

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

*In the opinion of Sherman & Howard L.L.C., Phoenix, Arizona, Bond Counsel, assuming continuous compliance by the City (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) is excluded from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX MATTERS” herein.*

**\$70,065,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS,**  
**SERIES 2020**

**\$38,180,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS,**  
**SERIES 2020**

*Dated:* Date of Initial Delivery

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

The City of Mesa, Arizona (the “City”), Utility Systems Revenue Bonds, Series 2020, and Utility Systems Revenue Refunding Bonds, Series 2020 (collectively, 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, 2021\*, 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.”

**See Inside Front Cover Pages for Maturity Schedules and Additional Information**

Certain of the Bonds are subject to optional redemption prior to their stated maturity dates.\* 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 Sherman & Howard L.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 December \_\_, 2020\*.

*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.*

**RBC Capital Markets**

**J.P. Morgan**

\* Subject to change.

**\$70,065,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS, SERIES 2020**

**MATURITY SCHEDULE\***

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2021	\$ 1,995,000	%	%	
2022	1,000,000			
2023	1,500,000			
2024	4,700,000			
2025	1,000,000			
2026	1,000,000			
2027	1,500,000			
2028	2,500,000			
2029	2,5700,00			
2030	5,000,000			
2031	3,000,000			
2032	2,500,000			
2034	6,500,000			
2039	2,000,000			
2040	2,000,000			
2041	2,000,000			
2042	9,300,000			
2043	9,300,000			
2044	10,100,000			

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

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\* Subject to change.

**\$38,180,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS, SERIES 2020**

**MATURITY SCHEDULE\***

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2021	\$ -	%	%	
2034	38,180,000			

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\* 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, *Deputy City Manager and Chief Financial Officer*  
Irma Ashworth, *Finance Director*  
Ryan Wimmer, *City Treasurer*  
Dee Ann Mickelsen, *City Clerk*

## **BOND COUNSEL**

Sherman & Howard L.L.C.  
Phoenix, Arizona

## **FINANCIAL ADVISOR**

Hilltop Securities Inc.  
Phoenix, Arizona

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

UMB Bank, n.a.  
Phoenix, Arizona

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\* Councilman Jeremy Whittaker's term runs through January of 2021.

## **REGARDING THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the Utility Systems Revenue Bonds, Series 2020, and Utility Systems Revenue Refunding Bonds, Series 2020 (collectively, 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, Hilltop Securities Inc., the City’s financial advisor (the “Financial Advisor”), or RBC Capital Markets, LLC and J.P. Morgan Securities LLC (together, the “Underwriters”). The presentation of information, including tables of utility revenues and expenses, 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 or completeness of such information.

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

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

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

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

**\$70,065,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS,**  
**SERIES 2020**

**\$38,180,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS,**  
**SERIES 2020**

## 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 \$70,065,000\* Utility Systems Revenue Bonds, Series 2020 (the “Project Bonds”), and \$38,180,000\* Utility Systems Revenue Refunding Bonds, Series 2020 (the “Refunding Bonds” and, together with the Project 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.

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 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 Arizona Revised Statutes 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 City Council of the City (the “City Council”) on July 29, 1991 (the “1991 Master Resolution”); Resolution No. 7960 that amended the 1991 Master Resolution, thirty-eight supplemental resolutions adopted by the City Council (excluding Resolution No. 10183 adopted by the City Council on January 28, 2013 and Resolution No. 10200 adopted by the City Council 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 City Council 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 Nos. \_\_\_\_ and \_\_\_\_ adopted by the City Council on October 19, 2020\* (the “Thirty-Ninth Supplemental Resolution” and “Fortieth Supplemental Resolution,” respectively, and together, the “2020 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

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\* Subject to change.

improvements to the System (ii) refund the Bonds Being Refunded (as defined herein) and (iii) pay the costs of issuance of the Bonds.

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

Projects to be Funded	Estimated Cost*
Natural Gas System Improvements	\$20,000,000
Water System Improvements	5,000,000
Electric System Improvements	16,000,000
Wastewater System Improvements	44,000,000
Total	<u>\$85,000,000</u>

A summary of the Master Resolution, as amended, 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 2020 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 Deputy City Manager and Chief Financial Officer, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

#### *Other Expected Debt Offerings and Defeasances*

In addition to the Bonds, the City expects to offer \$36,150,000\* Excise Tax Revenue Obligations, Series 2020 (the “2020 Excise Tax Revenue Obligations”), \$22,075,000\* General Obligation Bonds, Series 2020 (the “2020 General Obligation Bonds”), and \$24,095,000\* General Obligation Refunding Bonds, Series 2020 (the “2020 General Obligation Refunding Bonds”) pursuant to separate official statements in November 2020.

#### **General Provisions**

The Bonds will be dated the date of initial delivery, and will bear interest from such date payable initially on July 1, 2021\* 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.

UMB Bank, n.a., 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.

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

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

If the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check drawn on the Paying Agent and mailed on or prior to each Interest Payment Date to the registered owners of the Bonds at the addresses shown on the books of the Registrar (the “Bond Register”) on the 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*

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

### *Mandatory Sinking Fund Redemption*

The Project Bonds maturing on July 1 of the following years will be redeemed from funds of the City prior to maturity on the following redemption dates and in the following amounts, by the payment of the redemption price equal to of the principal amount of the Project Bonds called for redemption plus accrued interest, if any, on the Project Bonds so redeemed from the most recent Interest Payment Date to the date of redemption, but without premium:

Redemption Date (July 1)	Principal Amount
Project Bonds Maturing in 20__	
20__	\$ __,000
20__	__,000
20__	__,000
20__ (maturity)	__,000

Whenever Project Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Registrar for cancellation, the principal amount of the Project Bonds so retired shall satisfy and be credited against the mandatory redemption requirements for such Project 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 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 monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or by the Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on or prior to the date set for redemption and if not so held by such date the redemption shall be cancelled and be of no force and effect. The notice of redemption shall describe the conditional nature of the redemption.

### *Effect of Call for Redemption*

Notice of redemption having been given in the manner described above, the 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

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\* Subject to change.

Bonds or portions thereof called for redemption is held in separate accounts by the City or by the 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 Utility Systems Revenue Bonds and Utility Systems Revenue Refunding Bonds outstanding and to be outstanding in the aggregate principal amount of \$1,292,735,723\* (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 Project 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 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 monies therein will be available to pay principal of or interest on the Post-2002 Bonds in the event and to the extent monies 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

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\* Subject to change.

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, monies, 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 monies, 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 two 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 Deputy City Manager and 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 Project Bonds, the City will be authorized to issue \$ 131,608,190\* 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)(b)*	2014 (a)*	Remaining Utility Systems Revenue Bonds Authorized But Unissued (a)(b)*
Gas System Improvements	\$ -	\$ 33,250,000	\$33,250,000
Water System Improvements	-	49,025,402	49,025,402
Wastewater System Improvements	-	44,297,788	44,297,788
Electric System Improvements	-	4,090,000	4,090,000
Solid Waste System Improvements	945,000	-	945,000
	<u>\$945,000</u>	<u>\$130,978,190</u>	<u>\$131,608,190</u>

\* Subject to change.

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(a) Net of the Project 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 currently has no outstanding subordinate lien obligations but may issue subordinate lien obligations in the future.

### **[Referendum and Ordinance]**

[On April 16, 2019, a political action committee named "Vote Yes on Affordable Utilities" filed an Application for Initiative or Referendum Petition (the "Initiative") with the City Clerk of the City. The Initiative proposes an amendment to the City Charter of the City to, among other things, establish a limit on the amount of System revenues that can be transferred to the City's General Fund and provide a mechanism to rebate a portion of System revenues to ratepayers from time to time. A full copy of the Initiative is available for review from the City Clerk's office at 20 East Main Street, Suite 150, Mesa Arizona 85201. If the Initiative secures the statutorily required number of petition signatures, the Initiative could be voted on by voters of the City at the November 2020 general election.

The Initiative's proposed amendments to the City Charter would create a "Utility Fund" that is accounted for separately from the City's General Fund. The proposed amendments in the Initiative would allow System revenues to be used for the payment of debt service on the City's utility systems revenue debt and general obligation bonds, but the payment of debt service on general obligation bonds would be limited to general obligation bonds issued for the acquisition, construction, improvement and equipping of System infrastructure and assets. Furthermore, the proposed amendments would, in each fiscal year, limit the transfer of System revenues to the City's General Fund to twenty percent (20%) of the System gross revenues (the "General Fund Transfer Limitation"), subject to the City Council's discretionary approval each year. In addition, at the end of each fiscal year, any amounts remaining in the Utility Fund established in accordance with the Initiative will be reimbursed to System customers, or System rates will be reduced proportionately to the amount of remaining monies in the Utility Fund.

