savings accounts or certificates of deposit from eligible depositories; collateralized repurchase agreements; obligations issued or guaranteed by the United States or any agency or instrumentality thereof; obligations of the State of Arizona or any Arizona city (including the City), town or school district; bonds of any county, municipal or municipal utility improvement district payable from property assessments; the local government investment pool established by the State of Arizona; commercial paper of prime quality that is rated "P1" by Moody's Investors Service or rated "A+" or better by Standard & Poor's Ratings Group or their successors (all commercial paper must be issued by corporations organized and doing business in the United States); and fixed income securities of corporations organized and doing business in the United States rated "A" or better by Moody's Investors Service and Standard & Poor's Ratings Group. **THE PROCEEDS OF THE BONDS ARE NOT PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS.**

### **Recent Legislation Affecting Subsequent Refunding of the Bonds**

On May 11, 2016, the Governor of Arizona signed House Bill 2301 ("HB 2301"). HB 2301 provides that with respect to general obligation bonds issued after August 31, 2016, such as the Bonds, if the City were to issue refunding bonds to refund the Bonds in advance of maturity, the owners of the Bonds must rely on the sufficiency of the funds or securities held in trust for the payment of such refunded Bonds.

### **Sources of Payment of the Bonds and Other City Bonds**

The City intends to provide for the payment of the Bonds solely from the levy of ad valorem taxes; however, a portion of its other outstanding general obligation bonds may continue to be paid from certain revenues and moneys of the City's General Fund, Enterprise Funds and Special Revenue Funds. The tables appearing on pages 4, 5 and 6 of this Official Statement are a record of the revenues, expenses and changes in fund balances for each such fund for Fiscal Year 2011/12 through 2015/16. For an explanation of the characteristics and purposes of each of these funds, see APPENDIX D – "City of Mesa, Arizona – Audited General Purpose Financial Statements for the Year Ended June 30, 2016." In the future, however, in the event such revenues and moneys are not available for this purpose, or the City determines that such general obligation bonds will not be paid therefrom, the principal of and interest on such other general obligation bonds are secured by and will be paid from the annual levy of an ad valorem tax, as described herein under "Security for the Bonds."

Currently and from time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of political subdivisions of the State which could have a material impact on the City and could adversely affect the secondary market value of the Bonds. 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.

## CITY GENERAL FUND

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

### CITY OF MESA, ARIZONA SELECTED GOVERNMENTAL INFORMATION REVENUES AND EXPENSES (IN THOUSANDS) (a)

Revenues:	2011/12	2012/13	2013/14	2014/15	2015/16
Taxes	\$ 86,996	\$ 95,279	\$95,177	\$100,594	\$104,116
Property Taxes	14,323	14,404	22,500	34,022	34,765
Occupancy Taxes	2,019	1,903	1,919	2,081	2,331
Licenses and Permits	10,985	14,054	15,356	15,446	17,580
Intergovernmental Revenues	106,521	108,420	112,304	117,084	118,775
Charges for Services	9,102	16,603	20,829	20,700	22,649
Fines and Forfeitures	15,864	8,502	8,012	8,096	8,795
Interest	385	1,011	131	595	416
Capital Contributions	-	132	65	65	300
Miscellaneous Revenues	5,792	3,036	1,498	3,973	1,148
Total Revenues	251,987	263,344	277,791	302,656	310,875
Expenditures:					
Current:					
General Government	41,669	68,090	69,314	73,901	71,651
Public Safety	209,703	199,298	205,433	214,669	223,733
Cultural-Recreational	32,002	31,671	32,495	33,850	36,516
Community Environment	7,329	10,388	8,050	9,185	13,723
Bad Debt (b)	6,980	-	-	-	-
Total Current Expenditures	297,683	309,447	315,292	331,605	345,623
Revenues Over (Under)					
Current Expenditures	(45,696)	(46,103)	(37,501)	(28,949)	(34,748)
Capital Outlay	16,304	12,961	7,853	1,758	4,580
Debt Service (c)	28,894	36,037	31,280	34,772	33,647
Total Other Expenditures	45,198	48,998	39,133	36,530	38,227
Revenues Over (Under) Expenditures	(90,894)	(95,101)	(76,634)	(65,479)	(72,975)
Operating Transfers In (Net) (c)	77,863	63,731	101,661	67,276	93,245
Revenues and Transfers Over					
(Under) Expenditures	(13,031)	(31,370)	25,027	1,797	20,270
Unrestricted Fund Balance-Beginning	122,118	108,851	77,504	99,064	100,861
(Incr.)Decr.-Restricted Funds	(236)	23	(3,467)	-	-
Unrestricted Fund Balance-Ending	108,851	77,504	99,064	100,861	121,131
Restricted Funds (d)	3,444	3,467	-	-	-
Total Fund Balance - Ending	\$112,295	\$80,971	\$99,064	\$100,861	\$121,131

Source: The City.

- (a) The table above includes a restatement of funds for all previous years.
- (b) Beginning with Fiscal Year 2012/13, bad debt is no longer a material line item.

- (c) Fiscal Year 2012/13 Debt Service has been adjusted to reflect the redemption of the City's General Obligation Refunding Bonds, Series 2003. Net Operating Transfers In has been adjusted to reflect a reduction in Transfers Out, which was transferred to the Debt Service Fund to cover this obligation.
- (d) As of Fiscal Year 2013/14, Restricted Funds are no longer included in the General Fund.

