

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

In the opinion of Sherman & Howard L.L.C., Phoenix, Arizona, Special Counsel, assuming continuous compliance with certain covenants described herein, under existing statutes, regulations, rulings and court decisions the portion of the Purchase Payments (defined below) made by the City pursuant to the Installment Purchase Agreement and denominated as and comprising interest pursuant to the Installment Purchase Agreement and received by the owners of the Obligations (the “Interest Portion”) 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 Obligations (the “Code”), and is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. In the opinion of Special Counsel, the Interest Portion received by the owners of the Obligations is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. See “TAX MATTERS” herein.

\$14,720,000*

UTILITY SYSTEMS REVENUE OBLIGATIONS, SERIES 2021
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF MESA, ARIZONA,
Pursuant to an Installment Purchase Agreement,
Dated as of June 1, 2021*

DRAFT
03-26-21

Dated: Date of Initial Delivery

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

The Utility Systems Revenue Obligations, Series 2021 (the “Obligations”), are being executed and delivered pursuant to a Trust Agreement, to be dated as of June 1, 2021*, between the City of Mesa, Arizona (the “City”), and UMB Bank n.a., as trustee (the “Trustee”). The Obligations 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 Obligations will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The Obligations are being executed and delivered for the purpose of (i) financing the Series 2021 Projects (as defined herein), constituting improvements, additions and extensions to the System (as defined herein) of the City, and (ii) paying the delivery costs of the Obligations. See “THE OBLIGATIONS – Authorization and Purpose”, and “SOURCES AND USES OF FUNDS.”

Interest on the Obligations will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2022*, until maturity or redemption prior to maturity*, and principal of the Obligations will be payable in accordance with the maturity schedule set forth on the inside front cover page hereof. So long as the Obligations are in book-entry-only form, principal of and interest on the Obligations will be paid by the Trustee 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 Obligations (the “Beneficial Owners”). See APPENDIX G – “Book-Entry-Only System.”

See Inside Front Cover Page for Maturity Schedule and Additional Information

Certain of the Obligations are subject to redemption prior to their stated maturity dates.* See “THE OBLIGATIONS – Redemption Provisions,” herein.

The Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to the Installment Purchase Agreement, to be dated as of June 1, 2021* (the “Purchase Agreement”), between the City and the Trustee in its separate capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and premium, if any, and interest on any Additional Obligations (as defined in APPENDIX F – “Obligations Documents Summaries”), will be payable solely from the Pledged Revenues (as defined herein) derived by the City from the operation of the City’s water, electrical, natural gas, wastewater and solid waste systems (collectively, the “System”); **provided, however, that the Obligations will be junior in lien to the Bonds (as defined herein) issued pursuant to the Master Bond Resolution (as defined herein).** See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS” herein. **The Obligations will not be general obligations of the City and will not constitute an indebtedness of the City when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional, Charter or statutory provisions, a charge against the general credit limitations imposed by constitutional, Charter or statutory provisions or against the general credit or taxing power of the City nor a liability of the City for payment of the Obligations other than from the sources described herein.**

The Obligations are offered when, as and if executed and delivered by the Trustee and received by the Underwriter (as defined herein), subject to the approving opinion of Sherman & Howard L.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain legal matters will be passed upon solely for the benefit of the Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriter. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June __, 2021.*

This cover page contains certain information for convenience of reference only. It is not a summary of material information with respect to the Obligations. 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 Obligations.

STIFEL

* Subject to change.

\$14,720,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS, SERIES 2021
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF MESA, ARIZONA,
Pursuant to an Installment Purchase Agreement,
Dated as of June 1, 2021*

MATURITY SCHEDULE*

Maturity (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® (a) (Base No. _____)
2023	\$1,000,000	%	%	
2024	1,000,000			
2025	1,000,000			
2026	1,000,000			
2027	1,000,000			
2028	1,000,000			
2029	1,000,000			
2030	1,000,000			
2035	1,535,000			
2043	1,500,000			
2044	1,500,000			
2045	2,185,000			

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

-
- (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© 2021 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 of reference only. None of the City, Special Counsel, the Financial Advisor, the Underwriter, or their agents or counsel assume responsibility for the accuracy of such numbers.

* Subject to change.

CITY OF MESA

CITY COUNCIL

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

CITY ADMINISTRATIVE OFFICERS

Christopher Brady, *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*

SPECIAL COUNSEL

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

FINANCIAL ADVISOR

Hilltop Securities Inc.
Phoenix, Arizona

TRUSTEE

UMB Bank, n.a.
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the Obligations 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 Obligations 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 of Mesa, Arizona (the “City”), the Maricopa County Assessor’s, Finance and Treasurer’s offices, the State of Arizona Department of Revenue, and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, or Hilltop Securities Inc., the City’s financial advisor (the “Financial Advisor”), or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). 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 Obligations 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 Obligations 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The City, the Financial Advisor, the Underwriter, counsel to the Underwriter and Special 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 I – “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 UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS 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 UNDERWRITER MAY OFFER AND SELL THE OBLIGATIONS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1
THE OBLIGATIONS.....	1
Authorization and Purpose	1
<i>Other Expected Debt Offerings</i>	2
General Provisions.....	2
Redemption Provisions.....	2
Optional Redemption.....	2
Mandatory Sinking Fund Redemption.....	3
Notice of Redemption.....	3
Effect of Call for Redemption	3
Redemption of Less Than All of an Obligation.....	3
SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.....	4
Security for the Obligations; Obligations Junior to Bonds	4
Source of Purchase Payments; Obligations Junior to Bonds	4
Obligation Rate Covenant.....	5
Debt Service Reserve Account: No Current Funding Requirement	5
Repair and Replacement Fund.....	6
Outstanding Bonds	6
Additional Parity Bonds	6
Additional Obligations	7
Referendum and Ordinance	7
COMBINED SCHEDULES OF PLEDGED REVENUES AND DEBT SERVICE COVERAGE	8
RISK FACTORS	9
SOURCES AND USES OF FUNDS.....	13
ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE.....	14
RATINGS.....	15
LEGAL MATTERS	15
TAX MATTERS	15
LITIGATION	17
No Litigation Relating to the Obligations.....	17
Other Litigation Against the City	17
UNDERWRITING	18
CERTIFICATION CONCERNING OFFICIAL STATEMENT.....	18
CONTINUING SECONDARY MARKET DISCLOSURE.....	18
FINANCIAL ADVISOR.....	19
GENERAL PURPOSE FINANCIAL STATEMENTS.....	19
ADDITIONAL INFORMATION	19
CONCLUDING STATEMENT	19
APPENDIX A: City of Mesa, Arizona – General Economic and Demographic Information	
APPENDIX B: City of Mesa, Arizona – Financial Data	
APPENDIX C: City of Mesa, Arizona – Utility Systems Information	
APPENDIX D: City of Mesa, Arizona – Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2020	
APPENDIX E: Summary of the Master Bond Resolution, As Amended	
APPENDIX F: Obligations Documents Summaries	
APPENDIX G: Book-Entry-Only System	
APPENDIX H: Form of Approving Legal Opinion	
APPENDIX I: Form of Continuing Disclosure Certificate	

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$14,720,000*

UTILITY SYSTEMS REVENUE OBLIGATIONS, SERIES 2021

Evidencing Proportionate Interests of the Holders Thereof in

Installment Payments of the Purchase Price to be Paid by

CITY OF MESA, ARIZONA,

Pursuant to an Installment Purchase Agreement,

Dated as of June 1, 2021*

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original execution and delivery of \$14,720,000* Utility Systems Revenue Obligations, Series 2021 (the “Obligations”), evidencing proportionate interests of the registered owners of each Obligation (the “Holders”), in certain installment payments (the “Purchase Payments” and collectively, the “Purchase Price”) to be paid by the City pursuant to an Installment Purchase Agreement, to be dated as of June 1, 2021* (the “Purchase Agreement”), between UMB Bank, n.a. (the “Trustee”), in its separate capacity as seller, and the City. The Obligations will be executed and delivered pursuant to a Trust Agreement, to be dated as of June 1, 2021* (the “Trust Agreement”), between the City and the Trustee in its separate capacity as trustee thereunder. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Obligations 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 uncodedified, 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 Bond Resolution, As Amended – Definitions.” For certain provisions of the Purchase Agreement and the Trust Agreement, see also APPENDIX F – “Obligations Documents Summaries.”

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 OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the Obligations pursuant to the provisions of the Trust Agreement and Purchase Agreement, and a resolution adopted by the Council of the City on April 19, 2021* (the “Resolution”).

The Obligations are being executed and delivered for the purpose of (i) financing certain improvements, additions and extensions to the City’s natural gas, water, wastewater and electrical systems (collectively, the “Series 2021 Projects”) and (ii) paying the delivery costs of the Obligations. See “SOURCES AND USES OF FUNDS” herein.

* Subject to change.

Set forth in the table below is a listing of the Series 2021 Projects expected to be funded by the Obligations and estimates of their respective costs.

Projects to be Funded	Estimated Cost*
Natural Gas System Improvements	\$ 1,000,000
Water System Improvements	8,000,000
Wastewater System Improvements	2,000,000
Electric System Improvements	5,765,000
Total	<u>\$16,765,000</u>

Other Expected Debt Offerings

In addition to the Obligations, the City expects to offer \$19,250,000* General Obligation Bonds, Series 2021 (the “2021 GO Bonds”), \$15,555,000* General Obligation Refunding Bonds, Series 2021 (the “2021 GO Refunding Bonds”), \$35,270,000* Utility Systems Revenue Bonds, Series 2021 (“2021 Utility Bonds”) and \$42,195,000* Utility Systems Revenue Refunding Bonds, Series 2021 (“2021 Utility Refunding Bonds”) pursuant to separate official statements in May 2021.

General Provisions

The Obligations will be dated the date of initial delivery, and will bear interest from such date payable initially on January 1, 2022* and semiannually thereafter on July 1 and January 1 of each year (each an “Interest Payment Date”) until maturity or prior redemption. The Obligations will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside front cover page of this Official Statement.

Initially, the Obligations 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 Obligations will be registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in the Obligations 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 Obligations will be paid by the Trustee to DTC and, in turn, through participants in the DTC system. See APPENDIX G – “Book-Entry-Only System.”

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

If the Book-Entry-Only System is discontinued, interest on the Obligations will be payable by check drawn on the Trustee, and mailed on or prior to each Interest Payment Date to the registered owners of the Obligations at the addresses shown on the registration books of the Trustee (the “Obligation Register”) on the fifteenth (15th) day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Obligations will then be payable at maturity or upon redemption prior to maturity upon presentation and surrender of the Obligations to the designated corporate trust office of the Trustee. 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 Trustee specifying a wire transfer address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Obligations. 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 Obligations maturing on or prior to July 1, 20__, will not be subject to call for redemption prior to maturity. Obligations 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 Obligation called for redemption plus accrued interest, if any, to the date fixed for redemption, but without premium.

* Subject to change.

Mandatory Sinking Fund Redemption

The Obligations 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 Obligations called for redemption plus accrued interest, if any, on the Obligations so redeemed from the most recent Interest Payment Date to the date of redemption, but without premium:

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

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

Notice of Redemption

So long as the Obligations 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 Obligation will be mailed to the registered owner of the Obligation or Obligations being redeemed at the address shown on the Obligation 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 Obligation 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 on deposit with the Trustee to effect such 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 Obligations 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 Obligations or portions thereof called for redemption is held in separate accounts by the Trustee, then the Obligations or portions thereof called for redemption will cease to bear interest from and after such redemption date.

Redemption of Less Than All of an Obligation

The City may redeem an amount which is included in an Obligation in the denomination in excess of, but divisible by, \$5,000. Upon surrender of any Obligation redeemed in part only, the Trustee shall execute and deliver to the registered owner thereof a new Obligation equal in principal amount to the unredeemed portion of the Obligation surrendered and of the same maturity.

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

Security for the Obligations; Obligations Junior to Bonds

For the amounts payable pursuant to the Purchase Agreement (including the Purchase Price), the Trustee, in its separate capacity as seller, will sell and convey to the City, and the City will purchase from the Trustee the Series 2021 Projects financed with the proceeds of the Obligations.