As of the date hereof, the City is unable to determine or predict whether the Initiative will obtain enough petition signatures for the Initiative to be on the November 2020 general election ballot. Likewise, as of the date hereof, the City is unable to determine or predict whether voters of the City will approve the City Charter amendment at the November 2020 general election.

If ultimately approved by the voters of the City, the Initiative would have a material impact on City's General Fund revenues due to the General Fund Transfer Limitation, but the Initiative is not anticipated to have a material adverse impact on debt service payments for the City's utility systems revenue debt or general obligation bonds. The Initiative would have no adverse impact to the City's utility systems revenue bond holders. However, if the Initiative is ultimately approved by voters, certain conforming changes to Resolution No. 6362 adopted by the City Council on July 29, 1991, as thereafter amended and supplemented, may be necessary. With respect to the City's general obligation bonds, any impact of the Initiative, if approved by voters, would be minimal and there would be no adverse impact to the City's general obligation bond holders. During Fiscal Year 2018/19 the City paid in excess of seventy percent (70%) of its general obligation debt service from secondary property taxes, with the balance of debt service paid from the City's General Fund. Because secondary property taxes are the pledged source of repayment of the City's general obligation bonds, if necessary after implementation of the Initiative, the City would adjust its secondary property tax collections accordingly pursuant to Arizona law.

On January 30, 2020, City staff presented a proposal and ordinance to the City Council to formalize the City's process of transferring System revenues to the City's General Fund (the "Utility Transfer Ordinance"). [On March 16, 2020, the City Council adopted the Utility Transfer Ordinance, and the Utility Transfer Ordinance is effective as of thirty (30) days after adoption.] The Utility Transfer Ordinance amends the City Code to permit (i) a transfer of System revenues in an amount not to exceed twenty-five percent (25%) of the System revenues to the City's General Fund for public safety

purposes, and (ii) a transfer of System revenues in an amount not to exceed five percent (5%) of the System revenues to the City's General Fund for other general City purposes. Any such transfer in accordance with the Utility Transfer Ordinance would be at the discretion of the City Council. The Utility Transfer Ordinance expressly states that the amendments to the City Code will not affect, limit, or alter the City's payment obligations or payment priorities relating to the City's utility systems revenue bonds or obligations.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of political subdivisions of the State which could have a material impact on the City and could adversely affect the secondary market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.]

#### **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 since Fiscal Year 2014/15 - 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).

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
System Revenues: (a)						
Electric System		\$ 30,714	\$ 31,779	\$ 34,552	\$ 32,654	\$ 33,697
Gas System		47,372	40,054	41,854	40,027	39,511
Water System		129,571	146,891	161,121	137,234	122,379
Wastewater System		87,126	83,401	81,189	76,961	74,737
Solid Waste System		63,328	59,912	58,299	55,130	52,506
Total System Revenues		\$358,111	\$362,037	\$378,015	\$342,006	\$322,830
System Expenses: (a)						
Electric System		\$ 18,659	\$20,128	\$ 20,839	\$ 21,690	\$ 22,669
Gas System		22,574	22,119	27,249	21,274	24,614
Water System		45,349	42,766	41,590	38,395	37,806
Wastewater System		24,546	24,577	22,764	22,711	20,850
Solid Waste System		34,521	33,169	33,169	31,799	31,914
Total System Expenses		\$145,649	\$142,759	\$145,611	\$135,869	\$137,853
Net Income Available For Debt Service (Net Revenues)		\$212,462	\$219,278	\$232,404	\$206,137	\$184,977
Utility Systems Revenue Bond Debt Service Requirements (b)		\$ 82,475	\$ 96,894	\$ 66,883	\$ 70,629	\$ 67,556
Approximate Debt Service Coverage Provided By Net Revenues		2.58x	2.26x	3.47x	2.92x	2.74x

- (a) System revenues include all income, monies and receipts derived by the City from the ownership, use and operation of the System. Such revenues include operating revenues, interest income and other miscellaneous revenues. System expenses are the reasonable and necessary costs of System operation, maintenance and repair, but exclude depreciation and debt service expenses. System revenues and expenses indicated in the above schedule are set forth on a modified accrual basis, recognizing revenues when they become measurable and available and expenses when incurred.
- (b) Interest on the City's Taxable Utility Systems Revenue Bonds, Series 2009, which was issued under the Build America Bond program and is shown for Fiscal Years 2014/15 through 2018/19, and the City's Taxable Build America Bonds, Series 2010 (as defined herein) were without reduction of the federal subsidy payments. See footnote (b) on page B-3 herein.

Historically, the City has annually transferred a portion of the Net Revenues to the City's General Fund after providing for payment of the current debt service requirements of all Parity Bonds. In Fiscal Year 2019/20, such transfer was approximately \$ million. The City expects to continue this practice in the future.

## **RISK FACTORS**

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

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, price of, and demand for 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, pandemics, drought and other adverse weather conditions, changes in federal, state or local 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), changes in international laws and other contingencies. Recent changes in the demand for recyclable materials, particularly from China, have also impacted the solid waste industry. 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, wastewater and solid waste 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 they 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. The ACC opened a docket to revisit electric retail competition in 2013, but again closed the matter without taking further action later that year. In February 2020, two of the ACC Commissioners submitted alternate rule proposals for deregulation. After a subsequent meeting, it is unclear whether the ACC will take any further action at this time. However, a lawful regulatory scheme under the ACC, which does not have any direct jurisdiction over the City, remains a prerequisite to any deregulation of the City's electric service territory. The City

anticipates that continued efforts at implementing electric retail competition in Arizona will generate further litigation based on continued conflicts with long-standing court decisions. Deregulation continues to present a host of other jurisdictional, statutory and constitutional issues as well. However, should deregulation efforts continue, they may impact the reliability and costs in Arizona generally, which may also affect the City's electric utility operations. 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 from EPNG's published tariff rates. However, as Mesa's transmission needs increase, its associated costs can be expected to increase as well.

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, including those of the City and the Salt River Project (whose claims involve, in part, areas which receive City service), 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 on June 28, 2018 that the Salt River is not navigable. This decision was appealed by the Arizona Center for Law in the Public Interest, representing Defenders of Wildlife and three other named individuals and is pending in the Maricopa County Superior Court. The results of the NSA could impact the costs of service of the System in the event the appeal ultimately results in a contrary determination.

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 Arizona Revised Statutes § 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, 2019 and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

Risks Related to COVID-19 (Coronavirus). The outbreak of a novel strain of coronavirus and spread of Coronavirus Disease 2019 ("COVID-19"), which has been designated a global pandemic by the World Health Organization, is negatively impacting local, state and global economies, as governments, businesses, and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock markets in the United States and globally, have seen significant recent volatility and declines attributed to COVID-19 concerns. On March 11, 2020, as part of the State's response to address the outbreak, Arizona Governor, Doug Ducey (the "Governor"), declared

a state of emergency. On March 13, 2020, the United States President declared a national emergency, freeing up funding for federal assistance to state and local governments. Following the expiration on May 15, 2020 of a six week stay home Executive Order, the State currently operates under the “Stay Healthy, Return Smarter, Return Stronger” Executive Order (the “Stay Healthy Order”) (subject to further directives included in subsequent orders including those described below). The Stay Healthy Order promotes physical distancing, while encouraging social connectedness and allows businesses to open in compliance with federal guidelines as the State continues to attempt to limit the spread of COVID-19. Additionally, the Stay Healthy Order encourages vulnerable individuals to minimize their time away from home. On June 17, 2020, following COVID-19 case and hospitalizations increases in the State, the Governor announced enhanced actions and issued an Executive Order 2020-40 (Continuing Arizona Mitigation Efforts) regarding testing, contact tracing, securing personal protective equipment (PPE), permitting local jurisdictions to adopt face covering policies and additional guidance for businesses. Following Executive Order 2020-40, the County passed Resolution No. 2020-49, requiring every person over the age of five in the County to cover their nose and mouth with a face covering when in a public setting where continuous physical distancing is difficult or impossible. On June 29, 2020, additional executive orders by the Governor provided limitations on large gatherings; pausing until July 27, 2020 the operations of bars, gyms, movie theatres, water parks, and tubing rentals; and delaying the start of in-person K-12 education until August 17, 2020. On July 9, 2020 Executive Order 2020-47 (Limiting Indoor Dining), further limited indoor dining at restaurants to less than 50% occupancy and Executive Order 2020-48 (Slowing the Spread of COVID-19) regarding enhanced reporting requirements of COVID-19 patients and other data in hospitals, nursing homes, long-term care facilities and other medical facilities, ensuring hospital bed capacity and appropriate hospital staffing, and extending insurance coverage for COVID-19 treatment. As of July 23, 2020, the order pausing operations of the previously specified activities has been extended, subject to a two week review. On August 10, the State announced a rating system that allows businesses to partially reopen in counties where the spread of COVID-19 is deemed “moderate” or “minimal.” The entire State was initially rated “substantial.” Businesses in counties rated “substantial” may apply to the State Department of Health Services to reopen. As of August 28, the County rating was “moderate” and businesses in the County are not required to apply to reopen, provided, however, that businesses must still complete a filing with the State Department of Health Services declaring that the business will comply with rules set by the State Department of Health Services for operating in the pandemic. The rules determined by the State Department of Health Services vary depending on the type of business. Once a business completes this filing with the State Department of Health Services, it may reopen without further approval from the State, but may be subject to closure or other enforcement if found to be violating the rules set by the State Department of Health Services.

