

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

PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2026

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, the portion of each Purchase Payment made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Obligations (the “Interest Portion”) is excludable from gross income for federal income tax purposes. Further, the Interest Portion is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion will not be excluded from the determination of adjusted financial statement income. Special Counsel is further of the opinion that the Interest Portion is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal tax income purposes. See “TAX EXEMPTION” herein for a description of certain other federal tax consequences of ownership of the Obligations.

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A
\$168,100,000***

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B
\$153,735,000***

**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, 2026***

Dated: Date of Initial Delivery

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

The Utility Systems Revenue Obligations, Series 2026A (the “2026A Obligations”) and Utility Systems Revenue Obligations, Series 2026B (the “2026B Obligations”) and together with the 2026A Obligations, the “Obligations”), are being executed and delivered pursuant to a Trust Agreement, to be dated as of June 1, 2026*, 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, registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“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 2026 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, 2027*, until maturity or redemption prior to maturity, and principal of the Obligations will be payable in accordance with the maturity schedules set forth on the inside front cover pages 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 Pages 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, 2026* (the “Purchase Agreement”), between the City and the Trustee in its capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and interest on outstanding Parity Obligations (as defined herein) and with principal and premium, if any, and interest on any Additional Obligations (as defined in APPENDIX F – “Obligations Documents Summaries”) hereafter executed and delivered, 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.**

Proposals for the 2026A Obligations may be submitted solely as an electronic bid using the facilities of PARITY® up to and including the hour of 8:15 A.M., Pacific Daylight Time, on May 27, 2026. See “NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026A OBLIGATIONS” for the Obligations herein.

Proposals for the 2026B Obligations may be submitted solely as an electronic bid using the facilities of PARITY® up to and including the hour of 8:30 A.M., Pacific Daylight Time, on May 27, 2026. See “NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026B OBLIGATIONS” for the Obligations herein.

The Obligations are offered when, as and if executed and delivered by the Trustee, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June 25, 2026*.

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

* Subject to change.

\$168,100,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS, SERIES 2026A
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, 2026*

MATURITY SCHEDULE*

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2028	\$ 1,325,000	%	%	
2029	1,420,000			
2030	7,320,000			
2031	3,415,000			
2032	4,510,000			
2033	14,005,000			
2034	5,400,000			
2035	6,395,000			
2036	7,390,000			
2037	7,335,000			
2038	7,530,000			
2039	6,145,000			
2040	7,615,000			
2041	7,610,000			
2042	7,600,000			
2043	8,420,000			
2044	8,325,000			
2045	8,225,000			
2046	8,120,000			
2047	8,035,000			
2048	8,960,000			
2049	8,880,000			
2050	14,120,000			

\$____,000* Term Obligations @ ____% Due July 1, 20____, at a yield of ____% - CUSIP® (a) No. 590545 ____

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* Subject to change.

\$153,735,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS, SERIES 2026B
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, 2026*

MATURITY SCHEDULE*

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® (a) (Base No. 590545)
2027	\$3,690,000	%	%	
2028	4,005,000			
2029	4,110,000			
2030	4,415,000			
2031	4,525,000			
2032	4,730,000			
2033	4,935,000			
2034	5,245,000			
2035	5,450,000			
2036	5,655,000			
2037	5,565,000			
2038	5,875,000			
2039	6,080,000			
2040	6,490,000			
2041	6,800,000			
2042	7,110,000			
2043	7,450,000			
2044	7,785,000			
2045	8,010,000			
2046	8,430,000			
2047	8,865,000			
2048	9,090,000			
2049	9,510,000			
2050	9,915,000			

\$___,000* Term Obligations @ __. __% Due July 1, 20__, at a yield of __. __% - CUSIP® (a) No. 590545 ___

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* Subject to change.

CITY OF MESA

CITY COUNCIL

Mark Freeman, *Mayor*
Scott Somers, *Vice Mayor*
Rich Adams, *Councilmember*
Jenn Duff, *Councilmember*
Alicia Goforth, *Councilmember*
Francisco Heredia, *Councilmember*
Dorean Taylor, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

Scott Butler, *City Manager*
Michael Kennington, *Deputy City Manager/Chief Financial Officer*
Irma Ashworth, *Finance Director*
Mark Hute, *City Treasurer*
Holly Moseley, *City Clerk*

SPECIAL SERVICES

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

MUNICIPAL 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 Municipal Advisor (the “Municipal Advisor”). 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 (the “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 these series of securities for sale.

The City, the Municipal Advisor, 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 Undertaking” pursuant to Rule 15c2-12 promulgated by the 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Commission.

TABLE OF CONTENTS

NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026A OBLIGATIONS i

NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026B OBLIGATIONS xv

INTRODUCTORY STATEMENT 1

THE OBLIGATIONS 1

Authorization and Purpose 1

Other Expected Debt Offerings 2

General Provisions 2

Redemption Provisions 3

Optional Redemption 3

Mandatory Sinking Fund Redemption 3

Notice of Redemption 3

Effect of Call for Redemption 4

Redemption of Less Than All of an Obligation 4

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 6

Repair and Replacement Fund 6

Outstanding Bonds 7

Additional Parity Bonds 7

Outstanding Parity Obligations 8

Additional Obligations 8

Utility Transfer Ordinance 8

Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation 9

COMBINED SCHEDULES OF REVENUES AND DEBT SERVICE COVERAGE 10

RISK FACTORS 11

SOURCES AND USES OF FUNDS 16

ESTIMATED DEBT SERVICE REQUIREMENTS AND DEBT SERVICE COVERAGE 17

RATINGS 19

LEGAL MATTERS 19

TAX EXEMPTION 19

General 19

Original Issue Premium and Original Issue Discount 20

Changes in Federal and State Tax Law 21

Information Reporting and Backup Withholding 21

LITIGATION 21

No Litigation Relating to the Obligations 21

Other Litigation Against the City 22

CERTIFICATION CONCERNING OFFICIAL STATEMENT 22

CONTINUING SECONDARY MARKET DISCLOSURE 23

MUNICIPAL ADVISOR 23

GENERAL PURPOSE FINANCIAL STATEMENTS 23

ADDITIONAL INFORMATION 23

CONCLUDING STATEMENT 24

- 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, 2025
- 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 Undertaking

\$168,100,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A

**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, 2026***

**NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026A OBLIGATIONS
(Electronic Bidding Only)**

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 8:15 a.m., Pacific Daylight Time (“PDT”), on May 27, 2026, by the City of Mesa, Arizona (the “City”), for the purchase of all, but not less than all, of the City’s Utility Systems Revenue Obligations, Series 2026A in the principal amount of \$168,100,000* (the “2026A Obligations”) as electronic bids using the facilities of PARITY® (“PARITY”). For purposes of the bids received through the electronic bid process, the time as maintained by PARITY shall constitute the official time.

The City reserves the right to cancel or reschedule the sale of the 2026A Obligations or alter the terms thereof upon notice given through PARITY at www.ipreo.com at any time prior to the time bids are to be received. If no legal bid or bids are received for the Obligation on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the 2026A Obligations on such other date and at such other time as shall be designated through PARITY as soon as practicable. As an accommodation to the bidders, telephonic, telecopied or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the City’s Municipal Advisor, Hilltop Securities Inc. (the “Municipal Advisor”), Janelle Gold (email: janelle.gold@hilltopsecurities.com; telephone: (602) 224-7104). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

Any prospective purchaser that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. The normal fee for the use of PARITY may be obtained from PARITY, and such fee will be the responsibility of those submitting bids. All bids must be submitted on the official bid form that resides on the PARITY system (the “Official Bid Form”), without alteration or interlineation. All electronic bids must be submitted by 8:15 a.m., PDT, on May 27, 2026. Subscription to i-Deal’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. Representatives of the City will not confirm any subscription nor be responsible for the failure of any prospective purchaser to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the 2026A Obligations on the terms provided in this Notice Inviting Bids for the Purchase of Obligations (this “Notice”) and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the City. Neither the City nor the Municipal Advisor shall be responsible for any malfunction or mistake made by, or as a result of, the use of the facilities of PARITY, the use of such facilities being the sole risk of the bidder.

If any provisions of this Notice shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. All electronic bids will be deemed to incorporate the provisions of this Notice and the Official Bid Form. Further information about PARITY, including any fee charged, may be obtained from IPREO at 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (212) 849-5021 and from the following website: www.newissuehome.i-deal.com.

For information purposes only, bidders are requested to state in their electronic bid the “true interest cost” as described under “AWARD AND DELIVERY” herein.

OBLIGATIONS IN GENERAL

The 2026A Obligations will be dated the date of initial delivery, and will be executed and delivered pursuant to a Trust Agreement, to be dated as of June 1, 2026* (the “Trust Agreement”), between the City and UMB Bank, n.a. (the “Trustee”), as trustee. Interest on the 2026A Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027*. The 2026A Obligations, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”). DTC will act as securities

* Subject to change.

depository for the 2026A Obligations through its book-entry system. Purchases of beneficial ownership interests in the 2026A Obligations will be made in book-entry form in amounts of \$5,000 of principal due on a specific maturity date, or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the 2026A Obligations. The principal of and interest on the 2026A Obligations will be paid by the Trustee to Cede & Co., as long as Cede & Co. is the registered owner of the 2026A Obligations. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests in the 2026A Obligations is the responsibility of DTC Participants and Indirect Participants, as more fully described in the preliminary official statement relating to the 2026A Obligations (the “Preliminary Official Statement”).

Except as otherwise provided under “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” and “REDEMPTION PROVISIONS – Mandatory Redemption,” the 2026A Obligations will mature (or be subject to mandatory redemption) on July 1 in each of the years and in the amounts as follows (the “Maturity Schedule”):

Maturity Date (July 1)*	Principal Amount*	Maturity Date (July 1)*	Principal Amount*
2028	\$ 1,325,000	2039	\$ 6,145,000
2029	1,420,000	2040	7,615,000
2030	7,320,000	2041	7,610,000
2031	3,415,000	2042	7,600,000
2032	4,510,000	2043	8,420,000
2033	14,005,000	2044	8,325,000
2034	5,400,000	2045	8,225,000
2035	6,395,000	2046	8,120,000
2036	7,390,000	2047	8,035,000
2037	7,335,000	2048	8,960,000
2038	7,530,000	2049	8,880,000
		2050	14,120,000

As described below under the heading “REDEMPTION PROVISIONS – Mandatory Redemption,” bidders may combine maturities into one or more term 2026A Obligations. Term 2026A Obligations, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years. Serial maturities converted to term 2026A Obligations, as specified, must bear the same rate of interest. Any term 2026A Obligations will be subject to mandatory redemption in the same principal amounts and on the same dates shown in the maturity schedule above.

MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT

The preliminary aggregate principal amount of the 2026A Obligations and the preliminary principal amount of each annual principal payment for the 2026A Obligations as set forth in this Notice (collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for their purchase (such revised amounts referred to collectively as the “Revised Amounts”). ANY SUCH REVISIONS WILL BE PUBLISHED ON PARITY NOT LATER THAN 5:00 P.M., PDT, ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF SALE. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts, and the Revised Amounts will be used to compare bids and select the winning bidder.

The City reserves the right to change the aggregate principal amount of the 2026A Obligations set forth in this Notice after determination of the winning bidder in an amount not to exceed \$16,810,000. Further, the City reserves the right to change the maturity schedule set forth in this Notice after determination of the winning bidder, by adjusting one or more principal payments of the 2026A Obligations in increments of \$5,000.

As promptly as reasonably possible after the bids are received, the City will notify the winning bidder, if and when award is made, and such entity, upon such notice, shall advise the City of the initial reoffering prices to the public of each maturity of the 2026A Obligations (the “Initial Reoffering Prices”). The Initial Reoffering Prices, among other things, will be used by the City to calculate the final principal amount of each annual principal payment for the 2026A Obligations (collectively, the “Final Amounts”) to accommodate the objectives of the City. THE WINNING BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES PROPOSED OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS. The dollar amount bid by such entity will be adjusted to reflect changes in the dollar amount of the underwriter’s discount

* Subject to change. See “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” herein.

and the original issue discount/premium, if any, but will not change the compensation per \$1,000 of aggregate par amount of Obligations from the compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The Final Amounts will be communicated to such entity as soon as possible, but not later than 3:00 p.m. PDT, on the date of the sale.

REDEMPTION PROVISIONS

Optional Redemption. The 2026A Obligations maturing before and on July 1, 2036*, will not be subject to redemption prior to their stated maturity dates. The 2026A Obligations maturing on and after July 1, 2037*, will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the City, on July 1, 2036*, and on any date thereafter, at a redemption price equal to the principal amount of Obligations being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. A bidder may specify that the principal amount of the 2026A Obligations shall be combined into one or more term 2026A Obligations maturing in the years as specified, which are subject to mandatory redemption, by lot, selected by the Trustee annually until payment at maturity in the principal amounts shown in the maturity schedule above at par and accrued interest to the date fixed for redemption, without premium. If so specified, then serial maturities converted into a single term 2026A Obligation must bear the same rate of interest. Term 2026A Obligations, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

Notice of Redemption. Not more than 60, nor less than 30, days before any redemption date, the Trustee will cause a notice of any such redemption to be provided to DTC as further described in the Preliminary Official Statement. Such notice may provide that the redemption is conditional upon moneys for payment of the redemption price being held in separate accounts by the Trustee.

USE OF FUNDS

The 2026A Obligations are being executed and delivered to (i) finance a portion of the Series 2026 Projects (as described in the Preliminary Official Statement), constituting improvements, additions and extensions to the System (as defined in the Trust Agreement) of the City, and (ii) pay the costs of execution and delivery of the 2026A Obligations.

SECURITY AND SOURCE OF PAYMENT

The 2026A Obligations represent undivided proportionate interests in the installment payments (the “Purchase Payments”) to be made by the City pursuant to an Installment Purchase Agreement, to be dated as of June 1, 2026* (the “Purchase Agreement”), between the City and the Trustee; such Purchase Payments include amounts sufficient to pay when due the principal of an interest on the 2026A Obligations. The 2026A Obligations will be executed and delivered pursuant to the Trust Agreement. Certain of the Trustee’s interests under the Purchase Agreement, including, without limitation, the right to receive the Purchase Payments, will be held by the Trustee for the benefit of the registered owners of the 2026A Obligations. Additional descriptions of the terms of the Purchase Agreement and the Trust Agreement are included in the Preliminary Official Statement, and copies of the full text of the Purchase Agreement and the Trust Agreement are available upon request from the Municipal Advisor or the City as described in this Notice.

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 (as defined in the Trust Agreement). Pledged Revenues are Revenues (as defined in the Trust Agreement) of the System remaining after deducting Operating Expenses (as defined in the Trust Agreement) subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. No security interest will be held by the Trustee for the benefit of the registered owners of the 2026A Obligations in the Series 2026 Projects or the System.

Such lien on, pledge of and security interest in the Pledged Revenues is on a parity with outstanding Parity Obligations (as defined in the Trust Agreement) and will be on parity with any Additional Obligations (as defined in the Trust Agreement) subsequently issued or incurred as provided in the Purchase Agreement.

Pursuant to the Master Bond Resolution (as defined in the Trust Agreement), the City previously issued various series of its utility systems revenue bonds and utility systems revenue refunding bonds (as defined in the Master Bond Resolution, the “Bonds,” which is also inclusive of utility systems revenue bonds that may be issued on a parity in the future). So long as the Bonds are outstanding under the Master Bond Resolution, the City will apply certain revenues of the System

* Subject to change.

first to pay debt service on the Bonds, reimburse Reserve Fund Guarantors (as defined in the Master Bond Resolution) pertaining to the Bonds, if any, fund a Reserve Fund for the Bonds, if then required, make payments to satisfy rebate requirements under the Code (as defined herein) 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 obligation of the City to make the Purchase Payments will be limited to payment from Pledged Revenues from the System, and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any ad valorem property taxes. So long as any amounts due under the Purchase Agreement remain unpaid or unprovided for, the City may not further encumber the Pledged Revenues from the System on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied.

BOND INSURANCE OPTION

Bidders may at their option, obtain a policy of municipal bond insurance guaranteeing payment of the principal of, and interest on all or any designated maturities of the 2026A Obligations. The responsibility for obtaining such policy and payment of the premium for such policy shall rest with the successful bidder, and the City may, but will not be obligated to, enter into any covenants or agreements with the insurer. Each bidder should indicate whether municipal bond insurance has been purchased and provide the name of the insurer. Announcements regarding the availability of such municipal bond insurance may be made by the applicable insurer via Parity® prior to the sale date or bidders may contact individual bond insurers to ascertain the availability and cost of such insurance. **THE CITY DOES NOT GUARANTEE THE AVAILABILITY OF SUCH INSURANCE, THE DELIVERY OR RECEIPT OF ANY INFORMATION IN CONNECTION WITH SUCH INSURANCE OR SATISFACTION OF ANY CONDITIONS TO THE ISSUANCE OF A MUNICIPAL BOND INSURANCE POLICY.** Any failure in the availability of such insurance or the delivery or receipt of such information will not be regarded as a basis for contesting the award of the 2026A Obligations to the successful bidder. If the 2026A Obligations are delivered on an insured basis, reference to such policy shall appear on the 2026A Obligations and in the final Official Statement for the 2026A Obligations (the “Official Statement”). **FAILURE OF ANY BOND INSURER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE SUCCESSFUL BIDDER TO ACCEPT DELIVERY OF OR PAY FOR THE 2026A OBLIGATIONS.**

If the 2026A Obligations are delivered on an insured basis, at the time the 2026A Obligations are delivered the successful bidder shall furnish to the City a certificate acceptable to Special Counsel (defined herein), verifying information as to the premium paid for the municipal bond insurance policy and the present value of the interest reasonably expected to be saved as a result of the issuance of such policy. Such certificate shall be substantially in the form attached as Exhibit A to this Notice.

BID DETAILS AND PARAMETERS

Form of Bids. Bids for the 2026A Obligations must be unconditional, and for not less than the entire offering of the 2026A Obligations. By submitting a bid, each bidder agrees to all of the terms and conditions of this Notice (including any amendments issued by the City through PARITY and i-Deal Prospectus). Bids must be submitted electronically PARITY. Bids may not be withdrawn or revised after the time that bids are due.

Interest Rates Bid. Interest on the 2026A Obligations is payable commencing on January 1, 2027*, and thereafter on January 1 and July 1 of each year. Interest is calculated on the basis of a 30-day month and 360-day year from the date of the 2026A Obligations. Bids may specify any number of interest rates in multiples of one-eighth of one percent (1/8 of 1 percent) or one-twentieth of one percent (1/20 of 1 percent). All Obligations of the same maturity must bear interest at the same rate and no Obligation shall bear interest at more than one rate. **No rate of interest may exceed 6.00% per annum.** The highest rate bid may not exceed the lowest rate bid by more than 3.00%.

Premium and Discount. No bid will be considered for a price that is less than 100 percent of the aggregate par value of the 2026A Obligations.

* Subject to change.

ESTABLISHMENT OF ISSUE PRICE*

- (a) The winning bidder shall assist the City in establishing the issue price of the 2026A Obligations and shall execute and deliver to the City on the date of execution and delivery of the 2026A Obligations (the “Closing Date”) an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the 2026A Obligations, together with the supporting pricing wires or equivalent communications, substantially in the form attached as Exhibit B to this Notice, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, the Municipal Advisor, and Greenberg Traurig, LLP (“Special Counsel”).
- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the 2026A Obligations) will apply to the initial sale of the 2026A Obligations (the “competitive sale requirements”) because:
- (1) the City shall disseminate this Notice to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 - (2) all bidders shall have an equal opportunity to bid;
 - (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (4) the City anticipates awarding the sale of the 2026A Obligations to the bidder who submits a firm offer in conformance with this Notice to purchase the 2026A Obligations at a price that produces the lowest true interest cost to the City, as set forth in this Notice under the heading “AWARD AND DELIVERY.”

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the 2026A Obligations, as specified in the bid.

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the 2026A Obligations (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the 2026A Obligations as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the 2026A Obligations satisfies the 10% test as of the date and time of the award of the 2026A Obligations. The City shall promptly advise the winning bidder, at or before the time of award of the 2026A Obligations, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the 2026A Obligations shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the 2026A Obligations. Bidders should prepare their bids on the assumption that some or all of the maturities of the 2026A Obligations will be subject to the hold-the-offering-price rule in order to establish the issue price of the 2026A Obligations.
- (d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the 2026A Obligations to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the 2026A Obligations, that the underwriters will neither offer nor sell unsold Obligations of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
- (1) the close of the fifth (5th) business day after the sale date; or
 - (2) the date on which the underwriters have sold at least 10% of that maturity of the 2026A Obligations to the public at a price that is no higher than the initial offering price to the public.

* Note: 10% test or hold-the-offering-price rule may apply if competitive sale requirements are not satisfied.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the 2026A Obligations to the public at a price that is no higher than the initial offering price to the public.

- (e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the 2026A Obligations, the winning bidder agrees to promptly report to the City the prices at which the unsold Obligations of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Obligations of that maturity have been sold or (ii) the 10% test has been satisfied as to the 2026A Obligations of that maturity, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Special Counsel.
- (f) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the 2026A Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026A Obligations, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the 2026A Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2026A Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026A Obligations, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2026A Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2026A Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026A Obligations, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2026A Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026A Obligations, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2026A Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026A Obligations.
- (g) By submitting a bid, each bidder confirms that:
 - (1) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the 2026A Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
 - (A)(i) to report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% test has been satisfied as to the 2026A Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the winning bidder of any sales of Obligations that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2026A Obligations to the public (each such term being used as defined below), and
 - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

- (2) any agreement among underwriters or selling group agreement relating to the initial sale of the 2026A Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2026A Obligations to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the 2026A Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.
- (h) Sales of any Obligations to any person that is a related party to an underwriter participating in the initial sale of the 2026A Obligations to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice:
- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2026A Obligations to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2026A Obligations to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2026A Obligations to the public),
- (3) a purchaser of any of the 2026A Obligations is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) at least 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date that the 2026A Obligations are awarded by the City to the winning bidder.

RIGHT OF REJECTION

The City Council of the City, the Deputy City Manager/Chief Financial Officer of the City or the designees of any of them reserve the right to reject any and all bids and to waive any irregularity or informality in any bid, except that the time for receiving bids shall be of the essence.

AWARD AND DELIVERY

Unless all bids are rejected or the receipt of bids is continued, the award of the 2026A Obligations will be made not later than 11:59 p.m., PDT, on May 27, 2026. The 2026A Obligations will be sold to the bidder submitting a bid in conformance with this Notice that produces the lowest true interest cost to the City, based on the bid price, the interest rates specified in the bid and the principal amounts identified in this Notice. The true interest cost will be the rate necessary, on a 30/360 basis and semiannual compounding, to discount the debt service payments from the payment dates to the date of the 2026A Obligations and to the price bid. The true interest cost calculations will be performed by the Municipal Advisor, and the City will base its determination of the best bid solely on such calculations. (See “**BID DETAILS AND PARAMETERS.**”) Delivery of the 2026A Obligations will be made to the purchaser through the facilities of DTC upon payment in federal or immediately available funds, at the offices of Special Counsel, or, at the purchaser’s request and expense, at any other place mutually agreeable to both the City and the purchaser. The closing of the sale of the 2026A Obligations will be on or about June 25, 2026*, or on such other date as is mutually agreed upon.

* Subject to change.

CANCELLATION

Pursuant to Arizona law, if within three years from the award of the contract for the purchase of the 2026A Obligations any person who was significantly involved in initiating, negotiating, securing, drafting or creating a contract for the purchase of the 2026A Obligations on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the 2026A Obligations, the City may cancel the award of the contract without penalty or further obligation by the City and refuse to deliver the 2026A Obligations to the winning bidder. In addition to such cancellation, if such person becomes an employee or agent of such entity with respect to the contract for the purchase of the 2026A Obligations, the City may recoup any fees or commissions paid or due to the winning bidder with respect to the award to the winning bidder and the actual sale of the 2026A Obligations.

GOOD FAITH DEPOSIT

The winning bidder for the 2026A Obligations shall deliver a good faith deposit in the amount of \$3,362,000 to the City, as instructed by the City. The good faith deposit must be paid by federal funds wire transfer delivered no later than four hours following the winning bidder's receipt of the verbal award. Wiring instructions will be provided to the winning bidder at the time of the verbal award. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the 2026A Obligations to the same. The good faith deposit will be retained by the City as security for the performance of the winning bidder and shall be applied to the purchase price of the 2026A Obligations upon delivery of the 2026A Obligations to the winning bidder. Pending delivery of the 2026A Obligations, the good faith deposit may be invested for the sole benefit of the City. If the 2026A Obligations are ready for delivery and the winning bidder fails or neglects to complete the purchase within 30 days following acceptance of its bid, the good faith deposit shall be retained by the City as reasonable liquidated damages, and not as a penalty.

Such retention will constitute a full release and discharge of all claims by the City against the winning bidder and, in that event, the City may call for additional bids. The City's actual damages may be higher or lower than the amount of such good faith deposit. Such amount constitutes a good faith estimate of the City's actual damages. Each bidder waives the right to claim that actual damages arising from such default are less than such amount.

LEGAL OPINION

The 2026A Obligations are sold with the understanding that the City will furnish the purchaser with the approving opinion of Special Counsel. Special Counsel has been retained by the City to render its opinion only upon the legality of the 2026A Obligations under Arizona law and on tax matters with respect to the Interest Portion (as defined herein, the delivery of said opinion being a condition precedent to the delivery of the 2026A Obligations and the purchase thereof. (See "TAX EXEMPTION.") The fees of Special Counsel will be paid from proceeds of the sale of the 2026A Obligations. Except to the extent necessary to issue its approving opinion as to validity of the 2026A Obligations, Special Counsel has not been requested to examine or review, and has not examined or reviewed, any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the 2026A Obligations and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a bid for the 2026A Obligations, the bidder agrees to the representation of the City by Special Counsel. See "LEGAL MATTERS" in the Preliminary Official Statement and Appendix H – "Form of Approving Legal Opinion" to the Preliminary Official Statement.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the 2026A Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the 2026A Obligations (the "Interest Portion") will be and remain excludable from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2026A Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax

purposes and is exempt from State income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the 2026A Obligations. Prospective purchasers of the 2026A Obligations should consult with their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the 2026A Obligations will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2026A Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications and representations. Special Counsel will express no opinion as to any other consequences regarding the 2026A Obligations.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the 2026A Obligations. Prospective purchasers of Obligations should be aware that the ownership of Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the 2026A Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the 2026A Obligations generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the 2026A Obligations, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the 2026A Obligations. Prospective purchasers of the 2026A Obligations should consult their own tax advisors as to the impact of these and any other tax consequences.

See “TAX EXEMPTION” in the Preliminary Official Statement.

CERTIFICATES TO BE DELIVERED

In connection with the initial execution and delivery of the 2026A Obligations, representatives of the City will deliver a certificate certifying that no litigation is pending affecting the sale and execution and delivery of the 2026A Obligations, an arbitrage certificate covering expectations concerning the use of proceeds from the sale of the 2026A Obligations and related matters and a certificate regarding the accuracy of the hereinafter described final official statement for the 2026A Obligations.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the 2026A Obligations; however, neither the failure to print CUSIP numbers on any Obligation nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the 2026A Obligations. The Municipal Advisor will obtain CUSIP numbers. The charge of the CUSIP Service Bureau shall be paid by the City.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; DELIVERY OF OFFICIAL STATEMENT

The City deems the Preliminary Official Statement to be final as of its date, except for the omission of the offering prices or yields, the interest rates and any other terms or provisions required by the City to be specified in bids for the 2026A Obligations, and other terms of the 2026A Obligations depending on such matters. The winning bidder shall supply the Deputy City Manager/Chief Financial Officer of the City, within 24 hours after the award of the 2026A

Obligations, all necessary pricing information and any underwriter identification necessary to complete the final Official Statement to be used in connection with the sale of the 2026A Obligations.

Promptly after receiving such information, the City will prepare such final Official Statement in substantially the same form as the Preliminary Official Statement, subject to any amendments which the City believes should be made in such final Official Statement.

The City will provide the winning bidder with such final Official Statement within seven (7) business days of the award of the 2026A Obligations. Such final Official Statement will be provided to the winning bidder electronically. No hard copies of such final Official Statement will be provided to the winning bidder.

CONTINUING DISCLOSURE

The City, as the “obligated person” with respect to the 2026A Obligations, will covenant for the benefit of the owners of the 2026A 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, 2027 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports and the Notices of Listed Events will be filed by the City through the Electronic Municipal Market Access System. These covenants will be made in order to assist the purchaser in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), and the form of the undertaking necessary pursuant to the Rule is included as Appendix I – “Form of Continuing Disclosure Undertaking” to the Preliminary Official Statement. A failure by the City to comply with these covenants, including due to failure to appropriate for such purposes, 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 2026A Obligations in the secondary market. See “CONTINUING SECONDARY MARKET DISCLOSURE” in the Preliminary Official Statement.

FURTHER INFORMATION

Further information, including copies of the Trust Agreement, Purchase Agreement and the Preliminary Official Statement, may be obtained from the City of Mesa: Deputy City Manager/Chief Financial Officer at (480) 644-3606, or from Hilltop Securities Inc., Municipal Advisor to the City: Janelle Gold (by telephone (602) 224-7104 or by email: janelle.gold@hilltopsecurities.com).

