

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. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX EXEMPTION,” “BOND PREMIUM” and “ORIGINAL ISSUE DISCOUNT” herein.*

**\$111,835,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS,**  
**SERIES 2019A**

**\$49,335,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS,**  
**SERIES 2019B**

*Dated:* Date of Initial Delivery

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

The City of Mesa, Arizona (the “City”), Utility Systems Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and Utility Systems Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds” and, together with the Series 2019A Bonds, the “Bonds”), will be initially issued in book-entry-only form in the name of Cede & Co., as nominee of The Depository Trust Company, a registered securities depository (“DTC”). Beneficial interests in the Bonds will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The Bonds are being issued to provide funds to (i) acquire and construct certain improvements to the utility systems of the City, (ii) refund the Bonds Being Refunded (as defined herein) and (iii) pay the costs of issuance of the Bonds. See “THE BONDS – Authorization and Purpose,” “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2019\*, until maturity or redemption prior to maturity, and principal of the Bonds will be payable in accordance with the maturity schedules set forth on the inside front cover pages hereof. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds (the “Beneficial Owners”). See APPENDIX F – “Book-Entry-Only System.”

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**See Inside Front Cover for Maturity Schedules 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.

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

The Bonds are offered when, as and if issued by the City and received by the Underwriters (as defined herein), subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon solely for the benefit of the Underwriters by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriters. It is expected that the Bonds will be delivered to DTC on or about May 23, 2019.\*

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

**J.P. Morgan**

**RBC Capital Markets**

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\* Preliminary, subject to change.

**\$111,835,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS, SERIES 2019A**

**MATURITY SCHEDULE\***

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2020	\$ 3,000,000	%	%	
2021	3,000,000			
2022	3,000,000			
2023	3,000,000			
2024	3,000,000			
2025	3,245,000			
2026	5,225,000			
2027	4,185,000			
2028	4,150,000			
2029	5,115,000			
2030	2,070,000			
2031	5,055,000			
2032	5,005,000			
2033	7,955,000			
2039	7,875,000			
2040	2,385,000			
2041	14,865,000			
2042	14,855,000			
2043	14,850,000			

\$\_\_\_\_\_ Term Bonds @ \_\_\_\_% Due July 1, 20\_\_\_\_, at a yield of \_\_\_\_% - CUSIP® (a) No. 590545\_\_

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\* Preliminary, subject to change.

**\$49,335,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2019B**

**MATURITY SCHEDULE\***

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2020	\$ 30,000	%	%	
2021	30,000			
2022	35,000			
2023	650,000			
2024	715,000			
2025	715,000			
2026	720,000			
2027	720,000			
2028	895,000			
2029	895,000			
2030(b)	895,000			
2031(b)	1,060,000			
2032(b)	1,055,000			
2033(b)	33,365,000			
2033(c)	7,555,000			

\$\_\_\_\_\_ Term Bonds @ \_\_\_\_% Due July 1, 20\_\_\_\_, at a yield of \_\_\_\_% - CUSIP® (a) No. 590545\_\_

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- (b) Subject to optional redemption prior to maturity on July 1, 20\_\_\*.
- (c) Subject to optional redemption prior to maturity on July 1, 2024\*.

\* Preliminary, subject to change.

# **CITY OF MESA**

## **CITY COUNCIL**

John Giles, *Mayor*  
Mark Freeman, *Vice Mayor*  
Jen Duff, *Councilmember*  
Francisco Heredia, *Councilmember*  
David Luna, *Councilmember*  
Kevin Thompson, *Councilmember*  
Jeremy Whittaker, *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**

Hilltop Securities Inc.  
Phoenix, Arizona

## **DEPOSITORY TRUSTEE, 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 Utility Systems Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and Utility Systems Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds”) and, together with the Series 2019A Bonds, 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 Hilltop Securities Inc., the City’s financial advisor (the “Financial Advisor”), or J.P. Morgan Securities LLC and RBC Capital Markets, LLC (together, the “Underwriters”). The presentation of information, including tables of receipts from taxes and other revenue sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. All beliefs, assumptions, estimates, projections, forecasts and matters of opinion contained herein are forward looking statements which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

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

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

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

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

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

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

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## **OFFICIAL STATEMENT**

**\$111,835,000\***

### **CITY OF MESA, ARIZONA UTILITY SYSTEMS REVENUE BONDS, SERIES 2019A**

**\$49,335,000\***

### **CITY OF MESA, ARIZONA UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2019B**

## **INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original issuance of its \$111,835,000\* Utility Systems Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$49,335,000\* Utility Systems Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds” and, together with the Series 2019A Bonds, the “Bonds”), identified on the cover page hereof. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Bonds is set forth in this Official Statement.

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical 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 the Arizona Constitution, or the Charter of the City (the “Charter”) are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

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

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

## **THE BONDS**

### **Authorization and Purpose**

The Bonds will be issued pursuant to A.R.S. Title 9, Chapter 5, Article 3, as amended; approval given by the qualified electors of the City at elections held on March 29, 1994 and November 4, 2014; Resolution No. 6362 adopted by the Mayor and Council of the City on July 29, 1991 (the “1991 Master Resolution”); Resolution No. 7960 that amended the 1991 Master Resolution, thirty-five supplemental resolutions adopted by the Mayor and Council of the City (excluding Resolution No. 10183 adopted by the Mayor and Council of the City on January 28, 2013 and Resolution No. 10200 adopted by the Mayor and Council of the City on March 18, 2013, amending Resolution No. 10183 (together, the “Twenty-Sixth Supplemental Resolution”), both of which were repealed by Resolution No. 10539 adopted by the Mayor and Council of the City on September 22, 2014), pertaining to the issuance of outstanding bonds secured by the Net Revenues of the System (each as defined herein) (the “Twenty-Ninth Supplemental Resolution”); and Resolution No. \_\_\_\_

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\* Subject to change.

and \_\_\_\_ adopted by the Council of the City on April 1, 2019 (the “Thirty-Sixth Supplemental Resolution” and “Thirty-Seventh Supplemental Resolution,” respectively, and together, the “2019 Resolutions”), authorizing the issuance of the Bonds. The 1991 Master Resolution together with all resolutions amending and supplementing the 1991 Master Resolution (excluding the Twenty-Sixth Supplemental Resolution) are hereafter collectively referred to as the “Master Resolution.”

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

Set forth in the table below is a listing of the projects expected to be funded by the Series 2019A Bonds and estimates of their respective costs.

Projects to be Funded	Estimated Cost*
Natural Gas System Improvements	\$ 8,025,000
Water System Improvements	32,090,000
Electric System Improvements	5,015,000
Wastewater System Improvements	65,185,000
Solid Waste System Improvements	1,520,000
Total	<u>\$111,835,000</u>

In addition to the Bonds, the City expects to issue \$33,065,000\* of General Obligation Bonds, Series 2019 (“2019 General Obligation Bonds”) and \$78,625,000\* of Utility Systems Revenue Refunding Bonds, Series 2019C (“Series 2019C Bonds”), pursuant to separate official statements.

A summary of the Master Resolution is included in APPENDIX E of this Official Statement. Such summary does not purport to be comprehensive or definitive. All references herein to the Master Resolution are qualified in their entirety by reference to the full text of such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Master Resolution and the 2019 Resolutions. All capitalized terms appearing in this Official Statement and not otherwise defined shall have the meanings ascribed to them in the Master Resolution. Copies of the Master Resolution may be inspected at the office of the Chief Financial Officer, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

### General Provisions

The Bonds will be dated as the date of initial delivery, and will bear interest from such date payable on July 1, 2019\* 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 pages of this Official Statement.

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 the Registrar and the Paying Agent.

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 DTC. For a description of registration and transfer of the Bonds through DTC, see APPENDIX F – “Book-Entry-Only System.”

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

\* Subject to change.



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 fifteenth (15th) day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Bonds will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender of 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.

## Redemption Provisions\*

### *Optional Redemption*

Series 2019A Bonds. Series 2019A Bonds maturing on or prior to July 1, 20\_\_, are not subject to call for redemption prior to maturity. Series 2019A Bonds maturing on or after July 1, 20\_\_, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 20\_\_ or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Series 2019A Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Series 2019B Bonds. Series 2019B Bonds maturing on or prior to July 1, 20\_\_, are not subject to call for redemption prior to maturity. Series 2019B Bonds maturing on or after July 1, 20\_\_ through July 1, 2032 and the \_\_.% Series 2019B Bonds maturing on July 1, 2033\*, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 20\_\_ or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Series 2019B Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

The \_\_.% Series 2019B Bonds maturing on July 1, 2033\*, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 2024\* or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Series 2019 Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

### *Mandatory Sinking Fund Redemption*

The Bonds maturing on July 1, 20\_\_ (the “Term Bonds”), are subject to mandatory redemption and shall be redeemed on July 1 in the respective years set forth below, in the amounts set forth below, by payment of a redemption price equal to the principal amount of such Term Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium.

#### Term Bonds Maturing July 1, 20\_\_

Year	Sinking Fund Requirement
20__	\$
20__	
20__(Maturity)	

Whenever Bonds subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or delivered by the City to the Registrar for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against the mandatory redemption requirements for such Bonds for such years as the City may direct.

### *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 not more

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\* Subject to change.

than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Notice of any redemption will also be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the MSRB's Electronic Municipal Market Access system ("EMMA"), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

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

#### *Effect of Call for Redemption*

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

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

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

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

#### **Security for the Bonds**

The Bonds are special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the ownership, use and operation of its water, electrical, natural gas, wastewater and solid waste systems (collectively, the "System"), after provision has been made for the payment from such revenues of the reasonable and necessary expenses of operation, maintenance and repair of the System, excluding depreciation and debt service (the "Net Revenues"), and on a parity of lien on such Net Revenues with the City's outstanding Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds outstanding and to be outstanding in the aggregate principal amount of \$1,326,938,740\* (collectively with the Bonds, the "Parity Bonds"). See "ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE," APPENDIX C – "City of Mesa, Arizona – Utility Systems Information" and APPENDIX E – "Summary of the Master Resolution, as Amended."

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

Following deposit of monies into the Bond Fund from the Series 2019A Bonds, the City may invest such monies in Permitted Investments.