### **CITY ENTERPRISE FUNDS**

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

#### **CITY OF MESA, ARIZONA ENTERPRISE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (IN THOUSANDS)**

	2011/12	2012/13	2013/14	2014/15	2015/16
Operating Revenue	\$311,926	\$296,554	\$302,575	\$310,413	\$332,656
Operating Expense	146,894	146,847	151,559	159,909	150,603
Net Income From Operations	165,032	149,707	151,016	150,504	182,053
Development/Impact Fees	4,338	7,000	7,023	11,126	12,133
Miscellaneous Income (a)	7,499	4,534	40,792	11,416	18,426
Interest Income	835	772	1,323	1,010	3,021
Capital Expense	(7,289)	(5,685)	(6,177)	(2,227)	(2,408)
Debt Service/Replacement	(71,762)	(73,435)	(73,415)	(73,843)	(77,181)
Income Before Transfers	98,653	82,893	120,562	97,986	136,044
Operating Transfers (out)	(83,615)	(83,615)	(109,520)	(97,725)	(101,325)
Net Income	15,038	(722)	11,042	751	34,719
Beginning Fund Balance	66,367	81,405	80,683	91,725	92,476
Ending Fund Balance	\$ 81,405	\$ 80,683	\$ 91,725	\$ 92,476	\$127,195

- (a) Fiscal Year 2013/14 Miscellaneous Revenues include a one-time sale of land and additional developer contributions from real estate developers.



## CITY SPECIAL REVENUE FUNDS

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

### CITY OF MESA, ARIZONA SPECIAL REVENUE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (IN THOUSANDS)

	2011/12	2012/13	2013/14	2014/15	2015/16
Revenues:					
Taxes	\$ 39,857	\$ 42,002	\$ 45,390	\$ 45,743	\$ 50,054
Licenses & Permits	2,374	3,629	3,441	5,446	5,674
Intergovernmental Revenues	50,716	57,562	55,473	63,048	63,718
Charges for Services	16,847	11,057	11,203	15,541	15,529
Fines and Forfeitures	226	517	1,098	1,569	1,611
Contributions	-	2,131	1,042	1,030	280
Interest	393	384	429	764	1,017
Miscellaneous Revenues	835	2,695	2,814	2,230	2,324
Total Revenues	111,248	119,977	120,890	135,371	140,207
Expenditures:					
General Government	-	6,063	5,763	7,165	7,797
Cultural-Recreational	11,890	6,096	6,293	6,515	7,135
Public Safety	15,792	27,373	25,931	28,901	30,795
Community Environment	57,244	44,809	48,523	51,327	51,836
Service Charges	-	-	-	-	3
Total Current Expenditures	84,926	84,341	86,510	93,908	97,566
Revenues Over (Under)					
Current Expenditures	26,322	35,636	34,380	41,463	42,641
Capital Outlay	18,955	17,226	12,761	18,066	24,119
Debt Service (a)	15,742	11,772	12,417	11,287	12,234
Total Other Expenditures	34,697	28,998	25,178	29,353	36,353
Revenues Over (Under) Expenditures	(8,375)	6,638	9,202	12,110	6,288
Operating Transfers In/(Out)	5,449	(1,696)	(3,835)	(2,149)	(3,411)
Revenues and Transfers Over					
(Under) Expenditures	(2,926)	4,942	5,367	9,961	2,877
Fund Balance-Beginning (b)	47,279	44,354	49,295	54,662	64,623
Fund Balance-Ending (b)	\$ 44,353	\$ 49,295	\$ 54,662	\$ 64,623	\$ 67,500

(a) Fiscal Year 2012/13 debt service has been adjusted to include debt service on the City's Highway Project Advancement Notes, Series 2011A.

(b) Totals may not add, or end and beginning balances year to year may not match, due to rounding.

## ADDITIONAL GENERAL OBLIGATION BONDS

The City expects to issue additional general obligation bonds in the future pursuant to existing and future voted bond authorizations. Such bonds may be secured by, and payable from, the same sources of revenue, and the same levy of ad valorem taxes, if applicable, as the Bonds and all outstanding general obligation bonds. After issuance of the Bonds, the City will have \$93,851,000\* aggregate principal amount of voter authorized, but unissued, general obligation bonds pursuant to voter approvals given at special bond elections held on April 28, 1987, March 26, 1996, March 9, 2004, November 6, 2012 and November 5, 2013. The purposes and amounts of such authorized but unissued bonds are set forth below.

Purpose of Bond Authorization	1987	1996	2004	2012	2013	Remaining General Obligation Bonds Authorized But Unissued
Public Safety	\$ -	\$ -	\$ 8,145,000	\$ -	\$ -	\$8,145,000
Fire and Medical	-	-	2,514,000	-	-	2,514,000
Parks and Recreation	-	7,150,000	9,750,000	16,500,000	-	33,400,000
Library	-	7,944,000	-	-	-	7,944,000
Storm Sewer	213,000	-	6,790,000	-	-	7,003,000
Solid Waste	-	-	-	-	-	-
Streets	-	-	-	-	34,845,000	34,835,000
<b>Total</b>	<b>\$213,000</b>	<b>\$15,094,000</b>	<b>\$27,199,000</b>	<b>\$16,500,000</b>	<b>\$34,845,000</b>	<b>\$93,851,000</b>

Source: The City.

## SOURCES AND USES OF FUNDS

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

### Sources of Funds

The Bonds	\$47,180,000
[Net] Original Issue Premium (a)	
<b>Total Sources of Funds</b>	<b>\$</b>

### Uses of Funds

Costs of Issuance	\$
Deposit to Construction Fund	
Deposit to Debt Service Fund	
<b>Total Uses of Funds</b>	<b>\$</b>

- (a) Net original issue premium consists of original issue premium on the Bonds less original issue discount on the Bonds.

\* Subject to change.

### ESTIMATED DEBT SERVICE REQUIREMENTS (a)

The table below sets forth (i) the annual debt service requirements of the City's outstanding general obligation bonds, (ii) the estimated annual debt service requirements of the Bonds, and (iii) the City's estimated total annual general obligation bond debt service requirements after issuance of the Bonds.