The Mayor of the City, John C. Giles (the “Mayor”), declared a local emergency (the “Emergency Proclamation”) on March 17, 2020, which imposed limited and temporary restrictions on the use of certain public establishments. The Mayor issued proclamations on May 5, 2020 and May 12, 2020. On June 20, 2020, the Mayor updated the Emergency Proclamation to include the requirement to wear face coverings in public places where social distancing is not possible. This proclamation was effective starting June 22, 2020 and will continue until further notice, unless repealed or revised by the Mayor or authority is preempted by the Governor under paragraph 4 of his Executive Order 2020-40.

*Potential Impact on the City.* While the City does not currently anticipate a material effect on the collection of Net Revenues, which is a significant revenue source for operating purposes and is the security and source of payment of principal and interest due on the Bonds, should adverse economic conditions lead to a significant decrease in local utilities usage, collections of Net Revenues could be adversely affected.

The City cannot predict how the spread of COVID-19, the Stay Healthy Order, or the various governmental or private actions taken in response thereto will affect its finances or operations, including the collection of Net Revenues. The City cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) what effect the COVID-19 pandemic will continue to have on global, national, and local economies; or (iii) the impact the COVID-19 pandemic will have on utilities usage within the City. There can be no assurance that COVID-19 will not have a materially negative impact on the collection of Net Revenues for the payment of principal of and interest on the Bonds, or a materially negative impact on the value of the City.

*Postponed Foreclosures.* On March 26, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act, certain homeowners may be eligible to receive forbearance and pause payments for a minimum of six months, with the possibility of an additional six months. The CARES Act provides for the suspension of foreclosure actions and evictions. Homeowners subject to any of the following federally-backed loans may be eligible: (i) loans insured by the Federal Housing Administration (FHA) under Title II of the National Housing Act, which is the main title under which FHA insures residential mortgage loans; (ii) loans insured under National



Housing Act section 255, which addresses home equity conversion (i.e., reverse) mortgage loans insured by FHA; (iii) loans guaranteed under Housing and Community Development Act of 1992 sections 184 or 184A, which address loans related to Native American families and housing authorities and loans related to Native Hawaiian families and authorities; (iv) loans guaranteed or insured by the U.S. Department of Veterans Affairs (VA); (v) loans Guaranteed or insured by the U.S. Department of Agriculture (USDA); (vi) loans originated by the United States Department of Agriculture; or (vii) loans purchased or securitized by Fannie Mae or Freddie Mac.

Additionally, other mortgage lenders have announced similar suspension of foreclosures or forbearance options in connection with loans that may not be backed by the federal government. Any impact of such forbearance options for mortgage payments cannot be predicted at this time.

On March 24, 2020, the Governor of Arizona signed Executive Order 2020-14: "Postponement of Eviction Actions," which mandates that Arizona law enforcement officers shall temporarily delay enforcement of eviction action orders for residential premises under certain circumstances related to the effects of COVID-19. On July 16, 2020, the Governor of Arizona signed Executive Order 2020-49; "Continued Postponement of Eviction Enforcement Actions," which extended the Governor's prior Executive Order. Although the Governor's Executive Orders only pertain to rental property evictions, governors of other states have announced temporary suspensions of residential mortgage foreclosure actions in response to the COVID-19 outbreak. Whether the Governor of Arizona will sign a similar Executive Order temporarily suspending residential mortgage foreclosure actions in Arizona, and the impact of any such potential Executive Order on foreclosure of properties with delinquent ad valorem property tax payments, cannot be predicted at this time.

## PLAN OF REFUNDING

A portion of the proceeds of the Refunding Bonds will be placed in an irrevocable escrow trust (the "Trust") with UMB Bank, n.a. (the "Escrow 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 establish an initial cash balance and 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, together with any cash balance, are calculated to be sufficient to provide monies to pay the principal of and interest due on the Bonds Being Refunded. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

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

### Bonds Being Refunded

The following table sets forth the stated maturity dates, principal amounts outstanding and to be redeemed, redemption dates, redemption prices and CUSIP numbers of the Taxable Utility Systems Revenue Bonds, Series 2010 (Build America Bonds – Direct Pay) (the "Taxable Build America Bonds, Series 2010") being refunded ("Bonds Being Refunded"):

Refunded Issue *	Maturity Date (July 1) *	Principal Amount Outstanding*	Amount Being Refunded *	Redemption Date *	Redemption Price	CUSIP® (a) (Base No. 590545)
Taxable Utility Systems Revenue Bonds, Series 2010 (Build America Bonds – Direct Pay)	2034	\$44,690,000	\$44,690,000	January 12, 2021	100%	N70
		<u>\$44,690,000</u>	<u>\$44,690,000</u>			

- (a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2020 CGS. All rights reserved. CUSIP® data herein is provided by CGS. 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

\* Subject to change.

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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.

Pursuant to the Master Resolution, upon deposit of funds in the 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 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.

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:

<b>Sources of Funds</b>	<b>Project Bonds*</b>	<b>Refunding Bonds*</b>	<b>Total*</b>
Principal Amount of the Bonds	\$70,065,000.00	\$38,180,000.00	\$108,245,000.00
[Net] Original Issue Premium (a)			
Total Sources of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Uses of Funds</b>			
Deposit to Construction Fund			
Deposit to Trust			
Cost of Issuance (b)			
Total Uses of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

(b) Includes compensation of the Underwriters and certain costs incurred by the City in connection with the issuance of the Bonds.

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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 2018/19 Net Revenues.

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

Period Ending (07-01)	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)		
2021	\$39,826,173	\$49,969,717	\$ 1,995,000	\$2,417,472	\$94,208,362	. x
2022	44,349,378	48,009,312	1,000,000	4,250,000	97,608,690	
2023	44,887,657	45,785,933	1,500,000	4,210,000	96,383,590	
2024	43,146,010	43,556,280	4,700,000	4,150,000	95,552,290	
2025	48,499,440	41,413,412	1,000,000	3,962,000	94,874,852	
2026	49,847,949	39,255,604	1,000,000	3,922,000	94,025,553	
2027	51,821,538	37,102,264	1,500,000	3,882,000	94,305,802	
2028	54,225,210	34,954,880	2,500,000	3,822,000	95,502,090	
2029	52,722,367	32,723,999	2,570,000	3,722,000	91,738,366	
2030	54,455,000	30,563,938	5,000,000	3,619,200	93,638,138	
2031	63,555,000	28,275,450	3,000,000	3,419,200	98,249,650	. x
2032	65,885,000	25,648,900	2,500,000	3,299,200	97,333,100	
2033	65,685,000	22,927,588	-	3,199,200	91,811,788	
2034	18,175,000	20,512,513	44,680,000	3,199,200	86,566,713	
2035	69,315,000	19,722,513	-	1,412,000	90,449,513	
2036	73,150,000	16,390,388	-	1,412,000	90,952,388	
2037	75,540,000	13,512,888	-	1,412,000	90,464,888	
2038	69,150,000	10,563,350	-	1,412,000	81,125,350	
2039	60,975,000	8,104,688	2,000,000	1,412,000	72,491,688	
2040	54,595,000	5,864,188	2,000,000	1,332,000	63,791,188	
2041	45,180,000	3,903,500	2,000,000	1,252,000	52,335,500	
2042	26,205,000	1,975,250	9,300,000	1,172,000	38,652,250	
2043	13,300,000	665,000	9,900,000	800,000	24,665,000	
2044			10,100,000	404,000	10,504,000	
	<u>\$1,184,490,723</u>		<u>\$108,245,000</u>			

\* Subject to change.