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive certain installments (the "Purchase Payments") of the purchase price (the "Purchase Price") to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the Obligations. During the term of the Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Series 2021 Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses its water, electrical, natural gas, wastewater and solid waste systems (collectively, the "System"). The obligations of the City to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the Obligations in any portion of the Series 2021 Projects or the System. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the Series 2021 Projects or any portion of the System. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX F – "Obligation Documents Summaries – The Purchase Agreement – Purchase Events of Default" and "– Remedies on Default by City." For information concerning the System, see APPENDIX C – "City of Mesa, Arizona - Utility Systems Information."

Source of Purchase Payments; Obligations Junior to Bonds

The obligation of the City to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a junior lien on, pledge of, and security interest in the Pledged Revenues. "Pledged Revenues" are Revenues of the System remaining after deducting Operating Expenses subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. "Revenues," when used with regard to the Obligations and Additional Obligations, are all income, moneys and receipts derived by the City from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) any amounts received that the City is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (ii) the proceeds of the Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Obligations or Additional Obligations, or (iii) any non-cash capital contributions received by the City for the use and operation of the System. "Operating Expenses," when used with regard to the Obligations and Additional Obligations, are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, insurance, and accumulations to cover periodic payment of payment of Operating Expenses and other expenditures purchased by the City at large, such as insurance, gasoline and electrical energy, allocated to the System in the reasonable discretion of the City, but excluding (i) non-cash transactions, including depreciation or loss on disposal or transfer of assets, (ii) principal and interest requirements on the Obligations and Additional Obligations, (iii) payments required to be made by the City for deposit into a debt service reserve account with respect to the Obligations or Additional Obligations, and (iv) any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Obligations and Additional Obligations.

Such lien on, pledge of and security interest in the Pledged Revenues will be on parity with any Additional Obligations subsequently issued or incurred under separate documentation in accordance with the Purchase Agreement.

Pursuant to Resolution No. 6362 adopted by the City Council of the City on July 29, 1991, as thereafter supplemented and amended (collectively, the "Master Bond Resolution"), the City has issued its Bonds (as defined in the Master Bond Resolution, and such definition is inclusive of Parity Bonds the City may issue in the future) currently outstanding in the aggregate principal amount of \$1,316,750,723*. **Pursuant to the Master Bond Resolution, so long as the Bonds are Outstanding under the Master Bond Resolution, the City will apply certain revenues of the System first to pay debt service on the Bonds, reimburse Reserve Fund Guarantors (as defined in the Master Bond Resolution)**

* Subject to change.

pertaining to the Bonds, if any, fund a Reserve Fund for the Bonds, if then required, make payments to satisfy the rebate requirements of the Code with respect to the Bonds, and fund a Replacement Fund (as described in the Master Bond Resolution), before and prior to making any of the Purchase Payments.

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the Obligations and the Additional Obligations, according to their terms and to make other payments specified. None of the Obligations or any of the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the issuance or incurrence of the Obligations or any of the Additional Obligations in series or delivery of the Obligations or any of the Additional Obligations prior to the delivery of the Obligations or any of the Additional Obligations of that series or regardless of the time or times the Obligations or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The Obligations and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefor. See APPENDIX F – “Obligations Documents Summaries.”

Neither the Obligations nor the obligations of the City pursuant to the Purchase Agreement constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof for constitutional, Charter or statutory purposes. The Obligations do not obligate the City to levy or pledge any form of ad valorem or other taxes. The Obligations are a limited, special obligation of the City secured solely by the Pledged Revenues and otherwise as provided in the Resolution and the Purchase Agreement.

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

Obligation Rate Covenant

The City has covenanted and agreed in the Purchase Agreement to establish and maintain rates, fees and charges for all services supplied by the System to provide Pledged Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) Pledged Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the Principal Requirement and the Interest Requirement on all Obligations and Additional Obligations then Outstanding for the corresponding Bond Year (treating any Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and treating any Obligations and Additional Obligations then Outstanding subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the amounts with regard to Policy Costs and any Credit Facility, respectively, due and owing in such Fiscal Year. Until the Bonds are no longer Outstanding pursuant to the Master Bond Resolution, the term “Additional Obligations” for the purposes of the above-described one hundred twenty percent (120%) test shall be defined to include Outstanding Bonds under the Master Bond Resolution.

Debt Service Reserve Account: No Current Funding Requirement

The Trust Agreement establishes the Debt Service Reserve Account within the Obligation Fund for the benefit of the Obligations, but not Additional Obligations that may be subsequently issued. The Purchase Agreement provides that no deposit needs to be made to the Debt Service Reserve Account unless the Pledged Revenues during any Fiscal Year are less than one hundred seventy five percent (175%) of the Principal Requirement and the Interest Requirement on all Obligations and Additional Obligations then Outstanding for the corresponding Bond Year. In such event, the City will deposit, or cause to be deposited, within 180 days following the end of such Fiscal Year, to the Debt Service Reserve Account moneys, investments, Qualified Reserve Fund Instruments or any combination thereof, equal to the Reserve Requirement. Also, on the tenth (10th) day of each month, commencing on the first day of the month following a payment made on the Obligations from the Debt Service Reserve Account, the City will deposit an amount equal to one-twelfth (1/12) of the amount which, when added to the balance then in the Debt Service Reserve Account, equals the Reserve Requirement. The Trust Agreement provides that under certain circumstances, the amounts in the Debt Service Reserve Account may be released and used by the City for any lawful purpose. Until the Bonds are no longer Outstanding pursuant to the Master Bond Resolution, the term “Additional Obligations” for the purposes of the above-described one hundred seventy five percent (175%) test shall be defined to include Outstanding Bonds under the Master Bond Resolution.

See APPENDIX F – “Obligations Documents Summaries – the Trust Agreement – Debt Service Reserve Account.”

Repair and Replacement Fund

The Purchase Agreement establishes the Repair and Replacement Fund. Amounts in the Repair and Replacement Fund will be used (without priority) for: (i) making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense, (ii) making debt service payments on the Obligations in the event of a deficiency, (iii) the payment of any sums due and owing to the Holders of the Obligations and Additional Obligations being refunded which sums cannot for any reason be paid from the income and proceeds of any Defeasance Obligations held by a Depository Trustee, (iv) the acquisition of water, electrical, natural gas, wastewater and solid waste properties or facilities deemed necessary by the City to the efficient and economical operation of the System or to extend or improve the System, and (v) making other improvements, additions, extensions, replacements or repairs to the System. The amount required to fund the Repair and Replacement Fund is equal to two percent of the value of all tangible assets of the System at the end of the preceding fiscal year (the “Repair and Replacement Fund Funding Requirement”). So long as the Bonds are Outstanding, the City is not required to fund the Repair and Replacement Fund. See APPENDIX F – “Obligations Documents Summaries – the Trust Agreement – The Purchase Agreement – Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund.”

Outstanding Bonds

As noted above, the City currently has \$1,316,750,723* outstanding principal amount of prior lien Bonds which were issued or incurred pursuant to the Master Bond Resolution and are payable from and secured by a pledge of and a lien on Net Revenues (as defined in the Master Bond Resolution) which is prior and senior to the claim of the Obligations and any Additional Obligations issued in accordance with the Purchase Agreement. The Obligations and any Additional Obligations will be secured by a pledge of a lien on Pledged Revenues junior to the claim of the Bonds. For further information on the Bonds, see APPENDIX B – “City of Mesa, Arizona – Financial Data.”

Additional Parity Bonds

The City may issue additional prior lien Parity Bonds (“Additional Parity Bonds”) in the future under the Master Bond Resolution in compliance with the following requirements. 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 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 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 supplemental resolutions.

* Subject to change.

After the issuance of the 2021 Utility Bonds, the City will be authorized to issue \$90,028,190* of Additional 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 Additional Parity Bonds are set forth below.

Purpose of Utility Systems Revenue Bond Authorization	1994 (a)*	2014 (a)*	Remaining Utility Systems Revenue Bonds Authorized But Unissued (a)(b)*
Gas System Improvements	\$ -	\$29,850,000	\$29,850,000
Water System Improvements	-	34,520,402	34,520,402
Wastewater System Improvements	-	30,017,788	30,017,788
Electric System Improvements	-	-	-
Solid Waste System Improvements	945,000	-	945,000
	<u>\$945,000</u>	<u>\$94,388,190</u>	<u>\$95,333,190</u>

- (a) Net of the City's 2021 Utility Bonds being offered pursuant to a separate official statement in May 2021.
- (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.

Additional Obligations

Pursuant to the provisions of the Purchase Agreement, the City may, in the future, incur Additional Obligations if there is not any Trust Agreement Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to one hundred twenty percent (120%) of the Parity Lien Test Debt Service including such Additional Obligations to be issued and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the debt service funds established for the Additional Obligations and to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least one hundred percent (100%) of the amounts with regard to any Credit Facility due and owing in such Fiscal Year. "Parity Lien Test Debt Service" is the highest aggregate Principal Requirement and Interest Requirement of all Obligations and Additional Obligations then Outstanding, including the Additional Obligations to be issued, to fall due and payable in the current or any future Bond Year. Until the Bonds are no longer Outstanding pursuant to the Master Bond Resolution, for the purposes of the above-described one hundred twenty percent (120%) test the term "Additional Obligations" in the definition of "Parity Lien Test Debt Service" shall be defined to include Outstanding Bonds under the Master Bond Resolution.

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 proposed an amendment to the City Charter of the City to, among other things, establish a limit on the amount of System revenues that could 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. However, the Initiative failed to secure the statutorily required number of petition signatures, and was not considered at the November 2020 general election.

As of the date hereof, the City is unable to determine or predict whether a similar initiative will be filed in the future, obtain enough petition signatures to be placed on a general election ballot or approved by the voters of the City.

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, which became effective thirty (30) days after adoption. The Utility

* Subject to change.

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 is 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 PLEDGED REVENUES AND DEBT SERVICE COVERAGE

The following table sets forth a record of the combined schedules of annual revenues, expenditures and Pledged Revenues since Fiscal Year 2015/16 – followed by a statement of utility systems revenue obligation debt service requirements and debt service coverage provided by such Net Revenues for each Fiscal Year (in thousands).

	2015/16	2016/17	2017/18	2018/19	2019/20
System Revenues: (a)					
Electric System	\$ 32,654	\$ 34,400	\$ 31,779	\$ 30,714	\$ 30,723
Gas System	40,027	41,826	40,054	47,372	44,209
Water System	137,234	161,234	146,891	129,571	173,361
Wastewater System	76,961	82,036	83,401	87,126	95,550
Solid Waste System	55,130	58,299	59,912	63,328	65,451
Total System Revenues	\$342,006	\$377,795	\$362,037	\$358,111	\$409,294
System Expenses: (a)					
Electric System	\$ 21,690	\$ 20,839	\$ 20,128	\$ 18,659	\$ 18,925
Gas System	21,274	27,249	22,119	22,574	20,670
Water System	38,395	41,590	42,766	45,349	49,017
Wastewater System	22,711	22,764	24,577	24,546	24,284
Solid Waste System	31,799	33,169	33,169	34,521	37,817
Total System Expenses	\$135,869	\$145,611	\$142,759	\$145,649	\$150,713
Net Income Available For Debt Service					
Net Revenues	\$206,137	\$232,184	\$219,278	\$212,462	\$258,581
[]					
Pledged Revenues					\$
Utility Systems Revenue Debt Service					
Bonds Requirements (b)	\$ 70,629	\$ 66,884	\$ 81,993	\$ 72,741	\$ 91,635
Obligations Requirements					-
Total Debt Service Requirements					\$ 91,635
Approximate Debt Service Coverage					
Provided By Net Revenues (c)	2.92x	3.47x	2.67x	2.92x	2.82x
Provided By Pledged Revenues (d)					(e)

- (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 were issued under the Build America Bond program and is shown for Fiscal Years 2015/16 through 2019/20, and the City's Taxable Utility Systems Revenue Bonds, Series 2010 is shown for Fiscal Years 2015/16 through 2020/21, were without reduction of the federal subsidy payments.

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 due to sequestration reductions imposed by the federal government, any shortfall in the interest payments caused by the reduction is required to be paid by the issuer. The City's remaining Build America Bond program debt was refunded in Fiscal Year 2020/21.

- (c) Reflects the ratio of Net Revenues to debt service requirements on outstanding Bonds under the Master Resolution.
- (d) Reflects the ratio of Pledged Revenues to debt service requirements on the Obligations and outstanding Bonds under the Master Resolution. Pledged Revenues coverage has not been calculated historically prior to issuance of the Obligations.
- (e) Pledged Revenues have not been calculated prior to issuance of the Obligations. An unaudited estimate of 2019/20 Pledged Revenues has been calculated for Fiscal Year 2019/20 for reference only in comparison to historical Net Revenues.