THE PROCEEDS OF THE BONDS ARE NOT PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS.

#### **Rate Covenant**

Pursuant to the Master Resolution, the City covenants and agrees with the owners of the Bonds that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Net Revenues fully sufficient at

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\* Subject to change.

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

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

The Master Resolution establishes a Reserve Fund for the benefit of all Parity Bonds, including the Bonds, issued and delivered subsequent to January 1, 2003 (the "Post-2002 Bonds"). To the extent the Reserve Fund is funded for the Post-2002 Bonds (the "Post-2002 Reserve Fund"), the moneys therein will be available to pay principal of or interest on the Post-2002 Bonds in the event and to the extent moneys on deposit in the Bond Fund on any principal or interest payment date are insufficient for such purpose. The Post-2002 Reserve Fund is not currently funded and is required to be funded only if Net Revenues during any Fiscal Year do not equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year. If Net Revenues do not equal or exceed one hundred seventy-five percent (175%) of such principal and interest, then the City will deposit, or cause to be deposited, within 180 days following the end of such Fiscal Year, to the Post-2002 Reserve Fund, moneys, investments, Reserve Fund Guaranties or any combination thereof, equal to the Post-2002 Reserve Requirement. If, thereafter, Net Revenues for two consecutive Fiscal Years equal or exceed one hundred seventy-five percent (175%) of the principal and interest requirements on all Outstanding Bonds for the respective corresponding Bond Years, any moneys, investments or Post-2002 Reserve Fund Guaranties in the Post-2002 Reserve Fund may be released and (except as otherwise limited by the terms of such Reserve Fund Guaranties or the related Reserve Fund Guaranty Agreements) used by the City for any lawful purpose, and the City's obligation to maintain the Post-2002 Reserve Fund will terminate, subject, however, to the provisions described in the preceding sentence for re-funding the Post-2002 Reserve Fund.

#### **Additional Parity Bonds**

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

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

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

After issuance of the Bonds, the City will be authorized to issue \$183,663,190\* of Parity Bonds, pursuant to voter approval given at special bond elections held on March 29, 1994 and November 4, 2014. The purposes and amounts of such authorized but unissued Parity Bonds are set forth below.

Purpose of Utility Systems Revenue Bond Authorization	1994(a)	2014(a)	Remaining Utility Systems Revenue Bonds Authorized But Unissued (a)(b)*
Gas System Improvements	\$ -	\$ 48,445,000	\$ 48,445,000
Water System Improvements	-	47,980,402	47,980,402
Wastewater System Improvements	-	70,062,788	70,062,788
Electric System Improvements	-	16,475,000	16,475,000
Solid Waste System Improvements	\$700,000	-	700,000
	<u>\$700,000</u>	<u>\$182,963,190</u>	<u>\$183,663,190</u>

(a) Net of the Series 2019A Bonds.

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

Source: The City.

#### **Subordinate Lien Obligations**

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

\* Subject to change.

## COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE

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

	2017/18	2016/17	2015/16	2014/15	2013/14
System Revenues: (a)					
Electric System	\$ 31,779	\$ 34,400	\$ 32,654	\$ 33,697	\$ 31,319
Gas System	40,054	41,849	40,027	39,511	38,811
Water System	146,891	161,234	137,234	122,379	143,526
Wastewater System	83,401	82,036	76,961	74,737	73,660
Solid Waste System	59,912	58,299	55,124	52,506	47,715
Total System Revenues	<u>\$362,037</u>	<u>\$377,818</u>	<u>\$342,006</u>	<u>\$322,830</u>	<u>\$335,031</u>
System Expenses: (a)					
Electric System	\$20,128	\$ 20,839	\$ 21,690	\$ 22,669	\$ 22,115
Gas System	22,119	27,249	21,274	24,614	26,755
Water System	42,766	41,590	38,395	37,806	37,673
Wastewater System	24,577	22,764	22,711	20,850	20,779
Solid Waste System	33,169	33,169	31,799	31,914	31,338
Total System Expenses	<u>\$142,759</u>	<u>\$145,611</u>	<u>\$135,869</u>	<u>\$137,853</u>	<u>\$138,660</u>
Net Income Available For Debt Service (Net Revenues)	<u>\$219,278</u>	<u>\$232,207</u>	<u>\$206,137</u>	<u>\$184,977</u>	<u>\$196,371</u>
Utility Systems Revenue Bond Debt Service Requirements (b)	<u>\$ 96,894</u>	<u>\$ 66,884</u>	<u>\$ 70,629</u>	<u>\$ 67,556</u>	<u>\$ 67,337</u>
Approximate Debt Service Coverage Provided By Net Revenues	2.26x	3.47x	2.92x	2.74x	2.92x

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

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

Historically, the City has annually transferred a portion of the Net Revenues to the City's general fund after providing for payment of the current debt service requirements of all Parity Bonds. In Fiscal Year 2017/18, such transfer was approximately \$110.4 million. The City expects to continue this practice in the future.

### RISK FACTORS

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

Limited Obligations. The Bonds are special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the Net Revenues of the System, on a parity of lien with the Parity Bonds. The Bonds do not constitute an indebtedness or pledge of the general credit of the City within the meaning of any constitutional, Charter or statutory provisions relating to the incurring of indebtedness, and the owners of the Bonds shall

never have the right to compel any exercise of the taxing power of the City or to demand a payment of the Bonds or interest thereon out of any funds other than from the Net Revenues.

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

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

Costs of System Operation and Availability of Materials and Commodities. The production of Net Revenues from the System could be materially adversely affected by the costs of operating and maintaining the System, including the costs of regulatory compliance, and the availability and price of commodities. Net Revenues could also be materially adversely affected by factors beyond the control of the City, such as strikes, energy shortages, material shortages, inflation, adverse weather conditions, changes in state or federal law (including, but not limited to the Occupational Safety and Health Act, The Commercial Motor Vehicle Safety Act, the Clean Air Act, the Safe Drinking Water Act, the Clean Water Act, the Arizona Groundwater Code, and the Natural Gas Pipeline Safety Act), and other contingencies. In addition, there are financial risks associated with purchase of wholesale gas and electric energy and associated transmission capacity, including potential instability of market participants.

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

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

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

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

Natural Gas Transportation Agreements. Natural gas supplies secured by the City are transported via a major pipeline system owned and operated by the El Paso Natural Gas Company LLC, a Kinder Morgan Company (“EPNG”) under the terms and conditions of two transportation service agreements (“TSAs”). A 1996 settlement with EPNG provides some

rate protection to the City under the TSAs from EPNG's published tariff rates. However, these agreements are the subject of several dockets pending before the FERC. The results of these pending matters could impact the pass through costs for the City's gas utility operations.

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

The City is also a party to the proceeding in the Arizona Navigable Stream Adjudication ("NSA") regarding the Salt River. The NSA deals with matters relating to whether the State of Arizona retains title to the beds of Arizona rivers and streams based on their navigability. The NSA Commission recently concluded a series of hearings and determined that the Salt River is not navigable, though the final decision from the NSA Commission is still pending. This decision will likely be subject to appeal. The results of the NSA could impact the costs of service of the System.

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

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the fiscal year ended June 30, 2018 and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

## **PLAN OF REFUNDING**

A portion of the proceeds of the Series 2019B Bonds will be placed in an irrevocable depository trust (the "Depository Trust") with U.S. Bank National Association (the "Depository Trustee") to be applied to the payment of the principal of and interest due on the Bonds Being Refunded identified below. Such funds will be used to acquire noncallable obligations issued or guaranteed by the United States of America (the "Government Obligations"), the principal of and interest on which, when due, are calculated to be sufficient to provide moneys to pay the principal of and interest due on the Bonds Being Refunded. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

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

## Bonds Being Refunded

The following table sets forth the stated maturity dates, redemption dates and redemption prices of the portion of the Utility Systems Revenue Refunding Bonds, Series 2004 and the Taxable Build America Bond Series 2009 being refunded (“Bonds Being Refunded”):

Refunded Issue*	Maturity Date (July 1) *	Principal Amount Outstanding*(a)	Amount Being Refunded *	Maturity or Redemption Date (July 1)	Redemption Price	CUSIP® (b) No. (Base No. 590545)
Utility Systems Revenue Refunding Bonds, Series 2004	2019	\$21,010,000	\$ 3,400,000	2019	N/A	LZ0
Taxable Utility Systems Revenue Bonds, Series 2009 (c)	2023	\$ 615,000	\$ 615,000	2019	100%	—
	2024	680,000	680,000	2019	100	—
	2025	680,000	680,000	2019	100	—
	2026	680,000	680,000	2019	100	—
	2027	680,000	680,000	2019	100	—
	2028	855,000	855,000	2019	100	—
	2029	855,000	855,000	2019	100	—
	2030	855,000	855,000	2019	100	—
	2031	1,020,000	1,020,000	2019	100	—
	2032	1,020,000	1,020,000	2019	100	—
	2033	40,885,000	40,885,000	2019	100	—
		<u>\$69,835,000</u>	<u>\$52,225,000</u>			

- (a) The City completed a cash defeasance of \$11,075,000\* of Taxable Build America Bond Series 2009, prior to the offering of the Bonds. Principal Amount Outstanding shown outstanding is net of the amounts defeased.
- (b) 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 Global Market Intelligence. Copyright© 2019 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 (as defined herein), the Underwriters (as defined herein) or their agents or counsel assume responsibility for the accuracy of such numbers.
- (c) The Taxable Utility Systems Revenue Bonds, Series 2009 (the “Taxable Build America Bond Series 2009”) were issued under the Build America Bond program.

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

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

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Bonds Being Refunded and (b) the

\* Subject to change.



mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Public Finance Partners LLC has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

### SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied as follows:

	Series 2019A Bonds*	Series 2019B Bonds*	Total*
<b>Sources of Funds</b>			
Principal Amount of the Bonds	\$111,835,000	\$49,335,000	\$161,170,000
[Net] Original Issue Premium (a)			
Total Sources of Funds			\$
<b>Uses of Funds</b>			
Deposit to Construction Fund			
Deposit to Depository Trust			
Costs of Issuance (b)			\$
Total Uses of Funds			\$

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

(b) Includes Underwriters' compensation.