#### **\$47,180,000** **City of Mesa, Arizona** **General Obligation Bonds, Series 2017** **Estimated General Obligation Debt Service Requirements**

Fiscal Year Ending (6-30)	General Obligation Bonds Outstanding (b) (c)		The Bonds		Estimated Combined Annual Debt Service
	Principal	Interest	Principal	Estimated Interest (d)	
2017	\$ 23,375,000	\$12,374,359			\$35,749,359
2018	19,395,000	11,671,069	\$ 5,725,000	\$2,081,162	38,872,231
2019	17,855,000	10,899,956	1,500,000	1,658,200	31,913,156
2020	17,385,000	10,271,169	1,550,000	1,598,200	30,804,369
2021	17,910,000	9,668,515	1,625,000	1,536,200	30,739,715
2022	18,530,000	9,061,094	1,675,000	1,471,200	30,737,294
2023	19,095,000	8,443,265	1,750,000	1,404,200	30,692,465
2024	19,810,000	7,781,478	1,825,000	1,334,200	30,750,678
2025	21,350,000	7,101,728	1,900,000	1,261,200	31,612,928
2026	22,700,000	6,324,788	1,975,000	1,185,200	32,184,988
2027	23,500,000	5,544,158	2,050,000	1,106,200	32,200,358
2028	24,450,000	4,664,483	2,125,000	1,024,200	32,263,683
2029	24,180,000	3,753,474	2,225,000	939,200	31,097,674
2030	18,000,000	2,863,963	2,300,000	850,200	24,014,163
2031	16,590,000	1,954,200	2,400,000	758,200	21,702,400
2032	17,325,000	1,367,750	2,500,000	662,200	21,854,950
2033	18,000,000	845,000	2,600,000	562,200	22,007,200
2034	5,575,000	309,750	2,700,000	458,200	9,042,950
2035	3,150,000	172,750	2,800,000	350,200	6,472,950
2036	2,775,000	83,250	2,925,000	238,200	6,021,450
2037			3,030,000	121,200	3,151,200
	<u>\$350,950,000</u>		<u>\$47,180,000</u>		

- (a) Prepared by the Financial Advisor (as defined herein).
- (b) Represents all outstanding general obligation bonds.
- (c) Interest on the City's Taxable General Obligation Bonds, Series 2010 (Build America Bonds – Direct Pay) is without reduction of the federal subsidy payments. See footnote (a) to the "Statements of Bonds Outstanding" table on page B-2 herein.
- (d) The first interest payment on the Bonds is due on January 1, 2018. Thereafter, interest payments will be made semiannually on January 1 and July 1, until maturity or prior redemption. Interest is estimated at 4.0%.

## **RATINGS**

Moody's Investor Service, Inc. ("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 and transferability of the Bonds. The City will covenant in its continuing disclosure certificate (see "Continuing Secondary Market Disclosure" below) that it will cause notices to be filed with the MSRB of any formal change in the ratings relating to the Bonds.

## **LEGAL MATTERS**

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

The proposed text of the legal opinion is set forth as APPENDIX F. The legal opinion to be delivered may vary from the text of APPENDIX F 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 F – "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 F. 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 public 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 Bond 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 Bond 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 G – “Form of Continuing Disclosure Certificate” (the “Continuing Disclosure Certificate”). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB’s EMMA system as described in APPENDIX G – “Form of Continuing Disclosure Certificate.”

These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX G hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of

the Bonds in the secondary market. Also pursuant to Arizona law, the ability of the City to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the City not comply with such covenants due to a failure to appropriate for such purposes, the City has covenanted to provide notice of such fact in the same fashion it provides the Notices. Absence of continuing disclosure 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. (the "Financial Advisor") is Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

#### **GENERAL PURPOSE FINANCIAL STATEMENTS**

The City's Audited General Purpose Financial Statements for the Year Ended June 30, 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 year ended 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 passenger terminal. Phoenix-Mesa Gateway Airport is a small-hub commercial airport serving the Phoenix-Mesa metropolitan area with direct service to over 37 cities currently provided by Allegiant Air and 2 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**

Year	Retail Sales
2016/17 (a)	\$1,744,505,531
2015/16	4,331,420,270
2014/15	4,069,591,771
2013/14	3,944,036,123
2012/13	3,771,601,899
2011/12	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.

**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

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- (a) Represents all general obligation bonds to be outstanding following issuance of the 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 Series 2017 Utility 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. For information on constitutional and statutory changes in the taxable values of property beginning in Fiscal Year 2015/16 and thereafter, see “Recent Constitutional and Statutory Changes Affecting Property Taxes” herein.
- (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 Bonds				47,180,000
Total General Obligation Bonds to Be Outstanding				<u>\$398,130,000</u>

- (a) These bonds were issued as taxable bonds under the Build America Bond program for which subsidy payments equal to 35% of the interest payments on such bonds are expected to be made by the federal government. Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 6.9%, 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.



**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 Series 2017 Utility Bonds (b)				123,875,000
Total Utility Systems Revenue Bonds to Be Outstanding (b)				<u>\$1,177,624,773</u>

- (a) These bonds were issued as taxable bonds under the Build America Bond program for which subsidy payments equal to 35% of the interest payments on such bonds are expected to be made by the federal government. Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 6.9%, 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 \$123,875,000 of Utility Systems Revenue Bonds, Series 2017 (the "Series 2017 Utility Bonds"), concurrently with the Bonds and pursuant to a separate official statement.