DATED: May 27, 2026

Michael Kennington
Deputy City Manager/Chief Financial Officer
City of Mesa, Arizona

EXHIBIT A TO NOTICE

CERTIFICATE REGARDING BOND INSURANCE

\$168,100,000*

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A**

**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, 2026***

The undersigned duly authorized officer of _____, [senior managing underwriter, as representative of the syndicate] ([collectively], the "Underwriters") listed in the response submitted in the successful bid for the above-captioned obligations (the "Obligations"), HEREBY CERTIFIES that:

1. The Obligations will be secured by a municipal bond insurance policy (the "Policy") provided by _____ ("_____"), for which _____ will be paid a premium by the Underwriters of \$ _____ on the date of issuance of the Obligations.

2. In connection with the sale of the Obligations, we compared the debt service on the Obligations secured by the Policy with the debt service on the Obligations that would have existed if the Obligations had not been insured by _____, as estimated by us based on similar issues marketed at the same time and on our marketing experience in connection with the marketing of similar municipal bonds.

3. We then calculated the present value of the interest reasonably expected to be saved as a result of the Policy on the issuance of the Obligations. In determining the present value of the interest savings, we used the yield on the Obligations (determined with regard to the premium paid to _____), as the discount rate. As used in this Certificate, the term "yield" means the discount rate that, as of the date of issuance of the Obligations, produces a present value of all the unconditionally payable payments of principal and interest equal to the initial offering price of the Obligations to the public, as reflected on the inside cover page of the Official Statement for the Obligations, treating the premium paid to _____ for the Policy as additional interest paid on the Obligations on the date of issuance of the Obligations.

4. As shown on the schedules attached to this Certificate as Exhibit "A," the present value of the premium payable to _____ is less than the present value of the interest reasonably expected to be saved as a result of the issuance of the Policy, using the yield on the Obligations as the discount rate in computing such present value.

5. Based on our experience with similar transactions, the premium paid to _____ does not exceed a reasonable arm's-length charge for the transfer of credit risk to _____ resulting from the issuance by _____ of the Policy securing the Obligations.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed in its name, on its behalf and on behalf of the Underwriters, by its duly authorized officer this _____ day of _____, 2026.

[Name of Senior Managing Underwriter]

By: _____

Name and Title:

* Subject to change.

EXHIBIT B TO NOTICE
ISSUE PRICE CERTIFICATE

\$168,100,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A

**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, 2026***

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] [{"(SHORT NAME OF UNDERWRITER)"}] [(the "Representative")] [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group")] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Obligations").

[Alternative 1-Competitive Sale Rule applies]

1. [*Reasonably Expected Initial Offering Price.*]

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Obligations.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Obligations.]

[Alternatives 2-4 are available choices if Alternative 1 does not apply] [Note that Alternative 3 [where two rules apply] involves portions of Sections 1, 2(a) and 2(b) and Alternative 4 involves portions of 2(a) and 2(b)]

[1. *Sale of the Obligations.* **[Alternative 2 – All Maturities Use General Rule:** As of the date of this certificate, for each Maturity of the Obligations, the first price at which at least 10% of such Maturity of the Obligations was sold to the Public is the respective price listed in Schedule A.][**Alternative 3 – Select Maturities Use General Rule: *Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Obligations was sold to the Public is the respective price listed in Schedule A.]

2. [*Initial Offering Price of the [Obligations][Hold-the-Offering-Price Maturities]*].

(a) [**Alternative 4 – All Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Obligations to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.] [**Alternative 3 – Select Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold- the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.]

* Subject to change.

(b) **[Alternative 4 – All Maturities use Hold-the-Offering-Price Rule:** As set forth in the Notice Inviting Bids for the Purchase of Obligations and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Obligations, [it][they] would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Obligations at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.] **[Alternative 3 - Select Maturities Use Hold-the-Offering-Price Rule:** As set forth in the Notice Inviting Bids for the Purchase of Obligations and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.]

[2.][3.] **Total Issue Price.** The total of the issue prices of all the Maturities is \$.....

[2.][4.] **Defined Terms.**

[(a) *General Rule Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “General Rule Maturities.”]

[(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

[(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the- Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering- Price Maturity.]

(a) *Issuer* means the City of Mesa, Arizona.

(b) *Maturity* means the Obligations with the same credit and payment terms. The Obligations with different maturity dates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of the Obligations generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) The *Sale Date* of the Obligations is May 27, 2026*.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER/REPRESENTATIVE]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect

* Subject to change.

to certain of the representations set forth in the Certificate Relating To Federal Tax Matters of the Issuer and with respect to compliance with the federal income tax rules affecting the Obligations, and by Greenberg Traurig, LLP, as Special Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

[UNDERWRITER/REPRESENTATIVE]

By: _____

Authorized Representative

Dated: [Closing Date]

SCHEDULE A
[EXPECTED OFFERING PRICES] [SALE PRICES]
(ATTACHED)

SCHEDULE B
[COPY OF UNDERWRITER'S BID] (ATTACHED)

\$153,735,000*
**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B**

**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, 2026***

**NOTICE INVITING BIDS FOR THE PURCHASE OF THE 2026B OBLIGATIONS
(Electronic Bidding Only)**

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 8:30 a.m., Pacific Daylight Time (“PDT”), on May 27, 2026, by the City of Mesa, Arizona (the “City”), for the purchase of all, but not less than all, of the City’s Utility Systems Revenue Obligations, Series 2026A in the principal amount of \$153,735,000* (the “2026B Obligations”) as electronic bids using the facilities of PARITY® (“PARITY”). For purposes of the bids received through the electronic bid process, the time as maintained by PARITY shall constitute the official time.

The City reserves the right to cancel or reschedule the sale of the 2026B Obligations or alter the terms thereof upon notice given through PARITY at www.ipreo.com at any time prior to the time bids are to be received. If no legal bid or bids are received for the Obligation on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the 2026B Obligations on such other date and at such other time as shall be designated through PARITY as soon as practicable. As an accommodation to the bidders, telephonic, teletyped or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the City’s Municipal Advisor, Hilltop Securities Inc. (the “Municipal Advisor”), Janelle Gold (email: janelle.gold@hilltopsecurities.com; telephone: (602) 224-7104). Failure of any bidder to receive such telephonic, teletyped or emailed notice shall not affect the legality of the sale.

Any prospective purchaser that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. The normal fee for the use of PARITY may be obtained from PARITY, and such fee will be the responsibility of those submitting bids. All bids must be submitted on the official bid form that resides on the PARITY system (the “Official Bid Form”), without alteration or interlineation. All electronic bids must be submitted by 8:30 a.m., PDT, on May 27, 2026. Subscription to i-Deal’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. Representatives of the City will not confirm any subscription nor be responsible for the failure of any prospective purchaser to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the 2026B Obligations on the terms provided in this Notice Inviting Bids for the Purchase of Obligations (this “Notice”) and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the City. Neither the City nor the Municipal Advisor shall be responsible for any malfunction or mistake made by, or as a result of, the use of the facilities of PARITY, the use of such facilities being the sole risk of the bidder.

If any provisions of this Notice shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. All electronic bids will be deemed to incorporate the provisions of this Notice and the Official Bid Form. Further information about PARITY, including any fee charged, may be obtained from IPREO at 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (212) 849-5021 and from the following website: www.newissuehome.i-deal.com.

For information purposes only, bidders are requested to state in their electronic bid the “true interest cost” as described under “AWARD AND DELIVERY” herein.

OBLIGATIONS IN GENERAL

The 2026B Obligations will be dated the date of initial delivery, and will be executed and delivered pursuant to a Trust Agreement, to be dated as of June 1, 2026* (the “Trust Agreement”), between the City and UMB Bank, n.a. (the “Trustee”), as trustee. Interest on the 2026B Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027*. The 2026B Obligations, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”). DTC will act as securities

* Subject to change.

depository for the 2026B Obligations through its book-entry system. Purchases of beneficial ownership interests in the 2026B Obligations will be made in book-entry form in amounts of \$5,000 of principal due on a specific maturity date, or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the 2026B Obligations. The principal of and interest on the 2026B Obligations will be paid by the Trustee to Cede & Co., as long as Cede & Co. is the registered owner of the 2026B Obligations. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests in the 2026B Obligations is the responsibility of DTC Participants and Indirect Participants, as more fully described in the preliminary official statement relating to the 2026B Obligations (the “Preliminary Official Statement”).

Except as otherwise provided under “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” and “REDEMPTION PROVISIONS – Mandatory Redemption,” the 2026B Obligations will mature (or be subject to mandatory redemption) on July 1 in each of the years and in the amounts as follows (the “Maturity Schedule”):

Maturity Date (July 1)*	Principal Amount*	Maturity Date (July 1)*	Principal Amount*
2027	\$3,690,000	2039	\$6,080,000
2028	4,005,000	2040	6,490,000
2029	4,110,000	2041	6,800,000
2030	4,415,000	2042	7,110,000
2031	4,525,000	2043	7,450,000
2032	4,730,000	2044	7,785,000
2033	4,935,000	2045	8,010,000
2034	5,245,000	2046	8,430,000
2035	5,450,000	2047	8,865,000
2036	5,655,000	2048	9,090,000
2037	5,565,000	2049	9,510,000
2038	5,875,000	2050	9,915,000

As described below under the heading “REDEMPTION PROVISIONS – Mandatory Redemption,” bidders may combine maturities into one or more term 2026B Obligations. Term 2026B Obligations, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years. Serial maturities converted to term 2026B Obligations, as specified, must bear the same rate of interest. Any term 2026B Obligations will be subject to mandatory redemption in the same principal amounts and on the same dates shown in the maturity schedule above.

MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT

The preliminary aggregate principal amount of the 2026B Obligations and the preliminary principal amount of each annual principal payment for the 2026B Obligations as set forth in this Notice (collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for their purchase (such revised amounts referred to collectively as the “Revised Amounts”). ANY SUCH REVISIONS WILL BE PUBLISHED ON PARITY NOT LATER THAN 5:00 P.M., PDT, ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF SALE. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts, and the Revised Amounts will be used to compare bids and select the winning bidder.

The City reserves the right to change the aggregate principal amount of the 2026B Obligations set forth in this Notice after determination of the winning bidder in an amount not to exceed \$15,375,000. Further, the City reserves the right to change the maturity schedule set forth in this Notice after determination of the winning bidder, by adjusting one or more principal payments of the 2026B Obligations in increments of \$5,000.

As promptly as reasonably possible after the bids are received, the City will notify the winning bidder, if and when award is made, and such entity, upon such notice, shall advise the City of the initial reoffering prices to the public of each maturity of the 2026B Obligations (the “Initial Reoffering Prices”). The Initial Reoffering Prices, among other things, will be used by the City to calculate the final principal amount of each annual principal payment for the 2026B Obligations (collectively, the “Final Amounts”) to accommodate the objectives of the City. THE WINNING BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES PROPOSED OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS. The dollar amount bid by such entity will be adjusted to reflect changes in the dollar amount of the underwriter’s discount

* Subject to change. See “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” herein.

and the original issue discount/premium, if any, but will not change the compensation per \$1,000 of aggregate par amount of Obligations from the compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The Final Amounts will be communicated to such entity as soon as possible, but not later than 3:00 p.m. PDT, on the date of the sale.

REDEMPTION PROVISIONS

Optional Redemption. The 2026B Obligations maturing before and on July 1, 2036*, will not be subject to redemption prior to their stated maturity dates. The 2026B Obligations maturing on and after July 1, 2037*, will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the City, on July 1, 2036*, and on any date thereafter, at a redemption price equal to the principal amount of Obligations being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. A bidder may specify that the principal amount of the 2026B Obligations shall be combined into one or more term 2026B Obligations maturing in the years as specified, which are subject to mandatory redemption, by lot, selected by the Trustee annually until payment at maturity in the principal amounts shown in the maturity schedule above at par and accrued interest to the date fixed for redemption, without premium. If so specified, then serial maturities converted into a single term 2026A Obligation must bear the same rate of interest. Term 2026B Obligations, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

Notice of Redemption. Not more than 60, nor less than 30, days before any redemption date, the Trustee will cause a notice of any such redemption to be provided to DTC as further described in the Preliminary Official Statement. Such notice may provide that the redemption is conditional upon moneys for payment of the redemption price being held in separate accounts by the Trustee.

USE OF FUNDS

The 2026B Obligations are being executed and delivered to (i) finance a portion of the Series 2026 Projects (as described in the Preliminary Official Statement), constituting improvements, additions and extensions to the System (as defined in the Trust Agreement) of the City, and (ii) pay the costs of execution and delivery of the 2026B Obligations.

SECURITY AND SOURCE OF PAYMENT

The 2026B Obligations represent undivided proportionate interests in the installment payments (the “Purchase Payments”) to be made by the City pursuant to an Installment Purchase Agreement, to be dated as of June 1, 2026* (the “Purchase Agreement”), between the City and the Trustee; such Purchase Payments include amounts sufficient to pay when due the principal of an interest on the 2026B Obligations. The 2026B Obligations will be executed and delivered pursuant to the Trust Agreement. Certain of the Trustee’s interests under the Purchase Agreement, including, without limitation, the right to receive the Purchase Payments, will be held by the Trustee for the benefit of the registered owners of the 2026B Obligations. Additional descriptions of the terms of the Purchase Agreement and the Trust Agreement are included in the Preliminary Official Statement, and copies of the full text of the Purchase Agreement and the Trust Agreement are available upon request from the Municipal Advisor or the City as described in this Notice.

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 (as defined in the Trust Agreement). Pledged Revenues are Revenues (as defined in the Trust Agreement) of the System remaining after deducting Operating Expenses (as defined in the Trust Agreement) subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. No security interest will be held by the Trustee for the benefit of the registered owners of the 2026B Obligations in the Series 2026 Projects or the System.

Such lien on, pledge of and security interest in the Pledged Revenues is on a parity with outstanding Parity Obligations (as defined in the Trust Agreement) and will be on parity with any Additional Obligations (as defined in the Trust Agreement) subsequently issued or incurred as provided in the Purchase Agreement.

Pursuant to the Master Bond Resolution (as defined in the Trust Agreement), the City previously issued various series of its utility systems revenue bonds and utility systems revenue refunding bonds (as defined in the Master Bond Resolution, the “Bonds,” which is also inclusive of utility systems revenue bonds that may be issued on a parity in the future). So long as the Bonds are outstanding under the Master Bond Resolution, the City will apply certain revenues of the System

* Subject to change.

first to pay debt service on the Bonds, reimburse Reserve Fund Guarantors (as defined in the Master Bond Resolution) pertaining to the Bonds, if any, fund a Reserve Fund for the Bonds, if then required, make payments to satisfy rebate requirements under the Code (as defined herein) 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 obligation of the City to make the Purchase Payments will be limited to payment from Pledged Revenues from the System, and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any ad valorem property taxes. So long as any amounts due under the Purchase Agreement remain unpaid or unprovided for, the City may not further encumber the Pledged Revenues from the System on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied.

BOND INSURANCE OPTION

Bidders may at their option, obtain a policy of municipal bond insurance guaranteeing payment of the principal of, and interest on all or any designated maturities of the 2026B Obligations. The responsibility for obtaining such policy and payment of the premium for such policy shall rest with the successful bidder, and the City may, but will not be obligated to, enter into any covenants or agreements with the insurer. Each bidder should indicate whether municipal bond insurance has been purchased and provide the name of the insurer. Announcements regarding the availability of such municipal bond insurance may be made by the applicable insurer via Parity® prior to the sale date or bidders may contact individual bond insurers to ascertain the availability and cost of such insurance. **THE CITY DOES NOT GUARANTEE THE AVAILABILITY OF SUCH INSURANCE, THE DELIVERY OR RECEIPT OF ANY INFORMATION IN CONNECTION WITH SUCH INSURANCE OR SATISFACTION OF ANY CONDITIONS TO THE ISSUANCE OF A MUNICIPAL BOND INSURANCE POLICY.** Any failure in the availability of such insurance or the delivery or receipt of such information will not be regarded as a basis for contesting the award of the 2026B Obligations to the successful bidder. If the 2026B Obligations are delivered on an insured basis, reference to such policy shall appear on the 2026B Obligations and in the final Official Statement for the 2026B Obligations (the “Official Statement”). **FAILURE OF ANY BOND INSURER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE SUCCESSFUL BIDDER TO ACCEPT DELIVERY OF OR PAY FOR THE 2026B OBLIGATIONS.**

If the 2026B Obligations are delivered on an insured basis, at the time the 2026B Obligations are delivered the successful bidder shall furnish to the City a certificate acceptable to Special Counsel (defined herein), verifying information as to the premium paid for the municipal bond insurance policy and the present value of the interest reasonably expected to be saved as a result of the issuance of such policy. Such certificate shall be substantially in the form attached as Exhibit A to this Notice.

BID DETAILS AND PARAMETERS

Form of Bids. Bids for the 2026B Obligations must be unconditional, and for not less than the entire offering of the 2026B Obligations. By submitting a bid, each bidder agrees to all of the terms and conditions of this Notice (including any amendments issued by the City through PARITY and i-Deal Prospectus). Bids must be submitted electronically PARITY. Bids may not be withdrawn or revised after the time that bids are due.

Interest Rates Bid. Interest on the 2026B Obligations is payable commencing on January 1, 2027*, and thereafter on January 1 and July 1 of each year. Interest is calculated on the basis of a 30-day month and 360-day year from the date of the 2026B Obligations. Bids may specify any number of interest rates in multiples of one-eighth of one percent (1/8 of 1 percent) or one-twentieth of one percent (1/20 of 1 percent). All Obligations of the same maturity must bear interest at the same rate and no Obligation shall bear interest at more than one rate. **No rate of interest may exceed 6.00% per annum.** The highest rate bid may not exceed the lowest rate bid by more than 3.00%.

Premium and Discount. No bid will be considered for a price that is less than 100 percent of the aggregate par value of the 2026B Obligations.

* Subject to change.

ESTABLISHMENT OF ISSUE PRICE*

- (a) The winning bidder shall assist the City in establishing the issue price of the 2026B Obligations and shall execute and deliver to the City on the date of execution and delivery of the 2026B Obligations (the “Closing Date”) an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the 2026B Obligations, together with the supporting pricing wires or equivalent communications, substantially in the form attached as Exhibit B to this Notice, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, the Municipal Advisor, and Greenberg Traurig, LLP (“Special Counsel”).
- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the 2026B Obligations) will apply to the initial sale of the 2026B Obligations (the “competitive sale requirements”) because:
- (1) the City shall disseminate this Notice to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 - (2) all bidders shall have an equal opportunity to bid;
 - (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (4) the City anticipates awarding the sale of the 2026B Obligations to the bidder who submits a firm offer in conformance with this Notice to purchase the 2026B Obligations at a price that produces the lowest true interest cost to the City, as set forth in this Notice under the heading “AWARD AND DELIVERY.”

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the 2026B Obligations, as specified in the bid.

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the 2026B Obligations (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the 2026B Obligations as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the 2026B Obligations satisfies the 10% test as of the date and time of the award of the 2026B Obligations. The City shall promptly advise the winning bidder, at or before the time of award of the 2026B Obligations, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the 2026B Obligations shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the 2026B Obligations. Bidders should prepare their bids on the assumption that some or all of the maturities of the 2026B Obligations will be subject to the hold-the-offering-price rule in order to establish the issue price of the 2026B Obligations.
- (d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the 2026B Obligations to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the 2026B Obligations, that the underwriters will neither offer nor sell unsold Obligations of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
- (1) the close of the fifth (5th) business day after the sale date; or
 - (2) the date on which the underwriters have sold at least 10% of that maturity of the 2026B Obligations to the public at a price that is no higher than the initial offering price to the public.

* Note: 10% test or hold-the-offering-price rule may apply if competitive sale requirements are not satisfied.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the 2026B Obligations to the public at a price that is no higher than the initial offering price to the public.

- (e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the 2026B Obligations, the winning bidder agrees to promptly report to the City the prices at which the unsold Obligations of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Obligations of that maturity have been sold or (ii) the 10% test has been satisfied as to the 2026B Obligations of that maturity, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Special Counsel.
- (f) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the 2026B Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026B Obligations, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the 2026B Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2026B Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026B Obligations, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2026B Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2026B Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026B Obligations, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2026B Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026B Obligations, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2026B Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026B Obligations.
- (g) By submitting a bid, each bidder confirms that:
 - (1) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the 2026B Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
 - (A)(i) to report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% test has been satisfied as to the 2026B Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the winning bidder of any sales of Obligations that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2026B Obligations to the public (each such term being used as defined below), and
 - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

- (2) any agreement among underwriters or selling group agreement relating to the initial sale of the 2026B Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2026B Obligations to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the 2026B Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.
- (h) Sales of any Obligations to any person that is a related party to an underwriter participating in the initial sale of the 2026B Obligations to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice:
- (1) “public” means any person other than an underwriter or a related party,
 - (2) “underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2026B Obligations to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2026B Obligations to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2026B Obligations to the public),
 - (3) a purchaser of any of the 2026B Obligations is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) at least 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
 - (4) “sale date” means the date that the 2026B Obligations are awarded by the City to the winning bidder.

RIGHT OF REJECTION

The City Council of the City, the Deputy City Manager/Chief Financial Officer of the City or the designees of any of them reserve the right to reject any and all bids and to waive any irregularity or informality in any bid, except that the time for receiving bids shall be of the essence.

AWARD AND DELIVERY

Unless all bids are rejected or the receipt of bids is continued, the award of the 2026B Obligations will be made not later than 11:59 p.m., PDT, on May 27, 2026. The 2026B Obligations will be sold to the bidder submitting a bid in conformance with this Notice that produces the lowest true interest cost to the City, based on the bid price, the interest rates specified in the bid and the principal amounts identified in this Notice. The true interest cost will be the rate necessary, on a 30/360 basis and semiannual compounding, to discount the debt service payments from the payment dates to the date of the 2026B Obligations and to the price bid. The true interest cost calculations will be performed by the Municipal Advisor, and the City will base its determination of the best bid solely on such calculations. (See “**BID DETAILS AND PARAMETERS.**”) Delivery of the 2026B Obligations will be made to the purchaser through the facilities of DTC upon payment in federal or immediately available funds, at the offices of Special Counsel, or, at the purchaser’s request and expense, at any other place mutually agreeable to both the City and the purchaser. The closing of the sale of the 2026B Obligations will be on or about June 25, 2026*, or on such other date as is mutually agreed upon.

* Subject to change.

CANCELLATION

Pursuant to Arizona law, if within three years from the award of the contract for the purchase of the 2026B Obligations any person who was significantly involved in initiating, negotiating, securing, drafting or creating a contract for the purchase of the 2026B Obligations on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the 2026B Obligations, the City may cancel the award of the contract without penalty or further obligation by the City and refuse to deliver the 2026B Obligations to the winning bidder. In addition to such cancellation, if such person becomes an employee or agent of such entity with respect to the contract for the purchase of the 2026B Obligations, the City may recoup any fees or commissions paid or due to the winning bidder with respect to the award to the winning bidder and the actual sale of the 2026B Obligations.

GOOD FAITH DEPOSIT

The winning bidder for the 2026B Obligations shall deliver a good faith deposit in the amount of \$3,075,000 to the City, as instructed by the City. The good faith deposit must be paid by federal funds wire transfer delivered no later than four hours following the winning bidder's receipt of the verbal award. Wiring instructions will be provided to the winning bidder at the time of the verbal award. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the 2026B Obligations to the same. The good faith deposit will be retained by the City as security for the performance of the winning bidder and shall be applied to the purchase price of the 2026B Obligations upon delivery of the 2026B Obligations to the winning bidder. Pending delivery of the 2026B Obligations, the good faith deposit may be invested for the sole benefit of the City. If the 2026B Obligations are ready for delivery and the winning bidder fails or neglects to complete the purchase within 30 days following acceptance of its bid, the good faith deposit shall be retained by the City as reasonable liquidated damages, and not as a penalty.

Such retention will constitute a full release and discharge of all claims by the City against the winning bidder and, in that event, the City may call for additional bids. The City's actual damages may be higher or lower than the amount of such good faith deposit. Such amount constitutes a good faith estimate of the City's actual damages. Each bidder waives the right to claim that actual damages arising from such default are less than such amount.

LEGAL OPINION

The 2026B Obligations are sold with the understanding that the City will furnish the purchaser with the approving opinion of Special Counsel. Special Counsel has been retained by the City to render its opinion only upon the legality of the 2026B Obligations under Arizona law and on tax matters with respect to the Interest Portion (as defined herein, the delivery of said opinion being a condition precedent to the delivery of the 2026B Obligations and the purchase thereof. (See "TAX EXEMPTION.") The fees of Special Counsel will be paid from proceeds of the sale of the 2026B Obligations. Except to the extent necessary to issue its approving opinion as to validity of the 2026B Obligations, Special Counsel has not been requested to examine or review, and has not examined or reviewed, any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the 2026B Obligations and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a bid for the 2026B Obligations, the bidder agrees to the representation of the City by Special Counsel. See "LEGAL MATTERS" in the Preliminary Official Statement and Appendix H – "Form of Approving Legal Opinion" to the Preliminary Official Statement.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the 2026B Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the 2026B Obligations (the "Interest Portion") will be and remain excludable from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2026B Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax

purposes and is exempt from State income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the 2026B Obligations. Prospective purchasers of the 2026B Obligations should consult with their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the 2026B Obligations will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2026B Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications and representations. Special Counsel will express no opinion as to any other consequences regarding the 2026B Obligations.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the 2026B Obligations. Prospective purchasers of Obligations should be aware that the ownership of Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the 2026B Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the 2026B Obligations generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the 2026B Obligations, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the 2026B Obligations. Prospective purchasers of the 2026B Obligations should consult their own tax advisors as to the impact of these and any other tax consequences.

See “TAX EXEMPTION” in the Preliminary Official Statement.

CERTIFICATES TO BE DELIVERED

In connection with the initial execution and delivery of the 2026B Obligations, representatives of the City will deliver a certificate certifying that no litigation is pending affecting the sale and execution and delivery of the 2026B Obligations, an arbitrage certificate covering expectations concerning the use of proceeds from the sale of the 2026B Obligations and related matters and a certificate regarding the accuracy of the hereinafter described final official statement for the 2026B Obligations.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the 2026B Obligations; however, neither the failure to print CUSIP numbers on any Obligation nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the 2026B Obligations. The Municipal Advisor will obtain CUSIP numbers. The charge of the CUSIP Service Bureau shall be paid by the City.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; DELIVERY OF OFFICIAL STATEMENT

The City deems the Preliminary Official Statement to be final as of its date, except for the omission of the offering prices or yields, the interest rates and any other terms or provisions required by the City to be specified in bids for the 2026B Obligations, and other terms of the 2026B Obligations depending on such matters. The winning bidder shall supply the Deputy City Manager/Chief Financial Officer of the City, within 24 hours after the award of the 2026B

Obligations, all necessary pricing information and any underwriter identification necessary to complete the final Official Statement to be used in connection with the sale of the 2026B Obligations.

Promptly after receiving such information, the City will prepare such final Official Statement in substantially the same form as the Preliminary Official Statement, subject to any amendments which the City believes should be made in such final Official Statement.

The City will provide the winning bidder with such final Official Statement within seven (7) business days of the award of the 2026B Obligations. Such final Official Statement will be provided to the winning bidder electronically. No hard copies of such final Official Statement will be provided to the winning bidder.

CONTINUING DISCLOSURE

The City, as the “obligated person” with respect to the 2026B Obligations, will covenant for the benefit of the owners of the 2026B 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, 2027 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports and the Notices of Listed Events will be filed by the City through the Electronic Municipal Market Access System. These covenants will be made in order to assist the purchaser in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), and the form of the undertaking necessary pursuant to the Rule is included as Appendix I – “Form of Continuing Disclosure Undertaking” to the Preliminary Official Statement. A failure by the City to comply with these covenants, including due to failure to appropriate for such purposes, 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 2026B Obligations in the secondary market. See “CONTINUING SECONDARY MARKET DISCLOSURE” in the Preliminary Official Statement.

FURTHER INFORMATION

Further information, including copies of the Trust Agreement, Purchase Agreement and the Preliminary Official Statement, may be obtained from the City of Mesa: Deputy City Manager/Chief Financial Officer at (480) 644-3606, or from Hilltop Securities Inc., Municipal Advisor to the City: Janelle Gold (by telephone (602) 224-7104 or by email: janelle.gold@hilltopsecurities.com).

DATED: May 27, 2026

Michael Kennington
Deputy City Manager/Chief Financial Officer
City of Mesa, Arizona

EXHIBIT A TO NOTICE

CERTIFICATE REGARDING BOND INSURANCE

\$153,735,000*

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B**

**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, 2026***

The undersigned duly authorized officer of _____, [senior managing underwriter, as representative of the syndicate] ([collectively], the "Underwriters") listed in the response submitted in the successful bid for the above-captioned obligations (the "Obligations"), HEREBY CERTIFIES that:

1. The Obligations will be secured by a municipal bond insurance policy (the "Policy") provided by _____ ("_____"), for which _____ will be paid a premium by the Underwriters of \$ _____ on the date of issuance of the Obligations.

2. In connection with the sale of the Obligations, we compared the debt service on the Obligations secured by the Policy with the debt service on the Obligations that would have existed if the Obligations had not been insured by _____, as estimated by us based on similar issues marketed at the same time and on our marketing experience in connection with the marketing of similar municipal bonds.