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\* Subject to change.

## ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE

The table below sets forth (i) the estimated annual debt service requirements of the City's outstanding utility systems revenue bonds net of the Bonds Being Refunded, (ii) the estimated annual debt service requirements of the Bonds, (iii) the estimated total annual utility systems revenue bond debt service requirements after issuance of the Bonds, and (iv) the estimated debt service coverage ratio provided for such total annual debt service requirements based upon the City's Fiscal Year 2017/18 Net Revenues.

### City of Mesa, Arizona, Utility Systems Revenue Bonds (a)

Fiscal Year Ending (6-30)	Utility Systems Revenue Bonds Outstanding (b)*		The Bonds*		Estimated Combined Annual Debt Service	Estimated Debt Service Coverage Provided by Net Revenues (d)*
	Principal	Interest	Principal	Interest (c)		
2019	\$ 32,264,976	\$52,071,314		\$ 680,495	\$85,016,785	2.58x
2020	33,568,040	48,186,305	\$ 3,030,000	6,446,800	91,231,145	
2021	36,846,173	46,638,517	3,030,000	6,325,600	92,840,290	
2022	41,314,378	44,882,743	3,035,000	6,204,400	95,436,521	
2023	41,187,657	42,865,014	3,650,000	6,083,000	93,785,671	
2024	39,316,010	40,872,353	3,715,000	5,937,000	89,840,363	
2025	45,519,440	38,966,458	3,960,000	5,788,400	94,234,298	
2026	44,982,949	36,996,999	5,945,000	5,630,000	93,554,948	
2027	47,831,538	35,118,525	4,905,000	5,392,200	93,247,263	
2028	50,070,210	33,193,288	5,045,000	5,196,000	93,504,498	
2029	52,847,367	31,170,451	6,010,000	4,994,200	95,022,018	
2030	56,205,000	29,096,199	2,965,000	4,753,800	93,019,999	
2031	58,330,000	26,784,937	6,115,000	4,635,200	95,865,137	2.29x
2032	60,710,000	24,402,682	6,060,000	4,390,600	95,563,282	
2033	16,595,000	21,922,880	48,875,000	4,148,200	91,541,080	
2034	68,550,000	21,203,875	-	2,193,200	91,947,075	
2035	69,315,000	17,337,204	-	2,193,200	88,845,404	
2036	73,150,000	14,001,388	-	2,193,200	89,344,588	
2037	75,540,000	11,123,888	-	2,193,200	88,857,088	
2038	69,150,000	8,174,350	-	2,193,200	79,517,550	
2039	54,375,000	5,715,688	7,875,000	2,193,200	70,158,888	
2040	53,550,000	3,805,188	2,385,000	1,878,200	61,618,388	
2041	31,725,000	1,896,750	14,865,000	1,782,800	50,269,550	
2042	12,825,000	641,250	14,855,000	1,188,200	29,509,450	
2043			14,850,000	594,000	15,444,000	
	<u>\$1,165,768,740</u>		<u>\$161,170,000</u>			

(a) Prepared by the Financial Advisor.

(b) Represents all outstanding Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds, net of the Bonds Being Refunded. The City completed a cash defeasance of \$11,075,000\* of Taxable Build America Bond Series 2009, prior to the offering of the Bonds. Principal and interest shown outstanding is net of the amounts defeased.

(c) The first interest payment on the Bonds is due on July 1, 2019\*. Thereafter, interest payments will be made semiannually on each January 1 and July 1, until maturity or prior redemption. Interest is estimated at 4.00%.

(d) Debt Service Coverage is computed using the Net Revenues of \$219,278,000 for Fiscal Year 2017/18. See "COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE" herein. The Fiscal Year 2017/18 Net Revenues provide coverage for the total estimated annual debt service requirements in Fiscal Year 2018/19 of approximately 2.58x\* and approximately 2.29x\* the total estimated annual debt service requirements for Fiscal Year 2030/31\*, the estimated Maximum Annual Debt Service payable on all Parity Bonds to be outstanding immediately after issuance of the Bonds.

\* Subject to change.

## **RATINGS**

Moody's Investors 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 "\_\_\_" and "\_\_\_", respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of such ratings may be obtained from Moody's at 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. A securities rating is not a recommendation to buy, sell or hold securities, including the Bonds.

## **LEGAL MATTERS**

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

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

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

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

## **TAX EXEMPTION**

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

The Code also imposes an "alternative minimum tax" upon certain 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.

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 tax consequences.

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

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. 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. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

### **BOND PREMIUM**

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

### **ORIGINAL ISSUE DISCOUNT**

The initial offering prices of the Bonds maturing on July 1, 20\_\_ through and including July 1, 20\_\_ (collectively, the "Discount Bonds"), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (assuming it is the first price at which a substantial amount of that maturity of Discount Bonds was sold (the "OID 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 OID 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 OID 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 which may apply.

## **LITIGATION**

### **No Litigation relating to the Bonds**

At the time of delivery of the Bonds, an officer of the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending, or to the knowledge of the City, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or that questions the City’s right or authority to receive the sources of payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Master Resolution, the 2019 Resolutions or the Continuing Disclosure Certificate, or contesting in any way the completeness or accuracy of this Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the City to execute and deliver the Continuing Disclosure Certificate, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Master Resolution, the 2019 Resolutions or the Continuing Disclosure Certificate, or have a material adverse effect on the transaction contemplated by this Official Statement.

### **[Other Litigation against the City]**

[On June 23, 2017, two lawsuits against the City, City police officers and others were consolidated in the United States District Court for the District of Arizona. The lawsuits allege wrongful death and other claims related to an officer-involved fatal shooting. The plaintiffs are the decedent’s spouse, two minor children, and parents. The police officer, who was charged with second degree murder, was acquitted at a criminal trial in December of 2017. In court filings and notices of claims, the plaintiffs have indicated they are seeking a combined total of \$83 million in damages. The City has a \$3 million self-insured retention, and \$50 million of insurance coverage on top of its retention. The City maintains a \$10 million trust fund balance to cover claims. This event would be considered a single incident/occurrence per the City’s policy. The case remains in an early stage in the litigation process. The City has meritorious factual and legal defenses and intends to vigorously defend against any liability; but hypothetically, even if plaintiffs were to be successful, it is expected that any resulting damages would be materially and substantially less than the amounts sought by the plaintiffs.]

## **UNDERWRITING**

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

J.P. Morgan Securities LLC (“JPMS”), one of the underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each

Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments

#### **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, 2020 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in APPENDIX H – "Forms of Continuing Disclosure Certificate" (the "Continuing Disclosure Certificate"). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB's EMMA system as described in APPENDIX H – "Forms of Continuing Disclosure Certificate."

These covenants will be made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. The City's undertaking to comply with such covenants is payable solely from Net Revenues of the System. Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability. The City's Finance Department has instituted processes to ensure timely and proper filing of its Annual Reports and Notices for all of the City's outstanding bonds.

The filings on March 31, 2014, February 1, 2015, and January 26, 2016 did not relate to all of the related CUSIPs; this was corrected on or before May 9, 2017. In reference to the Phoenix-Mesa Gateway Airport Authority Special Facility Revenue Bonds (Mesa Project), Series 2012, the City's Annual Report due to be filed on February 1, 2016 was not filed until March 8, 2016.

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 Year 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**

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

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

The Audited General Purpose Financial Statements of the City for the fiscal year ended June 30, 2018, a copy of which is included in APPENDIX D of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ended June 30, 2018 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 2018 estimated population of 488,925. 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
2018 Estimate (a)	488,925	4,294,460	7,076,199
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, 2018 population estimates include October 2015 special census data for certain jurisdictions and such data also indirectly impacts population estimates for other jurisdictions and the 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, Office of Economic Opportunity – *State, County, Place Level Population Estimates for July 1, 2018*.

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 the City’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 Master of Public Administration degree 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 Master of Public Administration degree 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 degree 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. Mr. Kennington 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), and tourism.

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

#### UNEMPLOYMENT RATE AVERAGES

Year	United States	State of Arizona(a)	Maricopa County(a)	City of Mesa(a)
2019 (b)	4.0%			
2018 (b)	3.9	4.7%	4.1%	4.1%
2017	4.4	4.9	4.2	4.2
2016	4.9	5.4	4.6	4.6
2015	5.3	6.1	5.1	5.2
2014	6.2	6.8	5.8	5.8

(a) This table includes restated data: Local Area Unemployment Statistics (“LAUS”) program data is intermittently revised to incorporate new population controls, updated inputs, re-estimation 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 January 2019 for the National Unemployment rate and through December 2018 for LAUS data. Data accessed February 25, 2019.

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

## Manufacturing and Non-Manufacturing Employment

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

### MAJOR EMPLOYERS City of Mesa, Arizona

Employer	Description	Approximate Employment
Mesa Public Schools	Public Education	8,469
Banner Health Systems	Hospital Network	8,275
The Boeing Company	Helicopter Manufacturing and Assembly	3,642
City of Mesa	Government	3,582
Drivetime Automotive Group	Automotive Financing	1,276
24-7 Intouch	Communications	1,200
Gilbert Unified School District	Education	1,029
Maricopa County	Government	1,020
State of Arizona	Government	827
Mountain Vista Medical Center	Hospital	820

Source: The City, Office of Economic Development as of June 30, 2018.

### 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 40 cities currently provided by Allegiant Air and 2 Canadian cities through WestJet.

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 ("ASU") 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 2014/15-2018/19.

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

Fiscal Year	Residential	Commercial	Other	Total
2018/19 (a)	\$517,070	\$710,689	\$ 4,577	\$1,232,336
2017/18	872,078	510,733	3,237	1,386,048
2016/17	811,424	646,159	37,761	1,495,344
2015/16	708,158	487,914	25,752	1,221,824
2014/15	489,961	417,428	27,523	934,642

(a) Partial fiscal year data from July 1, 2018 through February 29, 2019.

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

Fiscal Year	Total New Housing Units
2018/19 (a)	2,310
2017/18	2,765
2016/17	2,455
2015/16	2,301
2014/15	1,446

(a) Partial fiscal year data from July 1, 2018 through February 29, 2019.