Historically, the City has annually transferred a portion of the Revenues of the System 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 \$91.635 million. The City expects to continue this practice in the future after providing payment of the current debt service requirements of all Bonds, any Parity Bonds, the Obligations, and any Additional Obligations.

RISK FACTORS

The purchase of the Obligations involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Obligations 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 Obligations.

Limited Obligations. The Obligations are limited special obligations of the City payable as to both principal and interest solely from the revenues derived by the City from the Pledged Revenues of the System, junior in lien to the Bonds. The Obligations 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 Obligations shall never have the right to compel any exercise of the taxing power of the City or to demand a payment of the Obligations or interest thereon out of any funds other than from the Pledged Revenues.

Additional Parity Bonds and Additional Obligations of the City. The City has the capacity to enter into other obligations which are payable from certain Revenues of the System and which are on a parity with or senior lien basis to the Obligations. To the extent that Additional Parity Bonds or Additional Obligations are issued or incurred by the City, the funds available to make the debt service payments on the Obligations 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 Pledged Revenues of the System, including adverse changes in the national economy, the Arizona economy, and interest rate levels.

Cybersecurity; Other Safety and Security Risks. Cybersecurity breaches could damage the City's information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the System or the finances of the City. The City maintains active security (including information security) and emergency preparedness programs and has a number of security measures and safeguards in place. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities, including cyber terrorism,

or acts of malfeasance are directed against the assets of the System or the information technology systems of the City. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

Costs of System Operation and Availability of Materials and Commodities. The production of Pledged Revenues from the System could be materially adversely affected by the costs of operating, maintaining and repairing the System, including the costs of regulatory compliance, and the availability, price of, and demand for commodities. Pledged Revenues could also be materially adversely affected by other 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 reductions in the demand for recyclable materials, particularly from China, have also impacted the solid waste industry and blue-barrel programs. 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 future 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 of electricity 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.

Water Supply and Drought Conditions. Water for the City's System 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 engaged in planning and resource management to provide for current and future availability of water supplies during normal and drought conditions. However, the ability of the City's System to operate effectively may still be affected by the water supply available to the City, which is situated in a desert environment. If the water supply decreases significantly, whether by physical limitation or regulatory restrictions, prohibitive water costs or otherwise, System water sales may be diminished and [Net/Pledged] Revenues available to pay the debt service may be adversely affected.

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 in 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 currently being briefed before the Arizona Court of Appeals. 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 rate litigation against cities and towns, such as the City, in the future.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the Fiscal Year ended June 30, 2020 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) 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 extended 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 rolling two-week review. While this order continues in effect, impacted businesses are allowed to apply for reopening with the State Department of Health Services as further described below.

On August 10, 2020, 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.” Businesses in counties rated “substantial” may apply to the State Department of Health Services to reopen; provided, however, that business 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. In accordance with the State Department of Health Services Emergency Measure 2020-02 (Slowing the Spread of COVID-19: Phased Reopening), the State Department of Health Services bases the rating of each county on benchmark reporting the (i) number of new cases per 100,000 residents (ii) testing percent positivity, and (iii) percent of COVID-like illness. If the benchmark increases from a lower category to a higher category for 14 consecutive days, businesses are required to comply with rules applicable to the higher category.

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 utility billings, which is a significant revenue source for operating purposes and is the source of payment of the Pledged Revenues securing the principal and interest due on the Obligations, should adverse economic conditions lead to a significant decrease in local utilities usage or customer’s loss of ability to pay, collections of Pledged 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 Pledged 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; (iii) the impact the COVID-19 pandemic will have on utilities usage or customer finances within the City, or (iv) what federal, state and local relief, if any, may become available. There can be no assurance that COVID-19 will not have a materially negative impact on the collection of Pledged Revenues for the payment of principal of and interest on the Obligations, or a materially negative impact on the value of the System.

SOURCES AND USES OF FUNDS

The proceeds of the Obligations will be applied as follows:

Sources of Funds

Principal Amount of the Obligations*	\$14,720,000.00*
[Net] Original Issue Premium (a)	_____
Total Sources of Funds	=====

Uses of Funds

Payment of Costs of Series 2021 Projects	
Delivery Costs (b)	_____
Total Uses of Funds	=====

-
- (a) [Net original issue premium consists of original issue premium on the Obligations less original issue discount on the Obligations.]
- (b) Includes compensation of the Underwriter (as defined herein) and certain costs incurred by the City in connection with the execution and delivery of the Obligations.

* 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 Bonds, (ii) the estimated annual debt service requirements of the Obligations, (iii) the estimated total annual utility systems revenue debt service requirements after issuance of the Obligations, and (iv) the estimated debt service coverage ratio provided for such total annual debt service requirements based upon the City's Fiscal Year 2019/20 Pledged Revenues.

City of Mesa, Arizona, Schedule of Debt Service Requirements and Debt Service Coverage (a)

Period Ending (07-01)	The Bonds (b)*		The Obligations *		Estimated Combined Annual Debt Service	Estimated Debt Service Coverage (d)*
	Principal	Interest	Principal	Interest (c)		
2021	\$ 41,916,173	\$49,759,627			\$ 91,675,800	__x
2022	47,799,378	53,920,601		\$805,511	102,525,490	__x
2023	48,087,657	51,161,156	\$1,000,000	736,000	100,984,813	
2024	49,446,010	48,773,793	1,000,000	686,000	99,905,802	
2025	50,999,440	46,318,265	1,000,000	636,000	98,953,705	
2026	52,347,949	44,037,848	1,000,000	586,000	97,971,797	
2027	54,821,538	41,761,953	1,000,000	536,000	98,119,491	
2028	58,225,210	39,467,066	1,000,000	486,000	99,178,277	
2029	56,402,367	37,038,738	1,000,000	436,000	94,877,105	
2030	60,955,000	34,697,188	1,000,000	386,000	97,038,188	
2031	68,555,000	32,083,700	-	336,000	100,974,700	
2032	70,385,000	29,207,150	-	336,000	99,928,150	
2033	67,685,000	26,260,838	-	336,000	94,281,838	
2034	63,850,000	23,745,763	-	336,000	87,931,763	
2035	60,460,000	21,113,763	1,535,000	336,000	83,444,763	
2036	73,150,000	18,224,388	-	259,250	91,633,638	
2037	75,540,000	15,346,888	-	259,250	91,146,138	
2038	69,150,000	12,397,350	-	259,250	81,806,600	
2039	63,175,000	9,938,688	-	259,250	73,372,938	
2040	56,795,000	7,610,188	-	259,250	64,664,438	
2041	47,280,000	5,583,500	-	259,250	53,122,750	
2042	36,505,000	3,592,250	-	259,250	40,356,500	
2043	24,700,000	1,860,000	1,500,000	259,250	28,319,250	
2044	14,600,000	724,000	1,500,000	184,250	17,008,250	
2045	3,920,000	196,000	2,185,000	109,250	6,410,250	
	<u>\$1,316,750,723</u>		<u>\$14,720,000</u>			

- (a) Prepared by the Financial Advisor (defined herein).
- (b) Reflects estimated debt service on Bonds secured by Net Revenues of the System which is prior and senior to the claim of the Obligations on the Pledged Revenues. Includes the 2021 Utility Bonds, the 2021 Utility Refunding Bonds and is net of the bonds being refunded by the 2021 Utility Refunding Bonds.
- (c) The first interest payment on the Obligations is due on January 1, 2022*. Thereafter, interest payments will be made semiannually on each July 1 and January 1, until maturity or prior redemption. Interest is estimated at 5.00%.
- (d) Debt Service coverage is computed using the estimated Pledged Revenues of \$_____ for Fiscal Year 2019/20. See "COMBINED SCHEDULES OF PLEDGED REVENUES AND DEBT SERVICE COVERAGE" herein. The Fiscal Year 2019/20 Pledged Revenues provide coverage for the total estimated annual debt service requirements

* Subject to change.

in Fiscal Year 2020/21 of approximately x* and approximately x* for the total estimated annual debt service requirements for Fiscal Year 2021/22, which represents the Fiscal Year with the estimated Maximum Annual Debt Service payable on all Bonds and Obligations to be outstanding immediately after issuance of the Obligations.

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 Obligations. 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, from and S&P at One California Street, 31st 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 Obligations. 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 Obligations. A securities rating is not a recommendation to buy, sell or hold securities, including the Obligations.

LEGAL MATTERS

Legal matters relating to the execution and delivery of the Obligations, the validity of the Obligations under Arizona law and the tax-exempt status of the Interest Portion on the Obligations (see "TAX MATTERS" herein) are subject to the legal opinion of Sherman & Howard L.L.C., Phoenix, Arizona ("Special Counsel"), whose services as Special Counsel have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect only as of the date of original delivery of the Obligations, will be delivered to the City at the time of original delivery of the Obligations.

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

Such legal opinion expresses the professional judgment of Special 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 Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, as counsel to the Underwriter.

TAX MATTERS

In the opinion of Special Counsel, assuming continuous compliance with certain covenants described below, the portion of the Purchase Payments made by the City and denominated under the Purchase Agreement and received by the Owners (the "Interest Portion") of the Obligations is excluded from gross income under federal income tax laws pursuant to Section 103 of the Code, and the Interest Portion of the Obligations is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. In the opinion of Special Counsel, the Interest Portion relating to the Obligations is exempt from Arizona income taxes so long as that Interest Portion is excluded from gross income for federal income tax purposes. For purposes of this paragraph and the succeeding discussion, "interest" includes the original issue discount on certain of the Obligations only to the extent such original issue discount is accrued as described herein. The opinion of Special Counsel will be dated the date of delivery of the Obligations. A form of such opinion is included herein in APPENDIX H – "Form of Approving Legal Opinion."

The Code imposes several requirements which must be met with respect to the Obligations in order for the Interest Portion of the Obligation to be excluded from gross income and alternative minimum taxable income. Certain of these requirements

* Subject to change.

must be met on a continuous basis throughout the term of the Obligations. These requirements include: (a) limitations as to the use of proceeds of the Obligations; (b) limitations on the extent to which proceeds of the Obligations 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 Obligations above the yield on the Obligations to be paid to the United States Treasury. The City covenanted and represented in the Purchase Agreement 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 Obligations, any funds of the City, or any facilities financed with the proceeds of the Obligations, if such action or omission (i) would cause the Interest Portion relating to the Obligations to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (ii) would cause the Interest Portion relating to the Obligations to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code. Special Counsel's opinion as to the exclusion of the Interest Portion of the Obligations 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 Portion of the Obligations to be included in gross income, alternative minimum taxable income or both from the date of issuance. Special Counsel's opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Special Counsel. Special Counsel has not undertaken to verify such certifications by independent investigation.

With respect to the Obligations that were sold in the initial offering at a discount (the "Discount Obligations"), the difference between the stated redemption price of the Discount Obligations at maturity and the initial offering price of those obligations 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 Obligations is treated as accruing over the respective terms of such Discount Obligations 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 Obligations. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Obligations (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 Obligations.

Owners who purchase Discount Obligations after the initial offering or who purchase Discount Obligations 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 Obligations. 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 Obligations. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Obligations 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 Obligations. Owners of the Obligations 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 Obligations 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 Obligations were sold at a premium, representing a difference between the original offering price of those Obligations and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such obligations (if any) may realize a taxable gain upon their disposition, even though such obligations are sold or redeemed for an amount equal to the owner's acquisition cost. Special Counsel's opinion relates only to the exclusion of the Interest Portion (and, to the extent described above for the Discount Obligations, original issue discount) of the Obligations 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 regarding the Obligations. Owners of the Obligations should consult their own tax advisors as to the applicability of these consequences.

The opinion expressed by Special Counsel are based on existing law as of the delivery date of the Obligations. 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 Obligations, the exclusion of the Interest Portion (and, to the extent described above for the Discount Obligations, original issue discount) on the Obligations from gross income or alternative minimum taxable income or both from the date of issuance of the Obligations 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 Obligations. Owners of the Obligations 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 Obligations. If an audit is commenced, the market value of the Obligations 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 Purchase Agreement, and will covenant in the federal tax exemption certificate of the City, not to take any action that would cause the Interest Portion of the Obligations 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 Underwriter, Special Counsel or counsel to the Underwriter is responsible for paying or reimbursing any owner with respect to any audit or litigation costs relating to the Obligations.