3. We then calculated the present value of the interest reasonably expected to be saved as a result of the Policy on the issuance of the Obligations. In determining the present value of the interest savings, we used the yield on the Obligations (determined with regard to the premium paid to _____), as the discount rate. As used in this Certificate, the term "yield" means the discount rate that, as of the date of issuance of the Obligations, produces a present value of all the unconditionally payable payments of principal and interest equal to the initial offering price of the Obligations to the public, as reflected on the inside cover page of the Official Statement for the Obligations, treating the premium paid to _____ for the Policy as additional interest paid on the Obligations on the date of issuance of the Obligations.

4. As shown on the schedules attached to this Certificate as Exhibit "A," the present value of the premium payable to _____ is less than the present value of the interest reasonably expected to be saved as a result of the issuance of the Policy, using the yield on the Obligations as the discount rate in computing such present value.

5. Based on our experience with similar transactions, the premium paid to _____ does not exceed a reasonable arm's-length charge for the transfer of credit risk to _____ resulting from the issuance by _____ of the Policy securing the Obligations.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed in its name, on its behalf and on behalf of the Underwriters, by its duly authorized officer this _____ day of _____, 2026.

[Name of Senior Managing Underwriter]

By: _____

Name and Title:

* Subject to change.

EXHIBIT B TO NOTICE
ISSUE PRICE CERTIFICATE

\$153,735,000*
UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B

**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, 2026***

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] [{"(SHORT NAME OF UNDERWRITER)"}] [(the "Representative")] [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group")] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Obligations").

[Alternative 1-Competitive Sale Rule applies]

1. [*Reasonably Expected Initial Offering Price.*]

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Obligations.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Obligations.]

[Alternatives 2-4 are available choices if Alternative 1 does not apply] [Note that Alternative 3 where two rules apply involves portions of Sections 1, 2(a) and 2(b) and Alternative 4 involves portions of 2(a) and 2(b)]

[1. *Sale of the Obligations.* **[Alternative 2 – All Maturities Use General Rule:** As of the date of this certificate, for each Maturity of the Obligations, the first price at which at least 10% of such Maturity of the Obligations was sold to the Public is the respective price listed in Schedule A.][**Alternative 3 – Select Maturities Use General Rule: *Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Obligations was sold to the Public is the respective price listed in Schedule A.]

2. [*Initial Offering Price of the [Obligations][Hold-the-Offering-Price Maturities]*].

(a) **[Alternative 4 – All Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Obligations to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.] [**Alternative 3 – Select Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold- the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.]

* Subject to change.

(b) **[Alternative 4 – All Maturities use Hold-the-Offering-Price Rule:** As set forth in the Notice Inviting Bids for the Purchase of Obligations and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Obligations, [it][they] would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Obligations at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.] **[Alternative 3 - Select Maturities Use Hold-the-Offering-Price Rule:** As set forth in the Notice Inviting Bids for the Purchase of Obligations and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.]

[2.][3.] **Total Issue Price.** The total of the issue prices of all the Maturities is \$.....

[2.][4.] **Defined Terms.**

[(a) *General Rule Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “General Rule Maturities.”]

[(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

[(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the- Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering- Price Maturity.]

(a) *Issuer* means the City of Mesa, Arizona.

(b) *Maturity* means the Obligations with the same credit and payment terms. The Obligations with different maturity dates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of the Obligations generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) The *Sale Date* of the Obligations is May 27, 2026*.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER/REPRESENTATIVE]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect

* Subject to change.

to certain of the representations set forth in the Certificate Relating To Federal Tax Matters of the Issuer and with respect to compliance with the federal income tax rules affecting the Obligations, and by Greenberg Traurig, LLP, as Special Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

[UNDERWRITER/REPRESENTATIVE]

By: _____

Authorized Representative

Dated: [Closing Date]

SCHEDULE A
[EXPECTED OFFERING PRICES] [SALE PRICES]
(ATTACHED)

SCHEDULE B
[COPY OF UNDERWRITER'S BID] (ATTACHED)

OFFICIAL STATEMENT

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A
\$168,100,000***

**UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B
\$153,735,000***

**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, 2026***

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original execution and delivery of 168,100,000* Utility Systems Revenue Obligations, Series 2026A (the “2026A Obligations”) and 153,735,000* Utility Systems Revenue Obligations, Series 2026B (the “2026B Obligations”) and together with the 2026A Obligations, 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 June 1, 2026* (the “Purchase Agreement”), between UMB Bank, n.a. (the “Trustee”), in its 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, 2026* (the “Trust Agreement”), between the City and the Trustee in its 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 uncodified, 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 City Council of the City on April 6, 2026 (the “Resolution”).

The Obligations are being executed and delivered for the purpose of (i) financing the water, wastewater, natural gas, and electrical systems (collectively, the “Series 2026 Projects”), constituting improvements, additions, and extensions to the System (as defined herein) of the City, 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 2026 Projects expected to be funded with proceeds of the Obligations and estimates of their respective costs.

Projects to be Funded	Estimated Cost*
Water System Improvements (a)	\$265,000,000
Wastewater System Improvements (b)	45,000,000
Natural Gas System Improvements (c)	31,000,000
Total	<u>\$341,000,000</u>

- (a) \$115,000,000 of estimated projects to be financed by the 2026A Obligations and \$150,000,000 of estimated projects to be financed by the 2026B Obligations.
- (b) \$33,000,000 of estimated projects to be financed by the 2026A Obligations and \$12,000,000 of estimated projects to be financed by the 2026B Obligations.
- (c) \$31,000,000 of estimated projects to be financed by the 2026A Obligations.

Other Expected Debt Offerings

In addition to the Obligations, the City offered \$56,050,000 General Obligation Bonds, Series 2026 (the “2026 GO Bonds”) pursuant to a separate official statement in April 2026. The 2026 GO Bonds will not be secured by Pledged Revenues (as defined herein).

In addition, the City offered \$206,300,000 Utility Systems Revenue Refunding Obligations, Series 2026 (the “2026 Refunding Obligations”) pursuant to a separate official statement in May 2026. The 2026 Refunding Obligations will be secured by Pledged Revenues.

General Provisions

The Obligations will be dated the date of initial delivery and will bear interest from such date payable initially on January 1, 2027* 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 pages 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 (“DTC”), a registered securities depository. 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 HEADINGS AND “TAX EXEMPTION” 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.

* Subject to change.

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. The Obligations maturing on and 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, on any date on or after July 1, 20__, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the redemption price equal to 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.

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 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
2026A Obligations Maturing in 20__	
20__	\$ __,000
20__	__,000
20__	__,000
20__ (maturity)	__,000

Redemption Date (July 1)	Principal Amount
2026B Obligations Maturing in 20__	
20__	\$ __,000
20__	__,000
20__	__,000
20__ (maturity)	__,000

Whenever Obligations subject to mandatory redemption 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 moneys 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 moneys being so held on or prior to the date set for redemption

* Subject to change.

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 capacity as seller, will sell and convey to the City, and the City will purchase from the Trustee the Series 2026 Projects financed with the proceeds of the Obligations.

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments of 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 2026 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 2026 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 2026 Projects or any portion of the System. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX F – “Obligations 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, Parity Obligations (as defined herein) 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, Parity Obligations, or any Additional Obligations or the interest received on any proceeds of Parity Obligations or Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Obligations, Parity 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, Parity 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 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,

Parity 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, Parity 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, Parity Obligations, and Additional Obligations. **So long as the Bonds (as defined herein) are Outstanding under the Master Bond Resolution (each as defined herein), “Pledged Revenues” are Net Revenues (as defined herein) less the payments made by the City pursuant to Section 10(B) of the Master Bond Resolution to the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund (each as defined in the Master Bond Resolution). See APPENDIX E – “Summary of the Master Bond Resolution, As Amended.”**

Such lien on, pledge of and security interest in the Pledged Revenues is on a parity with the \$816,950,000 principal amount of Parity Obligations currently outstanding, which includes the 2026 Refunding Obligations expected to close June 4, 2026, and 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 \$771,697,065, net of certain Bonds refunded by the 2026 Refunding Obligations. **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) 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, the Parity Obligations, and the Additional Obligations, according to their terms and to make other payments specified. None of the Obligations, the Parity 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, the Parity Obligations, or any of the Additional Obligations in series or delivery of the Obligations, the Parity Obligations, or any of the Additional Obligations prior to the delivery of the Obligations, the Parity Obligations, or any of the Additional Obligations of that series or regardless of the time or times the Obligations, the Parity Obligations, or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The Obligations, the Parity 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 (as defined herein) equal to at least one hundred twenty percent (120%) of the Principal Requirement and the Interest Requirement on all Obligations, Parity 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, Parity 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 any Credit Facility due and owing in such Fiscal Year. **Until the Bonds are no longer Outstanding pursuant to the Master Bond Resolution, 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 (a) Net 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, Parity Obligations, and Additional Obligations then Outstanding, plus the principal and interest requirements on all Outstanding Bonds, for the corresponding Bond Year (treating Variable Interest Rate Obligations or any future Parity Bonds issued as Variable Rate Obligations (as defined in the Master Bond Resolution) as bearing interest at the Assumed Interest Rate and Obligations, Parity Obligations, Additional Obligations and Bonds then Outstanding subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) an amount of Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts 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 any Credit Facility due and owing in such Fiscal Year. See also “Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation.”**

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 the Parity Obligations, or 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, Parity 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, if Net Revenues during any Fiscal Year of the City are less than one hundred seventy-five percent (175%) of the aggregate Principal Requirement and Interest Requirement on all Obligations, Parity Obligations, and Additional Obligations then Outstanding plus the principal and interest requirements on all Bonds 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.**

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

Repair and Replacement Fund

In accordance with the Purchase Agreement, the City previously established the Repair and Replacement Fund, which is held by the City. 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, Parity Obligations, or Additional Obligations in the event of a deficiency, (iii) the payment of any sums due and owing to the Holders of the Obligations, Parity 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) otherwise acquiring, constructing and improving 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; Operation and Maintenance of the System in a Responsible Manner; Repair and Replacement Fund.”

Outstanding Bonds

As noted above, the City currently has \$771,697,065 outstanding principal amount of prior lien Bonds, net of certain Bonds refunded by the 2026 Refunding Obligations, 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, Parity Obligations, and any Additional Obligations issued in accordance with the Purchase Agreement. The Obligations, Parity Obligations, and any Additional Obligations will be secured by a pledge of and 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 presently does not intend to issue additional prior lien Parity Bonds (“Additional Parity Bonds”). However, the City may issue 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/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 may issue Additional Parity Bonds in the future pursuant to existing voted bond authorizations and pursuant to additional supplemental resolutions. They City may seek additional voter authorization in the future.

The City is authorized to issue \$95,918,190 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	Remaining Utility Systems Revenue Bonds		
	1994	2014	Authorized But Unissued (a)
Gas System Improvements	\$ -	\$29,890,000	\$29,890,000
Water System Improvements	-	34,780,402	34,780,402
Wastewater System Improvements	-	30,302,788	30,302,788
Electric System Improvements	-	-	-
Solid Waste System Improvements	945,000	-	945,000
	<u>\$945,000</u>	<u>\$94,973,190</u>	<u>\$95,918,190</u>

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

Outstanding Parity Obligations

The City currently has outstanding \$816,950,000* aggregate principal amount comprised of the Utility Systems Revenue Obligations, Series 2021, the Utility Systems Revenue Obligations, Series 2022A, the Utility Systems Revenue Obligations, Taxable Series 2022B, the Utility Systems Revenue Refunding Obligations, Series 2022C, the Utility Systems Revenue Obligations, Series 2023, the Utility Systems Revenue Obligations, Series 2025 and the 2026 Refunding Obligations (collectively the “Parity Obligations”), which are payable from and secured by a lien on, pledge of and security interest in, the Pledged Revenues on a parity with the Purchase Payments under the Purchase Agreement and payments required for the payment of principal of and premium, if any, and interest on any Additional Obligations. The Purchase Agreement permits the execution and delivery or incurrence of “Additional Obligations” of the City payable from Pledged Revenues on a parity therewith upon meeting certain conditions as described under the following subheading.

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, Parity 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. **So long as the Bonds are Outstanding under the Master Bond Resolution, clause (a) above is modified to require the Net Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been at least equal to one hundred twenty percent (120%) of the highest aggregate Principal Requirement and Interest Requirement of all Outstanding Obligations, Parity Obligations, and Additional Obligations, including such Additional Obligations to be incurred, plus the Maximum Annual Debt Service (as defined in the Master Bond Resolution) on all Outstanding Bonds. For purposes of this computation, certain amounts will be added to or subtracted from Net Revenues in accordance with the Purchase Agreement and the Master Bond Resolution. See APPENDIX F – “Obligations Documents Summaries – The Purchase Agreement – Master Bond Resolution.” Furthermore, the payments required to be made into the various funds provided in Section 10 of the Master Bond Resolution must be current, and no Additional Obligations may be incurred without the prior written consent of any Reserve Fund Guarantor (as defined in the Master Bond Resolution) whose Policy Costs are past due and owing.**

Utility Transfer Ordinance

In January of 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”). The City Council adopted the Utility Transfer Ordinance in March of that year. The Utility Transfer Ordinance amends the City Code to permit (i) a transfer of System revenues in an amount not to exceed twenty-five percent (25%) of the System revenues to the City’s General Fund for public safety purposes, and (ii) a transfer of System revenues in an amount not to exceed five percent (5%) of the System revenues to the City’s General Fund for other general City purposes. Any such transfer in accordance with the Utility Transfer Ordinance 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 Obligations. It cannot be predicted

* Subject to change.

whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation

House Concurrent Resolution 2016 (“HCR 2016”) is currently pending in the State Legislature. If approved by the State Legislature, HCR 2016 is a referendum that would be presented to voters at the statewide election in November 2026. HCR 2016, if ultimately approved by voters, would impose a four-year moratorium on increases in municipal fees, taxes and utility rates above the current fees, taxes and utility rates imposed as of July 1, 2026. Specifically, HCR 2016 permits limited increases in utility rates for municipalities that have not raised utility rates by a cumulative twelve percent (12%) or more in the preceding four fiscal years. The City has exceeded a 12% utility rate increase for the City’s Electric System, Water System, Wastewater System, and Solid Waste System, and therefore pursuant to HCR 2016, if enacted by voters, the City could not increase rates related to those portions of the System prior to June 30, 2030. Notwithstanding the foregoing, HCR 2016 permits the adoption, imposition or collection of a new or increased rate or fee to fund the acquisition and delivery of new or additional water resources. Furthermore, HCR 2016 prohibits municipalities from 1) adopting or imposing a new tax classification or expanding the tax base to additional taxpayers, 2) imposing a new charge that is substantially similar in effect to an increase in a fee, tax, or utility rate and 3) adopting or amending a fee, tax or utility rate to avoid the application of HCR 2016. HCR 2016 expressly applies to all municipal fees, taxes and utility rates related to 1) taxable transactions, 2) receiving a governmental service, 3) obtaining a permit, license, approval or inspection, and 4) connecting to or receiving a municipally provided utility service. If HCR 2016 is approved by voters, certain municipal tax increases are permitted, but only if such increases are approved by the qualified electors of the municipality, at least sixty percent (60%) of the votes cast at the election are in favor of the tax increase, and the election is conducted in an even-numbered year at a consolidated election pursuant to A.R.S. Section 16-204. HCR 2016 does not have any similar provision permitting voter approval of utility rate increases. HCR 2016, if approved by voters, also states that any fee, tax or utility rate imposed by a municipality in violation of HCR 2016 is void, and creates a cause of action for any taxpayer, resident, business or property owner to bring an action for declaratory or injunctive relief. The City is unable to predict whether HCR 2016 will be approved by the State Legislature and referred to voters at the November 2026 election, and, if so referred, whether voters will ultimately vote in favor of the referendum. Furthermore, no representative of the City, the Municipal Advisor, the Underwriter, Special Counsel, or counsel to the Underwriter is able to predict what effect, if any, the moratorium on fee, tax and utility rate increases, if imposed pursuant to HCR 2016, would have on the City’s financial condition or ability to pay debt service when due on the Obligations, but it could be material and adverse. To the extent the provisions of HCR 2016 are enacted into law, the City may be prohibited from complying with certain of the City’s covenants included in the Purchase Agreement. Furthermore, the City is unable to predict whether the State Legislature will take future, similar actions affecting Pledged Revenues, or the possible effect of any future, similar actions. An investment in the Obligations should be made only after due consideration of the foregoing. See “**SECURITY AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Obligation Rate Covenant.**”

COMBINED SCHEDULES OF REVENUES AND DEBT SERVICE COVERAGE

The following table sets forth a record of the combined schedules of annual revenues, expenditures and Net Revenues for the most recent audited five fiscal years ending June 30 (“Fiscal Year”) for which such information is available – followed by a statement of utility systems revenue bond debt service requirements and debt service coverage provided by such Net Revenues for each Fiscal Year (in thousands). Additionally, Pledged Revenues followed by a statement of utility systems revenue obligation debt service requirements are set forth starting Fiscal Year 2021/22, the first such year there was utility systems revenue obligation debt service and Pledged Revenues were calculated.

	Audited				
	2020/21	2021/22	2022/23	2023/24	2024/25
System Revenues: (a)					
Electric System	\$ 34,543	\$ 52,348	\$ 48,542	\$ 51,545	\$ 53,750
Gas System	46,880	71,463	79,194	78,844	64,575
Water System	178,747	167,114	178,408	223,010	224,123
Wastewater System	89,814	99,652	99,501	108,559	113,744
Solid Waste System	64,446	65,563	69,641	73,976	79,069
Total System Revenues	\$414,430	\$456,140	\$475,286	\$535,934	\$535,261
System Expenses: (a)					
Electric System	\$ 22,849	\$ 40,343	\$ 36,070	\$ 38,291	\$ 39,207
Gas System	30,557	35,291	39,938	34,629	33,065
Water System	58,788	60,832	64,500	73,980	78,559
Wastewater System	27,315	29,581	32,017	37,880	39,229
Solid Waste System	38,737	40,554	45,806	49,619	49,226
Total System Expenses	\$178,246	\$206,601	\$218,331	\$234,399	\$239,286
Net Income Available For Debt Service					
Net Revenues	\$236,184	\$249,539	\$256,955	\$301,535	\$295,975
Less Payments Required (b)	-	-	-	-	-
Pledged Revenues	\$236,184	\$249,539	\$256,955	\$301,535	\$295,975
Utility Systems Revenue Debt Service Bond Requirements (c)(d)					
Bond Requirements (c)(d)	\$ 93,075	\$102,231	\$ 95,980	\$ 95,049	\$ 93,769
Obligations Requirements (d)	-	666	10,186	20,631	24,786
Total Debt Service Requirements	\$ 93,075	\$102,897	\$106,166	\$115,680	\$118,555
Approximate Net Revenue Coverage					
Bond Debt Service (d)(e)	2.54x	2.44x	2.68x	3.17x	3.16x
Combined Debt Service (d)(f)		2.43x	2.42x	2.61x	2.50x

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

(b) Payments required are payments made by the City pursuant to Section 10(B) of the Master Bond Resolution to the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund. See APPENDIX E – “Summary of the Master Bond Resolution, As Amended.”

(c) Interest on the City’s Taxable Utility Systems Revenue Bonds, Series 2010 is shown for Fiscal Year 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.

- (d) Pursuant to the Master Bond Resolution, the Purchase Agreement, and the Parity Obligation Documents, this ratio is calculated using, as applicable, (i) the current year principal and interest requirements on all outstanding Bonds and/or (ii) the current year Principal Requirement and Interest Requirement on all Outstanding Obligations, Parity Obligations and Additional Obligations. From time to time, the City may choose to prepay or defease portions of the Bonds, the Obligations or the Parity Obligations. Any such prepayment or defeasance is optional and at the discretion of the City, as opposed to required, and therefore any amounts used to prepay or defease Bonds or Parity Obligations is not included in the "Bond Requirements" or "Obligations Requirements" information above. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Obligation Rate Covenant" and APPENDIX E – "Summary of the Master Bond Resolution, As Amended – Rate Covenant."
- (e) Reflects the ratio of Net Revenues to debt service requirements on outstanding Bonds under the Master Bond Resolution.
- (f) Reflects the ratio of Net Revenues to combined debt service requirements on the Parity Obligations and outstanding Bonds under the Master Bond Resolution. So long as the Bonds are Outstanding under the Master Bond Resolution, certain covenants pertaining to the Obligations and the Parity Obligations are modified to be calculated using Net Revenues. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Obligation Rate Covenant," "– Debt Service Reserve Account: No Current Funding Requirement," and "– Additional Obligations." Although Parity Obligations were executed and delivered in Fiscal Year 2020/21, no debt service was payable by the City until Fiscal Year 2021/22.

The City expects to annually transfer a portion of the Revenues of the System to the City's General Fund (subject to the Utility Transfer Ordinance) after providing for payment of the current debt service requirements of all Bonds, any Parity Bonds, the Obligations, Parity Obligations, and any Additional Obligations. In Fiscal Year 2024/25, such transfer was approximately \$138.1 million. The City expects to continue this practice in the future.

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 and not secured by the System. 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. See also SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation."

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 global and national economies, 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 U.S. Department of Homeland Security has issued warnings and advisories related to active geopolitical conflicts and adversarial state-aligned threat actors, citing an increased risk of cyberattacks targeting municipalities and critical

infrastructure. 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.

Cybersecurity incidents, including unauthorized access, ransomware, denial-of-service attacks, or other malicious activities, could compromise the City's information technology systems or operational technology systems, including those used to monitor and control water and wastewater operations (e.g., SCADA systems), and could result in service disruption, operational impairment, data loss, regulatory consequences, reputational harm, or financial loss.

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, tariffs, 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. The recyclable materials market has a history of changes, and therefore, the City cannot forecast future conditions for this sector. The major factors affecting recycling market variability include the strength of the United States and international economy. Economic growth typically results in growing demand for these commodities and economic contraction usually results in waning demand. Another major factor is market supply, as supply of these commodities increase, pricing decreases. 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.

Tariffs; Inflation; Labor. On April 2, 2025, President Trump announced new tariffs on several nations. On April 9, 2025, President Trump announced a 90 day pause on such tariffs, with the exception of tariffs on China. In August 2025, following conclusion of the 90-day pause, tariffs were imposed by the United States on various countries. The tariff rates are subject to change and certain tariffs have been subject to additional pauses. On February 20, 2026, the United States Supreme Court ruled that President Trump's tariff policies imposed under the International Emergency Economic Powers Act were unconstitutional. However, the City cannot predict whether President Trump will seek to impose tariffs using other means. As of the date of this Official Statement, the City is unable to predict the impacts of tariffs, if any, on the System, whether in the context of operating expenses or availability of materials for capital improvement projects. The risk of higher costs for the System and particularly for the Electric System and Natural Gas System (each as defined in APPENDIX C) due to tariffs does exist. This risk would be driven by increases in the cost of materials (meters, transformers, etc.) or possibly an increase in the cost of solar power driven by tariffs on solar panels. The City maintains an inventory of needed materials, has current contracts in place and has most of the supply of gas and electric meters needed for the System's transition to advanced metering infrastructure ("AMI") meters. The City also staggers the System's power contracts to prevent over-exposure to the markets at any one-time. The City anticipates that the risk to the Electric System and Natural Gas System is comparable to the risk for similarly situated utilities.

The City is unable to predict if supply chain issues or inflationary cost pressures could potentially impact the operations and maintenance of the System. The City competes with surrounding cities for a limited supply of skilled labor, which impacts the City's ability to recruit and retain staff that work on the System.

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, (vi) natural disasters such as drought, fires and flooding and (vii) issues relating to issuance of tax-exempt obligations and restrictions thereon, and (viii) demand for Commercial Driver's License licensed operators continues to be high and could continue to drive higher labor costs. 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.

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. In 2022, the State legislature adopted legislation ending deregulation; however, should deregulation ever be re-initiated and effectively implemented, it may 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. However, ongoing efforts to implement a Regional Transmission Organization/Independent System Operator or Administrator in the western region of the United States (including Arizona), which the City is statutorily directed to support, may affect the City’s electric utility operations and associated costs.

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 currently operate generation resources, interconnections, transmission lines, or other facilities which would make it subject to existing 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 transportation service agreements (“TSAs”). From time to time, the TSAs are subject to amendment, extension, expiration or renewal as negotiated between the City and EPNG. In early 2025, the City executed a new TSA with EPNG (for a total of three TSAs) for additional capacity that is to be delivered to the location of the City’s existing Clausen Gate Station. The Clausen Gate Station is now being expanded to accommodate such additional capacity by the City and EPNG, with an estimated completion date in the third quarter of 2026. Upon completion of the gate expansion construction, the additional capacity could be used to accommodate additional natural gas flows into the City’s Natural Gas System. Notwithstanding the foregoing description of expansion of the City’s Natural Gas System, although transmission is anticipated to be adequate to accommodate normal growth in the Natural Gas System, constraints on interstate and regional pipeline transmission capacity have been identified as a potential limiting factor to future growth of the Natural Gas System. In late 2025, to address future capacity needs, the City joined major electric and natural gas utilities in Arizona in subscribing to capacity on Energy Transfer’s 516 mile pipeline expansion from Texas to Arizona, expected to be in service in the fourth quarter of 2029.

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 holds long-term stored groundwater credits and related groundwater rights in an amount equal to approximately five times its annual demand, intended to provide drought mitigation and long-term supply reliability. The City is currently 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, and potentially may be significantly affected, by the water supply available to the City, which is situated in a desert environment. In particular, recent conditions on the Colorado River system may be indicative of future challenges, although most of the City’s CAP water supplies have a relatively high priority in right as compared to other recipients of CAP water. The City is evaluating and implementing response options based on evolving conditions on the Colorado River, including actions authorized under its Water Shortage Management Plan as set forth in the City Code. The initial step, declaring a “Stage One Shortage,” consists of voluntary conservation measures, public outreach, and increased water reduction efforts at City facilities, and was recently implemented by the City. If the water supply decreases significantly however, whether by physical limitation, regulatory restrictions, increased water costs or otherwise, System water sales may be diminished and Pledged Revenues available to pay the debt service may be adversely affected.

Notwithstanding the foregoing, while the multiple sources of supply available to the City along with the various plants, wells, reservoirs and other facilities may help to mitigate risk, future water availability, drought, flooding, environmental conditions and other climate related conditions in Arizona and the other Colorado River Basin states are unpredictable and subject to change. For example, since January 2022, Arizona has operated under a drought contingency plan and has received a reduction to its deliveries of Colorado River water as described above. Additional reductions may result from the federal Colorado River Post 2026 Operations process, including the development of new operational guidelines for Lake Powell and Lake Mead by the Bureau of Reclamation in coordination with the Colorado River Basin states. The impacts associated with climate variability, natural disasters, and other “force majeure” events on the City cannot be predicted, but could be significant.

Additionally, decreasing flows throughout the Colorado River system and ongoing negotiation between Upper Basin and Lower Basin states about accepting cuts during water shortages have the ability to reduce hydroelectric power generation. The City’s Electric System receives approximately 15% of its annual energy requirements from the Parker-Davis Project (sourced from Parker Dam and Davis Dam), and approximately 4% of its annual energy requirements from the Colorado River Storage Project (which is primarily sourced from Glen Canyon Dam). Loss of hydroelectric generation or shortages from the Parker-Davis Project is handled through the Western Area Power Administration (“WAPA”) Desert Southwest Region’s Voluntary Reduction Program, which the City joined in December of 2024. Under the program, the City can elect to receive cash value in lieu of receiving hydropower if the cash offer is higher than the forward pricing for power, thus potentially benefiting the City financially. Loss of hydroelectric generation from the Glen Canyon Dam generally implies that WAPA must source replacement power for these resources from the power markets in the Desert Southwest Region; a region currently constrained for resource adequacy due to the early retirement of large coal and nuclear generating assets (without in-kind replacement on a firm capacity basis). However, the current federal administration has announced its policy intention to keep coal plants open and to incentivize new nuclear power generation, which would increase resources in the region. Furthermore, new markets are moving into the Desert Southwest Region which will connect the Eastern U.S. power markets to the Western U.S. power markets, thus opening more opportunity for power trades. Although the City’s allocation of hydroelectric power comprises a minority of its annual energy resources, these larger market effects due to the loss or reduction of hydropower and the addition of new generation sources and markets can be compounded to either negatively or positively affect the City’s other power purchase costs, its balancing and ancillary services costs, and other generation and transmission costs, potentially adversely or positively affecting Pledged Revenues. As the date of this Official Statement, the City is unable to predict potential risks and benefits of the conditions described above.

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.

Like any large municipality, the City is currently involved in multiple lawsuits and annually receives numerous claims associated with City operations. To date, the City is not involved in any lawsuit related to the City’s System. To the extent any claims have been filed that are related to the Systems, the claims are being handled in accordance with the City’s standard procedures. Based on the information currently available to the City, none of the received claims are reasonably anticipated to exceed the City’s available insurance coverage or materially adversely affect the City. Notwithstanding the foregoing, the City has received notices of claims related to a wastewater reclamation plant that is jointly owned and operated by several municipalities, including the City. See the second paragraph under the heading “LITIGATION – Other Litigation Against the City” for a further description of such notices of claims.