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 sets forth a record of retail sales activity within the City.

### TAXABLE RETAIL SALES City of Mesa, Arizona

Fiscal Year	Retail Sales
2018/19 (a)	\$2,555,771,826
2017/18	4,833,976,880
2016/17	4,566,213,555
2015/16	4,331,420,270
2014/15	4,069,591,771

(a) Data reflects collections from July 1, 2018 through December 31, 2018.

Source: The City.

## **Tourism**

The tourism sector is a significant contributor to the City's economy. The City's hotels, motels, golf courses, parks and playgrounds, restaurants and retail shops provide tourists with accommodations and recreational facilities. There are more than 60 hotels in the City, with all of the major hotel brands represented. The table below contains a listing of certain hotels located within the City.

### **HOTELS City of Mesa, Arizona**

<u>Hotel Name</u>	<u>Number of Sleeping Rooms</u>
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	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

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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 opened in spring of 2005 and is located in the downtown area of the City. 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.

## **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.

**CITY OF MESA, ARIZONA  
FINANCIAL DATA**

**Current Year Statistics (For Fiscal Year 2018/19)**

**City of Mesa, Arizona**

Total General Obligation Bonds to Be Outstanding	\$ 398,820,000 *(a)
Total Utility Systems Revenue Bonds to Be Outstanding	1,326,938,740 *(b)
Total Street and Highway User Revenue Bonds Outstanding	76,620,000 (c)
Total Excise Tax Obligations Outstanding	66,020,000 (d)
Net Assessed Limited Property Value	3,277,965,031 (e)
Estimated Net Full Cash Value	37,880,755,006 (f)

**Estimated Net Assessed Limited Property Value (For Fiscal Year 2019/20) (g)**      \$ 3,516,377,352

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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 2019A Bonds and Series 2019B 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; reflects application of applicable assessment ratios.
  - (f) Estimated net full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.
  - (g) Estimated valuations for Fiscal Year 2019/20 provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2019/20 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors of the County.

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

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\* Subject to change.

## STATEMENTS OF BONDS OUTSTANDING

### General Obligation Bonds to Be Outstanding City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding (a)
2006	Various Purpose	\$ 9,710,000	7-1-13/25	\$1,400,000
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	2,620,000
2010	Various Purpose	30,865,000	7-1-20/30	30,865,000 (b)
2011	Various Purpose	29,320,000	7-1-12/31	20,425,000
2012	Refunding	31,665,000	7-1-13/22	8,685,000
2012	Various Purpose	27,290,000	7-1-13/32	22,025,000
2013	Refunding	8,915,000	7-1-14/24	8,765,000
2013	Various Purpose	59,960,000	7-1-14/33	50,250,000
2014	Various Purpose	37,550,000	7-1-15/34	28,675,000
2015	Various Purpose	13,690,000	7-1-16/35	6,465,000
2016A	Refunding	20,475,000	7-1-17/27	20,355,000
2016B	Refunding	22,935,000	7-1-17/29	20,620,000
2016	Various Purpose	37,700,000	7-1-17/36	35,500,000
2017	Refunding	47,450,000	7-1-17/29	46,840,000
2017	Various Purpose	47,180,000	7-1-17/37	41,455,000
2018	Various Purpose	16,120,000	7-1-19/38	16,120,000
Total General Obligation Bonds Outstanding				\$365,755,000
Plus the 2019 General Obligation Bonds (c)				33,065,000 *
Total General Obligation Bonds to Be Outstanding (c)				<u>\$398,820,000 *</u>

(a) Balances of General Obligation Bonds to Be Outstanding are as of the dated date of the Bonds.

(b) 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 6.2%, 6.6% and 6.9% for the federal Fiscal Years 2018/19, 2017/18 and 2016/17, 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.

(c) The City expects to issue \$33,065,000\* of 2019 General Obligation Bonds concurrently with the Bonds, pursuant to a separate official statement.

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

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding (a)
2004	Refunding	\$ 40,345,000	7-1-14/19	\$ 21,010,000
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	7,595,000
2006	Refunding	61,300,000	7-1-09/21	45,775,000
2006	Refunding	127,260,000	7-1-12/24	54,005,000
2007	Utility Improvement	65,550,000	7-1-23/31	6,315,000
2008	Utility Improvement	52,875,000	7-1-23/32	2,125,000
2009	Utility Improvement	59,900,000	7-1-23/33	48,825,000 *(b)(c)
2009	WIFA Loans	3,758,810	7-1-10/29	1,713,740
2010	Utility Improvement	50,380,000	7-1-34	50,380,000 (c)
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	96,940,000
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
2017	Utility Improvement	123,875,000	7-1-21/41	123,875,000
2018	Utility Improvement	112,120,000	7-1-19/42	112,120,000
Total Utility Systems Revenue Bonds Outstanding (d)				\$1,217,993,740
Less the Bonds Being Refunded (d)				(52,225,000)
Plus the Series 2019A Bonds				111,835,000 *
Plus the Series 2019B Bonds				49,335,000 *
Total Utility Systems Revenue Bonds to Be Outstanding (d)				<u>\$1,326,938,740 *</u>

- (a) Balances of Utility Systems Revenue Bonds to Be Outstanding are as of the dated date of the Bonds.
- (b) The City completed a cash defeasance of \$11,075,000\* of Taxable Build America Bond Series 2009, prior to the offering of the Bonds. Balance shown outstanding is net of the amounts defeased.
- (c) These bonds were issued as taxable bonds under the Build America Bond program for which subsidy payments equal to 35% of the interest payments on such bonds are expected to be made by the federal government. Bonds issued under the Build America Bonds program have had such subsidy payments reduced by 6.2%, 6.6% and 6.9% for the federal Fiscal Years 2018/19, 2017/18 and 2016/17, respectively, due to sequestration reductions imposed by the federal government. Additional sequestration reductions or other reductions may be imposed by the federal government in future years. The City is required to pay the shortfall in the interest payments caused by the reduction.

\* Subject to change.



- (d) In addition to the Bonds, the City expects to issue \$78,625,000\* of Series 2019C Bonds, pursuant to a separate official statement. Balances shown do not reflect the Series 2019C Bonds or the bonds being refunded by the Series 2019C Bonds.

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

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding (a)
2004	Street Improvements	9,585,000	7-1-10/23	\$ 650,000
2005	Refunding	23,800,000	7-1-07/23	23,750,000
2005	Street Improvements	10,225,000	7-1-10/24	675,000
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	20,665,000
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>\$ 76,620,000</u>

- (a) Balances of Street and Highway User Revenue Bonds Outstanding are as of the dated date of the Bonds.

**Excise Tax Obligations Outstanding**  
**City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding (a)
Senior Obligations:				
2013	Excise Tax Revenue Obligations	\$94,060,000	7-1-32	\$ 49,025,000
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7-1-14/38	16,995,000
Total Excise Tax Obligations Outstanding				<u>\$ 66,020,000</u>

- (a) Balances of Excise Tax Obligations Outstanding are as of the dated date of 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 Fiscal Year Ended June 30, 2018, contained in APPENDIX D of this Official Statement.

**Pensions 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 ("ASRS") is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System ("PSPRS") that is an agent multiple-employer defined benefit health insurance premium benefit plan. The City's Mayor and City Council Members contribute to

\* Subject to change.

the State's Elected Officials Retirement Plan ("EORP") that is also a multiple-employer cost-sharing 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, 2018" for a more detailed description of these plans and the City contributions to the various plans.

Eligible City employees also participate in the City's other post employment benefits ("OPEB") plan. Eligible City employees covered by ASRS also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

Beginning with the Fiscal Year 2014/15, the City implemented Government Accounting Standards Board ("GASB") Statement No. 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, 2018, 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	\$ 1,399,889	\$ 141,767	\$ 1,541,656
Deferred Outflows of Resources	162,477	9,168	171,645
Deferred Inflows of Resources	67,124	8,526	75,650
Pension Expense	114,636	5,910	120,546

#### *Arizona State Retirement System Defined Benefit 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 by the ASRS Governing Board in accordance with A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. 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 the year ended June 30, 2018, covered employees were required by state statute to contribute at the actuarially determined rate of 11.50% (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% (10.90% for retirement, 0.44% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll. The City's contribution to ASRS for the year ending June 30, 2018 was \$17,649,613, with 74.70% paid from governmental funds, 4.64% paid from internal service funds, and 20.66% paid from enterprise funds.

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 2017/18 was 9.49% (9.26% for retirement, 0.10% for the health insurance premium benefit, and 0.13% for long-term disability). The City's ACR contributions to the ASRS for the year ending June 30, 2018 were \$104,653.

Pension Liability. At June 30, 2018, the City reported a liability of \$255,729,281 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension

liability as of June 30, 2017, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportion measured as of June 30, 2017, was 1.64160%, which was a decrease of 0.0189% from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018 will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liability as a result of these changes is not known.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$8,082,437. At June 30, 2018, 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	\$ -	\$ 7,668
Changes of assumptions	11,107	7,647
Net difference between projected and actual earnings on pension plan investments	1,836	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,360	2,126
City contributions subsequent to the measurement date	17,650	-
Total	<u>\$ 31,953</u>	<u>\$ 17,441</u>

#### *Public Safety Personnel Retirement System*

PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The PSPRS is jointly administered by a nine-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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 splits the cost of pensions 50/50 between employers and new employees, offers new hires the option of a 100% defined contribution plan and ties 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.

In 2016, a suit was then pending questioning employee contribution increases to, and possibly decreased benefits from, the PSPRS. The Arizona Supreme Court determined in a similar 2016 suit that 2011 legislative reforms that increased EORP employee contribution rates and created new conditions to pension benefit increases were unconstitutional. In response to the ruling, EORP employers must return excess contributions to impacted employees; who, under the contested law, had their employee retirement contribution rate increased above the rate that existed prior to the 2011 legislation. Based on the EORP decision the PSPRS suit was terminated and the parties agreed to abide by the EORP decision. This requires the City to refund the higher employee contributions required by the 2011 legislation. Likewise, those who retired after the effective date of the 2011 legislation may be owed retroactive benefit

increases calculated under the previous permanent benefit increase formula. Retroactively increasing retiree benefits may have an adverse impact on the employer funded status and future employer contribution rates.