**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				<u>\$92,895,000</u>

**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				<u>\$111,985,000</u>

**Direct General Obligation Bonded Debt, Legal Limitation and Unused General Obligation Bonding Capacity (a)**  
**City of Mesa, Arizona**

The Arizona Constitution provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed six percent of the Net Full Cash Assessed Value of the taxable property in that city. In addition, an incorporated city may become indebted in an amount not exceeding an additional twenty percent of the Net Full Cash Assessed Value of the city for supplying such city with water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the city of land or interests therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

General Municipal Purpose Bonds		Parks, Streets and Public Safety Bonds	
Total 6% General Obligation Bonding Capacity	\$223,484,215	Total 20% General Obligation Bonding Capacity	\$744,947,384
Less 6% General Obligation Bonds Outstanding	0	Less 20% General Obligation Bonds Outstanding	(398,130,000)
Net 6% General Obligation Bonding Capacity	<u>\$223,484,215</u>	Net 20% General Obligation Bonding Capacity	<u>\$346,817,384</u>

(a) General obligation bonding capacity is calculated using the City's Fiscal Year 2016/17 Net Full Cash Assessed Value of \$3,724,736,920. Table includes the Bonds.

**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.

**Direct and Overlapping General Obligation Bonded Debt Outstanding  
City of Mesa, Arizona**

Overlapping Jurisdiction	Portion Applicable to City of Mesa (a)		
	General Obligation Bonded Debt (b)	Approximate Percentage	Net Debt Amount
State of Arizona	None	5.11%	None
Maricopa County	None	7.99	None
Maricopa County Community College District	\$557,390,000	7.99	\$ 44,535,461
East Valley Institute of Technology District No. 401	None	17.97	None
Mesa Unified School District No. 4	280,905,000	86.37	242,617,649
Tempe Elementary School District No. 3	147,675,000	0.75	1,107,563
Tempe Union High School District No. 213	96,300,000	0.31	298,530
Gilbert Unified School District No. 41	116,725,000	25.79	30,103,378
Queen Creek Unified School District No. 95	59,945,000	30.82	18,475,049
Higley Unified School District No. 60	120,095,000	0.86	1,032,817
Eastmark Community Facilities District No. 1	9,700,000	100.00	9,700,000
City of Mesa (c)	398,130,000	100.00	398,130,000
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>\$746,000,446</u>

- (a) Proportion applicable to the City is computed on the ratio of Net Assessed Limited Property Value as calculated for Fiscal Year 2016/17 for the overlapping jurisdiction to the amount of such valuation which lies within the City.
- (b) Includes total general obligation bonds outstanding less redemption funds on hand. Does not include authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future.

General Obligation Bonds	
Overlapping Jurisdiction	Authorized but Unissued
Maricopa County Community College District	\$ 3,000
Maricopa County Special Health Care District	829,000,000
Mesa Unified School District No. 4	29,000,000
Tempe Elementary School District No. 3	110,000,000
Gilbert Unified School District No. 41	66,700,000
Queen Creek Unified School District No. 95	50,465,000
City of Mesa	93,851,000
Eastmark Community Facilities District No. 1	424,950,000

Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages have been fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona’s Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the

repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Assessed Limited Property Value, of which 14 cents is currently being levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. Does not include the obligation of the Maricopa County Flood Control District to contribute \$70 to \$80 million to the CAP. The Maricopa County Flood Control District's sole source of revenue to pay the contribution will be ad valorem taxes on real property and improvements.

- (c) Does not include the City's utility systems revenue bonds to be outstanding in the aggregate principal amount of \$1,177,624,773. Does not include the City's street and highway user revenue bonds outstanding in the aggregate principal amount of \$92,895,000. Does not include the City's excise tax obligations outstanding in the aggregate principal amount of \$111,985,000. Such obligations are secured and payable from a pledge of the City's transaction privilege tax revenues and certain other General Fund revenues.

Source: The various entities.

#### **Direct and Overlapping General Obligation Bonded Debt Ratios City of Mesa, Arizona**

	Per Capita Bonded Debt Population at 467,532 (a)	As a Percentage of City's	
		2016/17 Net Assessed Limited Property Value	2016/17 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt	\$ 851.55	13.78 %	1.23 %
Direct and Overlapping General Obligation Debt	1,595.61	25.83	2.30

- (a) Arizona Department of Administration, Office of Employment and Population Statistics, estimate as of July 1, 2016.

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

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel and the Mayor and City 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 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. 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.

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	<u>\$ 24,492</u>	<u>\$ 25,018</u>

#### *Public Safety Personnel Retirement System*

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

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	<u>657</u>	<u>1,352</u>

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):

<b>Fire</b>	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	-
<b>Total</b>	<b>\$ 28,354</b>	<b>\$ 8,072</b>

  

<b>Police</b>	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	-
<b>Total</b>	<b>\$ 57,111</b>	<b>\$ 9,444</b>

#### *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	<u>\$ 485,025</u>

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.

## **PROPERTY TAXES**

The City operated without a property tax from Fiscal Year 1944/45 to Fiscal Year 2008/09. The City began to impose a property tax in Fiscal Year 2009/10 for payment of a portion of the City’s outstanding general obligation bonds.

### **Recent Constitutional and Statutory Changes Affecting Property Taxes**

Beginning in Fiscal Year 2015/16 and for each fiscal year thereafter, a voter-approved constitutional amendment and related enabling legislation imposes additional limits on the growth in taxable value of most real property and improvements, including mobile homes, used for levying ad valorem property taxes, including both primary and secondary ad valorem taxes. Primary ad valorem taxes are levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and certain special taxing districts as described below. Secondary ad valorem taxes are levied for debt retirement (e.g., debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts as described below.