LITIGATION

No Litigation Relating to the Obligations

At the time of delivery of the Obligations, 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, overtly 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 execution, sale or delivery of the Obligations or that questions the City’s right or authority to receive the sources of payment of the Obligations, or in any way contesting or affecting the validity or enforceability of the Obligations, the Trust Agreement, the Purchase Agreement, the Resolution or the Continuing Disclosure Certificate (as defined herein), 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 Obligations, the Trust Agreement, The Purchase Agreement, the Resolution 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 System 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 Obligations, 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 Obligations. 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 Obligations, 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

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Obligations at an aggregate purchase price of \$ _____ pursuant to a purchase agreement (the "Purchase Contract") entered into by and between the City and the Underwriter. If the Obligations are sold to produce the prices or yields shown on the inside front cover page hereof, the Underwriter's compensation will be \$ _____. The Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered, if any, are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing Obligations into unit investment trusts) and others at prices lower or yields higher than the public offering prices stated on the inside front cover page hereof. The initial offering prices or yields set forth on the inside front cover page may be changed from time to time by the Underwriter.

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 Obligations, 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 Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2022 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in APPENDIX I – "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 I – "Form of Continuing Disclosure Certificate."

These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX I 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 Obligations in the secondary market. The City's undertaking to comply with such covenants is payable solely from Pledged Revenues of the System. Absence of continuing disclosure could adversely affect the Obligations 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 obligations.

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.

Certain financial and operating data for Fiscal Year 2012/13 related to the City's utility systems revenue bonds, street and highway user revenue bonds, highway project advancement notes, excise tax revenue 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 Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. 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 Obligations, 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, 2020, 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, 2020 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.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement, the Purchase Agreement and the Trust Agreement may be obtained from the Deputy City Manager and Chief Financial Officer of the City, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve beliefs, assumptions, estimates, projections, forecasts, or other 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 beliefs, assumptions, 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 Obligations. **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 2020 estimated population of 504,410. 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
2020 Estimate (a)	504,410	4,439,220	7,294,587
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, 2020 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, 2020*.

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.

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)
2021 (b)	6.8%			
2020	8.1	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 February 2021 for the National Unemployment rate and through December 2020 for LAUS data. Data accessed March 16, 2021.

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	7,994
The Boeing Company	Helicopter Manufacturing and Assembly	4,600
City of Mesa	Government	4,135
Wal-Mart	Retail	2,853
Drivetime Automotive Group	Automotive Financing	1,401
24-7 Intouch	Communications	1,400
Frys Food Stores (The Kroger Company)	Retail	1,359
AT&T	Telecommunications	1,311
The Home Depot	Retail	1,111

Source: The City, Office of Economic Development as of June 30, 2020.

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 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)	\$460,547	\$519,664	\$3,204	\$983,415
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 February 28, 2021.

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)	1,320
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 February 28, 2021.

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)	\$3,390,666,640
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 December 31, 2021.

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**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	\$ 368,115,000 *(a)
Total Utility Systems Revenue Bonds to be Outstanding	1,316,750,723 *(b)
Total Utility Systems Revenue Obligations to be Outstanding	14,720,000 *(c)
Total Street and Highway User Revenue Bonds Outstanding	58,750,000 (d)
Total Excise Tax Revenue Obligations Outstanding	52,005,000 (e)
Net Assessed Limited Property Value	3,736,210,059 (f)(g)
Estimated Net Full Cash Value	46,382,667,125 (h)(g)

-
- (a) Represents all general obligation bonds of the City to be outstanding following the issuance of the 2021 GO Bonds and the 2021 GO 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 2021 Utility Bonds, 2021 Utility Refunding Bonds and net of the utility systems revenue bonds being refunded. See “STATEMENTS OF BONDS OUTSTANDING – Utility Systems Revenue Bonds to be Outstanding” in this appendix.
- (c) Represents all utility systems revenue obligations to be outstanding including the Obligations. See “STATEMENTS OF BONDS OUTSTANDING – Utility Systems Revenue Obligations to be Outstanding” in this appendix.
- (d) Represents all street and highway user revenue bonds outstanding. See “STATEMENTS OF BONDS OUTSTANDING – Street and Highway User Revenue Bonds Outstanding” in this appendix.
- (e) Represents all excise tax revenue obligations outstanding. See “STATEMENTS OF BONDS OUTSTANDING – Excise Tax Revenue Obligations Outstanding” in this appendix.
- (f) Net of property exempt from taxation; reflects application of applicable assessment ratios.
- (g) The City’s preliminary Fiscal Year 2021/22 Net Assessed Limited Property Value is estimated at \$3,990,099,076, a change of approximately 6.8% from the Fiscal Year 2020/21 Net Assessed Limited Property Value. The City’s preliminary Fiscal Year 2021/22 estimated net full cash value, as defined in footnote (h), is estimated at \$51,311,123,782, a change of approximately 10.6% from the Fiscal Year 2020/21 estimated net full cash value. Valuations are not official until approved by the Board of Supervisors of the County on or before the third Monday in August for each Fiscal Year. Although the final valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.
- (h) 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.

* Subject to change.

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds to be Outstanding 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
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	Refunding	20,475,000	7-1-17/27	20,235,000
2016B	Refunding	22,935,000	7-1-17/29	16,555,000
2016	Various Purpose	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
2020	Various Purpose	22,075,000	7-1-21/40	22,075,000
2020	Refunding	23,900,000	7-1-21/30	23,900,000
Total General Obligation Bonds Outstanding				\$350,985,000
Less the Bonds Being Refunded by the 2021 GO Refunding Bonds				(17,675,000)*(a)
Plus the 2021 GO Refunding Bonds				15,555,000*(a)
Plus the 2021 GO Bonds				19,250,000*(a)
Total General Obligation Bonds to be Outstanding				<u>\$368,115,000*</u>

(a) The City expects to offer the 2021 GO Bonds and the 2021 GO Refunding Bonds pursuant to a separate official statement.

* 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
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	Refunding	75,435,000	7-1-23/28	75,435,000
2017	Utility Improvement	123,875,000	7-1-21/41	123,875,000
2018	Utility Improvement	112,120,000	7-1-19/42	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
2020	Utility Improvement	71,070,000	7-1-21/44	71,070,000
2020	Refunding	37,675,000	7-1-34	37,675,000
Total Utility Systems Revenue Bonds Outstanding				\$1,293,235,723
Less the Bonds Being Refunded by the 2021 Utility Refunding Bonds				(53,950,000) ^(a)
Plus the 2021 Utility Refunding Bonds				42,195,000 ^(a)
Plus the 2021 Utility Bonds				35,270,000 ^(a)
Total Utility Systems Revenue Bonds to be Outstanding				<u>\$1,316,750,723 *</u>

(a) The City expects to offer the 2021 Utility Bonds and 2021 Utility Refunding Bonds pursuant to a separate official statement.

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
-	-	\$ -	-	\$ -
Total Utility Systems Revenue Obligations Outstanding				\$ -
Plus the Obligations				14,720,000 *
Total Utility Systems Revenue Obligations to be Outstanding				<u>\$14,720,000 *</u>

* 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><u>\$58,750,000</u></u>

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
Senior Obligations:				
2020	ASU Project	\$36,010,000	7-1-21/40	\$36,010,000
Subordinate Obligations:				
2012	Phoenix-Mesa Gateway Airport Authority	19,220,000	7-1-14/38	15,995,000
Total Excise Tax Revenue Obligations Outstanding				<u><u>\$52,005,000</u></u>

**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, 2020, 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 Council, 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 pension plan. The City Council 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 PSPRS that is an agent multiple-employer defined benefit health insurance premium benefit ("OPEB") plan. Eligible City employees also participate in the City's defined benefit medical plan OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2020, the City reported the following unfunded liabilities related to pensions and OPEB for all plans to which it contributes (in thousands):

Net Pension and OPEB Liabilities		
Plan	Governmental Activities	Business-Type Activities
ASRS	\$ 186,277	\$ 49,576
PSPRS-Fire	231,180	-
PSPRS-Police	441,183	-
OPEB-Police	10,041	-
City OPEB	783,525	113,850
Total	<u>\$1,652,206</u>	<u>\$163,426</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, 2020, contained in APPENDIX D of this Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**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 year end, the Electric System served a total of 17,026 customers comprised of 14,467 residential and 2,559 commercial and other customers. The summer system experienced a peak demand in calendar year 2019 of approximately 86.73 megawatts ("MW"s) and Fiscal Year 2019/20 system energy requirements of 330,831 megawatt hours ("MWh") were metered at the Rogers Substation, the Electric System's point of supply.

During Fiscal Year 2019/20, 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 2019/20 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 March 1, 2021 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)	Apr-2021	15	15
Exelon Generation Company, LLC (d)	Aug-2020	10	0
CitiGroup Energy, Inc. (e)	Dec-2021	5	5
Shell Energy North America, L.P. (f)	Sep-2020	15	0

- (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. A 40-year extension on the CRSP contract beginning in 2024 has been proposed by WAPA for the same contractual quantities and the re-marketing of the P-DP resource has also begun.
- (b) The City and Citigroup Energy Inc. are parties to a 1.5-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand and associated energy which became effective October 1, 2018 and expired on March 31, 2020. This agreement has been superseded by the agreement with Exelon Generation Company, LLC for the same firm energy delivery to the Mead 230kV Delivery Point.
- (c) The City and Exelon Generation Company, LLC (Constellation) are parties to a 1-year firm 15 MW, 7 x 24, base-load power purchase and sale agreement for demand and associated energy which became effective May 1, 2020 and will expire on April 30, 2021.
- (d) 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) that expired

August 31, 2020. This contract will be replaced via competitive procurement with firm energy supply to the same Pinnacle Peak 230kV Delivery Point.

- (e) The City and CitiGroup Energy Inc. 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.
- (f) The City and Shell Energy North America are parties to a 3-year firm 15 MW, 7 x 16, summer peak power purchase and sale agreement for demand and associated energy beginning May 1, 2016 which terminated September 30, 2020. This contract will be replaced via competitive procurement with summer peak energy supply delivery to Mead 230 kV or the same West Wing 500 kV Delivery Point.

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 2019/20, there were approximately 194.4 miles of overhead primary and approximately 258.1 miles of underground primary distribution lines that distribute power to the City's end-use customers.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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) Fiscal Year 2020/21
Residential Electric Service = E1.1	
Monthly Bill Per Meter	
May 1 to October 31	
Customer Charge	\$13.00
Usage Charge	
First 1200 kWh	\$0.05179 per kWh
> 1200 kWh	\$0.04822 per kWh
November 1 to April 30	
Customer Charge	\$13.00
Usage Charge	
First 800 kWh	\$0.03953 per kWh
> 800 kWh	\$0.01715 per kWh
Energy Cost Adjustment Factor (b)	
Minimum	\$13.00
Non-Residential Service = E3.1	
Monthly Bill Per Meter	
May 1 to October 31	
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
November 1 to April 30	
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 2019/20 factor for residential was \$0.04366 per kWh and the average Fiscal Year 2019/20 factor for non-residential was \$0.03231 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
(2016 - 2021)**

Date	Rate Change
January 1, 2021	\$1.00 (a)
August 1, 2020	1.00 (a)
August 1, 2019	0.00
August 1, 2018	1.00 (b)
August 1, 2017	1.25 (c)
August 1, 2016	1.50 (d)

-
- (a) For residential and commercial customers, 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 \$1.00.
- (c) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.25.
- (d) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.50.

Source: The City.

**Electric System Customers
(Fiscal Years 2015/16 - 2019/20) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2019/20	14,467	2,335	224	17,026
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

-
- (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 alphabetical order for Fiscal Year 2019/20.

Ten Largest Electric System Customers

Bashas Market-2
Benedictine University
Centurylink, Inc.
Ensemble Mesa Partners, LLC
Epicurean Fine Food, Inc.
Mesa Cold Storage, Inc.
Mesa Public Schools
Promise Hospital Phoenix, INC
Rohrer Corporations
Valley Metro Rail

The combined 2019/20 Electric System fees/charges for the top ten Electric System customers set forth above was \$2,552,914, constituting 8.6% of the total 2019/20 Electric System operating revenue. No individual Electric System customer above constitutes more than 3% of the total 2019/20 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2019/20, 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 2019/20, Electric System interdepartmental revenues were \$3,055,215. The City as a customer constitutes approximately 10.2% of the total 2019/20 Electric System operating revenue.