On November 21, 2017, Maricopa County Superior Court (the “Court”) awarded the interest of 5.25% from the date each contribution was withheld to the date excess contributions were returned. Prior to knowing the rate for PSPRS, on July 21, 2017, the City refunded \$13,495,164 of excess PSPRS contributions and on January 4, 2018 paid \$1,820,197 of pre-judgement and post-judgement PSPRS interest. The City has made all required payments pursuant to such ruling.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Firefighters Pension	PSPRS Pension	Police Health
Inactive employees or beneficiaries currently receiving benefits	240	537	537
Inactive employees or beneficiaries entitled to but not yet receiving benefits	58	143	55
Active employees	376	756	756
Total	674	1,436	1,348

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member Pension	City Pension	City OPEB
PSPRS - Fire	7.65% - 11.65%	43.67%	0.37%
PSPRS – Police	7.65% - 11.65%	45.00%	1.17%
PSPRS Tier 3 - Fire	10.59%	10.59%	0.25%
PSPRS Tier 3 - Police	10.02%	10.02%	0.21%

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 28.93% for City police employees who were PSPRS Tier 3 members, in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool for these City police employees.

The City’s contributions to the plans for the year ended June 30, 2018, were:

	Pension	OPEB
PSPRS - Fire	\$ 10,479,094	\$ -
PSPRS – Police	21,607,876	733,111
PSPRS Tier 3 - Police	118,307	38,484

A court decision resulted in refunds of excess member contributions to certain fire and police members. The City received a credit memo from PSPRS that equaled the amount of the refunds. The City used the credit memo to reduce its contribution to the plan for the year ended June 30, 2018.

The City is also required to pay a PSPRS 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 the year ended June 30, 2018 was 28.93% for both fire and police. The City's ACR contributions for the year ending June 30, 2018 were \$0 for fire and \$46,544 for police.

**Liability.** At June 30, 2018, the City reported the following pension liabilities of \$193,863,669 and \$377,891,929 for fire and police, respectively. The City also reported an OPEB liability of \$8,457,302 for police.

The net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions.

The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

**Pension/OPEB Expense and Deferred Outflows/Inflows of Resources.** For the year ended June 30, 2018, the City recognized pension expense of \$24,251,275 and \$53,757,450 for fire and police, respectively. The City also recognized OPEB expense of \$803,662 for police.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

	PSPRS – Fire Pension		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience			\$ -	\$ 10,803
Changes in assumptions			30,119	-
Net difference between projected and actual earnings on pension plan investments			2,430	-
City contributions subsequent to the measurement date			10,479	-
Total			<u>\$ 43,028</u>	<u>\$ 10,803</u>

  

	PSPRS – Police		Pension	OPEB
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 302	\$ 7,729	\$ 261	\$ -
Changes in assumptions	49,357	-	-	279
Net difference between projected and actual earnings on pension plan investments	3,887	-	-	334
City contributions subsequent to the measurement date	21,726	-	772	-
Total	<u>\$ 75,272</u>	<u>\$ 7,729</u>	<u>\$ 1,033</u>	<u>\$ 613</u>

### *Other Post Employment Plan*

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan.

Employees Covered by Benefit Terms. As of July 1, 2017 (date of most recent valuation), membership consisted of:

Active Employees	3,308
Retirees	2,029
Spouses	1,279
Total	6,616

OPEB Liability. The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2017 is \$705,713,533. The June 30, 2016 liability is based on a no gain/loss rollback of the June 30, 2017 valuation results.

The impact of changes from the June 30, 2016 results include the following:

- Change in the S&P Municipal Bond 20 Year High Grade Rate Index. The discount rate, based on this index, changed from 2.71% at June 30, 2016 to 3.13% at June 30, 2017. The impact on OPEB liability from this change was a decrease of \$46,955,496.

### OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the City recognized OPEB expense of \$33,650,778. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	39,064
Net difference between projected and actual earnings on pension plan investments	-	-
City contributions subsequent to the measurement date	20,358	-
Total	\$ 20,358	\$ 39,064

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

**Electric System**

The City 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 2017/18, the Electric System served a total of 17,066 customers comprised of 14,501 residential and 2,565 commercial and other customers. The summer system experienced a peak demand in Fiscal Year 2017/18 of approximately 84.42 megawatts ("MW"s) and fiscal year system energy requirements of 334,479 megawatt hours ("MWh"s) were metered at the Rogers Substation, the Electric System's point of supply.

During Fiscal Year 2017/18, 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 the City, 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 2017/18 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
Citigroup Energy Inc. (b)	Mar-2020	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	-

- (a) The City 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) The City and Exelon Generation Company, LLC ("Constellation") were parties to a 5-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand and associated energy which was scheduled to expire on March 31, 2017 but was extended and expired September 30, 2018. This agreement has been replaced by a new 1.5-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand and associated energy with Citigroup Energy Inc. which became effective October 1, 2018 and is scheduled to expire on March 31, 2020.
- (c) The City and Constellation are also parties to a 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) The City and Constellation were also parties to a 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. This supply contract is expected to be replaced via a request for proposals (“RFP”) currently scheduled to be issued during April 2019.
- (e) The City and Shell Energy North America, L.P. (“SENA”) were also 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. This supply contract is also expected to be replaced via the RFP currently scheduled to be issued during April 2019. Power supply requirements for January – May 2019 will be met in the interim with market-based power purchases.
- (f) The City 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.

The City’s purchased power and energy resources are contractually transmitted over Western’s Parker-Davis and Pacific-Intertie transmission systems on a point-to-point basis from Western’s 500/230 kilovolts (“kV”) West Wing Substation to Western’s 230 kV Pinnacle Peak Substation and then to the 230/69 kV Rogers Substation, jointly owned by the Salt River Project, Western and the City (The City’s current transmission contracts with Western expire on September 30, 2018. Beginning October 1, 2018, the City’s new transmission contractual arrangements with Western will become effective with the City reducing its point-to-point Pacific Intertie transmission (West Wing to Pinnacle Peak) capacity from 25 MW to 15 MW and switching its Parker-Davis transmission from point-to-point service to network integrated transmission service). Power and energy are then transmitted through Rogers Substation 230/69 kV transformers to the City’s two (2) radial 69 kV lines and then to four (4) City-owned and operated 12 kV electrical distribution substation facilities. Power is then transmitted and distributed to the City’s service area through associated distribution transformers and lines. As of Fiscal Year 2017/18 there were approximately 197.1 miles of overhead primary and approximately 251.8 miles of underground primary distribution lines that distribute power to the City’s end-use customers.



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) (2018/19)
Residential Electric Service = E1.1	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge	\$11.75
Usage Charge	
First 1200 kWh	\$0.05128 per kWh
> 1200 kWh	\$0.04822 per kWh
<b>November 1 to April 30</b>	
Customer Charge	\$11.75
Usage Charge	
First 800 kWh	\$0.03765 per kWh
> 800 kWh	\$0.01633 per kWh
Energy Cost Adjustment Factor (b)	
Minimum	\$11.75
Non-Residential Service = E3.1	
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 kilowatt hours ("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 2017/18 factor for residential was \$0.04870 per kWh and the average Fiscal Year 2017/18 factor for non-residential was \$0.03735 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  
(2014 through 2018)**

Date	Rate Increase
August 1, 2018	\$1.00 (a)
August 1, 2017	\$1.25 (b)
August 1, 2016	\$1.50 (c)
August 1, 2015	\$1.50 (c)
August 1, 2014	\$0.79 (d)

- (a) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00.
- (b) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.25.
- (c) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.50.
- (d) 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 2013/14 through 2017/18)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2017/18	14,501	2,350	215	17,066
2016/17	14,418	2,358	215	16,991
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

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 2017/18.

**Ten Largest Electric System Customers**

Mesa Public Schools  
 Ensemble Mesa Partners, LLC  
 Centurylink, Inc.  
 Mesa Cold Storage, Inc.  
 Valley Metro Rail  
 Rohrer Corporation  
 Mesa Arizona Temple  
 Promise Hospital of Phoenix, Inc.  
 Epicurean Fine Food, Inc.  
 Benedictine University

The combined 2017/18 Electric System fees/charges for the top ten Electric System customers set forth above was \$2,982,124, constituting 9.5% of the total 2017/18 Electric System operating revenue. No individual Electric System customer above constitutes more than 3% of the total 2017/18 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2017/18, 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 2017/18, Electric System interdepartmental revenues were \$3,365,456. The City as a customer constitutes approximately 10.7% of the total 2017/18 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 2017/18, as the 11<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 2017/18, the City's combined Natural Gas System operated 1,358 miles of distribution mains and served approximately 63,969 total customers comprised of 61,452 residential and 2,517 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 2017/18, 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 2017/18, the Natural Gas System experienced a total coincident hourly system peak demand of 957.8 dekatherm hours ("DTh/hr") on February 26, 2018 in the CSA and 394.0 DTh/hr on January 23, 2018 in the MSA. Total natural gas supply deliveries at the Natural Gas System's gate stations during Fiscal Year 2017/18 were 3,054,401 dekatherms ("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 mainlines and associated infrastructure 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 (2018/19)
<b>City Service Area Residential Gas Service = G1.1</b>	
<b>May 1st through October 31st</b>	
Gas System Service Charge	\$ 14.31
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	\$ 17.24
First 25 Therms	0.6685 / therm
All Additional Therms	0.4926 / therm
Natural Gas Supply Cost Adjustment*	
<b>City Service Area General Gas Service = G3.1</b>	
<b>May 1st through October 31st</b>	
Monthly Service Charge	\$ 33.66
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	\$ 43.34
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	\$ 15.30
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	\$ 18.54
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	\$ 40.48
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	\$ 52.41
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 2017/18 for residential and general service was \$0.29752 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 (2014-2018)**

Date	Rate Increase
August 1, 2018	\$0.45 (a)
August 1, 2017	\$0.75 (a)
August 1, 2016	\$1.00 (a)
August 1, 2015	\$1.29 (a)
August 1, 2014	\$1.14

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

Source: The City.