Prior to Fiscal Year 2015/16, the value of real property and improvements, including mobile homes, used for levying primary ad valorem taxes was based on a limited property value described below (“Primary Property Tax Value”) and the value used for levying secondary ad valorem taxes (“Secondary Property Tax Value”) was based on full cash value (“Full Cash Value”) described below. The Primary Property Tax Value for property increased by the greater of either 10% of the prior year’s Primary Property Tax Value or 25% of the difference between the prior year’s Primary Property Tax Value and the current year’s Full Cash Value. There was no limit on the growth of Full Cash Value or Secondary Property Tax Value. See “Tax Procedures – *Determination of Full Cash Value*” herein. As more fully described below, property assessment ratios were then applied against these respective values, and property exempt from taxation was netted out of the valuation, to arrive at “Net Assessed Primary Value” and “Net Assessed Secondary Value”. The tax rate imposed for primary tax and secondary tax purposes was then applied against the respective Net Assessed Primary or Net Assessed Secondary Value to determine the respective primary and secondary tax levy amounts.

Beginning with Fiscal Year 2015/16 and thereafter, both primary ad valorem taxes and secondary ad valorem taxes are levied based upon a revised limited property value (the “Limited Property Value”), which (i) for locally assessed property (as described below) in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is equal to the lesser of (a) the Full Cash Value of the property or (b) an amount five percent greater than the Limited Property Value of such property determined for the prior year and (ii) for centrally valued property (as described below) is equal to the Full Cash Value. Property that is subject to an equalization order that the State Legislature exempts from the above property tax limitation is also valued at Full Cash Value. There is no limit on the growth of Full



Cash Value of such exempted or centrally assessed property. The property tax assessment ratios are then applied against the Limited Property Value, and property exempt from taxation is netted out of the Limited Property Value, to arrive at "Net Assessed Limited Property Value." The tax rates imposed for both primary tax and secondary tax purposes are then applied against the Net Assessed Limited Property Value to determine the respective primary and secondary tax levy amounts.

Because Fiscal Year 2015/16 is the first year for implementation of the constitutional amendment and use of Limited Property Values and Net Assessed Limited Property Values, there is limited comparative data for such property values from prior fiscal years to present in this Official Statement. Accordingly, prior-year information is presented using the then-applicable, but now replaced valuation rules, including Net Assessed Primary Values and Net Assessed Secondary Values.

Additional changes may be made to the manner in which properties are valued for tax purposes and taxes are levied. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

## **Ad Valorem Taxes**

### *General*

For tax purposes in Arizona, real property is either valued by the Assessor of the County or by the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as "locally assessed" property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Arizona Department of Revenue is referred to as "centrally valued" property and includes: (1 ) property used in the business of patented or unpatented producing mines, mills and smelters; (2 ) producing oil, gas and geothermal interests; (3 ) real property and improvements used for operation of telephone, telegraph, gas, water and electric utilities; (4 ) aircraft regularly scheduled and operated by an aircraft company; (5 ) standing timber; (6 ) pipelines; and (7 ) personal property, except mobile home.

### *Primary Taxes*

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts, certain special taxing districts, and the State are primary taxes. These taxes are levied against the Net Assessed Limited Property Value of the taxing jurisdiction. The State does not currently levy ad valorem taxes but the State currently requires a county (including the County) to levy a "State equalization assistance property tax" to provide equalization assistance to school districts in such county which is used to offset the cost of State equalization to those school districts.

The amount of primary taxes levied by a county (including the County), city, town and community college district is constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit amount plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). Each taxing entity's maximum allowable property tax levy limit amount was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in the prior year). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional state aid. In the case of the County, a primary tax of \$0.5123 per \$100 of Net Assessed Limited Property Value is levied for this purpose to provide equalization assistance funds to local school districts in the County.

## **Secondary Taxes**

Taxes levied for debt retirement (e.g., debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts are secondary taxes. These taxes are levied against the Net Assessed Limited Property Value. There is no limitation on annual levies for voter-approved bond indebtedness and certain special district assessments are also unlimited. Debt service on the Bonds is payable solely from secondary property taxes.

## **Tax Procedures**

### *Tax Year*

The Arizona tax year is defined as the calendar year, although tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year, when payment of the second installment of property taxes for the prior tax year becomes delinquent.

### *General*

On or before the third Monday in August of each year, the Board of Supervisors of the County prepares the tax roll that sets forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County (the "Treasurer"). With the various budgetary procedures having been completed by the governmental entities, the appropriate primary and secondary tax rate for each jurisdiction is then applied to the Net Assessed Limited Property Value of each parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the fiscal year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

### *Determination of Full Cash Value*

The first step in the tax process is the determination of the Full Cash Value of each parcel of real property within the State. Full Cash Value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

The Assessor of the County, upon meeting certain conditions, may value residential, agricultural and vacant land at the same Full Cash Value for up to three years. The Assessor of the County currently values existing properties on a two-year cycle.

Arizona law provides for a property valuation "freeze" on Full Cash Value for certain residential property owners 65 years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Protection Option") if the owners' total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its then-current Full Cash Value. Any freeze on increases in Full Cash Value will translate to the assessed value of the affected property as hereinafter described.

Following the determination of the Full Cash Value, the Assessor of the County then determines the Limited Property Value by applying any applicable property growth limitations as described under "Recent Constitutional and Statutory Changes Affecting Property Taxes" above.

### *Assessment Ratios*

All property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) that is multiplied by the applicable Limited Property Value to obtain the assessed valuation. The appropriate property classification ratio is applied

to the applicable Limited Property Value of each property parcel to determine the assessed valuation for such parcel. The current assessment ratios for each class of property are set forth in the following table.