Environmental Issues Associated with PFAS. On February 28, 2022, the City received a Request for Information (“Request”) from the Environmental Protection Agency (“EPA”) issued under Section 104(e) of the Comprehensive Environmental Response Compensation and Liability Act (“CERCLA”). The Request sought information regarding City’s receipt and treatment of wastewater containing per- and poly-fluoroalkyl substances (“PFAS”) at one of the City’s wastewater reclamation facilities in connection with the South Indian Bend Wash National Priorities List site.

PFAS are a category of synthetic, hydrophobic, and thermally resistant chemicals used in a variety of commercial and industrial applications including certain firefighting foams, non-stick cookware, and water-resistant apparel. In July 2024, the EPA finalized its designation of perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”)—two

of the most studied PFAS compounds—as hazardous substances under CERCLA. This designation remains in effect as of January 2026, despite ongoing legal challenges, and authorizes the EPA to hold responsible parties accountable for cleanup costs.

In April 2024, the EPA finalized National Primary Drinking Water Regulations for six PFAS compounds. These regulations established enforceable Maximum Contaminant Levels (“MCLs”) for PFOA and PFOS at 4.0 parts per trillion (ppt), and for PFHxS, PFNA, and HFPO-DA (GenX) at 10 ppt each. Additionally, the EPA adopted a Hazard Index MCL for mixtures containing two or more of PFHxS, PFNA, HFPO-DA, and PFBS. In May 2025, the EPA announced its intent to rescind and reconsider the regulatory determinations for PFHxS, PFNA, HFPO-DA, and the Hazard Index MCL to ensure consistency with the Safe Drinking Water Act process.

Public water systems must complete initial PFAS monitoring by 2027, with compliance actions required by 2029 for systems exceeding the MCLs. The EPA has extended compliance deadlines for PFOA and PFOS to 2031 and is developing a federal exemption framework for small and economically challenged systems.

For wastewater utilities, the CERCLA designation for PFOA and PFOS remains in place, creating potential liability risks for facilities that receive PFAS-contaminated influent. Recognizing utilities as passive receivers, the EPA is pursuing a “polluter pays” approach and has announced plans to develop effluent limitation guidelines for PFAS manufacturers and metal finishers. These actions aim to reduce PFAS discharges and mitigate downstream regulatory burdens.

Groundwater well production may be reduced under these regulatory requirements, and well operation and maintenance costs could increase. Additional PFAS-related regulations affecting the utility industry could impact System service costs, and Pledged Revenues may be adversely affected. The City intends to fully comply with all lawful EPA requests for information and will continue to monitor regulatory developments to ensure compliance and mitigate financial and operational risks.

Other Considerations. The Audited General Purpose Financial Statements of the City included in APPENDIX D hereto are for the Fiscal Year ended June 30, 2025, and may not reflect the current financial positions of the City. Such financial statements are the most recent audited financial statements for the City.

From time to time, the City has residents that attend City Council meetings where the residents allege 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 unreasonable, and (iii) the City’s financial statements inaccurately reflect debt service payments on the City’s outstanding general obligation bonds, utility systems revenue bonds, and utility systems revenue obligations.

Generally, City staff meets with residents that regularly attend and comment on utility rates to address their questions and concerns. The City is unable to predict if any residents that make allegations as described above would ever seek further legal action against the City, including, without limitation, filing a lawsuit against the City regarding rates and fees, the System, the Pledged Revenues, the Obligations, or otherwise. Generally, the comments of residents do not present a case or controversy which would adversely affect the issuance, validity or payment of the City’s general obligation bonds, utility systems revenue bonds or utility systems revenue obligations, including the Obligations.

SOURCES AND USES OF FUNDS

The proceeds of the Obligations will be applied as follows:

Sources of Funds	2026A Obligations	2026B Obligations	Total
Principal Amount of the Obligations	\$ 168,100,000.00 *	\$ 153,735,000.00 *	\$ 321,835,000.00 *
[Net] Original Issue Premium [(a)]	_____	_____	_____
Total Sources of Funds	\$ _____	\$ _____	\$ _____
Uses of Funds			
Payment of Costs of Series 2026 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 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 annual debt service requirements of the City’s outstanding Bonds and Parity Obligations, (ii) the estimated annual debt service requirements of the Obligations, (iii) the estimated total annual utility systems revenue debt service requirements after execution and delivery 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 2024/25 Net Revenues.

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

Period Ending (07-01)	The Bonds* (b)		Parity Obligations(c)*		The 2026A Obligations*		The 2026B Obligations*		Estimated Combined Annual Debt Service *	Estimated Combined Debt Service Coverage (e)*
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest (d)		
2026	\$ 52,347,949	\$35,663,223	\$14,230,000	\$32,167,429					\$134,408,600	2.20x
2027	51,621,538	28,666,815	13,180,000	39,492,223		\$8,545,083	\$ 3,690,000	\$7,814,863	153,010,522	
2028	48,215,210	26,531,929	18,610,000	38,866,410	\$ 1,325,000	8,405,000	4,005,000	7,502,250	153,460,799	
2029	45,932,367	24,604,100	22,435,000	37,963,525	1,420,000	8,338,750	4,110,000	7,302,000	152,105,743	
2030	35,625,000	22,763,175	31,880,000	36,841,775	7,320,000	8,267,750	4,415,000	7,096,500	154,209,200	
2031	23,685,000	21,309,450	56,345,000	35,247,775	3,415,000	7,901,750	4,525,000	6,875,750	159,304,725	
2032	23,720,000	20,227,700	61,110,000	32,430,525	4,510,000	7,731,000	4,730,000	6,649,500	161,108,725	1.84x
2033	56,500,000	19,147,988	11,030,000	29,375,025	14,005,000	7,505,500	4,935,000	6,413,000	148,911,513	
2034	62,400,000	17,080,313	19,390,000	28,823,525	5,400,000	6,805,250	5,245,000	6,166,250	151,310,338	
2035	59,185,000	14,541,313	21,830,000	27,854,025	6,395,000	6,535,250	5,450,000	5,904,000	147,694,588	
2036	4,000,000	12,153,638	79,415,000	26,774,875	7,390,000	6,215,500	5,655,000	5,631,500	147,235,513	
2037	8,250,000	12,023,638	78,400,000	22,804,125	7,335,000	5,846,000	5,565,000	5,348,750	145,572,513	
2038	52,765,000	11,765,700	36,825,000	18,884,125	7,530,000	5,479,250	5,875,000	5,070,500	144,194,575	
2039	63,175,000	9,962,438	29,000,000	17,042,875	6,145,000	5,102,750	6,080,000	4,776,750	141,284,813	
2040	56,795,000	7,633,938	28,500,000	15,592,875	7,615,000	4,795,500	6,490,000	4,472,750	131,895,063	
2041	47,280,000	5,607,250	30,900,000	14,167,875	7,610,000	4,414,750	6,800,000	4,148,250	120,928,125	
2042	36,505,000	3,616,000	34,600,000	12,622,875	7,600,000	4,034,250	7,110,000	3,808,250	109,896,375	
2043	24,700,000	1,883,750	39,195,000	10,892,875	8,420,000	3,654,250	7,450,000	3,452,750	99,648,625	
2044	14,600,000	747,750	41,600,000	9,116,125	8,325,000	3,233,250	7,785,000	3,080,250	88,487,375	
2045	4,395,000	219,750	43,610,000	7,199,125	8,225,000	2,817,000	8,010,000	2,691,000	77,166,875	
2046			39,745,000	5,036,425	8,120,000	2,405,750	8,430,000	2,290,500	66,027,675	
2047			31,075,000	3,107,175	8,035,000	1,999,750	8,865,000	1,869,000	54,950,925	
2048			21,880,000	1,602,425	8,960,000	1,598,000	9,090,000	1,425,750	44,556,175	
2049			12,165,000	547,425	8,880,000	1,150,000	9,510,000	971,250	33,223,675	
2050					14,120,000	706,000	9,915,000	495,750	25,236,750	
Total	<u>\$771,697,065</u>		<u>\$816,950,000</u>		<u>\$168,100,000</u>		<u>\$153,735,000</u>		<u>\$2,945,829,801</u>	

* Subject to change.

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- (a) Prepared by the Municipal Advisor. Totals may not add due to rounding.
 - (b) Reflects debt service, net of certain Bonds refunded by the 2026 Refunding Obligations, on Bonds secured by Net Revenues of the System which is prior and senior to the claim of the Obligations and Parity Obligations on the Pledged Revenues.
 - (c) Includes the 2026 Refunding Obligations.
 - (d) The first interest payment on the Obligations is due on January 1, 2027*. Thereafter, interest payments will be made semiannually on each July 1 and January 1, until maturity or prior redemption. Interest for the Obligations is estimated at 5.00%.
 - (e) Debt Service coverage is computed using the Net Revenues of \$295.98 million for Fiscal Year 2024/25. See “COMBINED SCHEDULES OF REVENUES AND DEBT SERVICE COVERAGE” herein. The Fiscal Year 2024/25 Net Revenues provide coverage for the total estimated annual debt service requirements for the period ending July 1, 2026, of approximately 2.20x* and approximately 1.84x* for the total estimated annual debt service requirements for the period ending July 1, 2032, with the estimated Maximum Annual Debt Service payable on all Bonds, Obligations, and Parity Obligations to be outstanding immediately after issuance of the Obligations. So long as the Bonds are Outstanding under the Master Bond Resolution, certain covenants pertaining to the Obligations and Parity Obligations are modified to be calculated using Net Revenues. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Obligation Rate Covenant,” “– Debt Service Reserve Account: No Current Funding Requirement,” and “– Additional Obligations.”

* Subject to change.

RATINGS

Moody's and S&P have assigned credit ratings of "Aa3" and "A+", 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 94111, from and S&P at One California Street, 31st Floor, San Francisco, California 94111. 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 Undertaking (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 status of the Obligations (see "TAX EXEMPTION" herein) are subject to the legal opinion of Greenberg Traurig, LLP, 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.

In rendering its opinion, Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings Special Counsel will not have independently verified.

While Special Counsel has reviewed and participated in the preparation of portions of this Official Statement, Special Counsel has not undertaken an independent investigation to determine, and will express no opinion as to, the accuracy, completeness or sufficiency of this Official Statement, nor of any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Obligations that may be available.

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 nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Obligations. 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 Obligations) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Obligations. 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 future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the "Interest Portion") will be and remain excludable from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery

of the Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax purposes and is exempt from State income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the Obligations will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications and representations. Special Counsel will express no opinion as to any other consequences regarding the Obligations.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the Obligations. Prospective purchasers of Obligations should be aware that the ownership of Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Obligations generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the Obligations, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of these and any other tax consequences.

Special Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel's opinions are not a guarantee of a particular result and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Premium and Original Issue Discount

Certain of the Obligations ("Discount Obligations") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest

on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of that Discount Obligation.

Certain of the Obligations ("Premium Obligations") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium Obligation, the owner's tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation.

Owners of Discount Obligations and Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Obligations or Premium Obligations and as to other federal tax consequences, and the treatment of OID or bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on obligations such as the Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

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 Undertaking, 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 Undertaking, 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 Undertaking, or have a material adverse effect on the transaction contemplated by this Official Statement.

Other Litigation Against the City

Like any large municipality, the City is currently involved in multiple lawsuits and annually receives numerous claims associated with City operations. Based on the information currently available to the City, as of the date of this Official Statement none of the pending lawsuits or received claims are reasonably anticipated to exceed the City's available insurance coverage or materially adversely affect the City or the Pledged Revenues.

Notwithstanding the foregoing, the City has received two notices of claims alleging that two elementary school-aged children suffered damages after alleged exposure to hydrogen sulfide in a classroom while attending school; provided, however, that as of the date of this Official Statement no lawsuit has been filed against the City in connection with these notices. The notices of claims allege an amount owed by the City of \$53,000,000. The notices state the charter school attended by the two children is connected to the Town of Gilbert's wastewater system but is also located near a wastewater reclamation plant (the "WRP") that is jointly owned and operated pursuant to an intergovernmental agreement among the City, the Town of Gilbert, and the Town of Queen Creek. Pursuant to the intergovernmental agreement, the City acts as the "lead agent" of the WRP and is responsible for, among other things, the operation and maintenance of the WRP. Separate from the notices received by the City, the Town of Gilbert and the charter school were named in a lawsuit by the two children and their parents/stepparent ("Plaintiffs"). In the lawsuit, the Plaintiffs generally allege that the Town of Gilbert played a role in the children's exposure to hydrogen sulfide. As of the date of this Official Statement, the City and the WRP have not been named in the lawsuit. In November 2024 (a week before filing notices of claims with the City), Plaintiffs amended their complaint in Maricopa County Superior Court, but they did not name the City as an additional party in that amended complaint. The City is investigating the claimants' allegations stated in the notices and anticipates that, if the City or the WRP is added to the lawsuit, the City will defend on the merits. In its capacity as the lead agent of the WRP, the City also monitors for the presence of gasses in the area surrounding the WRP and no data obtained by the City from such monitoring indicates amounts of hydrogen sulfide in excess of permitted amounts originating from the WRP. Other than the proximity of the WRP to the charter school, the notices do not present a factual basis connecting the alleged presence of hydrogen sulfide in the charter school to the City or the City's ownership interest in, or operation of, the WRP. Because of the multiple potential parties alleged in the lawsuit and the notices, the City is unable to determine whether a lawsuit, if filed against the City, could reasonably be expected to exceed available insurance coverage. Any potential liability could be allocated among the charter school, the municipal owners of the WRP (including the City), and other parties. Additionally, the WRP has its own insurance coverage that is expected to provide coverage to the municipal owners (including the City) if Plaintiffs move forward with a lawsuit against the City. Based on the foregoing, as of the date of this Official Statement, appropriate officers of the City do not reasonably anticipate that a lawsuit, if filed against the City in connection with the notices of claims, would materially adversely affect the City.

The City has also received a notice of claim pertaining to an airplane accident in November 2024 where an airplane left the runway at the City's Falcon Field Airport facility, crossed into Greenfield Road, and collided with a passing automobile resulting in the death of several passengers on the airplane and the sole occupant of the automobile. A final report from the National Transportation Safety Board has not been issued. All the claims, except for one notice of claim, have agreed to a settlement that is in the process of being finalized. The remaining notice of claim offers to settle these remaining claims for an aggregate amount equal to \$60,000,000. Among other things, the remaining notice alleges negligence by the City related to the design and construction of certain runway safety areas and runway protection zones. As of the date of this Official Statement, no lawsuit has been filed against the City in connection with this notice of claim. On October 30, 2025, the City and the claimants entered into a tolling agreement to allow the parties to participate in a mediation. As of the date of this Official Statement, the mediation process has not been completed. The City maintains a \$100 million insurance policy for its operations of Falcon Field Airport. If a lawsuit were filed, the City believes it has a number of meritorious factual and legal defenses and would vigorously defend itself. As of the date of this Official Statement, appropriate officers of the City do not reasonably anticipate that a lawsuit, if filed against the City in connection with these notices of claims, would materially adversely affect the City. The City does not anticipate any material adverse financial impact on Revenues of the System in connection with these notices of claims.

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/Chief Financial Officer, the descriptions and statements contained in this Official Statement are at the time of execution and delivery 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, 2027 (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 Undertaking” (the “Continuing Disclosure Undertaking”). 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 Undertaking.”

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 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 not match the current presentation of such financial and operating data instead of the presentation of such financial and operating data when bonds or obligations were originally issued or incurred. Similarly, certain references to financial and operating data in the City’s prior disclosure undertakings 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.

MUNICIPAL ADVISOR

Hilltop Securities Inc. is municipal advisor (“Municipal Advisor”) to the City in connection with the execution and delivery of the Obligations. The Municipal 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 Municipal 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, 2025, 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, 2025, 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/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/Chief Financial Officer, as indicated below.**

CITY OF MESA, ARIZONA

By: _____
Deputy City Manager/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 37th largest city in the United States. Founded in 1878 and incorporated in 1883, the City had an estimated 2025 population of 529,391. 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

<u>Year</u>	<u>City of Mesa</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2025 Estimate (a)	529,391	4,787,790	7,718,747
2020 Census	504,258	4,420,568	7,151,502
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) Estimate as of July 1, 2025 (published December 2025).

Source: U.S. Census Bureau, Population Division – *Annual Estimates of the Resident Population*, Arizona Office of Economic Opportunity – *State, County, Place Level Population Estimates for July 1*, and U.S. Census Bureau (2020, 2010, 2000 and 1990) – *Census of Population and Housing*.

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

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

<u>Year</u>	<u>Square Miles</u>
2020	140.44
2010	133.14
2000	125.00
1990	122.11
1980	66.31
1970	20.80

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 in the various City departments.

City Administrative Staff

Scott Butler, City Manager. Mr. Butler was appointed by the City Council to serve as City Manager effective June 1, 2025. Prior to being appointed, Mr. Butler served as Assistant City Manager. 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. Butler 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 in 2005, Mr. Butler served in variety of roles at the local, state and federal level. He served as policy advisor for the Judiciary Committee of the Georgia House of Representatives and as a media/elected official outreach liaison for the White House Office of Scheduling and Advance. While serving as a Senior Policy Advisor to the Georgia Secretary of State, he helped lead the department’s efforts to implement the first statewide electronic voting system in the nation.

Mr. Butler has a Bachelor of Arts degree in Political Science from the University of Georgia and a Master of Public Administration degree from Arizona State University.

Michael Kennington, Deputy City Manager/Chief Financial Officer. Mr. Kennington was hired as the City’s Chief Financial Officer in July 2012 and was promoted to Deputy City Manager/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)
2026 (b)	4.6%			
2025 (c)	4.3	4.2%	3.7%	3.6%
2024	4.0	3.6	3.2	3.1
2023	3.6	3.7	3.2	3.2
2022	3.7	3.7	3.3	3.3
2021	5.4	5.0	4.6	4.5

- (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 an average through March 2026 for the National Unemployment rate.
- (c) Data is not seasonally adjusted, is preliminary and is an average through December 2025 for LAUS data.

Source: U.S. Department of Labor, Bureau of Labor Statistics– *Local Area Unemployment Statistics* and *National Labor Force Statistics*. Data accessed April 6, 2026.

Manufacturing and Non-Manufacturing Employment

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

**MAJOR EMPLOYERS
City of Mesa, Arizona**

Employer	Description	Approximate Employment
Mesa Unified School District No. 4	Public Education	7,977
Banner Health	Hospital Network	6,468
City of Mesa	Government	4,919
The Boeing Company	Helicopter Manufacturing and Assembly	4,353
Walmart	Retail	2,988
Maricopa County Community College	Higher Education	1,889
Dexcom	Medical Equipment and Supplies	1,867
Fry’s Food Store	Retail	1,232
Home Depot	Retail	1,132
Maricopa County Government	Government	1,094

Source: City of Mesa, Arizona - *Annual Comprehensive Financial Report for Fiscal Year 2024/25*.

Mesa Gateway Airport and the Airport/Campus District

Mesa Gateway Airport (formerly known as Williams Gateway Airport, and subsequently Phoenix-Mesa Gateway Airport) has three runways (10,401 feet, 10,201 feet, and 9,300 feet) and a passenger terminal. Mesa Gateway Airport is a small-hub commercial airport serving the Mesa metropolitan area with direct service to more than 45 destinations currently provided by Allegiant Air and Sun Country Airlines.

Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing, and pilot training. Currently more than 60 companies operate on the airport, including manufacturer service centers for Gulfstream, Cessna and Embraer. In 2021, the Arizona Department of Transportation completed an economic impact study of the State’s airport system, including Mesa Gateway Airport. According to that study, the airport’s economic benefit (including all multiplier effects) totaled \$1.8 billion, with \$829.4 million in economic activity generated by on-airport activity, creating and supporting 10,224 jobs in the area.

Mesa Gateway Airport is owned and operated by the Mesa Gateway Airport Authority whose members include the City, Town of Gilbert, Town of Queen Creek, the City of Apache Junction, and the Gila River Indian Community.

Adjacent to 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 is 600-acres and includes advanced learning labs and classroom space, faculty offices and a 450-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 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, 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
2025/26 (a)	\$260,782	\$ 612,106	\$ 51	\$ 872,939
2024/25	652,684	2,759,724	548	3,412,956
2023/24	596,590	1,579,275	2,465	2,178,330
2022/23	379,304	2,620,529	3,035	3,002,868
2021/22	894,064	1,348,806	3,112	2,245,982
2020/21	740,870	1,074,928	4,499	1,820,297

(a) Partial Fiscal Year data from July 1, 2025, through December 31, 2025.

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
2025/26 (a)	467
2024/25	1,300
2023/24	1,167
2022/23	735
2021/22	2,318
2020/21	2,151

(a) Partial Fiscal Year data from July 1, 2025, through December 31, 2025.

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
2025/26 (a)	\$3,646,098,646
2024/25	8,654,798,381
2023/24	8,438,742,187
2022/23	8,483,005,834
2021/22	8,134,561,575
2020/21	7,171,741,191

(a) Partial Fiscal Year data from July 1, 2025, through November 30, 2025.

Tourism

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

HOTELS City of Mesa, Arizona

Hotel Name	Number of Sleeping Rooms
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	213
Arizona Golf Resort	187
Sheraton Mesa at Wrigleyville West	180
Westgate Painted Mountain	152
Hyatt Place Phoenix-Mesa	152
Marriott Courtyard	149
Best Western Mezona Inn	132
Country Inn and Suites	126
La Quinta (West)	125
Days Hotel Mesa-Gilbert	120
Quality Inn/Suites	119

Source: Mesa Convention and Visitors Bureau.

The City owns and operates the Mesa Convention Center (the "Convention Center") which offers convention facilities. The Convention Center is situated on a 17-acre site adjacent to the Phoenix Marriott Mesa. The Convention Center includes Centennial Hall, which is a multipurpose facility of approximately 15,000 square feet, and the Centennial Conference Center and the Rendezvous Center, which offer an additional 18,500 square feet of meeting space. The City operates and maintains 58 parks, including 11 sports complexes and 133 basins covering more than 2,000 acres. In addition, the City manages 9 aquatic facilities, 2 Major League Baseball Spring Training stadiums and a par 72, 18-hole championship golf course. The award-winning Mesa Arts Center facility opened in spring of 2005 and is located in the downtown area of the City. The Mesa Arts Center is a 212,775 square-foot performing arts, visual arts and arts education facility, the largest and most comprehensive arts center in the State.

Agriculture

Although still a contributor to the economic base, the agricultural sector is no longer a significant factor of the City's economy due to the industrial, commercial, and residential development which has occurred over the past 30 years. The principal products of the City's remaining agricultural sector are dairy and citrus.

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**CITY OF MESA, ARIZONA
FINANCIAL DATA**

**Current Year Statistics (For Fiscal Year 2025/26)
City of Mesa, Arizona**

Total General Obligation Bonds to be Outstanding	\$ 512,560,000 (a)
Total Utility Systems Revenue Bonds to be Outstanding	771,697,065 (b)
Total Utility Systems Revenue Obligations to be Outstanding	1,138,785,000 *(c)
Total Street and Highway User Revenue Bonds Outstanding	7,660,000 (d)
Total Excise Tax Revenue Obligations Outstanding	43,355,000 (e)
Net Assessed Limited Property Value	5,166,189,909 (f)(g)
Estimated Net Full Cash Value	87,660,089,888 (g)(h)

- (a) Represents all general obligation bonds of the City to be outstanding following the issuance of the 2026 GO Bonds. See “STATEMENTS OF BONDS OUTSTANDING – General Obligation Bonds to be Outstanding” in this appendix and “THE OBLIGATIONS – Other Expected Debt Offerings”.
- (b) Represents all utility systems revenue bonds to be outstanding net of the bonds being refunded by the 2026 Refunding Obligations. See “STATEMENTS OF BONDS OUTSTANDING – Utility Systems Revenue Bonds 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 2026/27 Net Assessed Limited Property Value is estimated at \$5,457,986,697, a change of approximately 5.65% from the Fiscal Year 2025/26 Net Assessed Limited Property Value. The City’s preliminary Fiscal Year 2026/27 estimated net full cash value, as defined in footnote (h), is estimated at \$92,024,768,131, a change of approximately 4.98% from the Fiscal Year 2025/26 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
2012	Various Purpose	\$ 27,290,000	7-1-13/32	\$ 14,875,000
2013	Various Purpose	59,960,000	7-1-14/33	32,525,000
2014	Various Purpose	37,550,000	7-1-15/34	18,800,000
2015	Various Purpose	13,690,000	7-1-16/35	4,315,000
2016A	Refunding	20,475,000	7-1-17/27	10,485,000
2016B	Refunding	22,935,000	7-1-17/29	10,495,000
2016	Various Purpose	37,700,000	7-1-17/36	23,100,000
2017	Refunding	47,450,000	7-1-17/29	27,025,000
2017	Various Purpose	47,180,000	7-1-18/37	29,630,000
2018	Various Purpose	16,120,000	7-1-19/38	5,525,000
2019	Various Purpose	33,065,000	7-1-20/39	12,965,000
2020	Various Purpose	22,075,000	7-1-21/40	8,825,000
2020	Refunding	23,900,000	7-1-21/30	18,530,000
2021	Various Purpose	19,030,000	7-1-21/41	1,685,000
2021	Refunding	14,495,000	7-1-21/31	10,260,000
2022	Various Purpose	22,620,000	7-1-23/32	8,100,000
2023	Various Purpose	83,340,000	7-1-24/43	68,665,000
2025	Various Purpose	154,265,000	7-1-25/45	150,705,000
Total General Obligation Bonds Outstanding				<u>\$456,510,000</u>
Plus the 2026 GO Bonds				<u>56,050,000(a)</u>
Total General Obligation Bonds to be Outstanding				<u><u>\$512,560,000</u></u>

(a) The City offered 2026 GO Bonds pursuant to a separate official statement.

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2008	Utility Improvement	52,875,000	7-1-23/32	\$ 650,000
2009	WIFA Loans	3,758,810	7-1-10/29	667,065
2013	Utility Improvement	47,290,000	7-1-37	-(a)
2014	Utility Improvement	36,385,000	7-1-37/38	-(a)
2014	Refunding	102,945,000	7-1-18/30	77,880,000
2015	Utility Improvement	30,220,000	7-1-20/39	8,120,000(a)
2016	Refunding	138,035,000	7-1-25/32	11,500,000(a)
2016	Utility Improvement	90,500,000	7-1-20/40	79,325,000(a)
2017	Refunding	75,435,000	7-1-23/28	43,620,000
2017	Utility Improvement	123,875,000	7-1-21/41	112,050,000
2018	Utility Improvement	112,120,000	7-1-19/42	91,120,000
2019A	Utility Improvement	93,825,000	7-1-20/43	76,730,000
2019B	Refunding	54,225,000	7-1-20/33	41,560,000
2019C	Refunding	79,335,000	7-1-20/35	58,055,000
2020	Utility Improvement	71,070,000	7-1-21/44	60,480,000
2020	Refunding	37,675,000	7-1-34	37,675,000
2021	Utility Improvement	34,685,000	7-1-22/45	27,395,000
2021	Refunding	44,870,000	7-1-35	44,870,000
Total Utility Systems Revenue Bonds Outstanding				<u>\$771,697,065 (a)</u>

(a) Net of certain Bonds refunded by the 2026 Refunding Obligations.

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2021	Utility Improvement	\$ 14,015,000	7-1-23/45	\$ 11,015,000
2022A	Utility Improvement	54,705,000	7-1-29/46	54,705,000
2022B	Utility Improvement	16,075,000	7-1-23/28	7,955,000
2022C	Refunding	57,655,000	7-1-36	57,655,000
2023	Utility Improvement	193,710,000	7-1-24/48	183,855,000
2025	Utility Improvement	295,465,000	7-1-26/49	295,465,000
2026	Refunding	206,300,000	7-1-26/38	206,300,000
Total Utility Systems Revenue Obligations Outstanding				\$ 816,950,000
Plus the 2026A Obligations				168,100,000*
Plus the 2026B Obligations				153,735,000*
Total Utility Systems Revenue Obligations to be Outstanding				<u>\$1,138,785,000*</u>

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

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2015	Refunding	\$17,555,000	7-1-24/27	\$7,660,000
Total Street and Highway User Revenue Bonds Outstanding				<u>\$7,660,000</u>

* Subject to change.

**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	\$30,255,000
Subordinate Obligations:				
2012	Mesa Gateway Airport Authority	19,220,000	7-1-14/38	13,100,000
Total Excise Tax Revenue Obligations Outstanding				<u>\$43,355,000</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 9 of the City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2025, 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 Mayor and 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, 2024, the City reported the following unfunded liabilities related to pensions and OPEB for all plans to which it contributes (in thousands):

Plan	Net Pension and OPEB Liabilities	
	Governmental Activities	Business-Type Activities
ASRS	\$ 219,454	\$ 55,934
PSPRS-Fire	263,264	-
PSPRS-Police	497,926	-
OPEB-Police	11,073	-
City OPEB	881,607	82,425
Total (a)	<u>\$1,873,324</u>	<u>\$138,359</u>

(a) Totals may not add due to rounding.

For a more detailed description of these plans and the City contributions to the various plans, please refer to Note 16 of the City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2025, contained in APPENDIX D of this Official Statement.

**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 one half square miles including the downtown business center of the City. As of fiscal year ending June 30 (“Fiscal Year”) 2025, the Electric System served a total of 18,470 customers comprised of 15,669 residential and 2,801 commercial and other customers. The system experienced a peak integrated hourly demand in calendar year 2025 of 89.04 megawatts (“MW”)s in August and Fiscal Year 2024/25 Electric System energy requirements of 333,256 megawatt hours (“MWh”) were metered at the Rogers Substation, the Electric System’s point of supply.