- 
- (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.
  - (c) The first interest payment on the Bonds is due on July 1, 2021\*. 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 \$ [REDACTED] for Fiscal Year 2019/20. See “COMBINED SCHEDULES OF NET REVENUES AND DEBT SERVICE COVERAGE” herein. The Fiscal Year 2018/19 Net Revenues provide coverage for the total estimated annual debt service requirements in Fiscal Year 2020/21 of approximately [REDACTED] x\* and approximately [REDACTED] x\* the total estimated annual debt service requirements for Fiscal Year 20 [REDACTED] / [REDACTED] \*, the estimated Maximum Annual Debt Service payable on all Parity Bonds to be outstanding immediately after issuance of the Bonds.

## 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 One Front Street, Suite 1900, San Francisco, California 9411 and from S&P at One California Street, 31<sup>st</sup> Floor, San Francisco, California 9411. 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 (as defined herein) (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 MATTERS” herein) are subject to the legal opinions of Sherman & Howard L.L.C., Phoenix, Arizona (“Bond Counsel”), whose services as Bond Counsel have been retained by the City. The signed legal opinions 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 opinions are set forth as APPENDIX G. The legal opinions 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 opinions will speak only as of their 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 opinions 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 MATTERS

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Code, and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State of Arizona income taxes. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the Bonds only to the extent such original issue discount is accrued as described herein. The opinions of Bond Counsel will be dated the date of

delivery of the Bonds. The forms of such opinions are included herein in APPENDIX F – “Forms of Approving Legal Opinions.”

The Code imposes several requirements which must be met with respect to the Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Bonds above the yield on the Bonds to be paid to the United States Treasury. The City covenanted and represented in the 2020 Resolutions and will covenant and represent in a federal tax exemption certificate of the City that: it will not take any action or omit to take any action with respect to the Bonds, any funds of the City, or any facilities financed with the proceeds of the Bonds, if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. Bond Counsel’s opinion as to the exclusion of interest on the Bonds from gross income and alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the City to comply with these requirements could cause the interest on the Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

With respect to the Bonds that were sold in the initial offering at a discount (the “Discount Bonds”), the difference between the stated redemption price of the Discount Bonds at maturity and the initial offering price of those bonds to the public (as defined in Section 1273 of the Code) will be treated as “original issue discount” for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is excluded from gross income or alternative minimum taxable income under the conditions described in the preceding paragraphs. The original issue discount on the Discount Bonds is treated as accruing over the respective terms of such Discount Bonds 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 accruing each period (calculated as described in the preceding sentence) constitutes interest which is excluded from gross income or alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs and will be added to the owner’s basis in the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale or payment at maturity). Owners should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who purchase Discount Bonds after the initial offering or who purchase Discount Bonds in the initial offering at a price other than the initial offering price (as defined in Section 1273 of the Code) should consult their own tax advisors with respect to the federal tax consequences of the ownership of the Discount Bonds. Owners who are subject to state or local income taxation should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The Code contains numerous provisions which may affect an investor’s decision to purchase the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain “subchapter S” corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Code, backup withholding may be imposed on payments on the Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Code. Backup withholding may also be applied if the owner underreports “reportable payments” (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Code. Certain of the Bonds were sold at a premium, representing a difference between the original offering price of those Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner’s acquisition cost. Bond Counsel’s opinion relates only to

the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Bonds. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Bonds, the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Bonds. Owners of the Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, the market value of the Bonds may be adversely affected. Under current audit procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedures. The City has covenanted in the 2020 Resolutions, and will covenant in the federal tax exemption certificate of the City, not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the Underwriters, Bond Counsel or counsel to the Underwriters is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the Bonds.

## **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 2020 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 2020 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 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 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.

From time to time the City receives letters from residents of the City alleging various items including, without limitation, that (i) the rates and fees charged by the City’s water, electrical, natural gas, wastewater and solid waste systems are not

just and reasonable, (ii) the City's transfer of System revenues to the City's General Fund is not permitted by law and (iii) the City's financial statements inaccurately reflect debt service payments on the City's outstanding general obligation bonds and utility systems revenue bonds. Some of these letters include notice of the respective author's intent to file a lawsuit against the City.

Generally, City staff is able to respond directly to the authors of such letters to address the particular resident's concerns. Currently, the City is not in receipt of any such letters from residents challenging the issuance of the Bonds, however the City did receive letters of the nature described above immediately prior to the sale of the City's general obligation bonds and utility systems revenue bonds in 2018, which has resulted in no legal action to date.

The City is unable to predict if any lawsuits threatened in such future letters from residents will actually be filed, or if any letters from residents will be received prior to the sale of the Bonds. Generally, prior letters received from residents do not present a case or controversy which would adversely affect the issuance, validity or payment of the City's general obligation bonds or utility systems revenue bonds, including the Bonds, and if the threatened lawsuits were actually filed, the City believes the claims would lack merit and the City would be entitled to judgment as a matter of law. In addition, based on the City's past experience receiving such letters from residents, if any lawsuits were actually filed the City believes it has a number of meritorious factual and legal defenses and would vigorously defend itself. Although no prediction can be made with respect to the City's liability for any claims asserted in any future resident letters or litigation, the City has previously successfully defended itself in a prior lawsuit involving issues regarding the System ratemaking process and adjustments to System rates similar to the claims threatened in prior letters from residents.

## **UNDERWRITING**

RBC Capital Markets, LLC, and J.P. Morgan Securities 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 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 that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

## **CERTIFICATION CONCERNING OFFICIAL STATEMENT**

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City's Deputy City Manager and 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, 2021 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”), as set forth in APPENDIX H – “Form of Continuing Disclosure Certificate” (the “Continuing Disclosure Certificate”). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB’s EMMA system as described in APPENDIX H – “Form of Continuing Disclosure Certificate.”

These covenants will be made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX H hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. The City’s undertaking to comply with such covenants is payable solely from Net Revenues of the System. Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability. The City’s Finance Department has instituted written policies and procedures 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.

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 revenue 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.

## **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 City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2019, 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, 2019 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 Deputy City Manager and Chief Financial Officer, as indicated below.**

CITY OF MESA, ARIZONA

By: \_\_\_\_\_  
Deputy City Manager and Chief Financial Officer

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

**General**

The City is the third largest city in the State and the 35th largest city in the United States. Founded in 1878 and incorporated in 1883, the City had a 2019 estimated population of 497,439. 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
2019 Estimate (a)	497,439	4,367,835	7,187,990
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, 2019 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, 2019*.

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
2020	140.44
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 Councilmembers are elected on a non-partisan basis, and the Vice Mayor is a City Councilmember selected by the City Council.

The City Manager, who has full responsibility for carrying out City Council policies and administering City operations, is appointed by the 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, Deputy City Manager and Chief Financial Officer.* Mr. Kennington was hired as the City’s Chief Financial Officer in July 2012 and was promoted to Deputy City Manager and Chief Financial Officer in 2019. He 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)
2020 (b)	8.8%	7.9%	7.3%	7.2%
2019	3.7	4.7	4.0	4.0
2018	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

(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 July 2020 for the National Unemployment rate and through June 2020 for LAUS data. Data accessed August 14, 2020.

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

## Manufacturing and Non-Manufacturing Employment

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

### MAJOR EMPLOYERS

#### City of Mesa, Arizona

Employer	Description	Approximate Employment
Banner Health Systems	Hospital Network	8,321
Mesa Public Schools	Public Education	8,184
City of Mesa	Government	4,492
The Boeing Company	Helicopter Manufacturing and Assembly	4,336
Wal-Mart	Retail	2,455
Drivetime Automotive Group	Automotive Financing	1,422
24-7 Intouch	Communications	1,400
Frys Food Stores (The Kroger Company)	Retail	1,338
AT&T	Telecommunications	1,276
The Home Depot	Retail	1,137

Source: The City, Office of Economic Development as of June 30, 2019.

### 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.

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

Fiscal Year	Residential	Commercial	Other	Total
2020/21(a)	\$133,888	\$106,106	\$ 361	\$ 240,355
2019/20	795,733	544,562	2,076	1,342,371
2018/19	787,199	929,803	6,165	1,723,167
2017/18	872,078	510,733	3,237	1,386,048
2016/17	811,424	646,159	37,761	1,495,344

(a) Partial fiscal year data from July 1, 2020 through August 31, 2020.

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
2020/21(a)	422
2019/20	2,340
2018/19	2,334
2017/18	2,765
2016/17	2,455

(a) Partial fiscal year data from July 1, 2020 through August 31, 2020.