**Property Tax Assessment Ratios (Tax Year)**

Property Classification (a)	2017	2016	2015	2014	2013
Mining, Utility, Commercial and Industrial (b)	18.0%	18.0%	18.5%	19.5%	20.0%
Agricultural and Vacant Land (b)	15.0	15.0	16.0	16.0	16.0
Owner Occupied Residential	10.0	10.0	10.0	10.0	10.0
Leased or Rented Residential	10.0	10.0	10.0	10.0	10.0
Railroad Private Car Company and Airline Flight Property (c)	15.0	14.0	15.0	16.0	15.0

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation
- (b) Full Cash Values, up to an amount established by law for each tax year, on commercial, industrial and agricultural personal property are exempt from taxation. For tax year 2017, such maximum amount is \$159,498. This exemption is indexed annually for inflation. Any portion of the Full Cash Value in excess of that amount will be assessed at the applicable rate.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed value for primary and secondary purposes of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total limited value used for primary tax purposes of such properties.

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

**Tax Procedures**

On or before the third Monday in August of each year, the Board of Supervisors of the County prepares the tax roll that sets for the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15<sup>th</sup> of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer. With the various budgetary procedures having been completed by the governmental entities, the appropriate primary and secondary tax rate for each jurisdiction is then applied to the Net Assessed Limited Property Value of each parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the fiscal year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

**Delinquent Tax Procedures**

The property taxes due the City are billed, along with State, County, and other taxes, in September of each year and are payable in two installments on the subsequent October 1 and March 1. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year's taxes are paid by December 31. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) At the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser

for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer to deliver a treasurer's deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a bankrupt taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, the Financial Advisor nor their respective attorneys, agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the Treasurer is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

**Direct and Overlapping Assessed Values and Total Tax Rates  
Per \$100 Assessed Value**

Overlapping Jurisdiction	2016/17 Net Assessed Limited Property Value	2016/17 Total Tax Rate Per \$100 Assessed Value	
State of Arizona	\$56,589,592,481	None	
Maricopa County	36,135,494,474	\$1.9019	(a)
Maricopa County Community College District	36,135,494,474	1.4651	
Maricopa County Fire District Annual Levy (b)	36,135,494,474	0.0112	
Maricopa County Flood Control District (b)	32,624,765,419	0.1792	
Maricopa County Special Health Care District	36,198,108,538	0.3053	
Maricopa County Library District (b)	36,135,494,474	0.0556	
Central Arizona Water Conservation District (b)	36,198,108,538	0.1400	
East Valley Institute of Technology District No. 401	16,068,511,320	0.0500	
Mesa Unified School District No. 4	2,692,702,270	7.5582	
Tempe Elementary School District No. 3	1,304,786,663	5.2831	
Tempe Union High School District No. 213	3,170,299,787	2.8956	
Gilbert Unified School District No. 41	1,692,085,520	6.9378	
Queen Creek Unified School District No. 95	336,871,276	8.0465	
Higley Unified School District No. 60	554,946,683	7.9398	
Eastmark Community Facilities District No. 1	21,328,284	4.1500	
City of Mesa	2,888,290,611	1.1578	

- (a) Includes the “State Equalization Assistance Property Tax.” The State Equalization Assistance Property Tax in Fiscal Year 2016/17 has been set at \$0.5010 and is adjusted annually pursuant to Arizona Revised Statutes Section 41-1276.
- (b) The assessed valuation of the Flood Control District does not include the personal property assessed valuation within the County. The Net Assessed Limited Property Value for the Central Arizona Water Conservation District reflects the assessed valuation located within Maricopa County only. The County is mandated to levy a tax annually in support of County fire districts. All levies for library districts, hospital districts, fire districts, technology districts, water conservation districts and flood control districts are levied on the Net Full Cash Assessed Value.

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

**Combined Total Tax Rates  
Per \$100 Assessed Value**

There are 15 taxing jurisdictions which overlap the City’s boundaries. The total overlapping property tax rate per \$100 of assessed value for property owners within the City ranges from \$7.2954 to \$13.4448.

Source: Maricopa County Finance Department.

**Assessed Value by Property Classification (a)  
City of Mesa, Arizona**

Set forth below is a breakdown of the City’s Net Assessed Limited Property Value and Net Assessed Secondary Value by property classification for the most recent five years such information is available.

Class	Net Assessed Limited Property Value		Net Assessed Secondary Value		
	2016/17	2015/16	2014/15	2013/14	2012/13
Utilities, Commercial & Industrial	\$ 842,966,181	\$ 827,345,515	\$ 848,947,715	\$879,596,665	\$993,714,198
Agriculture and Vacant	91,036,617	94,775,525	97,241,337	90,657,611	103,384,568
Residential (Owner Occupied)	1,312,536,592	1,243,570,283	1,291,605,977	1,129,859,346	1,340,266,150
Residential (Rental)	635,036,793	590,390,020	580,094,614	456,534,196	331,009,181
Railroad	774,537	828,031	881,550	1,028,490	1,241,914
Historic	5,713,230	844,139	2,273,888	1,816,619	647,654
Improvements	226,661	159,403	127,673	140,995	158,419
	<u>\$2,888,290,611</u>	<u>\$2,757,912,916</u>	<u>\$2,821,172,754</u>	<u>\$2,559,633,922</u>	<u>\$2,770,422,084</u>

- (a) Fiscal Year 2015/16 through 2016/17 indicates Net Assessed Limited Property Value utilizing new constitutional and statutory property valuation requirements. Fiscal Year 2012/13 through 2014/15 indicate the then-applicable, but now replaced, Net Assessed Secondary Value.

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

**Comparative Assessed Value Comparisons and Trends (a)**

Fiscal Year	City of Mesa	Maricopa County	State of Arizona
Net Assessed Limited Property Value:			
2016/17	\$2,888,290,611	\$36,135,494,474	\$56,589,592,481
2015/16	2,757,912,916	34,623,670,323	54,840,074,052
Net Assessed Secondary Value:			
2014/15	2,821,172,754	35,079,646,593	55,352,051,074
2013/14	2,559,633,922	32,229,006,810	52,598,341,678
2012/13	2,770,422,084	34,400,455,712	56,283,023,907

- (a) Fiscal Year 2015/16 through 2016/17 indicates Net Assessed Limited Property Value utilizing new constitutional and statutory property valuation requirements. Fiscal Year 2012/13 through 2014/15 indicate the then-applicable, but now replaced, Net Assessed Secondary Value.