During Fiscal Year 2024/25, 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, Arizona, 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 Electric System is pursuing a large, utility scale solar project that would be located outside of the City’s service territory. This utility scale solar project has the potential to capture economies of scale, such that the energy purchased from the project is anticipated to be less expensive than the current energy available through conventional market purchases (and thereby reducing the overall cost of electricity for the City’s customers). The project also includes a Battery Energy Storage System (BESS), which will allow the City to dispatch stored energy during peak times and avoid the purchase of inflated market prices during times of high power demand. Negotiations are ongoing and approaching completion, and the City expects to add these resources to its portfolio during Fiscal Year 2027/28.

The supply-side resource portfolio of the Electric System for Fiscal Year 2024/25 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, and the executed contracts from the proposal process are included in the table below. Additionally, the City held its first reverse auction for short-term power purchases for specific months. The reverse auction allowed the City to set a cap price per MWh, and the counterparties underbid each other to win the bid and sign a contract. The executed contracts from the reverse auction process are included in the table below. Furthermore, as a member of 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 January 2026 are as follows:

Electric Power Resources	Product	Delivery Point	Start Date	Expiration Dates	Maximum Contract MW (a)	
					Summer	Winter
Western Area Power Administration						
Parker-Davis Project	Hydro			Sep-2028	10.4	8.0
Colorado River Storage Project	Hydro			Sep-2057	4.3	3.4
BP Energy Company	6x16	WW500	Jun-2025	Sep-2026	15.0	0.0
Citigroup Energy Inc.						
	7x16	PPK	Jul-2025	Aug-2027	10.0	0.0
	7x24	Mead	Oct-2026	Oct-2026	0.0	10.0
Constellation Energy Generation, LLC	7x24	Mead	May-2025	Apr-2028	15.0	15.0

Electric Power Resources	Product	Delivery Point	Start Date	Expiration Dates	Maximum Contract MW (a)	
					Summer	Winter
Brookfield Renewable Trading and Marketing LP	6x16	Mead	Jun-2026	Sep-2026	15.0	0.0
	7x24	Mead	Jan-2026	Jan-2026	0.0	5.0
	7x24	Mead	Feb-2026	Feb-2026	0.0	5.0
	7x24	Mead	May-2026	May-2026	0.0	5.0
	7x24	Mead	Dec-2026	Dec-2026	0.0	7.0
	7x24	Mead	May-2027	May-2027	0.0	10.0
Salt River Project Irrigation & Electrical District	Firm with RECs	PPK	Jan-2025	Dec-2034	16.0	14.0
Utility Scale Solar	Solar	ED-5	Dec-2027	Dec-2047	25.0	25.0
	BESS	ED-5	Dec-2027	Dec-2047	20.0	20.0
Onyx Solar Group LLC	Solar	ESA	Aug-2025	Oct-2050	2.8	2.8
	Solar	ESA	Mar-2022	Dec-2047	806 kW	806 kW

(a) Summer is considered to be June 1st to September 30th and Winter is considered to be the remainder of the year.

The City's purchased power and energy resources are contractually transmitted over Western's Parker-Davis and Pacific-Intertie transmission systems. Beginning January 1, 2024, with Western's "One Transmission Rate" ("OTR") project, the City was able to reduce its transmission expenses substantially by rolling its point-to-point transmission resources (15 MW from West Wing 500 to Pinnacle Peak 230) into its Network Integrated Transmission Service resources which eliminated the capacity charges for the point-to-point resources (an annual savings of \$302,000). Power is then transmitted and distributed to the City's service area through associated distribution transformers and lines. As of January 2026, there were approximately 66 miles of overhead primary and approximately 109 miles of underground primary distribution lines that distribute power to the City's end-use customers.

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

Electric System Fees and Charges (a)

Description of Electric Services	Fee/Charge (b) Fiscal Year 2024/25
Residential Electric Service = E1.1	
Monthly Bill Per Meter	
May 1 to October 31st	
Customer Charge	\$19.50
Usage Charge	
First 1200 kWh	\$0.05231 per kWh
> 1200 kWh	\$0.05027 per kWh
November 1 to April 30th	
Customer Charge	\$16.75
Usage Charge	
First 800 kWh	\$0.04317 per kWh
> 800 kWh	\$0.03478 per kWh
Energy Cost Adjustment Factor (c)	
Minimum	\$19.50
Non-Residential Service = E3.1	
Monthly Bill Per Meter	
May 1 to October 31st	
Customer Charge (d)	\$19.72

Description of Electric Services	Fee/Charge (b) Fiscal Year 2024/25
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 (c)	
Distribution	
First 15,000 kWh	\$0.06491 per kWh
15,001-75,000 kWh	\$0.04866 per kWh
>75,000 kWh	\$0.02901 per kWh
November 1 to April 30th	
Customer Charge (d)	\$19.72
Demand Charge	
Generation	
First 50 kW	\$0.00
>50 kW	\$3.20 per kW
Distribution	
First 50 kW	\$0.00
>50 kW	\$0.1150 per kW
Energy Cost Adjustment Factor (c)	
Distribution	
First 15,000 kWh	\$0.05375 per kWh
15,001-75,000 kWh	\$0.03994 per kWh
>75,000 kWh	\$0.02060 per kWh

- (a) The information in this table reflects only certain basic fees and charges of the City’s Electric System and is not a comprehensive statement of all such fees.
- (b) The City may require special service agreements for consumers requiring large electric loads.
- (c) 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 2024/25 factor for residential was \$0.09907 per kWh and the average Fiscal Year 2024/25 factor for non-residential was \$0.08772 per kWh.
- (d) Monthly Customer Charge for single phase E3.1 customers is \$19.72. Monthly Customer Charge for three phase E3.1 customers is \$25.74.

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
(2020 – 2026)**

Date	Rate Change
January 1, 2026	\$1.00 & \$5.00 (a)
February 1, 2025	\$2.75 & \$5.00 (b)
February 1, 2024	\$2.25 & \$5.00 (c)
January 1, 2023	\$0.00
February 1, 2022	\$1.50 & \$2.50 (d)
January 1, 2021	\$1.00 (e)
August 1, 2020	\$1.00 (f)

- (a) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00. For commercial customers, the monthly fixed component of rates was increased by \$5.00.
- (b) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$2.75. For commercial customers, the monthly fixed component of rates was increased by \$5.00.
- (c) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$2.25. For commercial customers, the monthly fixed component of rates was increased by \$5.00.
- (d) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.50. For commercial customers, the monthly fixed component of rates was increased by \$2.50.
- (e) For residential and commercial customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00.
- (f) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00.

**Electric System Customers
(Fiscal Years 2020/21 - 2024/25) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2024/25	15,669	2,575	226	18,470
2023/24	15,383	2,546	225	18,154
2022/23	15,082	2,546	223	17,851
2021/22	14,782	2,565	226	17,573
2020/21	14,778	2,517	224	17,519

- (a) Electric System customers as Fiscal Year end.

The following is a list of the ten largest Electric System customers in alphabetical order for Fiscal Year 2024/25.

Ten Largest Electric System Customers (a)

- Arizona State University - East
- Centurylink, Inc.
- Ensemble Mesa Partners, LLC (Delta Marriott)
- Epicurean Fine Food, Inc.
- Mesa Arizona Temple
- Mesa Cold Storage, Inc.
- Mesa Public Schools
- Rohrer Corporations
- Valley Healing Group, Inc.
- Valley Metro Rail

- (a) This represents an aggregation of all of the electric meters under each customer and so each entity may have multiple meters and/or locations. The City receives electric services from the Electric System and records the revenue as interdepartmental revenue.

The combined Fiscal Year 2024/25 Electric System fees/charges for the top ten Electric System customers set forth above was \$4.3 million, constituting approximately 8% of the total Fiscal Year 2024/25 Electric System operating revenue. No individual Electric System customer above constitutes more than 2% of the total Fiscal Year 2024/25 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2024/25, 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 2024/25, Electric System interdepartmental revenues were \$5.6 million. The City as a customer constitutes approximately 10% of the total Fiscal Year 2024/25 Electric System operating revenue.

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 2024/25, as the 11th 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 2024/25 year end, the City’s combined Natural Gas System operated 1,552 miles of distribution mains and served approximately 80,161 total customers comprised of 77,474 residential and 2,687 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 2024/25, the Natural Gas System’s natural gas supplies were provided by BP Energy Company (“BP”), ConocoPhillips (“COP”), and Tenaska (“TMV”). The natural gas supplies provided by BP, COP, and TMV came from both the San Juan Basin in New Mexico and the Permian Basin in West Texas through five separate contracts.

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; in 2018, TSA No. FT2AE000 was amended, and an additional year was added to the contract term. In March 2025, Mesa further extended TSA No. FT2AE000 until June 30, 2075. TSA No. FT2AF000 continues on an “evergreen” year-to-year basis. Additionally, in early 2025, the City executed TSA No. 62138-FT1EPNG. The TSAs provide the City’s Natural Gas System with the ability to transport its total, daily natural gas supplies to the current six (6) Natural Gas System-owned gate stations located in both the CSA and MSA. Additionally, the City is expanding the Clausen Gate station to accommodate additional capacity from the newest TSA, with completion anticipated in the third quarter of 2026. Although transmission is anticipated to be adequate to accommodate normal growth in the Natural Gas System, constraints on interstate and regional transmission have been identified as potential limiting factors. In late 2025, to address future capacity needs, the City joined major electric and natural gas utilities in Arizona in subscribing to capacity on Energy Transfer’s 516-mile pipeline expansion from Texas to Arizona, expected to be in service in the fourth quarter of 2029.

For Fiscal Year 2024/25, the Natural Gas System experienced a total coincident hourly system peak demand of 1,048 dekatherms per hour (“DTh/hr”) on January 14, 2025 in the CSA and a peak demand of 696 DTh/hr on January 14, 2025 in the MSA. Total natural gas supply deliveries at the Natural Gas System’s gate stations during Fiscal Year 2024/25 were 3,956,694 dekatherms (“DTh”). Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed with the exception of infill projects. Continued growth of the Natural Gas System, especially in the MSA will require the extension of distribution mainlines and associated infrastructure in order to serve developing residential and commercial areas.

The following tables provide information with respect to the City’s Natural Gas System.

Natural Gas System Fees and Charges (a)

Description of Natural Gas Services	Fee/Charge Fiscal Year 2024/25
City Service Area Residential Gas Service = G1.1	
May 1st through October 31st	
Gas System Service Charge	\$17.31
First 25 Therms	\$0.7440 / therm
All Additional Therms	\$0.3681 / therm
Natural Gas Supply Cost Adjustment (b)	
November 1st through April 30th	
Gas System Service Charge	\$20.24
First 25 Therms	\$0.7440 / therm
All Additional Therms	\$0.8072 / therm
Natural Gas Supply Cost Adjustment (b)	
City Service Area General Gas Service = G3.1	

Description of Natural Gas Services	Fee/Charge Fiscal Year 2024/25
May 1st through October 31st	
Monthly Service Charge	\$44.66
First 1500 Therms	\$0.5929 / therm
All Additional Therms	\$0.4366 / therm
Natural Gas Supply Cost Adjustment (b)	
November 1st through April 30th	
Monthly Service Charge	\$54.34
First 1500 Therms	\$0.6421 / therm
All Additional Therms	\$0.6308 / therm
Natural Gas Supply Cost Adjustment (b)	
Magma Service Area Residential Gas Service = GM1.1	
May 1st through October 31st	
Gas System Service Charge	\$18.30
First 25 Therms	\$0.8203 / therm
All Additional Therms	\$0.4058 / therm
Natural Gas Supply Cost Adjustment (b)	
November 1st through April 30th	
Gas System Service Charge	\$21.54
First 25 Therms	\$0.8203 / therm
All Additional Therms	\$0.8901 / therm
Natural Gas Supply Cost Adjustment (b)	
Magma Service Area General Gas Service = GM3.1	
May 1st through October 31st	
Monthly Service Charge	\$51.48
First 1500 Therms	\$0.7324 / therm
All Additional Therms	\$0.5393 / therm
Natural Gas Supply Cost Adjustment (b)	
November 1st through April 30th	
Monthly Service Charge	\$63.41
First 1500 Therms	\$0.7929 / therm
All Additional Therms	\$0.7790 / therm
Natural Gas Supply Cost Adjustment (b)	

- (a) The information in this table reflects only certain basic fees and charges of the City's Natural Gas System and is not a comprehensive statement of all such fees.
- (b) 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 2024/25 for residential and general service was \$0.35066 per therm.

**Natural Gas System Rate Changes
(2020-2026)**

Date	Rate Changes
January 1, 2026	\$0.00 & \$3.00 (a)
March 1, 2025	\$0.00 & \$3.00 (b)
February 1, 2024	\$0.75 & \$2.00 (c)
January 1, 2023	\$0.75 & \$2.00 (d)
February 1, 2022	\$0.50 (e)
January 1, 2021	\$0.25 & \$2.00 (f)
August 1, 2020	\$0.75 & \$2.00 (g)

- (a) The increase in the monthly fixed component of rates (Service Charge) affected non-residential customers (\$3.00).
- (b) The increase in the monthly fixed component of rates (Service Charge) affected non-residential customers (\$3.00).

- (c) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).
- (d) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).
- (e) The increase in the monthly fixed component of rates (Service Charge) affected only residential customers.
- (f) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.25) and non-residential customers (\$2.00).
- (g) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).

**Natural Gas System Customers
(Fiscal Years 2020/2021 - 2024/25) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2024/25	77,474	2,448	239	80,161
2023/24	74,382	2,431	237	77,050
2022/23	71,725	2,394	236	74,355
2021/22	69,595	2,353	234	72,182
2020/21	67,718	2,331	232	70,281

(a) Natural Gas System customers as of Fiscal Year end.

The following is a list of the ten largest Natural Gas System customers in alphabetical order for Fiscal Year 2024/25.

Ten Largest Natural Gas System Customers (a)

- Arizona Corrugated Container
- Banner Corporate Center - Mesa
- Commercial Metals Company
- Dexcom, Inc.
- Mesa Organic Baking Company, Inc.
- Mesa Public Schools
- Pacific Standard Specialties, Inc.
- Regional Public Transit Authority
- The Boeing Company
- Waste Management of Arizona, Inc.

(a) This represents an aggregation of all of the gas meters under each customer and so each entity may have multiple meters and/or locations. The City receives gas services from the Natural Gas System and records the revenue as interdepartmental revenue.

The combined Fiscal Year 2024/25 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$6.1 million, constituting approximately 9% of the total Fiscal Year 2024/25 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 2% of the total Fiscal Year 2024/25 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2024/25, 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 2024/25 Natural Gas System interdepartmental revenues for the City were \$1.2 million.

Water System

The water utility system of the City (the “Water System”) serves a population of approximately 500,000 within a service area of 128 square miles. The Water System currently consists of approximately 161,204 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 currently designated with a 100-Year Assured Water Supply by the Arizona Department of Water Resources. The City has adequate supplies for normal growth and has worked hard to provide current and future availability of water supplies for normal and drought conditions. The City has also adopted regulations which require new large water users to acquire additional supplies to accommodate their consumption.

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, Arizona (“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 38% 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 36% of the City’s water. The SBWTP has a treatment capacity of 24 mgd and produces approximately 21% of the City’s water. The SBWTP Phase II Expansion project is currently underway, and construction is expected to be completed by February 2027. This expansion project will increase treatment capacity from 24 to 48 mgd and add 8 million gallons of storage.

Groundwater wells produce the remaining 5% of the water delivered by the City on an average day. The City currently has 32 active groundwater wells with a pumping capacity of approximately 90 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought, scheduled maintenance of surface water canals, or operational issues within the surface water system.

The record peak demand day occurred in 2005 and amounted to approximately 138 million gallons of water delivered. The average demand in calendar year 2025 was approximately 90 mgd, with a peak day of approximately 135 million gallons. The total current production capacity of the Water System is approximately 276 mgd, increasing to 300 mgd upon completion of the Signal Butte expansion project.

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 over 2,000 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 City’s new “Integrated Water/Wastewater Master Plan” was recently completed in April of 2025, updating individual, citywide water and wastewater master plans completed in 2018.

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.

Notwithstanding the foregoing, while the multiple sources of supply available to the City along with the various plants, wells, reservoirs and other facilities may help to mitigate risk, future water availability, drought, flooding, environmental conditions and other climate related conditions in Arizona and the other Colorado River Basin states are unpredictable and subject to change. For example, since January 2022, Arizona has operated under a drought contingency plan and has received a reduction to its deliveries of Colorado River water as described above. Additional reductions may result from the federal Colorado River Post 2026 Operations process, including the development of new operational guidelines for

Lake Powell and Lake Mead by the Bureau of Reclamation in coordination with the Colorado River Basin states. The impacts associated with climate variability, natural disasters, and other “force majeure” events on the City cannot be predicted, but could be significant.

The Lead and Copper Rule Revisions, announced by the EPA in November 2023, require water systems to prepare and maintain an inventory of service line materials. Initial inventories were required to be submitted to state primacy agencies by October 16, 2024.

Water System staff responsible for managing and implementing drinking water quality programs reviewed records and performed field verifications along the customer service lines and the City (public) side to determine service line material. Data for 170,966 service lines were uploaded into the 120Water database in compliance with the October 16, 2024, initial inventory deadline.

As of February 2026, remaining inventory includes 433 unverified service lines (147 residential; 286 commercial). The City has not identified any lead service line materials and records indicate that there is no lead in the Water System.

The Water System is in full compliance with the Lead and Copper Rule promulgated by the EPA that limits the concentration of lead and copper allowed in the drinking water at the consumer’s tap. The rule also limits the permissible amount of pipe corrosion occurring due to the water itself. The City completed required triennial monitoring in 2024.

The fifth Unregulated Contaminant Monitoring Rule (“UCMR5”) requires monitoring of the drinking water entry points of public water systems for 29 selected per- and poly-fluoroalkyl substances (“PFAS”), which was completed by the City in November 2025. Ongoing monitoring results to date comply with the final PFAS National Primary Drinking Water Regulation (“NPDWR”) contaminant levels in the published rule. The City intends to utilize the UCMR5 monitoring data to satisfy some of the initial monitoring requirements of the PFAS NPDWR rule.

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

Water System Fees and Charges (a)

Description of Water System Services	Fees/Charges Fiscal Year 2024/25
Monthly Minimum Bill-Residential, All Zones(b)	
¾ Inch	\$32.17
1 Inch	\$36.04
1 ½ Inch	\$50.44
2 Inches	\$66.17
3 Inches	\$131.04
Monthly Volume Charge - Residential	
4,000 through 6,000 Gallons of Water	\$3.72/1,000 Gallons
Next 8,000 Gallons of Water	\$5.67/1,000 Gallons
Next 10,000 Gallons of Water	\$6.94/1,000 Gallons
All additional 1,000 Gallons of Water	\$7.83/1,000 Gallons

(a) The information in this table reflects only certain basic fees and charges of the City’s Water System and is not a comprehensive statement of all such fees.

(b) Includes the first 3,000 gallons of water as a minimum charge for capacity availability.

**Water System Rate Changes - Residential
(2020-2026)**

Date	Rate Change
January 1, 2026	2.50%
February 1, 2025	4.00
February 1, 2024	3.00
January 1, 2023	2.75
February 1, 2022	2.50
January 1, 2021	1.50
July 1, 2020	0.00

**Water System Customers
(Fiscal Years 2019/20 – 2024/25) (a)**

Fiscal Year	Residential Customers	Commercial Customers (b)	Multi-Unit Customers	Total Customers
2024/25	144,123	12,164	4,917	161,204
2023/24	142,956	11,927	4,863	159,746
2022/23	142,205	11,740	4,822	158,767
2021/22	140,908	11,572	4,796	157,276
2020/21	139,121	11,370	4,699	155,189

(a) Average number of Water System customers for each Fiscal Year.

(b) Including interdepartmental.

The following is a list of the ten largest Water System customers in alphabetical order for Fiscal Year 2024/25.

Ten Largest Water System Customers

- Banner Corporate Center - Mesa
- Cadence Homeowners Association
- Cal-Am, Inc.
- 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 2024/25 Water System fees/charges for the top ten Water System customers set forth above was \$11.4 million constituting approximately 5% of the total Fiscal Year 2024/25 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2024/25, 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 2024/25 Water System interdepartmental revenues for the City were \$6.0 million.

Wastewater System

The wastewater utility system of the City (the “Wastewater System”) serves a population of approximately 500,000 within a service area of 128 square miles. The Wastewater System currently serves approximately 144,178 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 230 mgd capacity. The City’s share of that amount is 26.5 mgd.

The City's Northwest Water Reclamation Plant ("NWWRP") currently has a treatment capacity of 12 mgd. Reclaimed water from the NWWRP is currently 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 91st Avenue WWTP for further processing. Substantial components of this facility are nearing the end of useful service, and it is being carefully reviewed by the City with respect to future operations.

The Greenfield Water Reclamation Plant ("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 liquids treatments capacity is currently 30 mgd of which the City owns 14 mgd and has a bio-solids processing capacity of 30 mgd of which the City owns 14 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. The Central Mesa Reuse Pipeline ("CMRP") project will allow reclaimed water from the City's NWWRP to be delivered to the Community. This project, completed February 2026, improves upon the existing contractual water exchange and enhance the City's CAP water portfolio. Moreover, this project provides for additional redundancy in case of drought, and further support future customer demand and economic development in the southeast portion of the City. With completion of the CMRP, the City anticipates the ability to deliver up to 12,000 additional acre-feet of effluent in return for CAP water.

The City's Wastewater System and current agreements allow for a treatment capacity of 60.5 mgd. The average during calendar year 2025 was 34.3 mgd, with a peak day of 41.9 million gallons.

In addition to the various treatment facilities outlined above, the City has approximately 1,750 miles of sewer mains, 14 lift stations, 21 odor control stations, 5 metering stations, and 31 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 convey wastewater to the 91st Avenue WWTP.

The City's new "Integrated Water/Wastewater Master Plan" was recently completed in April of 2025, updating individual, citywide water and wastewater master plans completed in 2018.

The Wastewater System is authorized to discharge treated domestic wastewater from the three reclamation plants. Water System staff monitor discharges as specified in five Aquifer Protection Permits ("APP"), three Arizona Pollutant Discharge Elimination System ("AZPDES") Permits, and one National Pollutant Discharge Elimination System ("NPDES") Permit. Each month, 1,564 parameters are tested and reported to meet compliance for the APP, AZPDES and NPDES permits. In addition, each water reclamation plant is monitored for compliance with air quality permits. Regular evaluations and recommendations are performed to ensure continued compliance with applicable environmental regulations.

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

Wastewater System Fees and Charges (a)

Description of Wastewater System Services	Fees/Charges Fiscal Year 2024/25
Residential Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$24.11
User Charge Component (average winter water consumption)	\$1.98/1,000 gallons
Capital Related Component (average winter water consumption in excess of 5,000 gallons)	\$3.58/1,000 gallons
General Commercial Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$26.62
User Charge Component (all water used)	\$2.13/1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.83/1,000 gallons
Multi-Unit Dwelling Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$26.62
User Charge Component (all water used)	\$2.13/1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.83/1,000 gallons

(a) The information in this table reflects only certain basic fees and charges of the City's Wastewater System and is not a comprehensive statement of all such fees.

**Wastewater System Rate Changes - Residential
(2020-2026)**

Date	Rate Change
January 1, 2026	7.50%
February 1, 2025	7.50
February 1, 2024	4.75
January 1, 2023	4.25
February 1, 2022	3.00
January 1, 2021	3.50
July 1, 2020	0.00

**Wastewater System Customers
(Fiscal Years 2020/21 - 2024/25) (a)**

Fiscal Year	Residential Customers	Commercial Customers (b)	Multi-Unit Customers	Total Customers
2024/25	133,356	6,157	4,665	144,178
2023/24	131,919	6,083	4,610	142,612
2022/23	130,160	6,004	4,550	140,714
2021/22	128,695	5,895	4,520	139,110
2020/21	126,102	5,810	4,473	136,385

(a) Average number of Wastewater System customers for each Fiscal Year.

(b) Including interdepartmental.

The following is a list of the ten largest Wastewater System customers in alphabetical order for Fiscal Year 2024/25.

Ten Largest Wastewater System Customers

- Arizona State University - East
- Banner Corporate Center - Mesa
- Cal-Am Properties, Inc.
- Fry’s Food Stores
- International Rectifier EPI Services
- Mesa Public Schools
- MHC Viewpoint, LLC
- Niagara Bottling, LLC
- Norton S. Karno, APC ERT
- Town of Gilbert

The combined Fiscal Year 2024/25 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$5.5 million constituting approximately 5% of the total Fiscal Year 2024/25 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2024/25, 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 2024/25 Wastewater System interdepartmental revenues for the City were \$0.6 million.

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 140,117 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 2,288 customers. The City also provides roll off services to both residential and commercial customers and serves approximately 950 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. The City completes a procurement process in connection with the agreements with such vendors to ensure contracted vendors have sufficient disposal capacity to support City demand. The City additionally completes studies and forecasts to determine long-term planning objectives with respect to safe, appropriately permitted, and reliable landfill capacity in future years. These additional facilities allow the City to reduce its overall operating costs, and the facilities meet all Federal Subtitle D requirements.

The information in the following tables 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 Fees and Charges
Residential Solid Waste System Monthly Billing (Fiscal Year 2024/25)

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

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

- Rate R1.2*: \$33.17 per dwelling unit for once per week 90 gallon trash barrel and recycling barrel collection.
Rate R1.2A*: \$29.60 per dwelling unit for once per week 60 gallon trash barrel and recycling barrel collection.
Rate R1.2B*: \$27.89 per dwelling unit for once per week 35 gallon trash barrel and recycling barrel collection.
Rate R1.21: \$15.66 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: \$15.66 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: \$35.59 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$15.81 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.28: \$7.84 per 90 gallon green waste barrel collected once per week in conjunction with City trash service. Service will be billed for a minimum of six months.

* An \$1.00 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

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*: \$29.60 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*: \$29.60 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: \$15.66 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: \$15.66 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: \$35.59 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$15.81 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.28: \$7.84 per 90 gallon green waste barrel collected once per week in conjunction with City trash service. Service will be billed for a minimum of six months.

* An \$1.00 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

Rates Applicable Per Dwelling Unit (Every Other Week Recycling)

R1.28, R1.29, R2.9A, R2.9B

- Rate R1.29*: \$32.09 per dwelling unit for once per week 90 gallon trash barrel collection and every other week recycling barrel collection.**
- Rate R2.9A*: \$28.51 per dwelling unit for once per week 60 gallon trash barrel collection and every other week recycling barrel collection.**
- Rate R2.9B*: \$26.83 per dwelling unit for once per week 35 gallon trash barrel collection and every other week recycling barrel collection.**
- Rate R1.28: \$7.84 per 90 gallon green waste barrel collected once per week in conjunction with City trash service. Service will be billed for a minimum of six months.

* A \$1.00 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.

** Applicability subject to approval of the Solid Waste Division of the City’s Environmental Management and Sustainability Department.

Commercial Solid Waste System Monthly Billing

- Rate R3.8, R6.2: \$33.17 for the first 90 gallon trash barrel and recycling barrel for once per week collection.
- Rate R3.8A, R6.2A: \$29.60 for the first 60 gallon trash barrel and recycling barrel for once per week collection.
- Rate R3.81, R6.21: \$15.66 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: \$15.66 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: \$35.59 for the first 90 gallon trash barrel in addition to the above R3.8, R6.2 rate for twice per week collection. A \$15.81 service fee applies to each additional barrel that is serviced twice per week.
- Rate 3.89, R6.29: \$10.00 per 90/60 gallon recycling barrel collected oncer per week in conjunction with City trash service. Service will be billed for a minimum of six months.
- Rate R3.88, R6.28: \$7.84 per 90 gallon green waste barrel collected once per week in conjunction with City trash service. Service will be billed for a minimum of six months.

**Solid Waste System Residential Rate Changes
(2020-2026)**

Date	Rate Change
January 1, 2026	5.50%
February 1, 2025	5.50
February 1, 2024	3.00
February 1, 2023	2.00
February 1, 2022	2.00
January 1, 2021	0.00
March 1, 2020	0.00

**Solid Waste System Customers
(Fiscal Years 2020/21 - 2024/25) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Roll Off Customers	Total Customers
2024/25	140,117	2,288	950	143,355
2023/24	139,477	2,215	1,079	142,771
2022/23	138,736	2,357	1,326	142,419
2021/22	138,502	2,482	1,632	142,616
2020/21	136,462	2,429	1,689	140,580

(a) Solid Waste System customers as of Fiscal Year end.

The following is a list of the ten largest Solid Waste System customers in alphabetical order for Fiscal Year 2024/25.

Ten Largest Solid Waste System Customers

Cal-Am Properties, Inc.
Casa Fiesta Temple Limited Partnership
Equity Lifestyles Properties, Inc. DBA MHC Operating LP
Mesa Public Schools
MHC Monte Vista, LLC
MHC Viewpoint, LLC
MPS-Refuse Only Accounts
Norton S. Karno, APC ERT
Tesoro at Greenfield Condominium Association
Vista del Sol, LLC

The combined Fiscal Year 2024/25 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$2.9 million constituting approximately 4% of the total Fiscal Year 2024/25 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1% of the total Fiscal Year 2024/25 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 2024/25 Solid Waste System interdepartmental revenues for the City were \$0.7 million.