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
2020/21 (a)	\$
2019/20	5,776,270,849
2018/19	5,227,198,433
2017/18	4,833,976,880
2016/17	4,566,213,555

(a) Data reflects collections from July 1, 2020 through \_\_\_\_, 2020.

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

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 17-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.

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**CITY OF MESA, ARIZONA  
FINANCIAL DATA**

**Current Year Statistics (For Fiscal Year 2020/21)****City of Mesa, Arizona**

Total General Obligation Bonds to be Outstanding	\$ 351,180,000 *(a)
Total Utility Systems Revenue Bonds to be Outstanding	1,292,735,723 *(b)
Total Street and Highway User Revenue Bonds Outstanding	58,750,000 (c)
Total Excise Tax Revenue Obligations to be Outstanding	52,145,000 *(d)
Net Assessed Limited Property Value	3,736,210,059 (e)
Estimated Net Full Cash Value	46,382,667,125 (f)

- 
- (a) Represents all general obligation bonds of the City to be outstanding following the issuance of the 2020 General Obligation Bonds and the 2020 General Obligation Refunding Bonds and net of the general obligation bonds being refunded. See “STATEMENTS OF BONDS OUTSTANDING – General Obligation Bonds to be Outstanding” in this appendix.
- (b) Represents all utility systems revenue bonds to be outstanding including the Bonds and net of the Bonds Being Refunded. 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 revenue obligations to be outstanding following the issuance of the 2020 Excise Tax Revenue Obligations. See “STATEMENTS OF BONDS OUTSTANDING – Excise Tax Revenue Obligations to be 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.

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 (a) City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2007	Various Purpose	\$15,915,000	7-1-19/27	\$ 1,400,000
2008	Various Purpose	15,450,000	7-1-09/21	625,000
2010	Various Purpose	30,865,000	7-1-20/30	29,750,000(b)
2011	Various Purpose	29,320,000	7-1-12/31	17,675,000
2012	Refunding	31,665,000	7-1-13/22	4,590,000
2012	Various Purpose	27,290,000	7-1-13/32	20,150,000
2013	Refunding	8,915,000	7-1-14/24	7,590,000
2013	Various Purpose	59,960,000	7-1-14/33	45,700,000
2014	Various Purpose	37,550,000	7-1-15/34	26,175,000
2015	Various Purpose	13,690,000	7-1-16/35	5,915,000
2016A	Various Purpose	20,475,000	7-1-17/27	20,235,000
2016B	Refunding	22,935,000	7-1-17/29	16,555,000
2016	Refunding	37,700,000	7-1-17/36	32,525,000
2017	Refunding	47,450,000	7-1-17/29	44,055,000
2017	Various Purpose	47,180,000	7-1-17/37	38,405,000
2018	Various Purpose	16,120,000	7-1-19/38	7,050,000
2019	Various Purpose	33,065,000	7-1-20/39	16,365,000
Total General Obligation Bonds Outstanding				\$334,760,000
Less the Bonds Being Refunded by the 2020 General Obligation Refunding Bonds				(29,750,000)*
Plus the 2020 General Obligation Refunding Bonds				24,095,000*
Plus the 2020 General Obligation Bonds				22,075,000*
Total General Obligation Bonds to Be Outstanding				<u>\$351,180,000*</u>

- (a) The City expects to offer the 2020 General Obligation Bonds and the 2020 General Obligation Refunding Bonds pursuant to a separate official statement in November 2020.
- (b) Represents the Bonds Being Refunded. 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 5.7%, 5.9%, and 6.2% for the federal Fiscal Years 2020/21, 2019/20, and 2018/19, 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.

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2004	Utility Improvement	\$ 40,345,000	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	18,000,000
2006	Refunding	127,260,000	7-1-12/24	53,670,000
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	WIFA Loans	3,758,810	7-1-10/29	1,430,723
2010	Utility Improvement	50,380,000	7-1-34	44,690,000(a)
2011	Utility Improvement	53,950,000	7-1-35	53,950,000
2012	Refunding	31,580,000	7-1-16/21	7,465,000
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	Refunding	36,385,000	7-1-37/38	36,385,000
2014	Utility Improvement	102,945,000	7-1-18/30	86,545,000
2015	Utility Improvement	30,220,000	7-1-20/39	29,220,000
2016	Refunding	138,035,000	7-1-25/32	138,035,000
2016	Utility Improvement	90,500,000	7-1-20/40	89,500,000
2017	Utility Improvement	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	106,120,000
2019A	Utility Improvement	93,825,000	7-1-20/43	90,825,000
2019B	Refunding	54,225,000	7-1-20/33	54,025,000
2019C	Refunding	79,335,000	7-1-20/35	76,385,000
Total Utility Systems Revenue Bonds Outstanding				\$1,229,180,723
Less the Bonds Being Refunded				(44,690,000)*
Plus the Refunding Bonds				38,180,000*
Plus the Project Bonds				70,065,000*
Total Utility Systems Revenue Bonds to be Outstanding				<u>\$1,292,735,723*</u>

- (a) Represents the Bonds Being Refunded. 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 5.7%, 5.9%, and 6.2% for the federal Fiscal Years 2020/21, 2019/20, and 2018/19, respectively, due to sequestration reductions imposed by the federal government. Additional sequestration reductions or other reductions may be imposed by the federal government in future years. The City is required to pay the shortfall in the interest payments caused by the reduction.

\* Subject to change.

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2004	Street Improvements	\$ 9,585,000	7-1-10/23	\$ 375,000
2005	Refunding	23,800,000	7-1-07/23	8,000,000
2005	Street Improvements	10,225,000	7-1-10/24	400,000
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	19,095,000
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>\$58,750,000</u>

**Excise Tax Revenue Obligations to be Outstanding (a)  
City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7-1-14/38	<u>\$15,995,000</u>
Total Excise Tax Revenue Obligations Outstanding				\$15,995,000
Plus the 2020 Excise Tax Revenue Obligations				<u>36,150,000*</u>
Total Excise Tax Revenue Obligations to be Outstanding				<u>\$52,145,000*</u>

(a) The City expects to offer the 2020 Excise Tax Revenue Obligations pursuant to a separate official statement in November 2020.

**Other Indebtedness  
City of Mesa, Arizona**

The City has other obligations which are payable from various City funds, including purchase 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, 2019, 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 City Councilmembers, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System ("PSPRS") that is an agent multiple-employer defined benefit health insurance premium benefit plan. The City Councilmembers contribute to 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.

In addition, eligible employees are covered by other post employment benefit plans. 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 ("OPEB") plan. Eligible City employees also participate in the City's OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS

\* Subject to change.

OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2019, the City reported the following unfunded liabilities related to pensions and OPEB for all plans to which it contributes (in thousands):

<b>Net Pension and OPEB Liabilities</b>		
Plan	Governmental Activities	Business- Type Activities
ASRS	\$ 179,469	\$ 47,764
PSPRS-Fire	203,638	
PSPRS-Police	396,877	
OPEB-Police	9,563	
City OPEB	651,223	95,592
Total	<u>\$1,440,770</u>	<u>\$143,356</u>

For a more detailed description of these plans and the City contributions to the various plans, please refer to Note 15 of the City's Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2019, contained in APPENDIX D of this Official Statement.

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**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 2019/20, the Electric System served a total of 17,018 customers comprised of 14,453 residential and 2,565 commercial and other customers. The summer system experienced a peak demand in calendar year 2019 of approximately 88.27 megawatts ("MW"s) and Fiscal Year 2018/19 system energy requirements of 329,157 megawatt hours ("MWh") were metered at the Rogers Substation, the Electric System's point of supply.

During Fiscal Year 2018/19, 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 active members of the City, Electrical District Number Two (ED-2), the Town of Fredonia, and Aha Macav Power Service. 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 2018/19 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. Power supply resources for the Electric System as of spring 2020 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	-
CitiGroup Energy, Inc. (d)	Dec-2021	5	5
Shell Energy North America, L.P. (e)	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 was scheduled to expire on March 31, 2020. A request for proposals ("RFP") has been issued for the renewal of this supply for a period beginning as early as April 1, 2020. Terms of the replacement contract will be based on best bids. Advantageous market pricing available, the City's access to the wholesale power supply market and its ability to engage in *ad hoc*, short-term firm and non-firm transactions will be used until a longer-term replacement supply is contracted.
- (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. A RFP was issued, however, pricing was not advantageous to enter into a new peak supply contract.