Source: The City.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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 2019/20, as the 13th 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 2019/20 year end, the City's combined Natural Gas System operated 1,391 miles of distribution mains and served approximately 68,624 total customers comprised of 66,061 residential and 2,563 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 2019/20, 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. During Fiscal Year 2020/21, the City added a two-year contract with World Fuel Services, Inc. for winter peak supplies.

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 2019/20, the Natural Gas System experienced a total coincident hourly system peak demand of 1,159 dekatherms per hour ("DTh/hr") on February 6, 2020 in the CSA and a peak demand of 559 DTh/hr on February 5, 2020 in the MSA. Total natural gas supply deliveries at the Natural Gas System's gate stations during Fiscal Year 2019/20 were 3,586,933 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.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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 Fiscal Year 2020/21
City Service Area Residential Gas Service = G1.1	
May 1st through October 31st	
Gas System Service Charge	\$15.31
First 25 Therms	\$0.6685 / therm
All Additional Therms	\$0.2384 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Gas System Service Charge	\$18.24
First 25 Therms	\$0.6685 / therm
All Additional Therms	\$0.5419 / therm
Natural Gas Supply Cost Adjustment (a)	
City Service Area General Gas Service = G3.1	
May 1st through October 31st	
Monthly Service Charge	\$37.66
First 1500 Therms	\$0.5280 / therm
All Additional Therms	\$0.3261 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Monthly Service Charge	\$45.34
First 1500 Therms	\$0.5718 / therm
All Additional Therms	\$0.4711 / therm
Natural Gas Supply Cost Adjustment (a)	
Magma Service Area Residential Gas Service = GM1.1	
May 1st through October 31st	
Gas System Service Charge	\$16.30
First 25 Therms	\$0.7370 / therm
All Additional Therms	\$0.2627 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Gas System Service Charge	\$19.54
First 25 Therms	\$0.7370 / therm
All Additional Therms	\$0.5976 / therm
Natural Gas Supply Cost Adjustment (a)	
Magma Service Area General Gas Service = GM3.1	
May 1st through October 31st	
Monthly Service Charge	\$42.48
First 1500 Therms	\$0.6522 / therm
All Additional Therms	\$0.4027 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Monthly Service Charge	\$54.41
First 1500 Therms	\$0.7061 / therm
All Additional Therms	\$0.5817 / 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 2019/20 for residential and general service was \$0.14607 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
(2016-2021)**

Date	Rate Changes
January 1, 2021	\$0.25 & \$2.00 (a)
August 1, 2020	0.75 & \$2.00 (b)
August 1, 2019	0.00
August 1, 2018	0.45 (c)
August 1, 2017	0.75 (c)
August 1, 2016	1.00 (c)

- (a) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.25) and non-residential customers (\$2.00).
- (b) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).
- (c) 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 2015/16 - 2019/20) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2019/20	66,061	2,338	225	68,624
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

- (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 alphabetical order for Fiscal Year 2019/20.

Ten Largest Natural Gas System Customers

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

The combined Fiscal Year 2019/20 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$2,955,444, constituting 7.5% of the total Fiscal Year 2019/20 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 1.3% of the total Fiscal Year 2019/20 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2019/20, 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 2019/20 Natural Gas System interdepartmental revenues for the City were \$499,916.

Source: The City.

Water System

The water utility system of the City (the “Water System”) serves a population of over 514,144 residing within a 158 square mile area. The Water System currently consists of approximately 160,339 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 42% 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 33% 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 15% of the City’s water in 2020.

Groundwater wells produce the remaining 10% of the water delivered by the City on an average day. The City currently has 35 active groundwater wells with a pumping capacity of approximately 87 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 2020 was 85 mgd, with a peak day of 128 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 Fiscal Year 2020/21
Monthly Minimum Bill-All Classes, All Zones*	
3/4 Inch	\$28.52
1 Inch	\$31.94
1 1/2 Inch	\$44.71
2 Inches	\$58.65
3 Inches	\$116.16
4 Inches	\$183.97
6 Inches	\$352.32
8 Inches	\$521.74
10 Inches	\$706.83
*Includes the first 3,000 gallons of water as a minimum charge for capacity availability	
Monthly Volume Charge - Residential	
First 7,000 Gallons of Water	\$3.24/1,000 Gallons
Next 8,000 Gallons of Water	\$4.86/1,000 Gallons
Next 9,000 Gallons of Water	\$5.86/1,000 Gallons
Additional Usage	\$6.56/1,000 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
(2016-2021)**

Date	Rate Change
January 1, 2021	1.50%
July 1, 2020	0.00
July 1, 2019	0.00
July 1, 2018	2.00
July 1, 2017	3.50
July 1, 2016	5.00

Source: The City.

**Water System Customers
(Fiscal Years 2015/16 - 2019/20)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2019/20	136,045	11,106	4,619	151,770
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

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 in alphabetical order for Fiscal Year 2019/20.

Ten Largest Water System Customers

Arizona State University-East
CalAm, Inc. (Cal-Am Properties, Inc.)
Cadence Homeowners Association
Commercial Metal Company
Eastmark Residential Association
Gilbert Public Schools
Mesa Public Schools
Niagara Bottling LLC
Platypus Development, LLC
The Church of Jesus Christ of Latter-Day Saints

The combined Fiscal year 2019/20 Water System fees/charges for the top ten Water System customers set forth above was \$6,448,486 constituting 4.24% of the total Fiscal Year 2019/20 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2019/20, 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 2019/20 Water System interdepartmental revenues for the City were \$4,525,625.

Source: The City.

Wastewater System

The City's wastewater collection system (the "Wastewater System") currently serves approximately 129,055 connections.

The Phoenix-operated 91st 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. The GWRP Phase III Expansion project was substantially completed in August 2020. The GWRP liquids treatments capacity is currently 30 mgd of which the City of Mesa owns 14 mgd and has a bio-solids processing capacity of 38 mgd of which the City owns 22 mgd.

Reclaimed water from the SEWRP and the GWRP is delivered to the Gila River Indian Community (the "Community") for agricultural use as part of a contractual water exchange. Through this exchange, the City receives four acre-feet of CAP water for delivery by its potable system for every five acre-feet of reclaimed water that is delivered to the Community.

In addition to the various treatment facilities outlined above, the City has approximately 1,789 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 91st 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 2020 was 33.5 mgd, with a peak day of 36.4 million gallons.

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

Current Wastewater System Fees and Charges	
Description of Wastewater System Services	Fee/Charge Fiscal Year 2020/21
Residential Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$19.94
User Charge Component (average winter water consumption)	\$1.64 / 1,000 gallons
Capital Related Component (average winter water consumption in excess of 5,000 gallons)	\$2.96 / 1,000 gallons
General Commercial Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$21.50
User Charge Component (all water used)	\$1.72 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.10 / 1,000 gallons
Multi-Unit Dwelling Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$21.50
User Charge Component (all water used)	\$1.72 / 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.10 / 1,000 gallons

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.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

**Wastewater System Rate Changes
(2016-2021)**

Date	Rate Change
January 1, 2021	3.50%
July 1, 2020	0.00
July 1, 2019	0.00
July 1, 2018	2.50
July 1, 2017	4.00
July 1, 2016	5.00

Source: The City.

**Wastewater System Customers
(Fiscal Years 2015/16 - 2019/20)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2019/20	125,645	5,248	4,478	0	598	135,969
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

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 in alphabetical order for Fiscal Year 2019/20.

Ten Largest Wastewater System Customers

1050 Longmore Apartments, LLLP
 Arizona State University-East
 Cal-Am Properties, Inc.
 Fry's Food Stores
 Mesa Public Schools
 MHC Viewpoint, LLC
 Phoenix Multi Venture LLC
 Platypus Development, LLC
 Town of Gilbert
 Wal-Mart Stores, Inc.

The combined Fiscal Year 2019/20 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$3,869,635 constituting 4.64% of the total Fiscal Year 2019/20 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2019/20, 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 2019/20 Wastewater System interdepartmental revenues for the City were \$435,449.

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. The residential Solid Waste System currently consists of approximately 135,000 customers. The City continues to operate a permanent Household Hazardous Materials (HHM) facility.

The City competes with private solid waste hauler and collection services for commercial customers within the City. The City commercial program has approximately 2,400 customers. The City also provides roll off services to both residential and commercial customers and serves approximately 1,600 customers.

The City has agreements with multiple vendors that operate landfills, transfer stations and recycling centers for the disposal of solid waste and processing of recyclable 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 2020/21)

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.

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

* 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 Residential Rate Changes
(2016-2021)**

Date	Rate Change
January 1, 2021	0.00%
March 1, 2020	0.00
July 1, 2019	0.00
July 1, 2018	2.00
July 1, 2017	3.50
July 1, 2016	4.00

Source: The City.

**Solid Waste System Customers
(Fiscal Years 2015/16 - 2019/20)**

Fiscal Year	Residential Customers (a)	Commercial Customers	Roll Off Customers (b)	Total Customers
2019/20	135,463	2,416	1,629	139,508
2018/19	131,992	2,271	1,695	135,958
2017/18	128,723	2,258	1,498	132,479
2016/17	125,986	2,531	1,334	129,851
2015/16	134,259	2,481	1,201	137,941

- (a) Fiscal Year 2015/16 was originally 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 Years 2015/16 – 2018/19 were originally calculated using the average number of permanent roll off customers each year. This number has been revised to reflect all roll off customer types and includes the total number of customers served annually with the City’s roll off business.

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 alphabetical order for Fiscal Year 2019/20.

Ten Largest Solid Waste System Customers

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

The combined Fiscal Year 2019/20 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$2,173,713 constituting 3.4% of the total Fiscal Year 2019/20 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1.1% of the total Fiscal Year 2019/20 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 2019/20 Solid Waste System interdepartmental revenues for the City were \$571,440.

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, 2020

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF THE MASTER BOND RESOLUTION, AS AMENDED

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF THE MASTER BOND RESOLUTION, AS AMENDED

The following is a summary of certain provisions of the Resolution No. 6362 adopted by the City Council of the City of Mesa on July 29, 1991, as amended by Resolution No. 7960 adopted by the City Council of the City on February 3, 2003, as thereafter supplemented and amended. The amendment in 2003 changed the requirements pertaining to the Reserve Fund. This summary does not purport to be a full statement of the terms of the Master Bond Resolution and, accordingly, is qualified by reference hereto and is subject to the full text thereof.

Definitions

“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 Bond 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.

“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.

“Master Bond Resolution” – the Master Bond 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.

“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 Bond 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 Bond 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.

“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 Bond 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 Bond 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 Bond 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 Bond 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 Bond 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 Bond 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 Bond 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.

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 Bond 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 Bond 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 Bond 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 Bond 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 Bond 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 Bond Resolution or available at the request of Owners and (iv) all reports or certificates prepared by the consulting engineer pursuant to the Master Bond 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 Bond 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 Bond 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 Bond 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

OBLIGATIONS DOCUMENTS SUMMARIES

[THIS PAGE INTENTIONALLY LEFT BLANK]

OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein. These summaries are a brief description of certain provisions of the Trust Agreement and the Purchase Agreement and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the entire Trust Agreement and Purchase Agreement, copies of which are available as set forth in this Official Statement under the heading “ADDITIONAL INFORMATION.”

Definitions

For the purposes hereof and in addition to those defined prior to the Appendices hereof, the following words and phrases will have the following meanings:

“Additional Obligation Documents” means any contract (including a resolution of the City Council) or agreement of the City constituting or authorizing Additional Obligations.

“Additional Obligations” means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the City subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share pro rata in payments to be made by the City from the Pledged Revenues, without priority one over the other or over the Purchase Agreement, and (ii) for the purpose of acquiring, constructing or improving the System or to refund any Obligations, Additional Obligations or Bonds.

“Assumed Interest Rate” means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

“Bond Year” means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

“Bonds” has the meaning ascribed in the Master Bond Resolution.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the City of Tucson and in the city or cities in which the corporate trust office of the Trustee and the Paying Agents are required or authorized by law or executive order to remain closed, and (c) a day on which the City is required or authorized by law or executive order to remain closed.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Consultant” means, in the sole discretion of the City, a firm of utility consultants experienced in the financing and operation of sewer systems and having a recognized reputation for such work, or City staff with similar experience.