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-quarter of one percent during the past three Fiscal Years.

CITY OF MESA, ARIZONA

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED JUNE 30, 2025**

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

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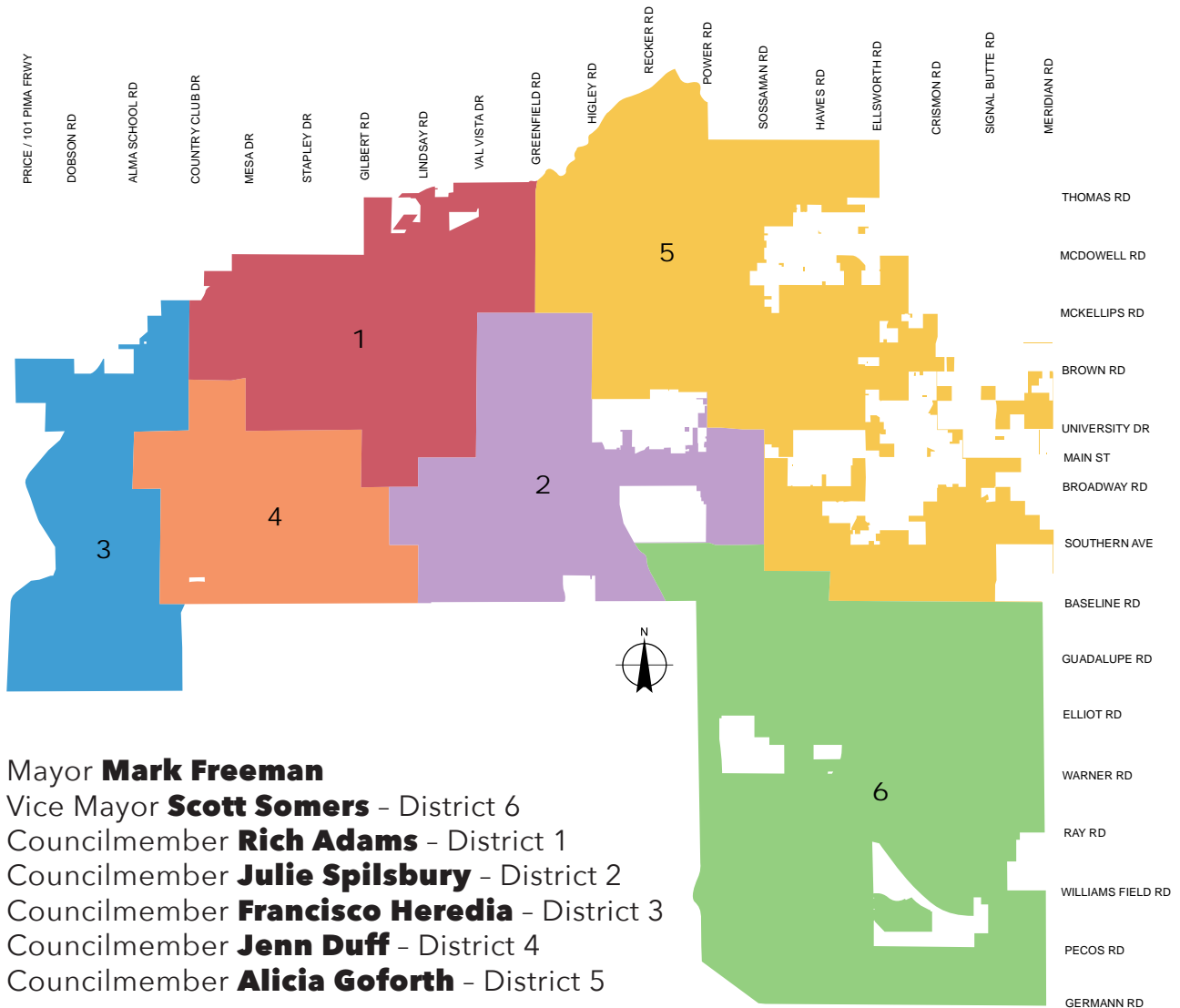
CITY OF MESA, AZ
**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025



CITY OF MESA, AZ DISTRICT MAP

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025



Mayor **Mark Freeman**

Vice Mayor **Scott Somers** - District 6

Councilmember **Rich Adams** - District 1

Councilmember **Julie Spilsbury** - District 2

Councilmember **Francisco Heredia** - District 3

Councilmember **Jenn Duff** - District 4

Councilmember **Alicia Goforth** - District 5

Scott Butler, City Manager

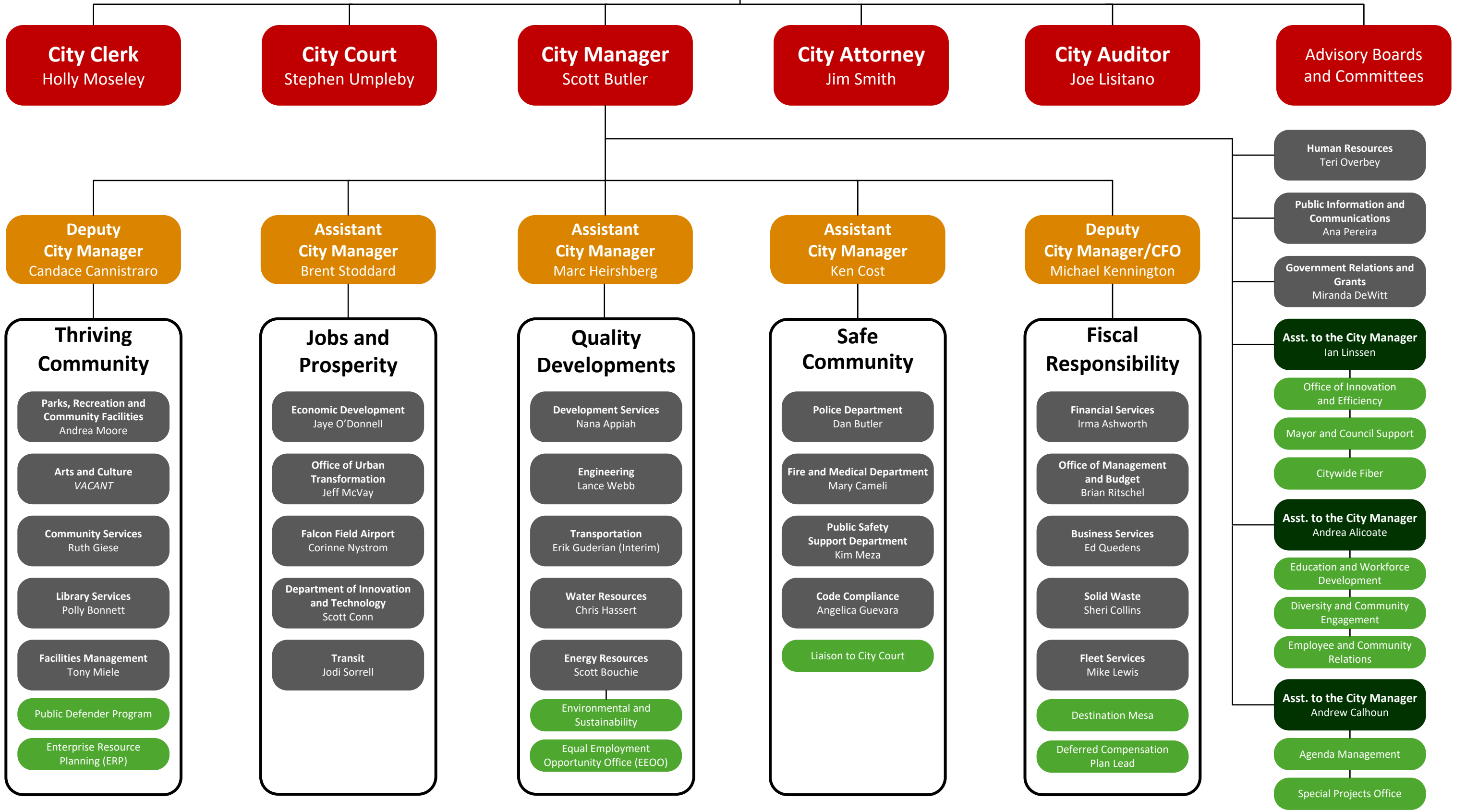
Marc Heirshberg, Assistant City Manager

Prepared by: Financial Services Department

P.O. Box 1466 Mesa, Arizona 85211-1466 | (480) 644-2275 | www.mesaaz.gov

Citizens of Mesa

Mayor and City Council



CITY OF MESA, AZ
INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025



TABLE OF CONTENTS

	<u>Page</u>
SECTION I – INTRODUCTORY SECTION	
Table of Contents	I
Letter of Transmittal	IV
Certificate of Achievement for Excellence in Financial Reporting	XIII
SECTION II - FINANCIAL SECTION	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds Financial Statements	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	27

TABLE OF CONTENTS

	<u>Page</u>
Notes to the Financial Statements	
Note 1 – Summary of Significant Accounting Policies	29
Note 2 – Reconciliation of Governmental Fund Financial Statements to Government-Wide Financial Statements	36
Note 3 – Fund Balance	44
Note 4 – Pooled Cash and Investments	45
Note 5 – Accounts Receivable and Due from Other Governments	48
Note 6 – Interfund Receivables, Payables and Transfers	49
Note 7 – Leases	50
Note 8 – Capital Assets	52
Note 9 – Long-Term Obligations	55
Note 10 – Refunded, Refinanced and Defeased Obligations	67
Note 11 – Self-Insurance Internal Service Fund	67
Note 12 – Commitments and Contingent Liabilities	68
Note 13 – Net Position	69
Note 14 – Enterprise Activities Operations Detail	69
Note 15 – Joint Ventures	70
Note 16 – Pensions and Other Postemployment Benefits	72
Required Supplementary Information	
Schedule of the City’s Proportionate Share of Net Pension Liability Cost-Sharing Pension Plan	87
Schedule of Changes in the City’s Net Pension/OPEB Liability and Related Ratios Agent Plans	89
Schedule of City Pension Contributions	95
Notes to Pension Plan Schedules	99
Schedule of Changes in the City’s Total OPEB Liability	100
Budgetary Comparison Schedule (Non-GAAP Basis) – Combined Governmental and Enterprise Fund	102
Notes to Budgetary Comparison Schedules	103
Combining Statements	
Non-Major Governmental Funds	
Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	108
Internal Service Funds	
Combining Statement of Net Position	112
Combining Statement of Revenues, Expenses and Changes in Net Position	113
Combining Statement of Cash Flows	114

TABLE OF CONTENTS

	<u>Page</u>
Supplemental Information	
Budgetary Comparison Schedules – Other Non-major Funds	
Budgetary Comparison Schedule – Cadence Community Facility District	116
Budgetary Comparison Schedule – Eastmark Community Facilities District #1	117
Budgetary Comparison Schedule – Eastmark Community Facilities District #2	118
 SECTION III - STATISTICAL SECTION	
Financial Trends	
Net Position by Components – Last Ten Fiscal Years (Accrual Basis of Accounting)	119
Changes in Net Position – Last Ten Fiscal Years (Accrual Basis of Accounting)	120
Fund Balance, Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	127
Changes in Fund Balance, Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	129
Revenue Capacity	
Sales Tax Collections by Category – Last Ten Fiscal Years	131
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	133
Debt Capacity	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	134
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	136
Direct and Overlapping Governmental Activities Debt	137
Legal Debt Margin Information – Last Ten Fiscal Years	138
Pledged-Revenue Coverage – Last Ten Fiscal Years	140
Demographic and Economic Information	
Demographic and Economic Statistics – Last Ten Fiscal Years	142
Principal Employers – Current Year and Nine Years Ago	143
Operating Information	
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	144
Operating Indicators by Function/Program – Last Ten Fiscal Years	146
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	148



December 16, 2025

To the Citizens, Honorable Mayor, City Council and City Manager:

The Annual Comprehensive Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2025, is hereby submitted.

Prepared by the Financial Services Department, this report consists of management’s representations concerning the finances of the City of Mesa. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883, with an approximate population of 300 and an area of one square mile. Today, the City's estimated population, as measured by the US Census Bureau is 517,151 as compared with the 2020 decennial census count of 504,258. Total land area encompasses 138.7 square miles. The City is the 36th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a Council-Manager form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Auditor, City Clerk and the Presiding City Magistrate. The City Manager has full responsibility for carrying out City Council policies and administering City operations and is responsible for the hiring of City employees. Additionally, City employees are hired under merit system procedures as specified in the City Charter.

An allocated staff of 4,801 full-time (equivalent) City employees working within 30 different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, and an airport.

Since 1952, Mesa has hosted the Chicago Cubs for Spring Training baseball. In 2014, the Cubs moved into the newly constructed Sloan Park where they continue to lead Major League Baseball in Spring Training attendance, averaging approximately 12,643 fans per game. The Athletic's also call Mesa home for Spring Training, playing at the renovated Hohokam Stadium.

The annual budget serves as the foundation for the City's financial planning and control. Historical data is analyzed during the creation of a multi-year financial forecast. The forecast provides a framework to assist Mesa's elected officials and executive team to make important decisions about the direction of the City.

The City Council sets the City's long-term strategic direction and provides staff with budget priorities for the upcoming fiscal year. A proposed budget is presented to the City Council for review and discussion in mid spring with the final adoption of the operating budget by resolution in late spring. The City of Mesa begins the fiscal year on July 1st.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, as well as from the resolution that sets the limit. In November 2024, Mesa voters approved a Permanent Base Adjustment to the State of Arizona's expenditure limitation, replacing the previous Home Rule exemption. This adjustment provides the City with greater long-term flexibility in determining its budget levels, as long as sufficient resources are identified to cover expenses.

The budget is annually appropriated for all funds and consists of all planned expenditures and the associated resources to cover them. While the State does not require trust fund expenditures to be appropriated, the City chooses to include them in order to fully represent City activity.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City of Mesa continues to prosper and experience record-setting growth across all areas of the community, with strong gains in both commercial and residential development. From the revitalized historic downtown and expanding innovation districts to the advanced manufacturing and technology corridor in southeast Mesa, the City is realizing one of the fastest-growing local economies in the nation. Recent economic reports rank Mesa among the top U.S. cities for GDP growth, business expansion, and infrastructure investment, driven by thriving sectors such as aerospace, technology, healthcare, and tourism. Guided by a long-term vision for sustainable development, Mesa has established a balanced approach to growth, strengthening its economic base while ensuring the delivery of high-quality services, infrastructure, and amenities that support businesses and residents today and for generations to come.

Mesa works to enhance the local economy by fostering a culture of quality, supporting the creation of higher wage jobs, promoting direct investment, and increasing the prosperity of our residents. Construction activity provides for revenues that will deliver a variety of significant City capital projects. Job expansion and higher paying jobs continue to expand the City's retail sales tax base which allows the City to support on-going operations. For the fiscal year (FY) ending June 30, 2025, local sales tax revenue was up 2.6% from the previous fiscal year. Construction sales tax was up 3.7% over the prior fiscal year. However, in 2024, the Arizona State Legislature ended the local sales tax on residential rentals. This change reduced one of Mesa's steady sources of revenue and resulted in no growth for total sales tax collected for FY 2025.

The City's economic indicator for residential construction in FY 24/25 was up 4%. During FY 24/25 the City issued 1,117 permits for new single family residential construction. The commercial valuation came in at approximately \$2.8 billion representing a 75% increase from the prior fiscal year. Consequently, the total value of construction in FY 24/25 grew by 55%. The corresponding dollar valuation associated with all FY 24/25 permits grew approximately \$1.2 billion from the prior fiscal year.

Conservative budget practices and willingness to respond to economic indicators continue to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 2026 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

Major Initiatives

During the year, various major accomplishments were realized. Some of these were:

- Mesa's strong and resilient financial position was recognized this year as Fitch Ratings reaffirmed the top rating of AAA to the City's General Obligation (GO) bonds. S&P maintained their rating of AA for the City's GO bonds and reaffirmed their A+ rating on the City's utility revenue obligations. Moody's Ratings sustained their As3 rating with a stable outlook on the City's utility revenue obligations.
- In summer of 2024, Virgin Galactic completed its new two-hangar manufacturing facility at Phoenix-Mesa Gateway Airport, where it will assemble its next-generation Delta spaceships. The

\$450,000-per-seat commercial spacecraft—each seating up to six passengers and capable of up to eight missions per month—will be built and tested in Mesa before being transported to Spaceport America in New Mexico for flight testing and operations starting in 2026. The Mesa plant, able to produce up to six ships annually, represents hundreds of high-skilled aerospace jobs and strengthens Arizona’s growing role as a national space hub alongside its booming semiconductor and advanced manufacturing sectors.

- In July, Southern Cross Aviation, a leading aviation parts distributor, opened a new \$10 million, 23,599-square-foot facility in Mesa, marking its third U.S. location after Fort Lauderdale and Anchorage. Strategically located near Phoenix-Mesa Gateway Airport, the site will serve regional airlines, flight schools, MRO shops, law enforcement, medevac operators, and other aviation clients across Greater Phoenix. The expansion strengthens Mesa’s position as an aerospace hub, creating jobs and supporting pilot training programs amid rising demand for aviation professionals. Company leaders and city officials hailed the move as a boost to the region’s growing aviation, aerospace, and defense ecosystem.
- In August, Magna International announced its plans to build out a 230,000 square-foot space at Power Industrial Park in Mesa representing a “multimillion-dollar investment.” The expansion by Magna adds to a pipeline of emerging and established firms in an automotive ecosystem in the Valley. Magna International was the fourth largest auto supplier in the world as of 2023.
- In August, South Korea-based KoMiCo, a precision cleaning and advanced coatings company serving the semiconductor industry, purchased a 125,000-square-foot building in Mesa for \$17.5 million, marking its third and largest U.S. facility. The \$50 million investment is expected to open in 2026 and create around 200 jobs. KoMiCo, a supplier to Taiwan Semiconductor Manufacturing Company and Intel, joins dozens of semiconductor-related firms expanding in Arizona since the 2022 Chips and Science Act.
- In September, Quantum Industrial Services, LLC, a mechanical and plumbing contractor, leased 135,759 square feet in Mesa for a new pipe fabrication facility serving clients across the Western U.S. The plant, equipped with advanced technologies, will include 27,000 square feet of office space and employ about 200 workers. The facility, part of a recently completed industrial park, underscores Quantum’s growth and expertise in piping fabrication and mechanical services.
- In October, the Mesa Chamber of Commerce launched Next Phase, a new small business incubator at Superstition Springs Mall designed to help entrepreneurs test and grow retail concepts in a live shopping environment. Located on the mall’s second floor, the space can host up to 15 business owners and opened with three inaugural participants: BG Customs, Blooming Blinds, and Treats by Tatj. The program pairs participants with Chamber members for mentorship and partners with local colleges for business training. Supported by several community sponsors, Next Phase aims to strengthen Mesa’s retail sector and foster long-term business success, reflecting the Chamber’s ongoing commitment to local economic growth and innovation.
- In November, Nucleus RadioPharma, a leader in radiopharmaceutical development and manufacturing, signed a lease and committed to build a 53,000-square-foot facility in Mesa, Arizona, creating 50 skilled jobs when it opens in mid-2026. The site will help address a national shortage of production capacity for theranostic radiopharmaceuticals—advanced treatments that combine therapy and diagnostics—supporting both clinical trials and commercial supply. Part of a nationwide expansion that includes a new Philadelphia facility, the Mesa location strengthens Arizona’s growing bioscience sector and enhances patient access to life-saving cancer therapies.

- In November, JX Advanced Metals USA, Inc. opened its new 273,000-square-foot advanced manufacturing plant in Mesa, on a 63-acre site. The facility produces high-performance sputtering targets for the semiconductor industry, more than doubling the company's U.S. capacity and serving customers across the U.S. and Europe. Featuring state-of-the-art production areas, solar-covered parking, and employee amenities, the Mesa plant establishes the city as JX's U.S. hub for advanced materials.
- In December, The Phoenix-Mesa Gateway Airport Authority officially renamed the East Valley's major air travel hub as Mesa Gateway Airport, marking a new era of regional identity and growth. The change follows Phoenix's withdrawal from the airport authority earlier in 2023 and reflects Mesa's leadership in the airport's continued expansion. Serving nearly 2 million passengers annually, Mesa Gateway is Arizona's third-busiest commercial airport and recently opened a new 30,000-square-foot concourse with five gates. Regional and tourism leaders said the rebranding highlights the East Valley's economic vitality and growing appeal as a destination for travelers and businesses alike.
- In December, AT&T contributed \$70,000 to support Mesa Community College's EmpowerEd for Student Success campaign, part of a \$20 million Maricopa Community Colleges Foundation initiative to expand access to higher education and strengthen Arizona's workforce. The donation will fund iPad bundles and digital training for 30 first-generation, low- and moderate-income students through the Mesa College Promise, which covers tuition for eligible Mesa residents. The EmpowerEd campaign also seeks to raise \$1 million for the Mesa College Promise and \$500,000 for the Thunderbird Excellence Fund, which assists students facing financial or personal hardships.
- In December, Revel Surf Park at Cannon Beach in Mesa officially opened, bringing surfing back to Arizona for the first time since Big Surf closed in 2019. The \$45 million, 4.5-acre attraction features a two-acre, three-million-gallon surf lagoon powered by patented, energy-efficient wave technology that creates customizable waves for all skill levels. The park also includes cliff-jumping platforms, a skate park, restaurants, cabanas, and hot tubs, offering a full resort-style experience. Built on former farmland using just 2% of the site's previous water consumption, Revel Surf Park marks the first phase of the larger Cannon Beach development, which will soon add restaurants, a theater, and hotels.
- In December, VIVO Development Partners broke ground on a dual-branded Tempo by Hilton and Homewood Suites by Hilton at Gallery Park in southeast Mesa, marking a major milestone for the Mesa's emerging mixed-use destination. The four-story, 174-room hotel—featuring 97 upscale lifestyle rooms and 77 extended-stay suites—will include a resort-style pool, fitness areas, event spaces, and a full-service restaurant and bar. As the first Tempo by Hilton in the region, the project anchors the 1-million-square-foot Gallery Park development, which also includes luxury apartments, offices, retail, and restaurants.
- At the beginning of 2025, Gulfstream Aerospace opened a new 225,000-square-foot, \$130 million customer support service center at Mesa Gateway Airport, marking a major expansion of its maintenance, repair, and overhaul operations in the Western U.S. The facility can service up to 13 large-cabin aircraft and complements Gulfstream's existing Mesa west campus, which accommodates 10 additional aircraft. Already responsible for more than 250 local jobs, with 100 more expected this year, Gulfstream is partnering with local colleges on training, apprenticeships, and internships to build the region's aviation workforce. Designed for environmental efficiency and expected to earn LEED Silver certification, the new center features sustainable materials, water- and energy-saving systems, and an on-site fuel farm with a 30,000-gallon tank dedicated to sustainable aviation fuel.

- In January, Meta announced that their new data center was now online and serving global traffic, marking a major milestone in the company’s more than \$1 billion investment in Arizona since breaking ground in 2021. The project employed an average of 2,000 construction workers at peak and now supports more than 200 operational jobs, with Meta citing Mesa’s strong infrastructure, renewable energy access, and skilled workforce as key reasons for choosing the city. In addition to powering its facility with 100% renewable energy and supporting 12 regional water restoration projects, Meta has invested over \$1.3 million in local schools and nonprofits, including a new \$225,000 grant for the Mesa College Promise program and a \$75,000 grant to create a multimedia center at Desert Ridge Junior High.
- In February, Governor Katie Hobbs and state, education, and industry leaders announced the launch of Arizona’s newest Future48 Workforce Accelerator, an aerospace and defense-focused training facility at Chandler-Gilbert Community College’s Williams campus in Mesa. Backed by over \$6 million from the Arizona Commerce Authority, the Accelerator will open in fall 2026 to train students for high-demand careers in aerospace and defense manufacturing through hands-on instruction in advanced labs for electrical and mechanical assembly and wiring. Developed in partnership with Boeing, Honeywell, and other stakeholders, the project strengthens Arizona’s leadership in aerospace innovation and workforce development, part of the state’s broader \$30 million Future48 initiative to expand advanced manufacturing training statewide.
- In February, Sunbelt Investment Holdings Inc., Okland Construction and CBRE broke ground on Mesa Grandview Business Park, a 270,000-square-foot, three-building industrial development in the Falcon District near Loop 202 and Greenfield Road. Set for completion in early 2026, the project will feature state-of-the-art industrial space with 30–32-foot clear heights, 100% HVAC warehouses, dock-high and grade-level loading, heavy power, ample parking, and tenant amenities. Designed with sustainability in mind, the buildings will include skylights, native landscaping, EV charging stations, LEED certification and solar-ready roofs. City leaders praised the project as a major boost to economic growth and job creation near Falcon Field and surrounding aerospace employers, with an additional 22.7 acres available for future development.
- In March, Mesa Gateway Airport reported its busiest month ever, serving 261,536 passengers, a 24% year-over-year increase that surpassed its previous March record and contributed to eight record-breaking months in the past year. Airport and regional leaders credited the surge to strong partnerships with airlines, expanded service offerings, and the airport’s convenience focused “Just Plane Easy” experience. With flights up 36%, a new five-gate concourse opened last year, and expanded Allegiant service, Gateway now offers nonstop service to 45 destinations, continuing to fuel major economic growth.
- Mesa celebrated a strong 2025 Spring Training season, with the Chicago Cubs leading all MLB spring training attendance and topping the Cactus League for the 12th consecutive year, while the Athletic’s saw an impressive 11% increase in turnout. Sloan Park welcomed 227,570 fans—including a Cactus League record 16,161 attendees on March 8, while HoHoKam Stadium drew 82,636 fans, up from last year’s total. Mesa’s 30 home games accounted for nearly 20% of all Cactus League attendance, underscoring the city’s popularity as a premier spring baseball destination.
- In April, Komatsu broke ground on a new \$80 million, 215,000-square-foot facility in southeast Mesa, tripling its current footprint to better serve customers across the Southwestern U.S. The state-of-the-art building, located near the airport and slated for completion in summer 2026, reflects Komatsu’s commitment to supporting Arizona’s growing copper and mining industries. The project will generate construction jobs and up to 100 long-term positions, further strengthening the region’s economy and Komatsu’s role in advancing sustainable industrial growth.

- In April, Cyclic Materials announced a \$20 million investment to build its first commercial rare earth element (REE) recycling facility in Mesa, Arizona, which will open in early 2026 and create more than 30 jobs. The state-of-the-art plant will use the company's proprietary MagCycleSM process to recover permanent magnets from end-of-life products—materials that were previously not recycled—establishing the company's first global REE separation operation and strengthening a U.S.-wide feedstock network. State and local leaders praised the project as a boost to Arizona's clean energy economy, sustainable manufacturing sector, and circular supply chain development. Backed by a \$57 million Series B from investors including Microsoft, BMW iVentures, Hitachi Ventures and Amazon's Climate Pledge Fund, Cyclic Materials is expanding across North America and positioning Mesa as a key hub for innovation in critical materials recovery.
- In April, Edged topped out its new 36 MW, waterless-cooled data center in Mesa, Arizona, marking completion of the facility's structural framework and moving it toward full operations in late 2025. The AI-optimized center will feature ultra-efficient ThermalWorks cooling that saves more than 142 million gallons of water annually and supports high-density compute loads of up to 200 kW per rack. The milestone ceremony included project partners Haydon Building Corp and the announcement of Light Source Communications as the first network provider for the site. Part of Edged's nationwide expansion, the Mesa facility strengthens the region's growing AI and high-performance computing ecosystem.
- In May, Waymo announced plans for a new 239,000-square-foot autonomous vehicle integration factory in Mesa, a multimillion-dollar investment that will build thousands of fully autonomous Jaguar I-PACE vehicles to support the rapid expansion of the Waymo One ride-hailing service, which already provides more than 250,000 paid trips per week across major U.S. cities. Developed in partnership with Magna, the facility is expected to create hundreds of local jobs and will ultimately be capable of producing tens of thousands of autonomous vehicles per year, including models equipped with the next-generation Waymo Driver. Waymo says the factory will enable vehicles to be deployed into public service in Phoenix within minutes and to other cities within hours.
- In May, Apex Power Conversion opened its new 206,000-square-foot U.S. headquarters and manufacturing facility in Mesa's Elliot Road Technology Corridor, an over \$60 million investment that will initially employ up to 300 people, with plans to grow to 700 by 2029. The site will support customer engagement, product training, and ultimately the manufacturing of advanced multi-megawatt power conversion systems that integrate renewable energy and storage into the grid, with full production expected in early 2026.
- In June, Super Radiator Coils opened a new 150,000-square-foot manufacturing facility in Mesa, marking a major expansion that will create 125 new jobs across production, engineering, and administrative roles. The century-old cooling systems manufacturer selected Mesa as part of the region's rapidly growing advanced manufacturing ecosystem, joining major players like TSMC and Lucid. The company is partnering with Mesa Community College and local trade schools on apprenticeship programs, further boosting workforce development and economic impact.
- In June, Mesa approved a new agreement allowing developer Soltrust to acquire and restart The Grid, a long-stalled mixed-use project on three acres at Main Street and Pomeroy. The agreement clears the project from bankruptcy and paves the way for major revisions—including converting the partially built first phase into a hotel with a ground-floor Crust Simply Italian restaurant, speakeasy, and dessert concept.