- (d) The City and CitiGroup Energy are parties to a five (5) megawatts (MW) base load, firm electric power supply with a term of two (2) years beginning January 1, 2020 and ending December 31, 2021.
- (e) The City and Shell Energy North America are 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. Beginning October 1, 2018, the City's new transmission contractual arrangements with Western became 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 the Rogers Substation's 230/69 kilovolts ("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 2018/19 there were approximately 194.3 miles of overhead primary and approximately 257.3 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.

**Current Electric System Fees and Charges**

Description of Electric Services	Fee/Charge (a) (2019/20)
<b>Residential Electric Service = E1.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge	\$12.00
Usage Charge	
First 1200 kWh	\$0.05128 per kWh
> 1200 kWh	\$0.04822 per kWh
<b>November 1 to April 30</b>	
Customer Charge	\$12.00
Usage Charge	
First 800 kWh	\$0.03765 per kWh
> 800 kWh	\$0.01633 per kWh
Energy Cost Adjustment Factor (b)	
Minimum	\$12.00
<b>Non-Residential Service = E3.1</b>	
Monthly Bill Per Meter	
<b>May 1 to October 31</b>	
Customer Charge (c)	\$7.22
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)	\$7.22
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 2018/19 factor for residential was \$0.04393 per kWh and the average Fiscal Year 2018/19 factor for non-residential was \$0.03258 per kWh.



- (c) Monthly Customer Charge for single phase E3.1 customers. Monthly Customer Charge for three phase E3.1 customers is \$13.24.

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 Changes  
(2015 - 2019)**

Date	Rate Change
August 1, 2019	\$0.00
August 1, 2018	\$1.00 (a)
August 1, 2017	\$1.25 (b)
August 1, 2016	\$1.50 (c)
August 1, 2015	\$1.50 (c)

- 
- (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 2014/15 - 2018/19) (a)**

Fiscal Year (a)	Residential Customers	Commercial Customers	Other Customers	Total Customers
2018/19	14,453	2,347	218	17,018
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

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- (a) Electric system customers as of June 30 for each Fiscal Year or "Fiscal Year End" customers.

Source: The City.

The following is a list of the ten largest Electric System customers in order by revenue for Fiscal Year 2018/19.

**Ten Largest Electric System Customers**

Mesa Public Schools  
Ensemble Mesa Partners, LLC  
Centurylink, Inc.  
Mesa Cold Storage, Inc.  
Valley Metro Rail  
Rohrer Corporations  
Epicurean Fine Food, Inc.  
Benedictine University  
Courtyard Towers Properties 1, LLC  
Circle K Stores, Inc.

The combined 2018/19 Electric System fees/charges for the top ten Electric System customers set forth above was \$2,716,788, constituting 8.8% of the total 2018/19 Electric System operating revenue. No individual Electric System customer above constitutes more than 3% of the total 2018/19 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2018/19, 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 2018/19, Electric System interdepartmental revenues were \$3,085,321. The City as a customer constitutes approximately 10.0% of the total 2018/19 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 2018/19, 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 2018/19, the City's combined Natural Gas System operated 1,359 miles of distribution mains and served approximately 65,993 total customers comprised of 63,472 residential and 2,521 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 2018/19, 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 2018/19, the Natural Gas System experienced a total coincident hourly system peak demand of 1,156 dekatherms per hour ("DTh/hr") on January 3, 2019 in the CSA and a peak demand of 517 DTh/hr on February 20, 2019 in the MSA. Total natural gas supply deliveries at the Natural Gas System's gate stations during Fiscal Year 2018/19 were 3,641,124 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 (2019/20)
<b>City Service Area Residential Gas Service = G1.1</b>	
<b>May 1st through October 31st</b>	
Gas System Service Charge	\$ 15.06
First 25 Therms	0.6685 / therm
All Additional Therms	0.2167 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>November 1st through April 30th</b>	
Gas System Service Charge	\$ 17.99
First 25 Therms	0.6685 / therm
All Additional Therms	0.4926 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>City Service Area General Gas Service = G3.1</b>	
<b>May 1st through October 31st</b>	
Monthly Service Charge	\$ 35.66
First 1200 Therms	0.5280 / therm
All Additional Therms	0.3166 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>November 1st through April 30th</b>	
Monthly Service Charge	\$ 45.34
First 1200 Therms	0.5718 / therm
All Additional Therms	0.4574 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>Magma Service Area Residential Gas Service = GM1.1</b>	
<b>May 1st through October 31st</b>	
Gas System Service Charge	\$ 16.05
First 25 Therms	0.7370 / therm
All Additional Therms	0.2388 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>November 1st through April 30th</b>	
Gas System Service Charge	\$ 19.29
First 25 Therms	0.7370 / therm
All Additional Therms	0.5433 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>Magma Service Area General Gas Service = GM3.1</b>	
<b>May 1st through October 31st</b>	
Monthly Service Charge	\$ 42.48
First 1200 Therms	0.6522 / therm
All Additional Therms	0.3910 / therm
Natural Gas Supply Cost Adjustment (a)	
<b>November 1st through April 30th</b>	
Monthly Service Charge	\$ 54.41
First 1200 Therms	0.7061 / therm
All Additional Therms	0.5648 / therm
Natural Gas Supply Cost Adjustment (a)	

(a) 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 2018/19 for residential and general service was \$0.25714 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 Changes  
(2015-2019)**

Date	Rate Changes
August 1, 2019	\$0.00
August 1, 2018	\$0.45 (a)
August 1, 2017	\$0.75 (a)
August 1, 2016	\$1.00 (a)
August 1, 2015	\$1.29 (a)

(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 2014/15 - 2018/19)(a)**

Fiscal Year (a)	Residential Customers	Commercial Customers	Other Customers	Total Customers
2018/19	63,472	2,294	227	65,993
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

(a) Natural gas system customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

Source: The City.

The following is a list of the ten largest Natural Gas System customers in order by revenue for Fiscal Year 2018/19.

**Ten Largest Natural Gas System Customers**

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

The combined Fiscal Year 2018/19 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$3,261,805, constituting 6.9% of the total Fiscal Year 2018/19 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 1.6% of the total Fiscal Year 2018/19 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2018/19, 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 2018/19 Natural Gas System interdepartmental revenues for the City were \$763,026.

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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 158,500 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. The City has adequate supplies for growth and 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 40% 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 34% of the City’s water. SBWTP was completed in June 2018 and has the capacity to treat 24 mgd of CAP water. SBWTP produced approximately 16% of the City’s water in 2019.

Groundwater wells produce the remaining 11% 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 2019 was 84 mgd, with a peak day of 119 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 (2019/20)
<b>Monthly Minimum Bill-All Classes, All Zones*</b>	
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	
<b>Monthly Volume Charge - Residential</b>	
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 Changes  
(2015-2019)**

Date	Rate Change
July 1, 2019	0.00%
July 1, 2018	2.00%
July 1, 2017	3.50%
July 1, 2016	5.00%
July 1, 2015	5.00%

Source: The City.

**Water System Customers  
(Fiscal Years 2014/15 - 2018/19)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2018/19	133,610	10,787	4,590	148,987
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

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 2018/19.

**Ten Largest Water System Customers**

Mesa Public Schools  
CalAm, Inc. (Cal-Am Properties, Inc.)  
The Church of Jesus Christ of Latter-Day Saints.  
Gilbert Public Schools  
Arizona State University-East  
Commercial Metal Company  
Banner Desert Medical Center  
DMB Mesa Proving Grounds, LLC  
Platypus Development, LLC  
Eastmark Residential Association

The combined Fiscal year 2018/19 Water System fees/charges for the top ten Water System customers set forth above was \$6,188,188 constituting 4.4% of the total Fiscal Year 2018/19 Water System operating revenue. No individual Water System customer above constitutes more than 1.6% of the total Fiscal Year 2018/19 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2018/19, 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 2018/19 Water System interdepartmental revenues for the City were \$3,870,560.

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Source: The City.

**Wastewater System**

The City's wastewater collection system (the "Wastewater System") currently serves approximately 127,500 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 1789 miles of sewer mains, 15 lift stations, 21 odor control stations, 8 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 2019 was 34.9 mgd, with a peak day of 37.0 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 (2019/20)
<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.

<b>Wastewater System Rate Changes (2015-2019)</b>	
Date	Rate Change
July 1, 2019	0.00%
July 1, 2018	2.50%
July 1, 2017	4.00%
July 1, 2016	5.00%
July 1, 2015	5.00%

Source: The City.

<b>Wastewater System Customers (Fiscal Years 2014/15 - 2018/19)</b>						
<b>Fiscal Year</b>	<b>Residential Customers</b>	<b>Commercial Customers</b>	<b>Multi-Unit Customers</b>	<b>Industrial Customers</b>	<b>Other Customers</b>	<b>Total Customers</b>
2018/19	123,414	5,737	4,458	0	0	133,609
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

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 2018/19.