“City Representative” means the Deputy City Manager and Chief Financial Officer or any other person at any time designated, by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the City Manager or his or her designee, to act on behalf of the City with respect to the Trust Agreement and the Obligations. Such certificate may designate one or more alternates.

“City Series 2021 Obligations Fund” means the fund of that name created pursuant to Section 3.3(a) of the Purchase Agreement.

“Credit Facility” means a bank, financial institution, insurance company or indemnity company that is engaged by or on behalf of the City to perform one or more of the following tasks: (a) enhance the credit of the City securing the Additional Obligations by assuring that principal of and interest on such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) provide liquidity for Additional Obligations (or any interests therein) by undertaking to

cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Obligation Documents.

“Debt Service Reserve Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Trust Agreement.

“Defeasance Obligations” means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasures”), (3) evidences of ownership of proportionate interest in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aa” by S&P and Moody’s, respectively, or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

“Depository Trustee” means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Trust Agreement that may be designated by the City.

“Deputy City Manager and Chief Financial Officer” means the chief financial officer of the City.

“Fiscal Year” means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“Holder” means the registered owner of any Obligation.

“Improvements Fund” means the fund of that name created pursuant to Section 2.2 of the Purchase Agreement.

“Interest Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Trust Agreement.

“Interest Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, (ii) with respect to Parity Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Parity Obligations, and (iii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“Master Bond Resolution” means Resolution No. 6362 passed and adopted by the City Council of the City on July 29, 1991, as thereafter supplemented and amended.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“Obligation Fund” means the fund of that name created pursuant to Section 5.1 of the Trust Agreement.

“Obligation Payment Date” means each January 1 and July 1, commencing, January 1, 2022*, so long as any Obligations are Outstanding.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys acceptable to the Trustee and who or which (except as otherwise expressly provided in the Trust Agreement or in the Purchase Agreement) may be counsel for the City or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

“Outstanding” means when used with reference to the Obligations, as of any date of determination, all Obligations theretofore executed and delivered except:

- (i) Obligations previously cancelled by the Trustee or delivered to the Trustee for cancellation;

* Subject to change.

(ii) Obligations that are deemed paid and no longer Outstanding as provided in the Trust Agreement, including as a result of irrevocable instructions being provided by the City for the redemption thereof;

(iii) Obligations in lieu of which other Obligations have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under the Trust Agreement or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Obligations, Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with the City.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of all Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

“Paying Agent” means the banks or trust companies and their successors from time to time designated by the City as the paying agencies or places of payment for the Obligations. The Trustee is designated as the initial Paying Agent for the Obligations.

“Permitted Investments” means, to the extent the use of which is not otherwise prohibited by applicable law:

1. A. Cash;
- B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));
- C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;
- D. Resolution Funding Corp. (“REFCORP”) but only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
- E. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P but if, however, the issue is only rated by S&P (i.e., there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition and
- F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - (i) U.S. Export-Import Bank (Eximbank)
– Direct obligations or fully guaranteed certificates of beneficial ownership,
 - (ii) Farmers Home Administration (FmHA),
 - (iii) Federal Financing Bank,
 - (iv) General Services Administration
– Participation Certificates,
 - (v) U.S. Maritime Administration
– Guaranteed Title XI financing and
 - (vi) U.S. Department of Housing and Urban Development (HUD)

- Project Notes
 - Local Authority Bonds
 - New Communities Debentures – U.S. government guaranteed debentures
 - U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;
2. Federal Housing Administration debentures;
 3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
 - Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - Senior debt obligations
 - B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA or “Fannie Mae”)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)
 - E. Financing Corporation (FICO)
 - Debt obligations
 - F. Resolution Funding Corp. (REFCORP)
 - Debt obligations
 4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P or the highest rating category of Moody’s or are fully insured by the Federal Deposit Insurance Corporation (FDIC).
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks that have capital and surplus of at least \$5 million.
 6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.
 7. Money market mutual funds rated “AAm” or “AAm-G” or higher by S&P or having a rating in the highest investment category granted thereby from Moody’s.
 8. “State Obligations”, which means:
 - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the

unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- B. the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
- D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
- B. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

- D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;
- E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the City or the Trustee, within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103 percent or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa2" by Moody's; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Obligations;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
- E. the investment agreement shall provide that if during its term:
 - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and
 - (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within ten days of receipt of such direction, repay the

principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

- F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- G. the investment agreement must provide that if during its term:
 - (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and
 - (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

13. Any other investment that is permitted under the City's adopted written investment policy.

"Person" includes an individual, an unincorporated association, a corporation, a partnership, a government agency or a political subdivision.

"Principal Account" means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Trust Agreement.

"Principal Installment" means, for any particular date, the aggregate of the principal amount of Obligations that are due on such date.

"Principal Requirement" means (i) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the Obligations maturing or subject to mandatory redemption pursuant to the Trust Agreement during the then-current Bond Year, and (ii) with respect to Parity Obligations and Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to such Parity Obligations and Additional Obligations, as applicable. In computing the Principal Requirement for such Parity Obligations or Additional Obligations, an amount of such Parity Obligations or Additional Obligations, as applicable, required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Parity Obligations or Additional Obligations, as applicable, maturing on the scheduled maturity date. In the case of Parity Obligations or Additional Obligations supported by a Credit Facility, the Principal Requirement for such Parity Obligations or Additional Obligations, as applicable, shall be determined in accordance with the principal retirement schedule specified in the Parity Obligation Documents or Additional Obligation Documents authorizing the incurrence of such Parity Obligations or Additional Obligations, as applicable, rather than any amortization schedule set forth in such Credit Facility unless payments under such Parity Obligations or Additional Obligations, as applicable, shall be in default at the time of the determination, in which case the Principal Requirements for such Parity Obligations or Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

"Purchase Event of Default" means one of the events defined as such in Section 7.1 of the Purchase Agreement.

"Purchase Price" means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Trust Agreement from amounts to be paid by or on behalf of the City as the purchase price for the Series 2021 Projects.

“Qualified Reserve Fund Instrument” means a letter or line of credit, insurance policy or surety bond that meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Obligations may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the claims paying ability of the issuer thereof shall be rated at least “AA-” or “Aa3” by S&P or Moody’s, respectively, or a lower rating acceptable to the City, provided that any issuer rated below “AA-” or “Aa3” by S&P or Moody’s, respectively, will not adversely affect the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s.

(ii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the issuer thereof is rated at least “AA-” by S&P, or a lower rating acceptable to the City, provided that any issuer rated below “AA-” by S&P will not adversely affect the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

If the expiration date of the letter of credit shall not be extended, the City may deposit in the Debt Service Reserve Account an amount sufficient to cause cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in either (i) or (ii) above.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (ii) shall be subject to receipt of an opinion of counsel of an attorney or firm of attorneys of nationally recognized standing in the related field as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel of such attorney or firm of attorneys to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the Obligations (or any other account party under the letter of credit).

(iii) The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference

between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P “AA-” or a Moody’s “Aa3” (or if the City initially selected a lower rated issuer, the S&P or Moody’s rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s) or (D) the rating of the issuer of the letter of credit falls below a S&P “AA-” (or if the City initially selected a lower rated issuer, the S&P rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s) the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P “AA-” or a Moody’s “Aa3” (or if the City initially selected a lower rated issuer, the S&P or Moody’s rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s) or (C) the rating of the issuer of the letter of credit falls below a S&P “AA-” (or if the City initially selected a lower rated issuer, the S&P rating on such issuer declines from its initial level and such decline adversely affects the then-current rating pertaining to the Series 2021 Obligations, if then rated by S&P or Moody’s), the City shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy is no longer investment grade or (b) the rating of the issuer of the letter of credit is no longer investment grade or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the City shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing year in equal monthly installments or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the City to the issuer of the Qualified Reserve Fund Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, e.g., rate covenant or Additional Obligations test.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each Obligation Payment Date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on the Qualified Reserve Fund Instrument.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the City obtains, and provides to the Trustee, a Special Counsel’s Opinion to the effect that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes.

“Rating Agency” means Moody’s or S&P, or any of them or their replacements as provided in the definition of each.

“Repair and Replacement Fund” means the fund of that name created pursuant to Section 5.1(b) of the Purchase Agreement.

“Repair and Replacement Fund Funding Requirement” means an amount equal to two percent of all tangible assets of the System at the end of the preceding Fiscal Year, as shown in the most recent audited financial statements of the City.

“Reserve Requirement” means, if the Debt Service Reserve Account is required to be funded, an amount equal to the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Obligations; provided, however, that such amount shall not exceed the least of (a) ten percent (10%) of the net proceeds of the Obligations at the time of original delivery, (b) the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Obligations at the time of original delivery or (c) one hundred twenty-five percent (125%) of the average annual debt service at the time of original delivery. If the Debt Service Reserve Account is not required to be funded, the Reserve Requirement is \$0.00.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, its successors and assigns, and, if such limited liability company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“Series 2021 Projects” means, in the aggregate, the improvements described on Exhibit A attached to the Purchase Agreement.

“Special Counsel” means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Counsel’s Opinion” means an opinion signed by Special Counsel.

“State” means the State of Arizona.

“Trust Agreement Event of Default” means any one of those events set forth in Section 7.1 of the Trust Agreement.

“Variable Rate Obligations” means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

The Purchase Agreement

* * * * *

Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds for payment of the costs and expenses of the Series 2021 Projects and the Delivery Costs pertaining to the Obligations, the Obligations shall be executed and delivered under the Trust Agreement.

Section 2.2. Improvements Fund.

(a) The City shall establish and maintain a separate fund known as the “Improvements Fund,” that shall be funded from proceeds of the Obligations transferred to the City by the Trustee pursuant to the Trust Agreement. Moneys in the Improvements Fund shall be disbursed by the City for the following purposes and for no other purposes:

(i) to the extent not paid by the Trustee from the Delivery Costs Fund established under the Trust Agreement, Delivery Costs;

(ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, construction and improvement of the Series 2021 Projects, and all real and personal property deemed necessary by the City, in its sole discretion, in connection with the Series 2021 Projects and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the Series 2021 Projects advanced prior to the execution and delivery of the Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the Obligations during the acquisition, construction and improvement of the Series 2021 Projects.

(b) Before any of the foregoing payments may be made, the City shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund, (ii) each item for which payment is proposed to be made is or was deemed necessary by the City, in its sole discretion, in connection with the Series 2021 Projects and (iii) each item for which payment is proposed to be made is for a purpose permitted by the Purchase Agreement.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4 of the Purchase Agreement, the City may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The City shall notify the Trustee of the completion date of the Series 2021 Projects by delivery of a certificate signed by the City Representative stating that (i) the Series 2021 Projects have been completed and (ii) all disbursements from the Improvements Fund have been made, except for amounts retained by the City for payment of costs of the Series 2021 Projects not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the Series 2021 Projects shall be transferred by the City to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

* * * * *

Section 3.3. City Series 2021 Obligations Fund; Amounts Payable After Execution and Delivery of Obligations.

(a) Upon the issuance of the Obligations, the City shall establish and maintain a separate, internal fund known as the “City Series 2021 Obligations Fund,” which the City shall hold in trust for the Holders of the Obligations. On or before the 10th day of each month, the City shall transfer Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement into the City Series 2021 Obligations Fund as follows:

(i) Commencing July 10, 2021, one-sixth (1/6) of the interest on the Obligations falling due on the January 1, 2022*, Obligation Payment Date and, thereafter, one-sixth (1/6) of the interest on the

* Subject to change.

Obligations falling due on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(ii) below.

(ii) Commencing July 10, 2021, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding July 1, which amounts shall be used to make the payments required by Section 3.3(b)(iii) below.

(b) After providing for certain amounts due to the federal government as rebate of excess earnings, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement (whether held by the City in the City Series 2021 Obligations Fund or otherwise) shall be paid for the following purposes and in the following order of priority:

(i) On the dates necessary therefor, fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Trust Agreement to the Trustee.

(ii) Not later than one Business Day prior to the date on which due, the interest on the Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account.

(iii) Not later than one Business Day prior to the date on which due, the principal of the Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account.