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

**Estimated Net Full Cash Value (a)  
City of Mesa, Arizona**

Fiscal Year	City of Mesa
2016/17	\$32,414,724,417
2015/16	29,165,292,711
2014/15	23,856,664,882
2013/14	20,977,492,203
2012/13	22,355,239,037

- (a) The City's estimated Net Full Cash Value approximates the total market value of all taxable property located within the City, less the estimated exempt property within the City as calculated by the State of Arizona Department of Revenue, Division of Property and Special Taxes.

**Net Assessed Property Values of Major Taxpayers (a)(b)  
City of Mesa, Arizona**

Taxpayer(c)	2016/17 Net Assessed Limited Property Value	As % of City's Total 2016/17 Net Assessed Limited Property Value
SACHS RANCH CO LLC/HURLEY LAND CO LLC	\$ 23,004,716.00	0.80%
MPT OF MESA LLC	21,324,762.00	0.74%
QWEST CORPORATION	13,731,215.00	0.48%
A T & T PROPERTY TAX	11,686,427.00	0.40%
WAL-MART STORES INC	10,489,056.00	0.36%
HUGHES HELICOPTERS INC	8,524,830.00	0.30%
WHITESTONE VILLAGE SQUARE AT DANA PARK LLC	8,199,668.00	0.28%
EAST MESA MALL LLC	7,347,058.00	0.25%
DTD DEVCO 8W L L C	6,733,063.00	0.23%
WESTERN B WEST AZ LLC	5,899,571.00	0.20%
MESA CAMPUS LLC	5,890,360.00	0.20%
TRW VEHICLE SAFETY SYSTEMS INC	5,165,027.00	0.18%
STAPLEY OFFICE INC	4,897,230.00	0.17%
FAIRFIELD LAKEVIEW LLC	4,404,251.00	0.15%
		4.75%

- 
- (a) The City has not made an independent determination of the financial position of any of the City's major property taxpayers.
  - (b) Indicates Net Assessed Limited Property Value utilizing current constitutional and statutory property valuation requirements.
  - (c) Some of the major taxpayers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the Filings can be obtained from the public reference section of the Commission at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005. The filings may also be obtained through the internet on the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov).

None of the City, Bond Counsel or Financial Advisor has examined the information set forth in the Filings for accuracy or completeness, nor have they assumed responsibility for the same.

Source: Maricopa County Treasurer's Office.

**SPECIAL NOTE:** *The assessed valuation of property owned by the Salt River Project Agricultural Improvement and Power District ("SRP") is not included in the assessed valuation of the City in the prior table or in any other valuation information set forth in this Official Statement. Because of SRP's quasi-governmental nature, property owned by SRP is exempt from property taxation.*

*However, SRP may elect each year to make voluntary contributions in lieu of property taxes with respect to certain of its electrical facilities (the "SRP Electric Plant"). If SRP elects to make the in lieu contribution for the year, the Full Cash Value of the SRP Electric Plant and the in lieu contribution amount is determined in the same manner as the Full Cash Value and property taxes owed is determined for similar non-governmental public utility property, with certain special deductions.*

*If SRP elected not to make such contributions, the City would be required to contribute funds from other sources or levy an increased tax rate on all other taxable property to provide sufficient amounts to pay debt service on the Bonds. If after electing to make the in lieu contribution, SRP then failed to make the in lieu contribution when due, the Treasurer and the City have no recourse against the property of SRP and there may be a delay in the payment of that portion of the debt service on the Bonds that would have been paid by SRP's in lieu contribution.*

*Since 1964, when the in lieu contribution was originally authorized by the Arizona Revised Statutes, SRP has always made that election. The Fiscal Year 2016/17 in lieu Net Full Cash Assessed Value of SRP within the City is \$69,796,737 which represents approximately 2.42% of the Net Assessed Limited Property Value in the City. SRP's total estimated contribution in lieu of property tax payments was approximately \$808,107 for Fiscal Year 2016/17.*

### **Real and Secured Property Taxes Levied and Collected City of Mesa, Arizona**

Prior to Fiscal Year 2009/10, the City had operated without a property tax levy since Fiscal Year 1944/45. Beginning in Fiscal Year 2009/10 the City imposed a property tax for payment of a portion of the City's outstanding general obligation bonds. The table below sets forth the City's tax collections since Fiscal Year 2012/13.

City of Mesa, Arizona			Collected to 6-30 of Initial Fiscal Year (a)		Cumulative Collection to April 4 2017 (a)	
Fiscal Year	Tax Rate	City Tax Levy	Amount	% of Levy	Amount	% of Levy (b)
2016/17	\$1.1578	\$33,440,629	(c)		\$21,737,234	65.43%
2015/16	1.2125	33,532,275	\$ 32,811,426	98.53%	33,233,254	99.93
2014/15	1.1853	33,410,265	32,640,782	98.39	33,054,765	99.93
2013/14	0.8636	22,097,241	21,676,493	98.34	21,961,395	99.95
2012/13	0.5104	14,168,414	13,854,780	98.35	14,025,516	99.95

- (a) Taxes are collected by the Treasurer. Taxes in support of debt service are levied by the Maricopa County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County General Fund.
- (b) Percentage of levy collected is calculated using the adjusted levy as of 6-30 of the initial Fiscal Year or as of the query date, respectively.
- (c) 2017 taxes in course of collection: first installment due 10-01-16, delinquent 11-01-16; second installment due 03-01-17, delinquent 05-01-17.