**Ten Largest Wastewater System Customers**

Mesa Public Schools  
Cal-Am Properties, Inc.  
Platypus Development, LLC  
Arizona State University-East  
Banner Desert Medical Center  
Town of Gilbert  
International Rectifier EPI Services  
MHC Viewpoint, LLC  
Fry's Food Stores  
Wal-Mart Stores, Inc.

The combined Fiscal Year 2018/19 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$4,384,183 constituting 5.27% of the total Fiscal Year 2018/19 Wastewater System operating revenue. No individual Wastewater System customer above constitutes more than 1.5% of the total Fiscal Year 2018/19 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2018/19, 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 2018/19 Wastewater System interdepartmental revenues for the City were \$468,510.

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. The City's solid waste collection system utilizes both blue barrel and green barrel curbside recycling programs. The blue barrel Recycling Program accepts paper, cardboard, metal food cans, and beverage bottles, jugs and cans and the green barrels are for the Green Yard Waste Program. A 27.4% diversion rate in materials going to landfills has historically been realized from these programs. The residential Solid Waste System currently consists of approximately 132,000 customers. The City currently has approximately 2,300 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.

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

The City has multiple agreements with multiple vendors that operate 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 2019/20)**

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 R1.2B*:	\$24.68 per dwelling unit for once per week 35 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 R1.25*:	\$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.
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.

\* 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. Service will be billed for a minimum of six months.
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. Service will be billed for a minimum of six months.
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. Service will be billed for a minimum of six months.

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 Changes (2015-2019)

Date	Rate Change
July 1, 2019	0.00%
July 1, 2018	2.00%
July 1, 2017	3.50%
July 1, 2016	4.00%
August 1, 2015	5.00%

Source: The City.

#### Solid Waste System Customers (Fiscal Years 2014/15 - 2018/19)

Fiscal Year	Residential Customers(a)	Commercial Customers (b)	Other Customers	Total Customers
2018/19	131,992	2,271	300	134,563
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

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

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

The following is a list of the ten largest Solid Waste System Customers in order by revenue for Fiscal Year 2018/19.

**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  
Northern Contours, Inc.

The combined Fiscal Year 2018/19 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$2,174,175 constituting 3.4% of the total Fiscal Year 2018/19 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1.1% of the total Fiscal Year 2018/19 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 2018/19 Solid Waste System interdepartmental revenues for the City were \$548,813.

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Source: The City.

**Billing and Collection Procedures**

The City bills its utility customers in cycles throughout the month with each customer being billed at approximately the same time every month. Electric, gas and water accounts are based on meter readings, wastewater charges are based on water usage and solid waste disposal fees vary depending on the size of the containers and frequency of collections.

The City's collection procedures for delinquent utility accounts involve a series of billings and notices with a discontinuance of service at the end of 72 days. Due to the collection procedures, utility deposits required on various accounts and the nature of the service being provided, the City has experienced write-offs at or below one-half of one percent during the past four Fiscal Years.

## **APPENDIX D**

### **CITY OF MESA, ARIZONA**

#### **AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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## **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-Ninth Supplemental Resolution follows this Summary of the Master Resolution. The Thirty-Ninth Supplemental Resolution is substantially the same as the other thirty-eight 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 2020. A summary of the Fortieth Supplemental Resolution follows this Summary of the Master Resolution and the summary of the Thirty-Ninth Supplemental Resolution. The Fortieth Supplemental Resolution is substantially the same as the other thirty-nine 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 2020. In addition the Master Resolution was amended in 2003, 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 Deputy City Manager and 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, and solid waste (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 tangibles.

***“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. After providing sufficient moneys for the payment of any insufficiency in the income derived from the investments held in trust to service any Bonds being refunded and payment of the Operating Expenses, the Revenue Fund shall be disbursed only as follows and only in the following order of priority:

(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, including the payment of principal and interest on obligations issued for System purposes junior in lien to the Bonds.

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 parity 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 issue or Guarantor shall from time to time reasonably request.

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

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

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

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

**Continuing Disclosure.** The First Supplemental Resolution dated September 18, 1995 and all later Supplemental Resolutions contained the following Continuing Disclosure covenant: The Chief Financial Officer or Controller of the City are authorized to execute and deliver a written undertaking or agreement containing such terms and provisions as are necessary to assist with compliance 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-NINTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Thirty-Ninth Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Bonds, Series 2020, adopted by the Mayor and Council on October 19, 2020\*. The summary does not purport to be a full statement of the terms of the Thirty-Ninth Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

**Authority.** The Project 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-Ninth Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by Arizona Revised Statutes Section 9-521 et seq. have been met with respect to the Project 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-Ninth Supplemental Resolution shall stay in effect until all Project 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-Ninth Supplemental Resolution. The following terms shall have the following meanings in the Master Resolution and in the Thirty-Ninth Supplemental Resolution unless the text expressly or by necessary implication requires otherwise:

**“Bond Registrar for the Project Bonds”** – UMB Bank, n.a., Phoenix, Arizona, or its successor, as bond registrar.

**“Bond Year”** – initially the period from the date of the Project Bonds to July 1, 2020, 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.

**“Project Bonds”** – the City's \$70,065,000\* Utility Systems Revenue Bonds, Series 2020.

**“Thirty-Ninth Supplemental Resolution”** – Resolution No. \_\_\_\_\_ adopted by the Mayor and Council on October 19, 2020\*, supplementing the Master Resolution and authorizing the issuance of the Project Bonds.

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\* Subject to change.

### **Revocation of the Twenty-Sixth Supplemental Resolution; Authorization of Project 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 \$70,065,000\* City of Mesa, Arizona Utility Systems Revenue Bonds, Series 2020. The Project Bonds shall never be construed to be tax secured bonds of the City as defined in Arizona Revised Statutes §§ 9-531 or 9-521, or general obligation bonds of the City within the meaning of Arizona Revised Statutes Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Project 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-Ninth 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 Project Bonds in accordance with their terms, the Master Resolution and the provisions of the Thirty-Ninth Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the Thirty-Ninth 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-Ninth Supplemental Resolution.

D. 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 Project 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 Project 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 Project Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Project 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 Project Bonds then Outstanding.

**Resolution a Contract.** The provisions of the Master Resolution and the Thirty-Ninth Supplemental Resolution are deemed incorporated into the Project 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-Ninth 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-Ninth Supplemental Resolution constitutes a contract, it is subject to cancellation pursuant to Arizona Revised Statutes § 38-511, as amended.

### **SUMMARY OF FORTIETH SUPPLEMENTAL RESOLUTION**

The following is a summary of certain provisions of the Fortieth Supplemental Resolution, which supplements the Master Resolution and authorizes the issuance of the Utility Systems Revenue Refunding Bonds, Series 2020, adopted by the

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\* Subject to change.

Mayor and Council on October 19, 2020\*. The summary does not purport to be a full statement of the terms of the Fortieth Supplemental Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

**Authority.** The Refunding 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 Fortieth Supplemental Resolution and other applicable provisions of law. It is determined that all limitations imposed on the City by Arizona Revised Statutes Section 9-521 et seq. have been met with respect to the Refunding 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 Fortieth Supplemental Resolution shall stay in effect until all Refunding 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 Fortieth Supplemental Resolution. The following terms shall have the following meanings in the Master Resolution and in the Fortieth Supplemental Resolution unless the text expressly or by necessary implication requires otherwise:

**“Bond Registrar for the Refunding Bonds”** – UMB Bank, n.a., Phoenix, Arizona, or its successor, as bond registrar.

**“Bond Year”** – initially the period from the date of the Refunding Bonds to July 1, 2020, 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.

**“Fortieth Supplemental Resolution”** – Resolution No. \_\_\_\_\_ adopted by the Mayor and Council on October 19, 2020\*, supplementing the Master Resolution and authorizing the issuance of the Refunding Bonds.

**“Refunding Bonds”** – the City’s \$38,180,000\* Utility Systems Revenue Refunding Bonds, Series 2020.

**Revocation of the Twenty-Sixth Supplemental Resolution; Authorization of Refunding 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 \$38,180,000\* City of Mesa, Arizona Utility Systems Revenue Refunding Bonds, Series 2020. The Refunding Bonds shall never be construed to be tax secured bonds of the City as defined in Arizona Revised Statutes §§ 9-531 or 9-521, or general obligation bonds of the City within the meaning of Arizona Revised Statutes Title 35, Chapter 3, Article 3, or constitute a debt of the City within the Constitution and laws of the State.