**Natural Gas System Customers  
(Fiscal Years 2013/14 through 2017/18)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2017/18	61,452	2,289	228	63,969
2016/17	59,515	2,268	227	62,010
2015/16	57,908	2,252	224	60,384
2014/15	55,786	2,206	224	59,216
2013/14	55,615	2,175	221	58,011

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 Natural Gas System customers in order by revenue for Fiscal Year 2017/18.

**Ten Largest Natural Gas System Customers**

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

The combined Fiscal Year 2017/18 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$3,131,824, constituting 8.0% of the total Fiscal Year 2017/18 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 3% of the total Fiscal Year 2017/18 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2017/18, 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 2017/18 Natural Gas System interdepartmental revenues for the City were \$609,175.

Source: The City.

## **Water System**

The water utility system of the City (the “Water System”) serves a population of over 496,000, residing within a 158 square mile area. The Water System currently consists of approximately 157,000 residential, commercial and other connections. The City is well positioned to provide reliable delivery of quality water to meet current and future demands.

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

Surface water from the Salt and Verde Rivers is treated at the Val Vista Water Treatment Plant. The plant is jointly owned by the City and the City of Phoenix (“Phoenix”). Currently, the plant has a treatment capacity of 220 million gallons per day (“mgd”), of which the City owns 90 mgd. The plant produces approximately 36% 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 Brown Road Water Treatment Plant (“BRWTP”) and the Signal Butte Water Treatment Plant (“SBWTP”). Currently the BRWTP has a treatment capacity of 72 mgd and produces approximately 41% of the City’s water. SBWTP was completed in June 2018 and has a capacity to treat 24 mgd of CAP water. SBWTP produced approximately 13% of the City’s water in 2018.

Groundwater wells produce the remaining 10% 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.

In addition to the plants and wells outlined above, 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 2,485 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 mgd. The record peak demand day occurred in 2005 and amounted to approximately 138 million gallons of water delivered. The average demand in calendar year 2018 was 87 mgd, with a peak day of 121 million gallons.

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 2018.

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 (2018/19)
Monthly Minimum Bill-All Classes, All Zones*	
3/4 Inch	\$28.10
1 Inch	\$31.47
1 1/2 Inch	\$44.05
2 Inches	\$57.78
3 Inches	\$114.44
4 Inches	\$181.25
6 Inches	\$347.11
8 Inches	\$514.03
10 Inches	\$696.38
*Includes the first 3,000 gallons of water as a minimum charge for capacity availability	
Monthly Volume Charge - Residential	
First 9,000 Gallons of Water	\$3.19/1,000 Gallons
Next 9,000 Gallons of Water	\$4.79/1,000 Gallons
Next 6,000 Gallons of Water	\$5.77/1,000 Gallons
Additional Usage	\$6.46/1,000 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  
(2014-2018)**

Date	Rate Increase
July 1, 2018	2.00%
July 1, 2017	3.50%
July 1, 2016	5.00%
July 1, 2015	5.00%
July 1, 2014	7.00%

Source: The City.

**Water System Customers  
(Fiscal Years 2013/14 through 2017/18)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2017/18	130,806	10,793	4,570	146,169
2016/17	129,008	10,532	4,553	144,093
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

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 2017/18.

**Ten Largest Water System Customers**

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

The combined Fiscal year 2017/18 Water System fees/charges for the top ten Water System customers set forth above was \$6,665,167 constituting 4.5% of the total Fiscal Year 2017/18 Water System operating revenue. No individual Water System customer above constitutes more than 1.6% of the total Fiscal Year 2017/18 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2017/18, 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 2017/18 Water System interdepartmental revenues for the City were \$4,263,155.

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Source: The City.

**Wastewater System**

The City's wastewater collection system (the "Wastewater System") currently serves approximately 127,000 connections.

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

The City's 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 stored 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 liquids handling capacity of 8 mgd. Bio-solids from the SEWRP are sent to the Greenfield Water Reclamation Plant ("GWRP") for further processing.

The GWRP is a regional plant operated by the City, and co-owned with the Towns of Gilbert and Queen Creek. The GWRP serves the southeast portion of the City and a segment of the northeast portion of the City. GWRP currently has a treatment capacity of 16 mgd of which the City owns 4 mgd. The GWRP currently has bio-solids processing capacity of 24 mgd, of which the City owns 12 mgd. An expansion is underway at the GWRP, which will provide the City with a total of 14 mgd of liquids handling capacity, and 22 mgd for solids on completion, anticipated in the fall of 2020.

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 CAP water for delivery by its potable system for every five acre-feet of reclaimed water that is delivered to the Community.



In addition to the various treatment facilities outlined above, the City has approximately 1,699 miles of sewer mains, 15 lift stations, 21 odor control stations, 7 metering stations, and 41 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 2018.

The City's Wastewater System and current agreements allow for a treatment capacity of approximately 60 mgd. The average during calendar year 2018 was 34.6 mgd, with a peak day of 36.9 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 (2018/19)
<b>Residential Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$19.27
User Charge Component (average winter water consumption)	\$1.58 / 1,000 gallons
Capital Related Component (average winter water consumption in excess of 5,000 gallons)	\$2.86 / 1,000 gallons
<b>General Commercial Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$19.81
User Charge Component (all water used)	\$1.58 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$2.86 / 1,000 gallons
<b>Multi-Unit Dwelling Sewer Service - Inside City</b>	
Monthly Bill	
Service Charge	\$19.81
User Charge Component (all water used)	\$1.58 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$2.86 / 1,000 gallons
<b>Industrial Sewer Service - Inside City</b>	
Monthly Bill	
Capital Component	
Flow (in excess of 5,000 gallons)	\$2.786 / 1,000 gallons
Biochemical Oxygen Demand ("BOD") (in excess of lbs. contributed in first 5,000 gallons)	\$0.216 / pound
Suspended Solids ("SS") (in excess of lbs. contributed in first 5,000 gallons)	\$0.179 / pound
Flow	User Charge Component \$0.819 / 1,000 gallons
BOD	\$0.400 / pound
SS	\$0.239 / pound
Minimum - Capital Component (includes use of 5,000 gallons)	\$15.29
User Charge Billing Component	\$3.83

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  
(2014-2018)**

Date	Rate Increase
July 1, 2018	2.50%
July 1, 2017	4.00%
July 1, 2016	5.00%
July 1, 2015	5.00%
July 1, 2014	7.00%

Source: The City.

**Wastewater System Customers  
(Fiscal Years 2013/14 through 2017/18)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2017/18	120,507	5,651	4,436	0	0	130,594
2016/17	118,743	5,622	4,418	0	0	128,783
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

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 2017/18.

**Ten Largest Wastewater System Customers**

Salt River Pima-Maricopa Indian Community  
Mesa Public Schools  
Cal-Am Properties, Inc.  
Town of Gilbert  
Platypus Development, LLC  
Arizona State University-East  
Banner Desert Medical Center  
IMT-LB Del Coronado/Mesa LLC  
Wal-Mart Stores, Inc.  
Bre Apartment Holdings III, Inc.

The combined Fiscal Year 2017/18 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$6,188,101 constituting 7.46% of the total Fiscal Year 2017/18 Wastewater System operating revenue. No individual Wastewater System customer above constitutes more than 2.0% of the total Fiscal Year 2017/18 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2017/18, 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 2017/18 Wastewater System interdepartmental revenues for the City were \$298,796.

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 29% diversion rate in materials going to landfills is realized from these programs. The residential Solid Waste System currently consists of approximately 128,000 customers. The City currently has approximately 2,200 customers who have metal bin service. The City's permanent Household Hazardous Materials facility opened in the fall of 2018.

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 its overall operating costs. These facilities meet all Federal Subtitle D requirements.

### Current Solid Waste System Fees and Charges

#### Residential Solid Waste System Monthly Billing (Fiscal Year 2018/19)

##### Rates Applicable Per Dwelling Unit (4 or Less Residential Units Per Structure)

R1.2, R1.2A, R1.21, R1.22; R1.23, R1.28

Rate R1.2*:	\$29.34 per dwelling unit for once per week 90 gallon trash barrel and recycling barrel collection.
Rate R1.2A*:	\$26.19 per dwelling unit for once per week 60 gallon trash barrel and recycling barrel collection.
Rate R1.21:	\$13.85 per additional 90 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months. This rate is only eligible for R1.2, R1.24 and R1.29 customers.
Rate R1.22:	\$13.85 per additional 60 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months.
Rate R1.23:	\$31.48 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$13.98 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.28:	\$6.93 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

##### Rates Applicable Per Dwelling Unit (5 or More Residential Units Per Structure)

R1.21, R1.22, R1.23, R1.24, R1.25, R1.28

Rate R1.24*:	\$26.19 per dwelling unit for a multi-unit structure with five or more residential units for once per week 90 gallon trash barrel and recycling barrel collection when the water account servicing the units is active with one bill payee.
Rate R1.21:	\$13.85 per additional 90 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months. This rate is only eligible for R1.2, R1.24 and R1.29 customers
Rate R1.22:	\$13.85 per additional 60 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months.
Rate R1.23:	\$31.48 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$13.98 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.25*:	\$26.19 per dwelling unit for a multi-unit structure with five or more residential units for once per week 60 gallon trash barrel and recycling barrel collection when the water account servicing the units is active with one bill payee.

Rates Applicable Per Dwelling Unit (Every Other Week Recycling)  
R1.28, R1.29, R2.9A, R2.9B

Rate R1.29*:	\$28.38 per dwelling unit for once per week 90 gallon trash barrel collection and every other week recycling barrel collection.
Rate R2.9A*:	\$25.22 per dwelling unit for once per week 60 gallon trash barrel collection and every other week recycling barrel collection.
Rate R2.9B*:	\$23.74 per dwelling unit for once per week 35 gallon trash barrel collection and every other week recycling barrel collection.
Rate R1.28:	\$6.93 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months
Rate R.1.28:	\$6.93 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

\* 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, R6.2:	\$29.34 for the first 90 gallon trash barrel and recycling barrel for once per week collection.
Rate R3.8A, R6.2A:	\$26.19 for the first 60 gallon trash barrel and recycling barrel for once per week collection.
Rate R3.81, R6.21*:	\$13.85 per additional 90 gallon trash barrel for once per week collection on same geographic in-zone day as the first barrel. This rate is only eligible for R3.8 and R6.2 customers.
Rate R3.83, R6.23*:	\$13.85 per additional 60 gallon trash barrel for once per week collection on same geographic in-zone day as the first barrel.
Rate R3.82, R6.22:	\$31.48 for the first 90 gallon trash barrel in addition to the above R3.8, R6.2 rate for twice per week collection. A \$13.98 service fee applies to each additional barrel that is serviced twice per week.
Rate R3.88, R6.28*:	\$6.93 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service.