Source: Maricopa County Treasurer's Office.



**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:

Electric Power Resources	Expiration Dates	Maximum Contract MW	
		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.

<b>Current Electric System Fees and Charges</b>	
Description of Electric Services	Fee/Charge (a) (2016/17)
<b>Residential Electric Service = E1.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge	\$9.50
Usage Charge	
First 1200 kWh	\$0.05128 per kWh
> 1200 kWh	\$0.04822 per kWh
<b>November 1 to April 30</b>	
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
<b>Non-Residential Service = E3.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
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
<b>November 1 to April 30</b>	
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 16<sup>th</sup> 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 Year 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 ended June 2016, 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 ended June 2016 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)
<b>City Service Area Residential Gas Service = G1.1</b>	
<b>May 1st through October 31st</b>	
Gas System Service Charge	\$ 13.11
First 25 Therms	0.6685 / therm
All Additional Therms	0.2167 / therm
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	
Gas System Service Charge	\$ 16.04
First 25 Therms	0.6685 / therm
All Additional Therms	0.4926 / therm
Natural Gas Supply Cost Adjustment*	
<b>City Service Area Gas Service = G3.1</b>	
<b>May 1st through October 31st</b>	
Monthly Service Charge	\$ 32.46
First 1200 Therms	0.5280 / therm
All Additional Therms	0.3166 / therm
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	
Monthly Service Charge	\$ 42.14
First 1200 Therms	0.5718 / therm
All Additional Therms	0.4574 / therm
Natural Gas Supply Cost Adjustment*	
<b>Magma Service Area Residential Gas Service = GM1.1</b>	
<b>May 1st through October 31st</b>	
Gas System Service Charge	\$ 14.10
First 25 Therms	0.7370 / therm
All Additional Therms	0.2388 / therm
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	
Gas System Service Charge	\$ 17.34
First 25 Therms	0.7370 / therm
All Additional Therms	0.5433 / therm
Natural Gas Supply Cost Adjustment*	
<b>Magma Service Area General Gas Service = GM3.1</b>	
<b>May 1st through October 31st</b>	
Monthly Service Charge	\$ 39.28
First 1200 Therms	0.6522 / therm
All Additional Therms	0.3910 / therm
Natural Gas Supply Cost Adjustment*	
<b>November 1st through April 30th</b>	
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.

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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”), 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.

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

The City owns and operates three 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 91<sup>st</sup> 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.

<b>Current Wastewater System Fees and Charges</b>	
Description of Wastewater System Services	Fee/Charge (2016/17)
<b>Residential Sewer Service - Inside City</b>	
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
<b>General Commercial Sewer Service - Inside City</b>	
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
<b>Multi-Unit Dwelling Sewer Service - Inside City</b>	
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
<b>Industrial Sewer Service - Inside City</b>	
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%

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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

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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.

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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.

\* 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.

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%

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	2,428	300	134,937
2013/14	130,073	2,436	300	132,809
2012/13	122,682	2,423	302	125,407
2011/12	120,409	2,906	201	123,516

- (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.

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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**

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

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## BOOK-ENTRY-ONLY SYSTEM

**This information concerning DTC and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.**

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

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

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

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

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

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

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\_\_\_\_\_, 2017

MAYOR AND COUNCIL  
CITY OF MESA, ARIZONA

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the "*City*") of its \$47,180,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the "*Bonds*"). The Bonds are dated the date of initial delivery and bear interest payable January 1 and July 1 of each year, commencing January 1, 2018.

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 Bonds are valid and binding general obligations of the City.
2. All taxable property within the City is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, in the same manner as other taxes of the City, an annual tax upon the taxable property in the City sufficient to pay the principal of and interest on the Bonds when due.
3. 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 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 G**

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

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**\$41,180,000\***  
**CITY OF MESA, ARIZONA**  
**GENERAL OBLIGATION BONDS, SERIES 2017**

**CONTINUING DISCLOSURE CERTIFICATE**  
**(CUSIP No. 590485)**

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Mesa, Arizona (the "*City*"), in connection with the issuance of its General Obligation 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 hereinafter defined).

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

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

"*Bondholder*" shall mean any registered owner or beneficial owner of the 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, 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.

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\* Subject to change.

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

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "Filing Date"), commencing February 1, 2018, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

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

(c) If the City's audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 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:

[- Security for and Sources of Payment of the Bonds - Sources of Payment of the Bonds and Other City Bonds; 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.

**Section 5. Reporting of Listed Events.**

(a) This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the 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" shall be determined in accordance with applicable federal securities laws.

Note to paragraph 5(a)(12) above: For the purposes of the event identified in paragraph 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

**Section 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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. Subject to Appropriation.** Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of Listed Events to EMMA. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of Exhibit C attached hereto.

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

**Section 15. Governing Law.** This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this 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.

[Signature Page to Follow]

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: \$47,180,000 General Obligation Bonds, Series 2017  
Dated Date of Bonds: \_\_\_\_\_, 2017 CUSIP 590485

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: \$47,180,000 General Obligation Bonds, Series 2017  
Dated Date of Bonds: \_\_\_\_\_, 2017 CUSIP 590485

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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**EXHIBIT C**

**NOTICE OF FAILURE TO APPROPRIATE FUNDS**

Name of Issuer: City of Mesa, Arizona  
Name of Bond Issue: \$47,180,000 General Obligation Bonds, Series 2017  
Dated Date of Bonds: \_\_\_\_\_, 2017 CUSIP 590485

NOTICE IS HEREBY GIVEN that the City failed to appropriate funds necessary to perform the undertaking required by the Continuing Disclosure Certificate dated \_\_\_\_\_, 2017.

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

CITY OF MESA, ARIZONA

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

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