(iv) (1) If Pledged Revenues during any Fiscal Year of the City are less than 175 percent of the aggregate Principal Requirement and the Interest Requirement on all Obligations and Additional Obligations then Outstanding 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 Debt Service Reserve Account, moneys, investments, Qualified Reserve Fund Instruments or any combination thereof, equal to the Reserve Requirement, and (2) on the tenth (10th) day of each month, commencing on the first (1st) day of the month following a payment made on the Obligations from the Debt Service Reserve Account, an amount equal to one twelfth (1/12) of the amount which, when added to the balance then in the Debt Service Reserve Account, shall be equal to the Reserve Requirement.

(v) Commencing on July 10, 2021, and on tenth (10th) day of the month thereafter, an amount equal to the amount required to fund and maintain the Repair and Replacement Fund in an amount equal to not less than two percent (2%) of the Revenues of the previous month until the amount accumulated in the Repair and Replacement Fund is in an amount equal to or greater than the Repair and Replacement Fund Funding Requirement; provided that at such time or times as there is on deposit in the Repair and Replacement Fund an amount at least equal to the Repair and Replacement Fund Funding Requirement, as shown in the most recent audited financial statements of the City, no amounts need to be deposited to the Repair and Replacement Fund

(c) In the event the City should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the City, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Obligations, from the date said payment was to be made to the date of payment by the City until paid. The Purchase Agreement shall be deemed and construed to be a "net purchase agreement," and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

* * * * *

Section 4.1. Limitation of Source of City Payments.

(a) The Purchase Agreement is a limited, special obligation of the City, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the City pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the City Council, from paying such amounts from other moneys of the City; provided, however, under no circumstances shall amounts paid under the Purchase Agreement

from such moneys constitute a pledge thereof, and amounts payable by the City under the Purchase Agreement shall never constitute a general obligation of the City or a pledge of ad valorem property taxes by the City.

(c) The City pledges, and shall raise and apply, the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the City under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Parity Obligations and the Additional Obligations. All of the Pledged Revenues shall be immediately subject to such pledge 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 Purchase Agreement or to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Trust Agreement. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

* * * * *

Section 4.3. Prior Lien Obligations. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under the Purchase Agreement. (See Article IX of the Purchase Agreement, however, which provides that this Section 4.3 is inoperative until all the Bonds issued under the Master Bond Resolution are no longer Outstanding.)

* * * * *

Section 5.1. Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund.

(a) All maintenance and repair of the Series 2021 Projects and utilities therefor shall be the responsibility of the City. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Series 2021 Projects.) The City shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

(b) The City shall create the Repair and Replacement Fund in its custody on the date of original execution and delivery of the Obligations. Amounts in the Repair and Replacement Fund shall be used (without priority): (i) for making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense, (ii) as provided in Section 3.3(b), (iii) for the payment of any sums due and owing to the Holders of the Obligations and Additional Obligations being refunded which sums cannot for any reason be paid from the income and proceeds of any Defeasance Obligations held by a Depository Trustee, (iv) for the acquisition of water, electrical, natural gas, wastewater and solid waste properties or facilities deemed necessary by the City to the efficient and economical operation of the System or to extend or improve the System, and (v) for making other improvements, additions, extensions, replacements or repairs to the System. Notwithstanding anything in the Purchase Agreement or in the Trust Agreement to the contrary, if, after any Fiscal Year, amounts in the Repair and Replacement Fund exceed the Repair and Replacement Fund Funding Requirement, such amounts in excess of the Repair and Replacement Fund Funding Requirement held in the Repair and Replacement Fund may be released and used by the City for any lawful purpose. Notwithstanding any provision of the Trust Agreement or the Agreement to the contrary, the Repair and Replacement Fund is in no way pledged or liened pursuant to the Purchase Agreement as a source of payment for the Purchase Price, and the City may waive, terminate or modify the uses of the Repair and Replacement Fund at any time without obtaining any consent from Holders of the Series 2021 Obligations.

Section 5.2. Insurance. The City shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies,

except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City annually reviews and reports to the City in writing that any such program is adequate and actuarially sound.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The City shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Trust Agreement.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the Obligations. In addition, the City may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Obligations then Outstanding.

(c) The City may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Deputy City Manager and Chief Financial Officer, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the Deputy City Manager and Chief Financial Officer (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 120 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the Obligations, Additional Obligations or Bonds provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the System.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The City shall diligently enforce payment of all bills for services supplied by the System. If a bill becomes delinquent and remains so for a period to be determined in accordance with City policy from time to time, the City shall discontinue service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until the delinquent charges shall have been paid or provisions for payment satisfactory to the City shall have been made. The City shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

(b) No free service shall be furnished by the System to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the

Purchase Agreement. The reasonable cost and value of all service rendered to the City and its various departments by the System shall be charged against the City and will be paid for as the service occurs from the City's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the System.

Section 5.7. No Competing System. The City shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing sewer system within, in whole or in part, the service areas of the System.

* * * * *

Section 7.1. Purchase Events of Default. Any one or more of the following events ("Purchase Events of Default") shall constitute a default under the Purchase Agreement:

(a) The City shall fail to make any payment when due under Section 3.3(b)(ii) or (iii) of the Purchase Agreement; or

(b) The City shall fail to make any payment under Section 3.3(b)(i), (iv) or (v) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the City by the Seller or by the Trustee; or

(c) The City shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the City by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the City diligently tries to remedy the same; or

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

Section 7.2. Remedies on Default by City. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if indemnified to its satisfaction and requested to do so by the Trustee (acting upon direction from the Holders of a majority in aggregate principal amount of the Obligations), without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, except that under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

* * * * *

Section 8.12. Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Purchase Agreement and that provides that the City may within three years after its execution cancel any contract (including the Purchase Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

Article IX. Master Bond Resolution. The terms and provisions of the Master Bond Resolution will control in all respects to the extent the Master Bond Resolution is inconsistent with the Purchase Agreement, including, but not limited, with respect to definitions; priority of pledge, lien and security for the Bonds (as defined in the Master Bond Resolution) issued under the Master Bond Resolution and credit enhancement for such bonds; flow of, and deposit

to, funds; covenants regarding the System; defaults and remedies; etc. So long as the Bonds are Outstanding (as defined in the Master Bond Resolution), the Obligations and any Additional Obligations shall be junior in lien to the Bonds, as permitted by the Master Bond Resolution. See “Appendix E – “MASTER BOND RESOLUTION SUMMARY.”

So long as the Bonds are Outstanding under the Master Bond Resolution, the definition of “Revenues” pertaining to the Obligations shall be modified to reflect the following additional exclusions described in the Master Bond Resolution: the interest received on any investment of Bond proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond, a Bond Being Refunded or defeased or other outstanding revenue bonds originally secured in whole or in part by System Revenues.

So long as the Bonds are Outstanding under the Master Bond Resolution, the definition of “Operating Expenses” pertaining to the Obligations shall be modified to reflect the following additional exclusions described in the Master Bond Resolution: payments into the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund.

So long as the Bonds are Outstanding under the Master Bond Resolution, the reference in Section 4.1(c) to “first lien” is modified to be “junior lien.”

So long as the Bonds are Outstanding under the Master Bond Resolution, the transfers and payments in Sections 3.3(a) and 3.3(b) shall be made after the transfers and payments required in Section 10(B) of the Master Bond Resolution.

So long as Bonds are Outstanding under the Master Bond Resolution, Section 4.3 shall read as follows: “The City shall not incur any obligations payable from the Net Revenues (as defined in the Master Bond Resolution) ranking prior to the obligations of the City under the Master Bond Resolution. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under the this Purchase Agreement, provided that the City may issue Bonds upon meeting the conditions specified in the Master Bond Resolution.”

For purposes of the test described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Rate Covenant” and “ – Debt Service Reserve Account: No Current Funding Requirement”, the term “Additional Obligations” shall be defined to include “Outstanding Bonds” as defined in the Master Bond Resolution. For purposes of the test described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Additional Obligations” the term “Additional Obligations” in the definition of “Parity Lien Test Debt Service” shall also be defined to include Outstanding Bonds.

So long as Bonds are Outstanding under the Master Bond Resolution, the Repair and Replacement Fund Funding Requirement shall be \$0.00.

This Article shall be applicable only until the Bonds are no longer “Outstanding” pursuant to the Master Bond Resolution. The City shall not amend or otherwise modify the Master Bond Resolution in any manner that adversely affects the rights of the Holders of the Obligations.

The Trust Agreement

Granting Clauses. Pursuant to the Trust Agreement, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement and

C. Any and all other real or personal property of any kind from time to time after execution of the Trust Agreement by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Trust Agreement for the Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All Obligations Equally and Ratably Secured; Obligations Not General Obligations of the City. All of the Obligations executed and delivered under the Trust Agreement and at any time Outstanding shall in all respects be equally and ratably secured by the Trust Agreement, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Obligations, so that all Obligations at any time Outstanding under the Trust Agreement shall have the same right, lien and preference under the Trust Agreement. The Obligations shall be payable solely out of the revenues and other security pledged by the Trust Agreement and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(b)(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(C) of the Trust Agreement shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(b)(iii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(C) of the Trust Agreement shall also be deposited in the Principal Account.)

(iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instruments contained therein equals the Reserve Requirement.

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire Obligations by payment at their scheduled maturity date, mandatory redemption date or optional redemption date.

(iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the Series Obligations in the event that no other money of the City is available therefor or for the retirement (including by defeasance pursuant to Section 10.2 of the Trust Agreement) of all of the Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument.

(B) Notwithstanding anything in the Trust Agreement or in the Purchase Agreement to the contrary, if, after the City has been required to make deposits to the Debt Service Reserve Account pursuant to Section 3.3(b)(iv) of the Purchase Agreement, the Pledged Revenues for two consecutive Fiscal Years equal or exceed 175 percent of the aggregate Principal Requirement and the Interest Requirement on all Series 2021 Obligations and Additional Obligations then Outstanding for the corresponding Bond Year for such Fiscal Years, any moneys and/or Qualified Reserve Fund Instruments held in the Debt Service Reserve Account may be released and (except as otherwise limited by the terms of any Qualified Reserve Fund Instrument) used by the City for any lawful purpose, and the City's obligation to maintain the Reserve Requirement in the Debt Service Reserve Account shall terminate, subject to Section 3.3(b)(iv) of the Purchase Agreement for funding the Debt Service Reserve Account if the circumstances described in Section 3.3(b)(iv) of the Purchase Agreement occur.

(C) If on July 2 of any year the amount in the Debt Service Reserve Account exceeds an amount equal to the Reserve Requirement and if the City is not then in default under the Purchase Agreement, the Trustee shall withdraw the amount of any such excess from such account and shall apply such amount, first and on a pro-rata basis, to pay amounts due with respect to the Qualified Reserve Fund Instrument, including by transferring amounts in the "reimbursement fund" established to reimburse the provider of the Qualified Reserve Fund Instrument for any payments made by the provider thereof until the corresponding costs with respect thereto are paid, second, as a deposit to the Interest Account, and third, if the amount in the Interest Account is equal to or greater than the interest due on the Series Obligations on the next Obligation Payment Date, as a deposit to the Principal Account.

Section 5.6. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the City Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall invest moneys in investments described in clause 2 of the definition of Defeasance Obligations.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

* * * * *

Section 7.1. Events of Default. Each of the following is declared a "Trust Agreement Event of Default" under the Trust Agreement:

(a) If payment of any installment of interest on any Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any Obligation is not made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of all or any part of the interests pledged under the Trust Agreement and such custody or control continues for more than 60 days;

(d) If the City defaults in the due and punctual performance of any other covenant, condition, agreement or provision on its part to be performed as provided in the Trust Agreement or in the Obligations and such default continues for 30 days after the Trustee gives the City written notice specifying such default, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee, the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Obligations then Outstanding; or

(e) If any event of default provided by Section 7.1 of the Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Trust Agreement Event of Default and in accordance with the Trust Agreement and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Trust Agreement and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the Trust Agreement or for damages for the breach of the Trust Agreement, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of a Trust Agreement Event of Default and subject to Section 7.7 of the Trust Agreement, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Trust Agreement by any acts that may be unlawful or in violation of the Trust Agreement, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Trust Agreement and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, any amounts due under the Trust Agreement other than as a result of optional redemption pursuant to the Trust Agreement and then only to the extent of the amount to be so redeemed.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of a Trust Agreement Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the Obligation Fund, and all amounts held by the Trustee under the Trust Agreement shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Obligations); and

Second: To the payment of the unpaid Principal Installments or redemption price of any Obligations that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard

for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * * * *

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trust Agreement or for the execution of any trust or for any remedy under the Trust Agreement except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Trust Agreement upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Trust Agreement; and

(ii) Such Holders have offered to indemnify the Trustee as provided in Section 8.2(v) of the Trust Agreement; and

(iii) The Trustee has failed or refused to exercise the duties or powers granted in the Trust Agreement for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of Obligations then Outstanding.