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.

**Solid Waste System Rate Increases  
(2014-2018)**

Date	Rate Increase
July 1, 2018	2.00%
July 1, 2017	3.50%
July 1, 2016	4.00%
August 1, 2015	5.00%
July 1, 2014	6.90%

Source: The City.

**Solid Waste System Customers  
(Fiscal Years 2013/14 through 2017/18)**

Fiscal Year	Residential Customers(a)	Commercial Customers (b)	Other Customers	Total Customers
2017/18	128,723	2,258	300	131,281
2016/17	125,986	2,531	300	128,817
2015/16	134,259	2,481	300	137,040
2014/15	132,209	2,428	300	134,937
2013/14	130,073	2,436	300	132,809

- (a) Fiscal Year 2013/14 through 2015/16 originally were calculated using the average number of residential customers. These numbers have been revised to reflect the customer count as of June 30 each fiscal year.
- (b) Fiscal Year 2013/14 through 2014/15 included both special handling and ester 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 2017/18.

**Ten Largest Solid Waste System Customers**

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

The combined Fiscal Year 2017/18 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$2,047,973 constituting 3.4% of the total Fiscal Year 2017/18 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1.1% of the total Fiscal Year 2017/18 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 2017/18 Solid Waste System interdepartmental revenues for the City were \$543,073.

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 FISCAL YEAR ENDED JUNE 30, 2018**

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

## **APPENDIX E**

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



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## SUMMARY OF THE MASTER RESOLUTION, AS AMENDED

The following is a summary of certain provisions of the Master Resolution, which was adopted by the Mayor and City Council of the City of Mesa on July 29, 1991, as amended. A summary of the Thirty-Sixth Supplemental Resolution follows this Summary of the Master Resolution. The Thirty-Sixth Supplemental Resolution is substantially the same as the other thirty-five Supplemental Resolutions. The Master Resolution authorized the issuance of the Series 1991 Bonds and set the conditions for issuance of later Parity Bonds such as the City's Utility Systems Revenue Bonds, Series 2019A. A summary of the Thirty-Seventh Supplemental Resolution follows this Summary of the Master Resolution. The Thirty-Seventh Supplemental Resolution is substantially the same as the other thirty-six Supplemental Resolutions. The Master Resolution authorized the issuance of the Series 1991 Bonds and set the conditions for issuance of later Parity Bonds such as the City's Utility Systems Revenue Refunding Bonds, Series 2019B. In addition the Master Resolution was amended in 2002, changing the requirements pertaining to the Reserve Fund. This summary does not purport to be a full statement of the terms of the Master Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

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

**“Agreement”** - any Reserve Fund Guaranty Agreement.

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

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

**“Bond Insurer”** - with respect to each series of Parity Bonds, an issuer of a Municipal Bond Insurance Policy pertaining to any Bonds.

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

**“Bond Year”** - the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

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

**“Chief Financial Officer”** – the City's Chief Financial Officer.

**“City”** - the City of Mesa, Arizona.

**“Council”** - the governing body of the City.

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

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

**“Drawdown Date”** - the date of any Drawdown.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody’s or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States’ securities must have a market value at all times at least equal to the principal amount of the deposits. The United States’ securities must be held by the

City or the Bond Registrar and Paying Agent (who shall not be provider of the collateral), or any Federal Reserve Bank or Depository, as custodian for the institution issuing the deposits. The City or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

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

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

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

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

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

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

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

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

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

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

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

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

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

***“Reserve Fund”*** - the Post-2002 Reserve Fund; provided, however, that the Post-2002 Reserve Fund shall only secure the Post-2002 Bonds.

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

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

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

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

***“Reserve Requirement”*** - as to the Post-2002 Bonds, if required to be funded, an amount equal to Average Annual Debt Service of all outstanding Post- 2002 Bonds, which amount shall be adjusted upon the issuance of Post-2002 Parity Bonds to equal Average Annual Debt Service immediately after issuance, or the maximum amount of the Post-2002 Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required Reserve and Replacement Fund.

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

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

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

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

#### **Authorization of Bonds; Special Obligations.**

A. The Master Resolution authorized the issuance and sale of the Series 1991 Bonds. Each supplemental resolution authorized the respective later series of Parity Bonds.

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

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

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

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

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

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

(1) **Bond Fund.** First, to the Bond Fund: (a) one-sixth (1/6th) of the interest becoming due on the next interest payment date on all of the Bonds then Outstanding and; (b) one-twelfth (1/12th) of the principal becoming due on the next succeeding principal or mandatory redemption payment date on all Bonds then Outstanding. The Bond Fund shall be a trust fund and shall be used solely for the purpose of paying the principal of and interest on the Bonds.

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

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

Drawdowns upon Reserve Fund Guaranties required to pay principal and interest will be replaced therein from the first money in the Revenue Fund thereafter received which is not required for current transfers into the Bond Fund pursuant to subparagraphs (1) or (2) of this subsection. The Post-2002 Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Post-2002 Reserve Fund Moneys and Investments to provide a means of tracking Post-2002 Reserve Fund deposits and investment income thereon for purposes of the Internal Revenue Code of 1986, as amended, or any comparable provision requiring such tracking. All Post-2002 Reserve Fund deposits made from Net Revenues or other available moneys of the City shall be

deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Post-2002 Reserve Fund shall be deposited into the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to the issuance of Parity Bonds may satisfy the amount to be deposited in either account, so long as the minimum amount required by the Master Resolution to be deposited to the Post-2002 Reserve Fund shall be so deposited. All Post-2002 Reserve Fund Guaranties shall be deemed to be deposited to, and a part of the Post-2002 Reserve Fund Capitalized Reserve Account.

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

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

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

D. The Construction Fund shall be divided into separate accounts in order to segregate proceeds from differing series of Bonds.

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

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

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

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

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

**Modification of Resolution.**

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

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



terms on any Bond or imposes any adverse conditions on such payments. (5) Modifications which adversely affect the rights of the Owners of less than all Bonds then Outstanding.

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

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

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

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

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

**Reporting Requirements.**

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

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

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

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

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

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

**Continuing Disclosure.** The First Supplemental Resolution dated September 18, 1995 and all later Supplemental Resolutions contained the following Continuing Disclosure covenant: The Chief Financial Officer or Controller of the

City are authorized to execute and deliver a written undertaking or agreement containing such terms and provisions as are necessary to comply with the continuing disclosure provisions of Section 240.15c2-12 General Rules and Regulations, Securities Exchange Act of 1934.

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

### **SUMMARY OF THIRTY-SIXTH SUPPLEMENTAL RESOLUTION**

The following is a summary of certain provisions of the Thirty-Sixth Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Bonds, Series 2019A, adopted by the Mayor and Council on April 1, 2019. The summary does not purport to be a full statement of the terms of the Thirty-Sixth Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

**Authority.** The Series 2019A Bonds (as defined below) are authorized to be issued pursuant to Title 9, Chapter 5, Article 3, of the Arizona Revised Statutes, as amended, the Master Resolution, the Thirty-Sixth Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by A.R.S. Section 9-521 et seq. have been met with respect to the Series 2019A Bonds. The Master Resolution (as amended and supplemented with the exception of the Twenty-Sixth Supplemental Resolution which was previously revoked by the Twenty-Ninth Supplemental Resolution) and the Thirty-Sixth Supplemental Resolution shall stay in effect until all Series 2019A Bonds are fully paid or provided for and all Policy Costs shall have been paid in full.

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

**“Bond Registrar for the Series 2019A Bonds”** – U.S. Bank National Association, Phoenix, Arizona, or its successor, as bond registrar.

**“Bond Year”** – initially the period from the date of the Series 2019A Bonds to July 1, 2019, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the City's Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

**“Series 2019A Bonds”** - the City's \$\_\_\_\_\_,000 Utility Systems Revenue Bonds, Series 2019A.

**“Thirty-Sixth Supplemental Resolution”** – Resolution No. \_\_\_\_ adopted by the Mayor and City Council on April \_\_, 2019, supplementing the Master Resolution and authorizing the issuance of the Series 2019A Bonds.

### **Revocation of the Twenty-Sixth Supplemental Resolution; Authorization of Series 2019A Bonds; Special Obligations.**

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

B. There is authorized the issuance and sale of \$\_\_\_\_\_,000<sup>1</sup> City of Mesa, Arizona Utility Systems Revenue Bonds, Series 2019A. The Series 2019A Bonds shall never be construed to be tax secured bonds of the City as defined in A.R.S.

§§ 9-531 or 9-521, or general obligation bonds of the City within the meaning of A.R.S. Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Series 2019A Bonds are special obligations of the City payable solely from the Net Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms, the Master Resolution and the Thirty-Sixth Supplemental Resolution. Subject to the Master Resolution, the Net Revenues are pledged and assigned as security for the payment of the principal and redemption price of, and interest on, the Series 2019A Bonds in accordance with their terms, the Master Resolution and the provisions of the Thirty-Sixth Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the Thirty-Sixth Supplemental Resolution, without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere in the Master Resolution to issue Parity Bonds nor shall be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City which are secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged under the Master Resolution and the Thirty-Sixth Supplemental Resolution.

C. In addition to the payments required to be made into the Bond Fund required by the Master Resolution, the following additional payments shall be made to the Bond Fund with respect to the Series 2019A Bonds on or before the tenth (10th) day of each month:

(1) Commencing on the 10th day of the month following the closing date of the Series 2019A Bonds, the amount due on the next succeeding interest payment date divided by the number of monthly payments that can be made prior to such next succeeding interest payment date, and commencing on the 10th day of the month following the first interest payment date, one-sixth (1/6) of the interest coming due on the next semiannual interest payment date on all of the Series 2019A Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Series 2019A Bonds, the amount due on the next succeeding principal payment date divided by the number of monthly payments that can be made prior to such next succeeding principal payment date and commencing on the 10th day of the month following the first principal payment date, one-twelfth (1/12) of the principal becoming due on the next succeeding principal payment date on all Series 2019A Bonds then Outstanding.