C. The Refunding 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 Fortieth 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 Refunding Bonds in accordance with their terms, the Master Resolution and the provisions of the Fortieth Supplemental Resolution. All Net Revenues shall be immediately subject to the pledge of the Master Resolution and the Fortieth 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 Fortieth Supplemental Resolution.

D. 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 Refunding Bonds on or before the tenth (10th) day of each month:

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\* Subject to change.

(1) Commencing on the 10th day of the month following the closing date of the Refunding 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 Refunding Bonds then Outstanding; and

(2) Commencing on the 10th day of the month following the closing date of the Refunding 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 Refunding Bonds then Outstanding.

**Resolution a Contract.** The provisions of the Master Resolution and the Fortieth Supplemental Resolution are deemed incorporated into the Refunding 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 Fortieth 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 Fortieth Supplemental Resolution constitutes a contract, it is subject to cancellation pursuant to Arizona Revised Statutes § 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, Bond 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, Bond 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 OPINIONS**

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[Closing Date]

City of Mesa, Arizona

**\$70,065,000\***

**City of Mesa, Arizona  
Utility Systems Revenue Bonds, Series 2020**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Mesa, Arizona (the “City”), in connection with its issuance of Utility Systems Revenue Bonds, Series 2020, in the aggregate principal amount of **\$70,065,000\*** (the “Bonds”), pursuant to Resolution No. 6362 passed and adopted by the City Council of the City on July 29, 1991, as thereafter amended and supplemented, including by Resolution No. \_\_\_\_\_, passed and adopted by the City Council of the City on October 19, 2020 (collectively, the “Bond Resolution”). In such capacity, we have examined the City’s certified proceedings and such other documents and such law of the State of Arizona and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the City’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds are valid and binding special obligations of the City payable solely from the Net Revenues pledged therefor under the Bond Resolution.
2. The Bond Resolution has been duly adopted by the City and constitutes a valid and binding obligation of the City.
3. The Bond Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Bonds on a parity with other Outstanding Bonds and other Parity Bonds (if any) to be issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Revenues or on the funds and accounts created by the Bond Resolution.
4. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinions expressed in this paragraph assume continuous compliance with the covenants and continued accuracy of the representations contained in the City’s certified proceedings and in certain other documents and certain other certifications furnished to us.
5. Under laws of the State of Arizona in effect as of the date hereof, interest on the Bonds is exempt from Arizona income tax.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the City incurred pursuant to the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, and by equitable principles, whether considered at law or in equity.

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\* Subject to change.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement dated \_\_\_\_\_, 2020, relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

SHERMAN & HOWARD L.L.C.

[Closing Date]

City of Mesa, Arizona

**\$38,180,000\***

**City of Mesa, Arizona  
Utility Systems Revenue Refunding Bonds, Series 2020**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Mesa, Arizona (the “City”), in connection with its issuance of Utility Systems Revenue Refunding Bonds, Series 2020, in the aggregate principal amount of **\$38,180,000\*** (the “Bonds”), pursuant to Resolution No. 6362 adopted by the City Council of the City on July 29, 1991, as thereafter amended and supplemented, including by Resolution No. \_\_\_\_\_, adopted by the City Council of the City on October 19, 2020 (collectively, the “Bond Resolution”). In such capacity, we have examined the City’s certified proceedings and such other documents and such law of the State of Arizona and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the City’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds are valid and binding special, limited obligations of the City payable solely from the Net Revenues pledged therefor under the Bond Resolution.
2. The Bond Resolution has been duly adopted by the City Council of the City and constitutes a valid and binding obligation of the City.
3. The Bond Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Bonds on a parity with other Outstanding Bonds and other Parity Bonds (if any) to be issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Revenues or on the funds and accounts created by the Bond Resolution.
4. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinions expressed in this paragraph assume continuous compliance with the covenants and continued accuracy of the representations contained in the City’s certified proceedings and in certain other documents and certain other certifications furnished to us.
5. Under laws of the State of Arizona in effect as of the date hereof, interest on the Bonds is exempt from Arizona income tax.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the City incurred pursuant to the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, and by equitable principles, whether considered at law or in equity.

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\* Subject to change.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying the mathematical computations of the adequacy of the maturity principal amounts of and interest on the investments and moneys included in the irrevocable escrow trust established pursuant to the Escrow Trust Agreement to pay all interest when due on the Bonds Being Refunded and the principal thereof becoming due on the prior redemption date thereof or at stated maturity.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement dated \_\_\_\_\_, 2020, relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

SHERMAN & HOWARD L.L.C.

## **APPENDIX H**

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



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**\$70,065,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE BONDS,**  
**SERIES 2020**

**AND**

**\$38,180,000\***  
**CITY OF MESA, ARIZONA**  
**UTILITY SYSTEMS REVENUE REFUNDING BONDS,**  
**SERIES 2020**

**(CUSIP BASE NUMBER 590545)**

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**CONTINUING DISCLOSURE CERTIFICATE**

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This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered on [Closing Date], by the City of Mesa, Arizona (the “Issuer”), in connection with the issuance of the Issuer’s Utility Systems Revenue Bonds, Series 2020, in the aggregate original principal amount of **\$70,065,000\*** (the “Project Bonds”), and the Issuer’s Utility Systems Revenue Refunding Bonds, Series 2020, in the aggregate original principal amount of **\$38,180,000\*** (together with the Project Bonds, the “Bonds”). The Bonds are authorized pursuant to Resolution No. 6362 adopted by the City Council of the Issuer on July 29, 1991 (the “Master Resolution”), as thereafter amended and supplemented, including by Resolution Nos. \_\_\_\_\_ and \_\_\_\_\_ each adopted by the City Council of the Issuer on October 19, 2020\* (collectively with the Master Resolution, the “Authorizing Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” shall mean a (i) debt obligation; (ii) 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) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB in compliance with the Rule.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Official Statement” shall mean the final official statement dated \_\_\_\_\_, 2020, relating to the Bonds.

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\* Subject to change.

“Participating Underwriters” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

a. The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2021, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

b. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, file or cause to be filed with the MSRB a notice in substantially the form attached as Exhibit “A.”

c. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the Issuer, send written notice to the Issuer at least forty-five (45) days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements for the fiscal year ending on the preceding June 30 prepared in accordance with generally accepted accounting principles as applied to governmental units audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when available. If the Issuer’s audited annual financial statements are not submitted with the Annual Report, the Issuer will provide the MSRB a copy of its audited annual financial statements within thirty (30) days of receipt thereof by the Issuer. If the fiscal year of the Issuer changes, the Issuer shall, or shall cause the Dissemination Agent to, file a notice of such change in the same manner as for a notice of a Material Event.

b. An update of the type of information identified in Exhibit “B” hereto, which is contained in the Official Statement with respect to the Bonds.

If any part of the Annual Report can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Report for the year in which such event first occurs.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB’s internet website or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, *if material*;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service 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;
- g. Modifications to rights of Bond holders, *if material*;
- h. Bond calls, *if material*, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Bonds, *if material*;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the Issuer\*;
- m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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*;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, *if material*;
- o. Incurrence of a Financial Obligation of the Issuer, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Obligation holders, *if material*; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule;

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\* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person (such as the Issuer) 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 obligated person, 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 of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. Such termination described above in (i) shall not terminate the obligation of the Issuer to give notice of such defeasance, prior redemption or payment in full of all the Bonds.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer 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 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any of the Participating Underwriters in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer 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 Material Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holders or beneficial owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Authorizing Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Undertaking Payable from Net Revenues. The Issuer'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 Material 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. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities laws.

DATE: [CLOSING DATE].

CITY OF MESA, ARIZONA

By: \_\_\_\_\_  
Its: Deputy City Manager and Chief Financial Officer

**EXHIBIT “A”**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Mesa, Arizona

Name of Issue: Utility Systems Revenue Bonds, Series 2020, in the aggregate original principal amount of \$70,065,000\*, and Utility Systems Revenue Refunding Bonds, Series 2020, in the aggregate original principal amount of \$38,180,000\*.

CUSIP: 590545

Date of Issuance: [Closing Date]

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

Dated: \_\_\_\_\_, 20\_\_.

CITY OF MESA, ARIZONA

By: \_\_\_\_\_

Its: \_\_\_\_\_

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\* Subject to change.

## **EXHIBIT “B”**

### **INDEX OF OFFICIAL STATEMENT INFORMATION TO BE UPDATED**

1. Annually updated financial information and operating data of the type contained in the following table of the Official Statement:

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

2. In the event of an amendment pursuant to Section 9 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.

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