- In July, Moses Lake Industries (MLI), a global leader in advanced semiconductor chemical solutions, opened a new 50,000-square-foot, nearly \$100 million manufacturing and R&D facility in Mesa, strengthening the city's position in Arizona's fast-growing semiconductor corridor. The state-of-the-art site will support the development of high-purity electrolyte and copper-based materials essential to next-generation chip technologies while enabling closer collaboration with major semiconductor manufacturers through enhanced proximity and dedicated co-development spaces.
- Medina Station, a new 64-acre mixed-use destination in East Mesa, is set to become a major retail, dining, and residential hub with 337,000+ square feet of commercial space and up to 850 multifamily units. Developed by SimonCRE, the project has already pre-leased more than 70% of its retail space, including anchors Target (148,000 sq ft) and Dick's Sporting Goods (80,000 sq ft), along with tenants such as Boot Barn, Einstein Bros. Bagels, Hawaiian Bros, Café Zupas, and a 39,000-square-foot Restaurant Row featuring local favorites like OSHO. Designed as a walkable, community-focused destination with plazas and pedestrian connections, Medina Station will serve a fast-growing trade area of over 83,000 nearby households. Construction began in early 2025, with the first phase opening in 2026, positioning the development as the future heart of East Mesa.
- Arizona State University has completed the \$185 million Interdisciplinary Science and Technology Building 12 (ISTB 12) at its Polytechnic campus in Mesa, a 173,000-square-foot hub for advanced manufacturing, robotics, semiconductor research, and energy systems. Designed by SmithGroup and built by McCarthy Building Companies, the state-of-the-art facility anchors the Ira A. Fulton Schools of Engineering's School of Manufacturing Systems and Networks and represents a \$250 million investment in the East Valley Innovation Zone. Open for the 2025 fall semester, ISTB 12 features adaptable labs, sustainable design targeting LEED Gold certification, and innovative prefabrication methods. The building will host over 100 classes annually, serving more than 10,000 students and supporting Arizona's growing advanced manufacturing ecosystem.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The efficient and dedicated services of the City's Financial Services Director, Irma Ashworth, and the devoted staff of the Financial Services Division has made the preparation of the annual comprehensive financial report possible. Also, I want to thank the Mayor, members of the City Council and the City Manager for their continued interest and support of the staff's efforts in planning and conducting the financial operations of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Michael Kennington', with a long horizontal flourish extending to the right.

Michael Kennington,
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mesa
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

CITY OF MESA, AZ
FINANCIAL SECTION

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025





INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of City Council
City of Mesa, Arizona
Mesa, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Honorable Mayor and Members of City Council
City of Mesa, Arizona

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios, Schedule of City Pension Contributions, Schedule of Changes in the City's Total OPEB Liability, and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

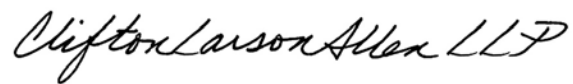
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and Members of City Council
City of Mesa, Arizona

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 16, 2025

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

As management of the City of Mesa, Arizona (the City), we offer this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. The reader is encouraged to consider the information presented here in conjunction with the transmittal letter presented on pages IV - XI, as well as the financial statements beginning on page 17 and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total revenues of \$1.5 billion were comparable to prior years revenue of \$1.5 billion. This is a combination of increases in some revenue streams and decreases in others. The two larger fluctuations were in Charges for Services (increased by \$54.8 million) and Capital Grants & Contributions (decreased by \$45.7 million).
- The City's Governmental Funds reported a combined ending fund balance of \$1.02 billion, a \$155.2 million increase from the previous year. Approximately 54 percent of the total governmental fund balance amount, or \$554.0 million, is designated by the City as committed, assigned and unassigned. The remaining 46 percent or \$470.8 million is designated as non-spendable or restricted.
- The total fund balance for the General Fund was \$439.0 million, which represents an increase of \$16.3 million over prior year. The increase is a combination of an increase in Charges for Services and Investment Income.
- The City's Enterprise Fund reported a combined total net position of \$495.0 million, which represents an increase of \$20.5 million over the prior year. The increase is primarily due to an increase in Charges for Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial statements. This report also contains other Supplementary Information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 17-18) are designed to provide a broad overview of the City's finances in a manner similar to private businesses.

The *Statement of Net Position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as *net position*. Over time increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* shows how the net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-*

Type Activities). The Governmental activities of the City include general government, public safety, community environment and cultural-recreational. The Business-Type activities include private sector type activities such as the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport.

Fund Financial Statements

The fund financial statements (pages 19-28) focus on individual parts of the City government, reporting the City's operations in more detail than the Government Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. Fund financial statements are presented for Governmental Funds and Proprietary Funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Funds Financial Statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since the Governmental Fund Financial Statements focus on near-term spendable resources, while the Governmental Activities on the Government-Wide Financial Statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements and in Note 2 to the basic financial statements.

Proprietary funds are generally used to account for services for which the City charges customers (either outside customers, or internal departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements only with more detail. Proprietary funds utilize the same method used by the private sector businesses, the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:

- Enterprise Funds are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses separate funds to account for the operations of the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport. The Utility fund is considered a major fund and the Airport is a non-major Enterprise Fund.
- The Internal Service Funds are used to account for its fleet support; materials and supplies; printing and graphics; property and public liability; workers' compensation; and employee benefits self-insurance programs. Since the primary customers of the internal service funds are the Governmental Activities, the assets and liabilities of those funds are included in the Governmental Activities' column of the Government-Wide Statement of Net Position. The Internal Service Funds are combined into a single column on the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds can be found in the combining statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements and should be read with the financial statements. The notes to the financial statements can be found on pages 29-86 of this report.

Required Supplementary Information (RSI)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information including the city-wide budgetary comparison schedule, changes in net pension liability, employer pension contributions, and changes in other post-employment benefits (OPEB) liability. RSI and accompanying notes can be found on pages 87-103 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ending June 30, 2025, and 2024.

Condensed Statement of Net Position As of June 30 (In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Cash and Other Assets	\$1,611,204	\$1,499,081	\$ 810,730	\$ 788,154	\$2,421,934	\$2,287,235
Capital Assets	1,924,520	1,830,466	1,802,262	1,547,985	3,726,782	3,378,451
Total Assets	<u>3,535,724</u>	<u>3,329,547</u>	<u>2,612,992</u>	<u>2,336,139</u>	<u>6,148,716</u>	<u>5,665,686</u>
Deferred Amounts on Refunding	2,264	3,182	15,316	17,828	17,580	21,010
Deferred Outflows on Pensions & OPEB	308,409	298,479	17,086	15,306	325,495	313,785
Total Deferred Amounts	<u>310,673</u>	<u>301,661</u>	<u>32,402</u>	<u>33,134</u>	<u>343,075</u>	<u>334,795</u>
Non-Current Liabilities, Due Within One Year	72,339	74,745	68,048	62,666	140,387	137,411
Non-Current Liabilities, Due In More Than One Year	655,040	524,567	1,653,525	1,434,632	2,308,565	1,959,199
Other Liabilities	211,440	241,780	222,227	187,360	433,667	429,140
Net Pension & OPEB Liability	1,848,574	1,788,214	136,045	136,582	1,984,619	1,924,796
Total Liabilities	<u>2,787,393</u>	<u>2,629,306</u>	<u>2,079,845</u>	<u>1,821,240</u>	<u>4,867,238</u>	<u>4,450,546</u>
Deferred Inflows on Pensions & OPEB	148,776	167,201	14,965	17,943	163,741	185,144
Deferred Inflows on Leases	46,088	49,952	55,593	55,646	101,681	105,598
	<u>194,864</u>	<u>217,153</u>	<u>70,558</u>	<u>73,589</u>	<u>265,422</u>	<u>290,742</u>
Net Investment in Capital Assets	1,377,695	1,317,166	100,008	82,964	1,477,703	1,400,130
Restricted Net Position	415,817	382,409	97,102	122,088	512,919	504,497
Unrestricted Net Position	(929,372)	(914,825)	297,881	269,392	(631,491)	(645,433)
Total Net Position	<u>\$ 864,140</u>	<u>\$ 784,750</u>	<u>\$ 494,991</u>	<u>\$ 474,444</u>	<u>\$1,359,131</u>	<u>\$1,259,194</u>

Changes in Net Position
Year Ended June 30
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	\$ 145,102	\$ 132,016	\$ 511,700	470,018	\$ 656,802	\$ 602,034
Operating Grants & Contributions	77,909	78,057	339	236	78,248	78,293
Capital Grants & Contributions	8,588	14,618	16,806	56,440	25,394	71,058
General Revenues:						
Sales Taxes	330,176	329,821	-	-	330,176	329,821
Property Taxes	46,308	47,924	-	-	46,308	47,924
Occupancy Taxes	6,726	6,837	-	-	6,726	6,837
Unrestricted Intergovernmental	266,556	290,065	-	-	266,556	290,065
Utility Development Fees	-	-	4,067	7,395	4,067	7,395
Contributions	36,803	27,428	-	-	36,803	27,428
Unrestricted Investment Income (loss)	57,735	46,922	11,550	13,092	69,285	60,014
Gain on Sale of Capital Assets	-	200	-	-	-	200
Miscellaneous	14,321	13,226	12,812	7,783	27,133	21,009
Total Revenues	990,224	987,114	557,274	554,964	1,547,498	1,542,078
Governmental Activities Expenses:						
General Government	230,515	225,391	-	-	230,515	225,391
Public Safety	494,279	525,883	-	-	494,279	525,883
Community Environment	193,168	192,205	-	-	193,168	192,205
Cultural-Recreational	113,669	107,468	-	-	113,669	107,468
Interest on Long-Term Debt	17,949	16,793	-	-	17,949	16,793
Business-Type Activities:						
Electric	-	-	43,912	49,009	43,912	49,009
Gas	-	-	46,783	46,078	46,783	46,078
Water	-	-	149,731	151,246	149,731	151,246
Wastewater	-	-	97,809	89,096	97,809	89,096
Solid Waste	-	-	51,305	55,972	51,305	55,972
Airport	-	-	6,691	13,302	6,691	13,302
District Cooling	-	-	1,750	1,570	1,750	1,570
Total Expenses	1,049,580	1,067,740	397,981	406,273	1,447,561	1,474,013
Increase (Decrease) in Net Position Before Transfers	(59,356)	(80,626)	159,293	148,691	99,937	68,065
Transfers	138,746	127,134	(138,746)	(127,134)	-	-
Change in Net Position	79,390	46,508	20,547	21,557	99,937	68,065
Net Position - Beginning	784,750	738,242	474,444	452,887	1,259,194	1,191,129
Net Position - Ending	\$ 864,140	\$ 784,750	\$ 494,991	\$ 474,444	\$ 1,359,131	\$ 1,259,194

Analysis of Government-Wide Net Position

Net Position consists of (1) Net Investment in Capital Assets, (2) Restricted and (3) Unrestricted. Net Investment in Capital Assets represents the City's investment in capital assets, less the related debt. Net Investment in Capital Assets increased by \$75 million from \$1.40 billion to \$1.48 billion primarily due to an increase in capital assets in the Business-Type Activities. Restricted Net Position represents resources that are subject to external restrictions on how they may be used. The Restricted portion of the City's Net Position increased \$79 million from \$504.5 million to \$512.9 million. The restricted balances that increased in the current year were primarily for capital projects. The Unrestricted Net Position of \$(631.5) million is primarily due to the impact of the long-term liability associated with pensions and OPEB of (\$2.0 billion).

The City's overall Net Position increased \$99.9 million from \$1.3 billion to \$1.4 billion at the end of fiscal year 2025. Several factors contributed to the overall increase in Net Position:

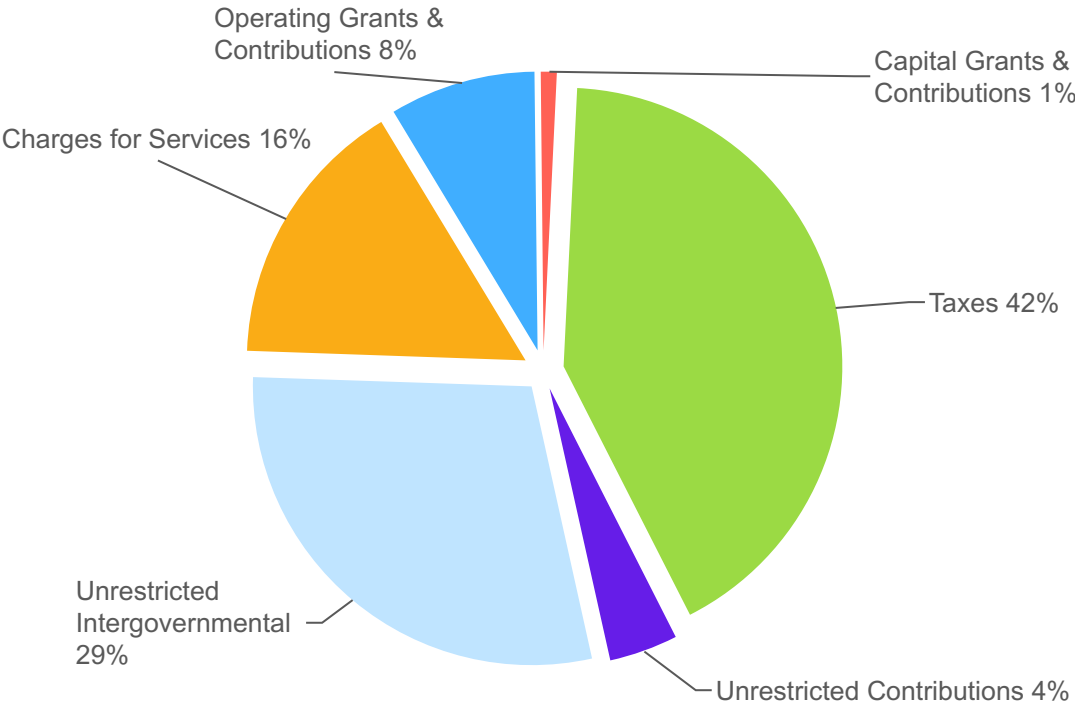
- Charges for Services increased \$54.8 million primarily due to an increase in utility sales and charges. General governmental charges for services also increased in various revenue streams.
- Investment returns continued strong resulting in an increase in investment income of \$9.2 million.
- Overall expenses (both Governmental and Business-Type) decreased by \$26.4 million due to a Citywide effort to decrease expenses by 2%.

Governmental Activities

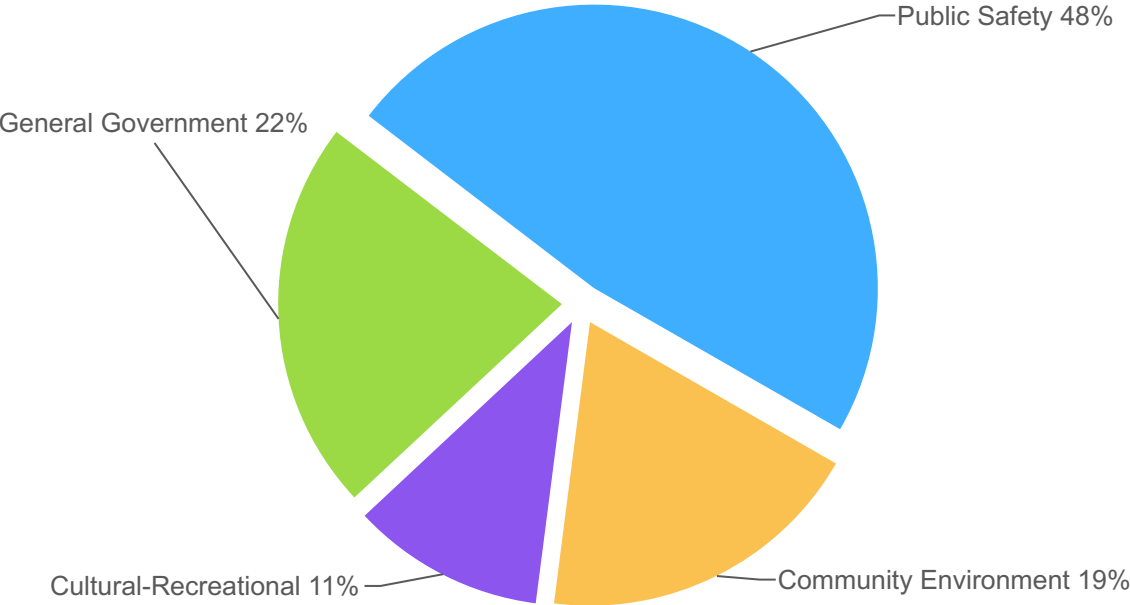
In fiscal year 2025, Governmental Activities increased their Net Position by \$79.4 million from \$784.8 million to \$864.1 million. As described above, the increase in Net Position for the Governmental Activities is due to a combination of an increase in charges for services, investment returns and a decrease in expenses.

As presented in the following two graphs, the largest funding sources for the governmental activities are Taxes (42%), Unrestricted Intergovernmental (29%) and Charges for Services (16%). The largest users of resources for the governmental activities are Public Safety (48%), General Government (22%) and Community Environment (19%).

**Governmental Activities
Revenues by Source
Fiscal Year Ended June 30, 2025**

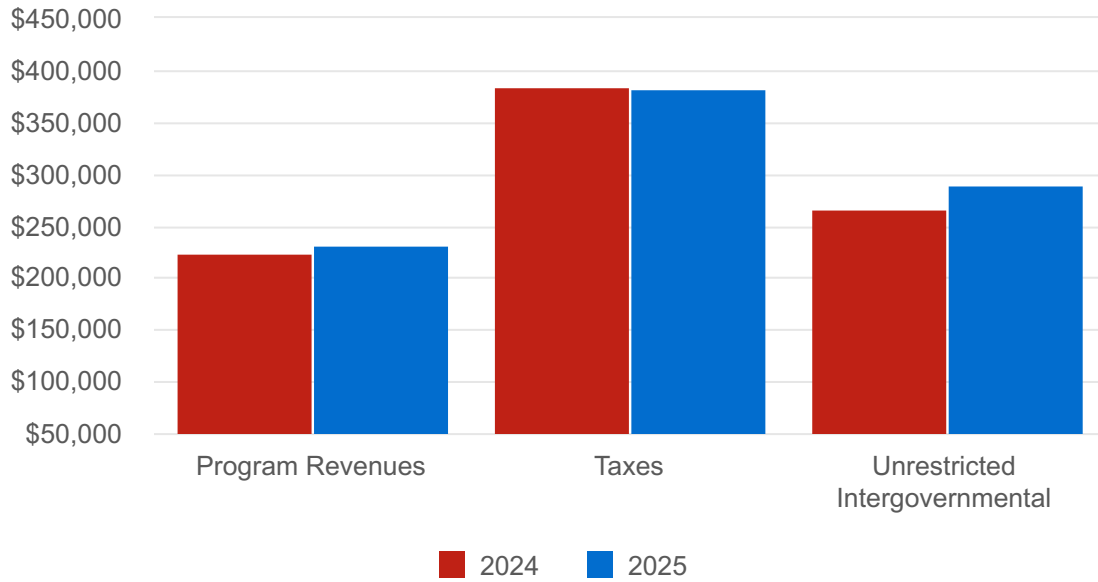


**Governmental Activities
Functional Expenses
Fiscal Year Ended June 30, 2025**

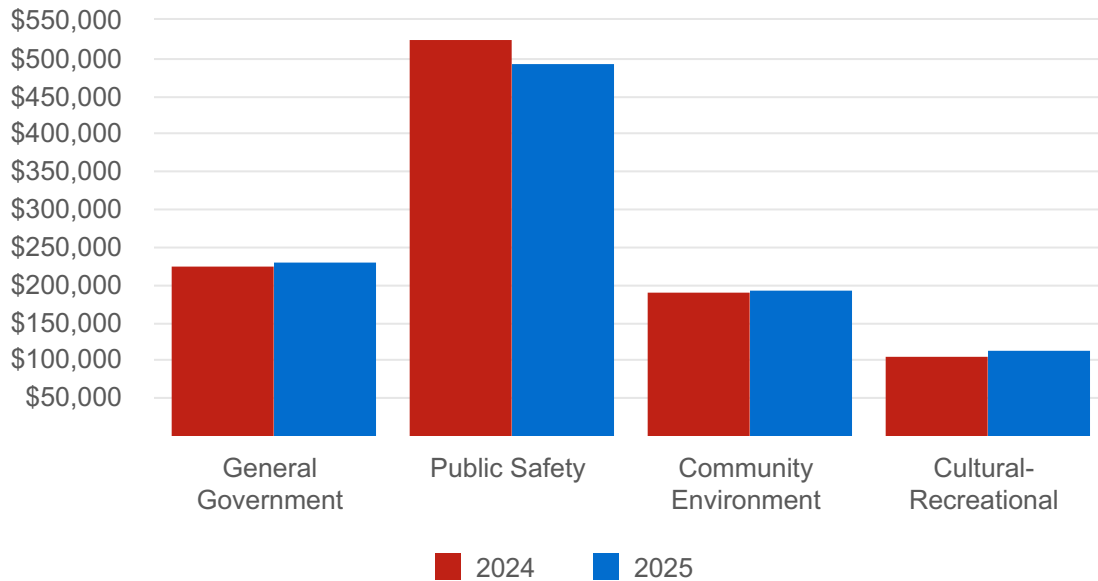


The following two graphs compare Governmental Activities revenues and expenses from fiscal year 2025 to fiscal year 2024.

Governmental Activities - Revenues by Source
Two Year Comparison
(In thousands of dollars)



Governmental Activities - Functional Expenses
Two Year Comparison
(In thousands of dollars)



Fund Financial Statement Analysis

The following is a brief discussion of some of the funds within the Governmental Activities.

General Fund

The General Fund is the primary operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-recreational. The total fund balance of the General Fund was \$439.0 million, while unassigned fund balance was \$210.1 million.

The total fund balance of the City's General Fund increased by \$16.3 million during the current fiscal year from \$422.7 million to \$439.0 million. The increase is due to Other Financing Sources. The combination of Transfers in/out and Financing of subscription-based information technology arrangements (SBITAs), helped offset the Deficiency of Revenues Under Expenditures.

Non-Major Governmental Funds

The Non-Major Governmental Funds include Special Revenue, Capital Project and Debt Service funds. The fund balance of the Non-Major Governmental funds was \$585.9 million, with the majority classified as Restricted.

Total fund balance of the Non-Major Governmental Funds increased by \$139.0 million during the current fiscal year. This is due to a combination of an increase in the Special Revenue funds (\$20.6 million) and an increase in the Capital Projects funds (\$118.78) million.

- The increase in the Special Revenue funds is primarily due to Sales tax revenue in the Street Sales Tax fund exceeding expenditures in that fund.
- Capital Project funds fund balance increased in the Parks, Public Safety and Streets Capital funds due to the \$154.3 million issuance of General Obligation Bonds.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section. The schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

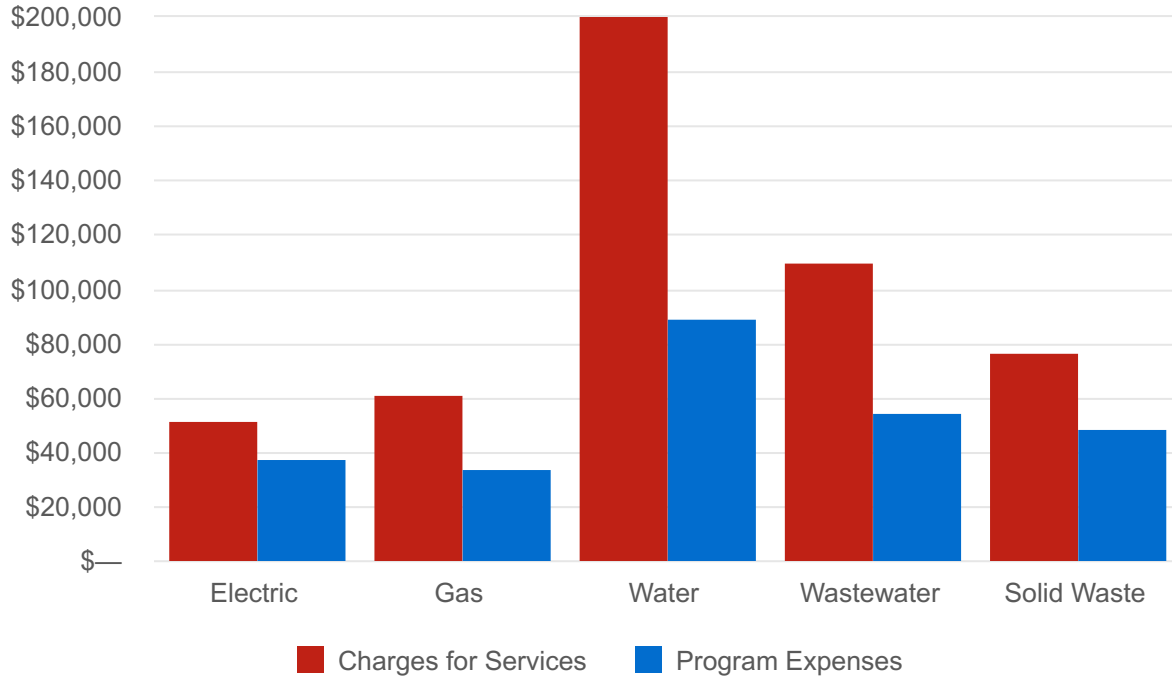
Budgeted amounts may change within funds and between funds. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action (see Note 1.f. of the notes to the financial statements for more information on budget policies). There were no budget amendments that increased the overall City adopted budget during fiscal year 2025.

Business-Type Activities

The following graphs present utility revenues and expenses for fiscal year 2025. The City's largest utility, Water, had a net revenue/expense gain of \$116.0 million and Wastewater had a net revenue/expense gain of \$55.7 million, whereas the remaining Utilities saw a more moderate net revenue/expense gain.

**Utility Revenues
Charges for Services and Program Expenses
Fiscal Year 2025**

(In thousands of dollars)



Total Business-Type Activities program and general revenues increased by \$2.3 million from \$555.0 million to \$557.3 million. While Charges for Services increased by \$41.7 million, this was offset by decrease in Capital Grants & Contributions by \$39.6 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.7 billion (net of accumulated depreciation/amortization) as of June 30, 2025. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, infrastructure, leases and subscription-based information technology arrangements (SBITAs). Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems, and storm drainage systems.

The following table provides a breakdown of the City's capital assets on June 30, 2025, and 2024:

Capital Assets
(net of accumulated depreciation/amortization)
As of June 30
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 419,761	\$ 419,761	\$ 31,786	\$ 31,786	\$ 451,547	\$ 451,547
Infrastructure - Nondepr	3,597	3,597	17,666	17,666	21,263	21,263
Construction-in-Progress	171,426	186,489	412,953	191,396	584,379	377,885
Buildings	408,062	359,751	26,571	27,428	434,633	387,179
Other Improvements	178,495	143,117	33,177	35,205	211,672	178,322
Machinery & Equipment	148,037	117,272	36,636	26,178	184,673	143,450
Intangibles	—	—	3,467	3,579	3,467	3,579
Infrastructure	567,803	577,269	1,240,005	1,214,747	1,807,808	1,792,016
Leases	21,579	21,739	—	—	21,579	21,739
SBITAs	5,760	1,471	—	—	5,760	1,471
Total	<u>\$ 1,924,520</u>	<u>\$ 1,830,466</u>	<u>\$ 1,802,261</u>	<u>\$ 1,547,985</u>	<u>\$ 3,726,781</u>	<u>\$ 3,378,451</u>

The City's total capital asset balances on June 30, 2025, increased by \$348.3 million in comparison with prior year balances. The largest increase was in Construction in Progress, which increased by \$206.5 million. There were several large projects that either started this year or had significant expenses. These projects included Waterline and Sewer Replacement projects (\$37.0 million), the expansion to Signal Butte Water Treatment Plant (\$56.8 million), and Central Mesa Reuse Pipeline (\$101.2 million).

Additional information on the City's capital assets can be found in Note 8 of the notes to the basic financial statements.

Debt Administration

At the end of the fiscal year 2025, the City had total long-term bond obligations and notes payable outstanding of \$2.2 billion. Of this amount, \$456.5 million comprises debt backed by the full faith and credit of the City, \$1.7 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue, Highway User Revenue, Sales Tax) and \$22.4 million in lease liability and \$6.8 million in SBITAs liability.

The City's total outstanding debt includes \$89 million in Community Facility District (CFD) bonds. Special Assessment revenues and secondary property tax are collected to make the annual Community Facility District bond debt payments. The City has no liability for the Community Facility District bonds. However,

the City is contingently liable in the event that the Special Assessment revenues are insufficient to satisfy the Special Assessment Bond debt payments.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2025, and 2024.