**Resolution a Contract.** The provisions of the Master Resolution and the Thirty-Sixth Supplemental Resolution are deemed incorporated into the Series 2019A Bonds themselves and shall constitute a contract between the City, the bond insurer, if any, and the Owners and, no change, variation or alteration of any kind in the provisions of the Master Resolution or the Thirty-Sixth Supplemental Resolution shall be made in any manner, except as provided in the Master Resolution or until such time as all of the Bonds and interest due thereon have been paid in full.

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

#### **SUMMARY OF THIRTY-SEVENTH SUPPLEMENTAL RESOLUTION**

The following is a summary of certain provisions of the Thirty-Seventh Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Refunding Bonds, Series 2019B, adopted by the Mayor and Council on April 1, 2019. The summary does not purport to be a full statement of the terms of the Thirty-Seventh Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

**Authority.** The Series 2019B Bonds (as defined below) are authorized to be issued pursuant to Title 9, Chapter 5, Article 3, of the Arizona Revised Statutes, as amended, the Master Resolution, the Thirty-Seventh Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by A.R.S. Section 9-521 et seq. have been met with respect to the Series 2019B Bonds. The Master Resolution (as amended and supplemented with the exception of the Twenty-Sixth Supplemental Resolution which was previously revoked by the Twenty-Ninth Supplemental Resolution) and the Thirty-Seventh Supplemental Resolution shall stay in effect until all Series 2019B Bonds are fully paid or provided for and all Policy Costs shall have been paid in full.

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

**“Bond Registrar for the Series 2019B Bonds”** – U.S. Bank National Association, Phoenix, Arizona, or its successor, as bond registrar.

**“Bond Year”** – initially the period from the date of the Series 2019B Bonds to July 1, 2019, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the City’s Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

**“Series 2019B Bonds”** - the City’s \$\_\_\_\_\_,000 Utility Systems Revenue Refunding Bonds, Series 2019B.

**“Thirty-Seventh Supplemental Resolution”** – Resolution No. \_\_\_\_ adopted by the Mayor and City Council on April 1, 2019, supplementing the Master Resolution and authorizing the issuance of the Series 2019B Bonds.

**Revocation of the Twenty-Sixth Supplemental Resolution; Authorization of Series 2019B Bonds; Special Obligations.**

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

B. There is authorized the issuance and sale of \$\_\_\_\_\_,000 City of Mesa, Arizona Utility Systems Revenue Refunding Bonds, Series 2019B. The Series 2019B Bonds shall never be construed to be tax secured bonds of the City as defined in A.R.S. §§ 9-531 or 9-521, or general obligation bonds of the City within the meaning of A.R.S. Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Series 2019B Bonds are special obligations of the City payable solely from the Net Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms, the Master Resolution and the Thirty-Seventh Supplemental Resolution. Subject to the Master Resolution, the Net Revenues are pledged and assigned as security for the payment of the principal and redemption price of, and interest on, the Series 2019B Bonds in accordance with their terms, the Master Resolution and the provisions of the Thirty-Seventh Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the Thirty-Seventh Supplemental Resolution, without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere in the Master Resolution to issue Parity Bonds nor shall be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City which are secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged under the Master Resolution and the Thirty-Seventh Supplemental Resolution.

C. In addition to the payments required to be made into the Bond Fund required by the Master Resolution, the following additional payments shall be made to the Bond Fund with respect to the Series 2019B Bonds on or before the tenth (10th) day of each month:

(1) Commencing on the 10th day of the month following the closing date of the Series 2019B Bonds, the amount due on the next succeeding interest payment date divided by the number of monthly payments that can be made prior to such next succeeding interest payment date, and commencing on the 10th day of the month following the first interest payment date, one-sixth (1/6) of the interest coming due on the next semiannual interest payment date on all of the Series 2019B Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Series 2019B Bonds, the amount due on the next succeeding principal payment date divided by the number of monthly payments that can be made prior to such next succeeding principal payment date and commencing on the 10th day of the month following the first principal payment date, one-twelfth (1/12) of the principal becoming due on the next succeeding principal payment date on all Series 2019B Bonds then Outstanding.

**Resolution a Contract.** The provisions of the Master Resolution and the Thirty-Seventh Supplemental Resolution are deemed incorporated into the Series 2019B Bonds themselves and shall constitute a contract between the City, the bond insurer, if any, and the Owners and, no change, variation or alteration of any kind in the provisions of the Master Resolution or the Thirty-Seventh Supplemental Resolution shall be made in any manner, except as provided in the Master Resolution or until such time as all of the Bonds and interest due thereon have been paid in full.

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

## **APPENDIX F**

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

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## BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants"). DTC has a rating of "AA+" from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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, THE UNDERWRITERS OR THE FINANCIAL ADVISOR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE MASTER RESOLUTION; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE BONDS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (5) ANY OTHER MATTERS.

## **APPENDIX G**

### **FORMS OF APPROVING LEGAL OPINION**

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\_\_\_\_\_, 2019

MAYOR AND COUNCIL  
CITY OF MESA, ARIZONA

Re: City of Mesa, Arizona  
Utility Systems Revenue Bonds, Series 2019A

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the “City”), of its \$\_\_\_\_\_,000 aggregate principal amount of Utility Systems Revenue Bonds, Series 2019A, dated as of the date of initial delivery (the “Bonds”), issued pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, and all amendments thereto (the “Act”).

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

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

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

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

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

4. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax. 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.

Timothy A. Stratton  
Bond Counsel

\_\_\_\_\_, 2019

MAYOR AND COUNCIL  
CITY OF MESA, ARIZONA

Re: City of Mesa, Arizona  
Utility Systems Revenue Refunding Bonds, Series 2019B

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the “City”), of its \$\_\_\_\_\_,000 aggregate principal amount of Utility Systems Revenue Refunding Bonds, Series 2019B, dated as of the date of initial delivery (the “Bonds”), issued pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, and all amendments thereto (the “Act”).

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

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

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

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

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

4. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax. 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.

Timothy A. Stratton  
Bond Counsel

## **APPENDIX H**

### **FORMS OF CONTINUING DISCLOSURE CERTIFICATE**



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\$ \_\_\_\_\_,000\*  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS,**  
**SERIES 2019A**

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

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is undertaken by the City of Mesa, Arizona (the “*City*”), in connection with the issuance of its Utility Systems Revenue Bonds, Series 2019A (the “*Bonds*”). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

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

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

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

“*Audited Financial Statements*” shall mean the City’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the City intends to continue to prepare in substantially the same form.

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

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

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

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

“*Financial Obligation*” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “*Financial Obligation*” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with 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 \_\_\_\_\_, 2019, 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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\* Preliminary, 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, 2020, provide electronically to MSRB, in a format prescribed by the MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Should the City's fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than six (6) months after the end of such fiscal year. Currently, filings are required to be made with EMMA. Notice of any such change in the City's fiscal year will be filed with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

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

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

(d) The Dissemination Agent shall:

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

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

**Section 4. Content of Annual Reports.**

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

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

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

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

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

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

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

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The annual audited financial statements shall be prepared in accordance with generally accepted accounting principles and

state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's annual audited financial statements is contained in Note 1 of the audited financial statements included within the Official Statement.

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

#### **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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) The incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material; and
- (16) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) "Materiality" will be determined in accordance with applicable federal securities laws.

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

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

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

Dated: \_\_\_\_\_, 2019.

**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: \$\_\_\_\_\_,000 Utility Systems Revenue Bonds, Series 2019A  
Dated Date of Bonds: \_\_\_\_\_, 2019 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2019. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

CITY OF MESA, ARIZONA

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

**EXHIBIT B**

**NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS**

Name of Issuer: City of Mesa, Arizona  
Name of Bond Issue: \$\_\_\_\_\_,000 Utility Systems Revenue Bonds, Series 2019A  
Dated Date of Bonds: \_\_\_\_\_, 2019 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within thirty (30) days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2019, 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 \_\_\_\_\_

\$ \_\_\_\_\_,000\*  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS,**  
**SERIES 2019B**

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

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is undertaken by the City of Mesa, Arizona (the “*City*”), in connection with the issuance of its Utility Systems Revenue Refunding Bonds, Series 2019B (the “*Bonds*”). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

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

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

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

“*Audited Financial Statements*” shall mean the City’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the City intends to continue to prepare in substantially the same form.

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

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

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

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

“*Financial Obligation*” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “*Financial Obligation*” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with 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 \_\_\_\_\_, 2019, 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.

---

\* 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, 2020, provide electronically to MSRB, in a format prescribed by the MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Should the City's fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than six (6) months after the end of such fiscal year. Currently, filings are required to be made with EMMA. Notice of any such change in the City's fiscal year will be filed with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

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

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

(d) The Dissemination Agent shall:

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

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

**Section 4. Content of Annual Reports.**

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

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

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

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

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

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

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

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The annual audited financial statements shall be prepared in accordance with generally accepted accounting principles and

state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's annual audited financial statements is contained in Note 1 of the audited financial statements included within the Official Statement.

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

**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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) The incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material; and
- (16) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) "Materiality" will be determined in accordance with applicable federal securities laws.

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

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

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

Dated: \_\_\_\_\_, 2019.

**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: \$\_\_\_\_\_,000 Utility Systems Revenue Refunding Bonds, Series 2019B  
Dated Date of Bonds: \_\_\_\_\_, 2019 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2019. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

CITY OF MESA, ARIZONA

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

**EXHIBIT B**

**NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS**

Name of Issuer: City of Mesa, Arizona  
Name of Bond Issue: \$\_\_\_\_\_,000 Utility Systems Revenue Refunding Bonds, Series 2019B  
Dated Date of Bonds: \_\_\_\_\_, 2019 CUSIP 590545

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within thirty (30) days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2019, 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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