(b) No one or more Holders of Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Trust Agreement except in the manner provided in the Trust Agreement and for the equal benefit of the Holders of all Obligations Outstanding.

(c) Nothing contained in the Trust Agreement shall affect or impair, or be construed to affect or impair, the right of the Holder of any Obligation (i) to receive payment of the principal of or premium, if any, or interest on such Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Trust Agreement on the moneys, funds and properties pledged under the Trust Agreement for the equal and ratable benefit of all Holders of Obligations.

* * * * *

Section 7.9. Waiver of Trust Agreement Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any Obligations to exercise any right or power accruing upon any Trust Agreement Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Trust Agreement Event of Default or an acquiescence therein. Every power and remedy given by the Trust Agreement may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Trust Agreement Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions of the Trust Agreement, or before the completion of the enforcement of any other remedy under the Trust Agreement.

(c) In case of any waiver by the Trustee of a Trust Agreement Event of Default under the Trust Agreement, the City, the Trustee and the Holders shall be restored to their former positions and rights under the Trust Agreement, respectively, but no such waiver shall extend to any subsequent or other Trust Agreement Event of Default. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Trust Agreement Event of Default in accordance with this Section.

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

(a) Except during the continuance of a Trust Agreement Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Trust Agreement; but in the case of any such certificates or opinions which are required by any provision of the Trust Agreement or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Trust Agreement or the Purchase Agreement on their face.

(b) In case a Trust Agreement Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances.

(c) No provision of the Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence, willful misconduct or breach of trust by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any associate or senior associate, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding Obligations as provided in the Trust Agreement relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Trust Agreement; and

(iv) no provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the City for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of the Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 of the Trust Agreement:

* * * * *

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Holders pursuant to the Trust Agreement unless such Holders shall have offered to the Trustee satisfactory security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Trust Agreement by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the Obligations then Outstanding under the Trust Agreement. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the City shall be entitled to appoint a successor Trustee acceptable to the City.

(d) If the Holders of a majority of the principal amount of Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

* * * * *

Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Trust Agreement; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and, together with the Trustee's officers, directors, agents and employees, to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of the trust or its duties under the Trust Agreement.

* * * * *

Section 9.1. Supplements not Requiring Consent of Holders. The City acting through the City Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Trust Agreement for one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission in the Trust Agreement or to correct or supplement any provision in the Trust Agreement that is inconsistent with any other provision in the

Trust Agreement, or to make any other provisions with respect to matters or questions arising under the Trust Agreement provided such action shall, in the opinion of counsel delivered to the Trustee, not materially adversely affect the interests of the Holders;

(ii) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(iii) To secure additional revenues or provide additional security or reserves for payment of the Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions therefor;

(iv) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Trust Agreement;

(vi) To permit Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;

(vii) To preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to the Obligations) the interest on which is likewise exempt from federal and State income taxes; and

(viii) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Trust Agreement by agreement of the Trustee and the City.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Trust Agreement referred to in Section 9.1 of the Trust Agreement and subject to the terms and provisions and limitations contained in the Trust Agreement and not otherwise, the Holders of not less than a majority in principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement; provided, however, nothing in this Section or Section 9.1 of the Trust Agreement shall permit or be construed as permitting a supplement to the Trust Agreement that would:

(i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or rate of interest payable on any Obligation without the consent of the Holder of such Obligation;

(ii) prefer or give a priority to any Obligation over any other Obligation without the consent of the Holder of such Obligation;

(iii) reduce the principal amount of Obligations then outstanding, the consent of the Holders of which is required to authorize such supplement, without the consent of the Holders of all Obligations then Outstanding;

(iv) increase the principal amount of Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d) of the Trust Agreement, without the consent of the Holders of all Obligations then Outstanding; or

(v) reduce the redemption price of any Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Trust Agreement without the consent of the Holder of such Obligation.

(b) If at any time the City requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Obligations then Outstanding at their addresses as they appear on the registration books for the Obligations. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement; (iv) to amend the description of the Series 2021 Projects; (v) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the Obligations authorized by the Trust Agreement) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under the Trust Agreement and under the Purchase Agreement.

Section 9.5. Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Trust Agreement and subject to the terms, provisions and limitations contained in the Trust Agreement and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Obligations then Outstanding.

* * * * *

Section 10.1. Discharge of Trust Agreement.

(a) If payment of all principal of and premium, if any, and interest on all of the Obligations in accordance with their terms and as provided in the Trust Agreement and in the Purchase Agreement is made, or is provided for in accordance with Article 10 of the Trust Agreement, and if all other sums, if any, payable under the Trust Agreement shall be paid, then the liens, estates and security interests granted by the Trust Agreement shall cease. Thereupon, at the request of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Trust Agreement have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Trust Agreement and the Trustee shall transfer all property held by it under the Trust Agreement, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Obligations, to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Trust Agreement.

(b) The City may at any time surrender to the Trustee for cancellation any Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. Amounts in the Debt Service Reserve Account may be included as part of such deposit only if all of the Series Obligations are to be defeased. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such Obligations solely for the purpose of paying the principal or redemption price of and interest on such Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to (i) each Holder of an Obligation so provided for.

(d) Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Trust Agreement. The obligation in respect of such Obligations shall nevertheless continue but the Holders of those Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such Obligations.

(e) No Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on any Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Trust Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Trust Agreement and which provides that the City may within three years after its execution cancel any contract (including the Trust Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations 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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligations documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The City may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

NONE OF THE CITY, THE TRUSTEE, THE UNDERWRITER 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 OBLIGATIONS UNDER THE AGREEMENT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE OBLIGATIONS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE OBLIGATIONS; OR (5) ANY OTHER MATTERS.

APPENDIX H

FORM OF APPROVING LEGAL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

[Closing Date]

UMB Bank, n.a., as Trustee
Phoenix, Arizona

Re: Utility Systems Revenue Obligations, Series 2021, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by the City of Mesa, Arizona, Pursuant to an Installment Purchase Agreement, Dated as of ____ 1, 2021

Ladies and Gentlemen:

We have examined the proceedings relating to the execution and delivery by UMB Bank, n.a. (the "Trustee"), of \$____,000 aggregate principal amount of City of Mesa, Arizona, Utility Systems Revenue Obligations, Series 2021 (the "Obligations"), dated [Closing Date], pursuant to a Trust Agreement, dated as of ____ 1, 2021 (the "Trust Agreement"), by and between the Trustee and the City. The Obligations are being executed and delivered to finance the acquisition, construction, improvement, equipping and installation of improvements to the water, wastewater, and electrical systems of the City, and such systems, together with the natural gas and solid waste systems of the City, are collectively referred to herein as the "System." Each of the Obligations evidence a proportionate, undivided interest in certain obligations of the City pursuant to an Installment Purchase Agreement, dated as of ____ 1, 2021 (the "Purchase Agreement"), between the Trustee, in its separate capacity as seller (the "Seller"), and the City, as purchaser, pursuant to which the City has agreed to make certain installment purchase payments to the Seller. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the City pursuant to the Purchase Agreement. The City and the Seller have assigned certain of their rights in and benefits from, and their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Trust Agreement. In addition, we have examined such other materials and such matters of law as we have deemed necessary or appropriate for the purpose of the opinions rendered herein. Capitalized terms used and not otherwise defined herein have the meanings ascribed in the Trust Agreement and the Purchase Agreement.

In such examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. Regarding questions of fact material to our opinions, we have relied upon the aforesaid documents and 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. We have also relied upon the opinions of the City Attorney delivered of even date herewith as to the matters provided therein.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, the Trust Agreement and the Purchase Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally; except to the extent that the enforceability thereof and the rights thereunder may be limited by the application of general principles of equity and, as to the Trust Agreement and the Purchase Agreement, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable law.

2. The obligation of the City for the payment of the installment purchase payments required to be paid by the City pursuant to the Purchase Agreement constitutes a valid and binding limited, special obligation of the City, payable solely from and secured solely by a pledge of, a lien on and a security interest in the Pledged Revenues, consisting generally of revenues derived by the City from the operation of the System after sufficient funds have been provided for the operating expenses of the System. Such payments are not secured by an obligation or pledge of any moneys raised by taxation; the Obligations do not represent or constitute a debt or pledge of the general credit of the City or the State of Arizona and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

As described in the Purchase Agreement, so long as Bonds are Outstanding under the Master Bond Resolution, the Obligations shall be junior in lien to the Bonds, as permitted by the Master Bond Resolution. Additional obligations may be executed and delivered in the future on a parity with the Obligations with respect to the lien on the Pledged Revenues.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each installment purchase payment made by the City pursuant to the Purchase Agreement, denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Obligations (the “*Interest Portion*”), 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 is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The Interest Portion received by the owners of the Obligations is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. The opinions expressed in this paragraph assume the continuous compliance with covenants and continued accuracy of the representations contained in the Trust Agreement, the Purchase Agreement, the City’s certified proceedings and in certain other documents and certain other certifications furnished to us.

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

In this opinion letter issued in our capacity as special 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 _____, 2021, relating to the Obligations or any other statements made in connection with any offer or sale of the Obligations or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Obligations or the Purchase Agreement, except for 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 I

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$14,720,000*
CITY OF MESA, ARIZONA
UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2021

(CUSIP BASE NUMBER [____])

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered on [Closing Date], by the City of Mesa, Arizona (the “City”), in connection with the execution and delivery of the City’s Utility Systems Revenue Obligations, Series 2021, in the aggregate principal amount of \$14,720,000* (the “Obligations”). The Obligations are being executed and delivered pursuant to a resolution of the City adopted by the City Council of the City on April 19, 2021* (the “Authorizing Resolution”), and a Trust Agreement dated as of ____ 1, 2021 (the “Trust Agreement”), between the City and UMB Bank, n.a., as trustee. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (each as defined herein). The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Resolution and the Trust Agreement 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City 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 _____, 2021, relating to the Obligations.

“Participating Underwriter” shall mean the original underwriter of the Obligations required to comply with the Rule in connection with an offering of the Obligations.

“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.

“SEC” shall mean the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

a. The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2022, provide to the MSRB (in an electronic format as prescribed by the MSRB), an

* Subject to change.

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 City shall provide the Annual Report to the Dissemination Agent (if other than the City). 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 City may be submitted separately from the balance of the Annual Report.

b. If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City 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 City, send written notice to the City 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 City, file a report with the City 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 City'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 City's audited annual financial statements are not submitted with the Annual Report, the City will provide the MSRB a copy of its audited annual financial statements within thirty (30) days of receipt thereof by the City. If the fiscal year of the City changes, the City 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 Obligations.

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 City 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 City or related public entities, which are available to the public on the MSRB's internet website or filed with the SEC. The City shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The City 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 Obligations:

- 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 Obligations, or other material events affecting the tax status of the Obligations;
- g. Modifications to rights of Obligation holders, *if material*;
- h. Obligation calls, *if material*, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Obligations, *if material*;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the City*;
- m. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*;
- 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 City, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, 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 City, 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 City'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 Obligations; (ii) the date that the City shall no longer constitute an "obligated person" within the meaning of the Rule; 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 Obligations. Such termination described above in (i) shall not terminate the obligation of the City to give notice of such defeasance, prior redemption or payment in full of all the Obligations.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

* 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 City) in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the 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.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City 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 Obligations, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter 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 City 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 City 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 City 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 City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City 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 or the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

SECTION 13. Undertaking Payable from Pledged Revenues. The City's undertaking to provide information under this Disclosure Certificate is payable solely from Pledged 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 Obligations, 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.

[Signature Page to Follow]

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 City: City of Mesa, Arizona

Name of Issue: Utility Systems Revenue Obligations, Series 2021, in the aggregate principal amount of \$_____,000.

CUSIP: [_____]

Date of Issuance: [Closing Date]

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

Dated: _____, 20__.

CITY OF MESA, ARIZONA

By: _____

Its: _____

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 Pledged 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.

[Back cover logo]