Outstanding Long-term Debt
As of June 30
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$456,510	\$ 335,990	\$ —	\$ —	\$ 456,510	\$ 335,990
Utility System Revenue Bonds	—	—	997,790	1,063,125	997,790	1,063,125
Utility Revenue Obligations	—	—	610,650	323,975	610,650	323,975
Highway User Revenue Fund	7,660	18,540	—	—	7,660	18,540
Excise Tax Obligations	30,255	31,630	—	—	30,255	31,630
Community Facility District	89,383	92,971	—	—	89,383	92,971
Notes Payable	—	—	667	827	667	827
Leases	22,391	22,077	—	—	22,391	22,077
SBITAs	6,774	1,900	—	—	6,774	1,900
Total	<u>\$612,973</u>	<u>\$ 503,108</u>	<u>\$ 1,609,107</u>	<u>\$ 1,387,927</u>	<u>\$ 2,222,080</u>	<u>\$ 1,891,035</u>

The City's current bond ratings are as follows:

	Rating Agency		
	Standard and Poor's Corporation	Moody's Investors Service	Fitch Ratings
General Obligation Bonds	AA	Aa2	AAA
Highway User Revenue Bonds	AA	Aa2	N/A
Utility System Revenue Bonds	AA-	Aa2	N/A
Utility System Obligations	A+	Aa3	N/A
Excise Tax Obligations	AA+	Aa2	N/A

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for water, artificial light or sewers, land for open space preserves, parks, playgrounds and recreational facilities, public safety, fire, streets and transportation may not exceed 20% of a City's full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a City's full cash net assessed valuation.

The City's total debt margin available on June 30, 2025, was \$579.7 million in the 6% capacity and \$1.5 billion in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 9 of the notes to the basic financial statements and Table 10 in the Statistical Section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 2, 2025, the City Council approved a \$2.79 billion budget, which is an increase of \$100 million compared to prior year's budget. The adopted fiscal year 2026 budget continues the City's fiscally conservative approach. The Governmental Funds financial principles include 10%-15% fund balance over a 5-year forecasted period, sustainability of programs and services, competitive wages and benefits for employees, and investment in capital and lifecycle replacement projects. The Utility Fund financial principles includes 20% or higher reserve fund balance, and affordable utility services. The City's conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies.

The fiscal year 2025-26 assessed valuation increased 5.5% to \$5.2 billion. On June 2, 2025, the City Council voted to maintain the City' secondary property tax rate at \$0.8582 per \$100 assessed valuation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Mesa, Arizona's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Mesa Finance Director, P.O. Box 1466, Mesa, Arizona, 85211-1466.

CITY OF MESA, AZ
BASIC FINANCIAL SECTION

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025





mesa·az

City of Mesa, Arizona
Statement of Net Position
June 30, 2025
(in thousands)

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Pooled Cash and Investments	\$ 1,010,082	\$ 97,763	\$ 1,107,845
Accounts Receivable, Net	30,550	52,161	82,711
Lease Receivable	49,536	59,967	109,503
Accrued Interest Receivable	5,159	989	6,148
Due from Other Governments	50,798	5,867	56,665
Inventory	14,646	-	14,646
Prepaid and Deposits	8,018	5,993	14,011
Restricted Assets:			
Pooled Cash and Investments	87,039	212,283	299,322
Cash with Fiscal Agent	55,462	88,957	144,419
Cash with Trustee	-	7	7
Accounts Receivable, net	19,740	-	19,740
Due from Other Governments	1,238	-	1,238
Customer Deposits	-	3,623	3,623
Joint Venture Construction Deposits	-	7,119	7,119
Investment in Joint Ventures	278,936	276,001	554,937
Capital Assets, Not Being Depreciated	594,784	462,406	1,057,190
Capital Assets, Being Depreciated, Net	1,329,736	1,339,856	2,669,592
Total Assets	<u>3,535,724</u>	<u>2,612,992</u>	<u>6,148,716</u>
Deferred Outflows of Resources			
Debt Refunding	2,264	15,316	17,580
Pensions and OPEB	308,409	17,086	325,495
Total Deferred Outflows of Resources	<u>310,673</u>	<u>32,402</u>	<u>343,075</u>
Liabilities			
Accounts Payable and Accrued Liabilities	71,634	21,631	93,265
Claims Payable	39,946	-	39,946
Customer and Defendant Deposits	10,035	-	10,035
Unearned Revenue	30,164	-	30,164
Liabilities Payable from Restricted Assets	59,661	200,596	260,257
Noncurrent Liabilities:			
Due Within One Year	72,339	68,048	140,387
Due in More Than One Year:			
Lease and SBITA Liability	24,950	-	24,950
Bonds and Notes Payable	582,427	1,647,875	2,230,302
Compensated Absences	47,663	5,650	53,313
Net Pension and OPEB Liability	1,848,574	136,045	1,984,619
Total Liabilities	<u>2,787,393</u>	<u>2,079,845</u>	<u>4,867,238</u>
Deferred Inflows of Resources			
Pensions and OPEB	148,776	14,965	163,741
Leases	46,088	55,593	101,681
Total Deferred Inflows of Resources	<u>194,864</u>	<u>70,558</u>	<u>265,422</u>
Net Position			
Net Investment in Capital Assets	1,377,695	100,008	1,477,703
Restricted For:			
Bond Indentures	-	46,850	46,850
Construction	-	7,119	7,119
Debt Service	48,622	43,133	91,755
Public Safety	118,722	-	118,722
Transportation Programs	230,310	-	230,310
Other Programs	18,163	-	18,163
Unrestricted	(929,372)	297,881	(631,491)
Total Net Position	<u>\$ 864,140</u>	<u>\$ 494,991</u>	<u>\$ 1,359,131</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Activities
For the Fiscal Year-Ended June 30, 2025
(in thousands)

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 230,515	\$ 34,141	\$ 22,849	\$ 7,584	\$ (165,941)	\$ -	\$ (165,941)
Public Safety	494,279	58,759	19,348	514	(415,658)	-	(415,658)
Community Environment	193,168	25,136	35,407	490	(132,135)	-	(132,135)
Cultural-Recreational	113,669	27,066	305	-	(86,298)	-	(86,298)
Interest on Long-Term Debt	17,949	-	-	-	(17,949)	-	(17,949)
Total Governmental Activities	1,049,580	145,102	77,909	8,588	(817,981)	-	(817,981)
Business-Type Activities:							
Electric	43,912	51,377	-	1,032	-	8,497	8,497
Gas	46,783	60,901	-	526	-	14,644	14,644
Water	149,731	205,684	282	9,293	-	65,528	65,528
Wastewater	97,809	110,266	-	4,688	-	17,145	17,145
Solid Waste	51,305	76,885	57	-	-	25,637	25,637
Airport	6,691	5,086	-	1,267	-	(338)	(338)
District Cooling	1,750	1,501	-	-	-	(249)	(249)
Total Business-type Activities	397,981	511,700	339	16,806	-	130,864	130,864
Total Government	\$ 1,447,561	\$ 656,802	\$ 78,248	\$ 25,394	(817,981)	130,864	(687,117)

General Revenues:

Sales Taxes	330,176	-	330,176
Property Taxes	46,308	-	46,308
Occupancy Taxes	6,726	-	6,726
Unrestricted Intergovernmental Revenues	266,556	-	266,556
Utility Development Fees	-	4,067	4,067
Unrestricted Contributions	36,803	-	36,803
Investment Income (Loss)	57,735	11,550	69,285
Miscellaneous Revenues	14,321	12,812	27,133
Transfers	138,746	(138,746)	-
Total General Revenues and Transfers	897,371	(110,317)	787,054
Change in Net Position	79,390	20,547	99,937
Total Net Position - Beginning	784,750	474,444	1,259,194
Net Position - Ending	\$ 864,140	\$ 494,991	\$ 1,359,131

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona

Balance Sheet

Governmental Funds

June 30, 2025

(in thousands)

	General Fund	Total Non- Major Governmental Funds	Total Governmental Funds
Assets			
Pooled Cash and Investments	\$ 429,056	\$ 526,440	\$ 955,496
Accounts Receivable, Net	24,475	4,756	29,231
Lease Receivable	49,536	-	49,536
Accrued Interest Receivable	1,467	3,530	4,997
Due from Other Governments	17,562	33,236	50,798
Due from Other Funds	4,947	-	4,947
Prepaid Costs	4,523	843	5,366
Restricted Assets:			
Pooled Cash and Investments	-	87,039	87,039
Cash with Fiscal Agent	-	55,462	55,462
Accounts Receivable	-	19,740	19,740
Due from Other Governments	-	1,238	1,238
Total Assets	<u>\$ 531,566</u>	<u>\$ 732,284</u>	<u>\$ 1,263,850</u>
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 35,175	\$ 30,468	\$ 65,643
Customer and Defendant Deposits	1,694	8,341	10,035
Unearned Revenue	5,237	24,927	30,164
Payable from Restricted Assets:			
Accrued Interest Payable	-	10,095	10,095
Matured Bonds Payable	-	49,566	49,566
Total Liabilities	<u>42,106</u>	<u>123,397</u>	<u>165,503</u>
Deferred Inflows of Resources			
Unavailable Revenue	4,379	23,034	27,413
Deferred Inflows Related to Leases	46,088	-	46,088
Total Deferred Inflows of Resources	<u>50,467</u>	<u>23,034</u>	<u>73,501</u>
Fund Balance			
Nonspendable	4,523	843	5,366
Restricted	-	465,448	465,448
Committed	6,741	26,326	33,067
Assigned	217,638	93,236	310,874
Unassigned	210,091	-	210,091
Total Fund Balances	<u>438,993</u>	<u>585,853</u>	<u>1,024,846</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 531,566</u>	<u>\$ 732,284</u>	<u>\$ 1,263,850</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

June 30, 2025

(in thousands)

Fund Balances - total governmental funds \$ 1,024,846

Amounts reported for governmental activities in the statement of net position are different because (also see Note 2 to the basic financial statements):

Capital Assets used in governmental activities are not financial resources and therefore not reported in governmental funds. 1,914,481

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. 279,404

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported on the funds. 306,324

Long-term liabilities, including bonds payable, lease liabilities and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds. (2,534,675)

Deferred inflows relating to pensions represent a future acquisition on net position that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds. (116,738)

Internal service funds are used by management to charge the costs of certain activities to individual funds. (9,502)

Net position of the governmental activities - statement of net position \$ 864,140

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025
(in thousands)

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Sales Taxes	\$ 198,335	\$ 131,841	\$ 330,176
Property Taxes	-	46,543	46,543
Occupancy Taxes	2,384	4,342	6,726
Special Assessments	-	1,737	1,737
Licenses and Permits	40,372	3,933	44,305
Intergovernmental	227,941	125,112	353,053
Charges for Services	66,959	24,699	91,658
Fines and Forfeitures	6,382	1,866	8,248
Investment Income	23,488	31,276	54,764
Contributions	13	44	57
Miscellaneous Revenue	6,120	5,875	11,995
Total Revenues	<u>571,994</u>	<u>377,268</u>	<u>949,262</u>
Expenditures			
Current:			
General Government	139,392	21,502	160,894
Public Safety	356,180	82,379	438,559
Community Environment	30,678	95,879	126,557
Cultural-Recreational	68,658	19,283	87,941
Debt Service:			
Principal	5,713	49,707	55,420
Interest	753	19,361	20,114
Service Charges	-	13	13
Cost of Issuance	-	772	772
Capital Outlay	24,435	187,207	211,642
Total Expenditures	<u>625,809</u>	<u>476,103</u>	<u>1,101,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,815)</u>	<u>(98,835)</u>	<u>(152,650)</u>
Other Financing Sources (Uses)			
Transfers In	144,428	74,445	218,873
Transfers Out	(85,832)	(5,739)	(91,571)
Proceeds from Sale of Capital Asset	357	211	568
Face Amount of Bonds Issued	-	154,266	154,266
Financing of SBITA	11,123	-	11,123
Premium on Issuance of Bonds (Net)	-	14,622	14,622
Total Other Financing Sources (Uses)	<u>70,076</u>	<u>237,805</u>	<u>307,881</u>
Net Change in Fund Balances	16,261	138,970	155,231
Fund Balance - Beginning	<u>422,732</u>	<u>446,883</u>	<u>869,615</u>
Fund Balances - Ending	<u>\$ 438,993</u>	<u>\$ 585,853</u>	<u>\$ 1,024,846</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2025
(in thousands)

Net change in fund balances - total governmental funds	\$ 155,231
Amounts reported for governmental activities in the statement of activities are different because (also see Note 2 to the basic financial statements):	
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	1,245
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(39,685)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$163,058 exceeded depreciation/amortization (\$78,738) in the current period.	84,320
Governmental funds report capital outlays for lease and SBITAs as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlay \$11,123 exceeded amortization (\$6,900) in the current period.	4,223
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to decrease net position.	(346)
Change in equity in Joint Venture	(8,836)
The issuance of long-term debt and financing of leases provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.	(109,969)
Governmental funds report the effect of premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(11,672)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>4,879</u>
Change in net position of the governmental activities - statement of activities	<u>\$ 79,390</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2025
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 92,445	\$ 5,318	\$ 97,763	\$ 54,586
Accounts Receivable, Net	51,360	801	52,161	1,308
Lease Receivable	-	59,967	59,967	-
Accrued Premiums Receivable	-	-	-	11
Accrued Interest Receivable	964	25	989	162
Due from Other Governments	5,480	387	5,867	-
Inventory	-	-	-	14,646
Prepaid and Deposits	5,993	-	5,993	2,184
Restricted Assets:				
Pooled Cash and Investments	211,107	1,176	212,283	-
Cash with Fiscal Agents	88,957	-	88,957	-
Cash with Trustees	7	-	7	-
Customer Deposits	3,623	-	3,623	-
Joint Venture Construction Deposits	7,119	-	7,119	-
Total Current Assets	<u>467,055</u>	<u>67,674</u>	<u>534,729</u>	<u>72,897</u>
Noncurrent Assets:				
Investment in Joint Ventures	276,001	-	276,001	-
Capital Assets, Not Being Depreciated	452,205	10,201	462,406	121
Capital Assets, Being Depreciated, Net	1,321,882	17,974	1,339,856	9,918
Total Noncurrent Assets	<u>2,050,088</u>	<u>28,175</u>	<u>2,078,263</u>	<u>10,039</u>
Total Assets	<u>2,517,143</u>	<u>95,849</u>	<u>2,612,992</u>	<u>82,936</u>
Deferred Outflows of Resources				
Debt Refundings	15,316	-	15,316	-
Pensions and OPEB	16,661	425	17,086	4,349
Total Deferred Outflows of Resources	<u>31,977</u>	<u>425</u>	<u>32,402</u>	<u>4,349</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2025
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Liabilities				
Current Liabilities - Payable From Current Assets:				
Accounts Payable and Accrued Liabilities	\$ 21,450	\$ 181	\$ 21,631	\$ 5,991
Claims Payable	-	-	-	39,946
Due to Other Funds	-	-	-	4,947
Current Liabilities-Payable From Restricted				
Accounts Payable and Accrued Liabilities	50,664	68	50,732	-
Interest Payable	29,327	-	29,327	-
Matured Bonds Payable	59,630	-	59,630	-
Customer Deposits and Prepayments	60,220	687	60,907	-
Current Portion of Long-Term Liabilities:				
Current Portion of Bonds Payable	64,755	-	64,755	-
Current Portion of Notes Payable	163	-	163	-
Current Portion of Compensated Absences	784	32	816	236
Current Portion of OPEB Liability	2,263	51	2,314	785
Total Current Liabilities	<u>289,256</u>	<u>1,019</u>	<u>290,275</u>	<u>51,905</u>
Long-Term Liabilities:				
Bonds Payable	1,647,371	-	1,647,371	-
Notes Payable	504	-	504	-
Compensated Absences	5,432	218	5,650	1,149
Net Pension and OPEB Liability	132,802	3,243	136,045	39,108
Total Long-Term Liabilities	<u>1,786,109</u>	<u>3,461</u>	<u>1,789,570</u>	<u>40,257</u>
Total Liabilities	<u>2,075,365</u>	<u>4,480</u>	<u>2,079,845</u>	<u>92,162</u>
Deferred Inflows of Resources				
Pensions and OPEB	14,618	347	14,965	4,625
Deferred Inflows Related to Leases	-	55,593	55,593	-
Total Deferred Inflows of Resources	<u>14,618</u>	<u>55,940</u>	<u>70,558</u>	<u>4,625</u>
Net Position				
Net Investment in Capital Assets	71,833	28,175	100,008	10,039
Restricted For:				
Bond Indentures	46,850	-	46,850	-
Construction	7,119	-	7,119	-
Debt Service	43,133	-	43,133	-
Unrestricted	290,202	7,679	297,881	(19,541)
Total Net Position	<u>\$ 459,137</u>	<u>\$ 35,854</u>	<u>\$ 494,991</u>	<u>\$ (9,502)</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona

Statement of Revenues, Expenses

and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2025

(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Operating Revenues:				
Electric Charges	\$ 51,377	\$ -	\$ 51,377	\$ -
Gas Charges	60,901	-	60,901	-
Water Sales	205,684	-	205,684	-
Wastewater Charges	110,266	-	110,266	-
Solid Waste Charges	76,885	-	76,885	-
Airport Fees	-	5,086	5,086	-
District Cooling Charges	1,501	-	1,501	-
Charges For Services	-	-	-	45,662
Self-Insurance Contributions	-	-	-	125,109
Other Revenue	-	-	-	13,310
Total Operating Revenues	<u>506,614</u>	<u>5,086</u>	<u>511,700</u>	<u>184,081</u>
Operating Expenses:				
Electric	37,881	-	37,881	-
Gas	34,310	-	34,310	-
Water	89,666	-	89,666	-
Wastewater	54,610	-	54,610	-
Solid Waste	48,415	-	48,415	-
Airport	-	4,896	4,896	-
District Cooling	1,431	-	1,431	-
Warehouse, Maintenance & Services	-	-	-	44,590
Self-Insurance	-	-	-	148,615
Total Operating Expenses	<u>266,313</u>	<u>4,896</u>	<u>271,209</u>	<u>193,205</u>
Operating Income (Loss) Before Depreciation and Amortization	240,301	190	240,491	(9,124)
Depreciation and Amortization	<u>(63,800)</u>	<u>(1,795)</u>	<u>(65,595)</u>	<u>(416)</u>
Operating Income (Loss)	<u>176,501</u>	<u>(1,605)</u>	<u>174,896</u>	<u>(9,540)</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Nonoperating Revenues (Expenses):				
Investment Income	\$ 11,147	\$ 403	\$ 11,550	2,971
Intergovernmental	339	-	339	-
Lease Interest Revenue	-	1,379	1,379	-
Interest Expense:				
Bonds	(51,235)	-	(51,235)	-
Notes Payable	(18)	-	(18)	-
Lease	-	-	-	(1)
Gain/(Loss) on Sale of Capital Assets	(205)	-	(205)	5
Net Gain/(Loss) from Joint Venture	(8,797)	-	(8,797)	-
Utility Development Fees	4,067	-	4,067	-
Bond Issuance Costs	(922)	-	(922)	-
Miscellaneous Revenue	11,306	127	11,433	-
Total Nonoperating Revenues (Expenses)	<u>(34,318)</u>	<u>1,909</u>	<u>(32,409)</u>	<u>2,975</u>
Income before Transfers and Capital Contributions	142,183	304	142,487	(6,565)
Capital Contributions	15,539	1,267	16,806	-
Transfers In	-	-	-	11,556
Transfers Out	(138,733)	(13)	(138,746)	(112)
Change in Net Position	18,989	1,558	20,547	4,879
Total Net Position - Beginning	<u>440,148</u>	<u>34,296</u>	<u>474,444</u>	<u>(14,381)</u>
Total Net Position - Ending	<u>\$ 459,137</u>	<u>\$ 35,854</u>	<u>\$ 494,991</u>	<u>\$ (9,502)</u>

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 510,696	\$ 3,278	\$ 513,974	\$ -
Cash Received From Users	-	-	-	183,440
Cash Payments to Suppliers	(213,524)	(4,384)	(217,908)	(189,938)
Cash Payments to Employees	(49,361)	(1,889)	(51,250)	(10,648)
Other Nonoperating Revenue	11,306	127	11,433	-
Net Cash Provided by (Used For) Operating Activities	259,117	(2,868)	256,249	(17,146)
Cash Flows From Noncapital Financing Activities:				
Intergovernmental	(4,852)	1,968	(2,884)	-
Interfund Payable Increase	-	-	-	1,395
Transfers In from Other Funds	-	-	-	11,556
Transfers Out to Other Funds	(138,733)	(13)	(138,746)	(112)
Net Cash Provided by (Used For) Noncapital Financing Activities	(143,585)	1,955	(141,630)	12,839
Cash Flows From Capital and Related Financing Activities:				
Proceeds From Bond Sales	308,288	-	308,288	-
Proceeds From Sale of Capital Assets	124	-	124	-
Acquisition and Construction of Capital Assets	(284,157)	(2,847)	(287,004)	(6,299)
Proceeds from the Sale of Capital Assets	-	-	-	5
Principal Paid on Bonds and Notes Maturities	(72,505)	-	(72,505)	-
Principal Paid on Lease	-	-	-	(78)
Interest Paid on Bonds and Notes	(61,281)	-	(61,281)	-
Interest Income/(Expense) on Leases	-	1,379	1,379	(3)
Bond Issuance Costs	(922)	-	(922)	-
Contributions and Capital Grants	7,942	1,268	9,210	-
Net Cash Used For Capital and Related Financing Activities	(102,511)	(200)	(102,711)	(6,375)
Cash Flows From Investing Activities:				
Interest Received on Investments	11,061	406	11,467	3,061
Net Cash Provided By Investing Activities	11,061	406	11,467	3,061
Net Change in Pooled Cash and Investments	24,082	(707)	23,375	(7,621)
Total Cash and Investments at Beginning of Year	368,434	7,201	375,635	62,207
Total Cash and Investments at End of Year	\$ 392,516	\$ 6,494	\$ 399,010	\$ 54,586

The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(in thousands)

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Utility</u>	<u>Non-Major Fund Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used For) Operating Activities:				
Operating Income (Loss)	<u>\$ 176,501</u>	<u>\$ (1,605)</u>	<u>\$174,896</u>	<u>\$ (9,540)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:				
Depreciation and Amortization	63,800	1,795	65,595	416
Miscellaneous Revenue	11,306	127	11,433	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Receivables	(2,486)	(1,808)	(4,294)	(641)
(Increase)/Decrease in Inventory	-	-	-	(2,662)
(Increase)/Decrease in Prepaid and Deposits	5,871	69	5,940	(350)
(Increase)/Decrease in Deferred Outflows	(1,739)	(41)	(1,780)	(214)
Increase/(Decrease) in Accounts Payable	8,719	(1,173)	7,546	1,014
Increase/(Decrease) in Pension and OPEB Liability	(160)	(103)	(263)	959
Increase/(Decrease) in Deferred Inflows	(2,918)	(113)	(3,031)	(1,049)
Increase/(Decrease) in Compensated Absence	223	(16)	207	(5,079)
Total Adjustments	<u>82,616</u>	<u>(1,263)</u>	<u>81,353</u>	<u>(7,606)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 259,117</u>	<u>\$ (2,868)</u>	<u>\$256,249</u>	<u>\$ (17,146)</u>
Noncash Transactions Affecting Financial Position:				
Contributions of Capital Assets	\$ (11,664)	\$ -	\$ (11,664)	\$ -
Gain (Loss) on Sale of Capital Assets	(205)	-	(205)	-
Amortization of Bond Premium	10,208	-	10,208	-
Amortization of Deferred Amounts on Refunding	(2,512)	-	(2,512)	-

The accompanying notes are an integral part of these financial statements.

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883, with an approximate population of 300 and an area of one square mile. The City's population as of the 2020 census is 504,258 within an area of approximately 138 square miles. The City's charter was adopted August 18, 1967, providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library and transportation. In addition, the City owns and operates an airport and a utility whose activities include operations of electricity, gas, water, wastewater, solid waste and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's other significant accounting policies are described below:

a. Reporting Entity

The accompanying financial statements include the City and its blended component units, Eastmark and Cadence Community Facilities Districts, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14, and as amended by GASB Statements No. 61 and No. 80, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Community Facilities District ("Districts") The City has three municipal corporation political subdivisions of the State of Arizona that are organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the Districts. The City Council serves as the board of directors of the Districts and the City Manager currently serves as the Manager of the Districts.

Although the Districts are legally separate from the City, the Districts are reported as if they are part of the primary government because the District's governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the Districts. Separate financial statements for Eastmark Community Facilities District #1 can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3rd Floor, Mesa, Arizona 85211. Separate financial statements for Eastmark Community Facilities District #2 and Cadence Community Facilities District are not prepared.

b. Jointly Governed Organizations

Phoenix – Mesa Gateway Airport Authority ("PMGAA") is a Joint-Powers Airport Authority established and funded by the City, the City of Phoenix, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September of 1993 to become PMGAA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The City contributed \$1.7 million to the PMGAA operating and capital budget during this fiscal year.

Valley Metro Regional Public Transportation Authority ("the Authority") is a voluntary association of local governments, including the cities of Mesa, Tempe, Scottsdale, Glendale, Phoenix and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

Arizona Municipal Water Users Association (“AMWUA”) is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. In addition, AMWUA performs certain accounting, administrative and support services for the cities who are jointly using the 91st Avenue Water Treatment Plant.

c. Basic Financial Statements

Government-Wide Financial Statements: The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report on the City as a whole. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for services. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements; the exception is any interfund activity between Governmental and Business-Type Activities, such as transfers. Interfund services provided and used are not eliminated.

The Statement of Net Position reports all financial and capital resources of the City. It is presented in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be presented in three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use externally either imposed by creditors (such as bond covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position are those not otherwise classified as restricted and are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Statement of Activities demonstrates the degree to which the direct expenses of the various functional activities of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General Government, Public Safety, Cultural-Recreational, etc.). Expenses reported for the various functional activities include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions in the Governmental Activities. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions not covered by program revenues.

Fund Financial Statements: The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Separate financial statements are provided for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. The City has two enterprise funds. The Utility Fund is reported as a major fund and the Airport Fund is a Non-Major Fund. Non-Major Governmental Funds, as well as the Internal Service Funds, are summarized into a single column on the fund financial statements and are detailed in combining statements included as Supplementary Information.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements: The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing

of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements: The Governmental Fund Financial Statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current period. Principal revenue sources considered to be susceptible to accrual are City sales taxes, property taxes, intergovernmental revenues and interest on investments.

In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement No. 33, receivables and revenues are recognized when all the applicable eligibility requirements, including time requirements, have been met. Resources transmitted before the eligibility requirements are met are reported as unearned revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

City sales taxes, State shared revenues, including sales and income taxes, highway user and auto lieu taxes, and lottery distributions for transportation assistance, which are collected and held by the State at year-end, on behalf of the City, are also recognized as revenue. Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Annual installments not currently receivable are reflected as unavailable revenue.

Licenses and permits, charges for services and miscellaneous revenues are recorded as revenue when received as cash because they are generally not available until actually received. Changes in the fair value of investments are recognized in revenue at the end of each year.

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting.

Since the Governmental Fund Financial Statements are presented on a different measurement focus and basis of accounting than the Government-Wide Financial Statements, a reconciliation is presented on the page following each Governmental Fund Financial Statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the Governmental Activities column of the Government-Wide Financial Statements. Additional reconciliations are also provided in Note 2.

Proprietary Funds Financial Statements: The financial statements of the Proprietary Fund are reported using the economic resources measurement focus and accrual basis of accounting, similar to the Government-Wide Financial Statements described above.

The Proprietary Fund Financial Statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition, such as investment income and interest expense are reported as non-operating revenues and expenses.

Internal Service Funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the Proprietary Fund Financial Statements. Since the principal users of internal services are the City's Governmental Activities, financial statements of the internal service funds are consolidated into the Governmental Activities column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity on the Statement of Activities and the revenues and expenses within the Internal Service Funds are

eliminated from the Government-Wide Financial Statements to avoid any doubling up effect of these revenues and expenses.

e. Fund Accounting

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports on the following major Governmental Funds and Proprietary Funds:

Major Governmental Funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Proprietary (Enterprise) Fund:

The **Utility Fund** has been established to account for all utility functions. This includes the City-owned electric, gas, water, wastewater and solid waste systems, plus district cooling.

Non-major Governmental Funds:

Twelve **Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Five **Capital Project Funds** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Four **Debt Service Funds** are used to account for the accumulation of resources for the payment of long-term obligation principal, interest, and service charges.

Proprietary Funds:

The **Airport Fund** is a Non-major Enterprise Fund and is used to account for the City-owned airport.

Internal Service Funds are used to account for operations that provide services to other departments of the government on a cost-reimbursement basis. These services include fleet support, materials and supply, printing and graphics, self-insurance for property and public liability, workers' compensation and employee benefit programs.

f. Budgets and Budgetary Accounting

Each year the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. Prior to June 1, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain citizen comments. Prior to June 30, the budget for the ensuing year is legally adopted through passage of an ordinance; these appropriations lapse at the end of each fiscal year.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a Home Rule option, any City can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. On November 8, 2022, the City of Mesa voters approved to continue under Home Rule through fiscal year 2027.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional details, see the Notes to Budgetary Comparison Schedule. Budgeted amounts are as originally adopted by the City Council on June 3, 2024.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

h. Pooled Cash and Investments

The City maintains an invested pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "pooled cash and investments". Assets related to long-term investments of the invested pool are held by a single master custodian. In addition, cash deposits are held separately in the State of Arizona Local Government Investment Pool (LGIP).

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Interest income from investments is recorded as revenue within the fund that made the investment.

i. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. The warehouse inventory is valued at the lower of average cost or market, while fleet support services inventory is valued at cost on a first-in, first out (FIFO) basis. The cost of inventory is reported as an expense/expenditure at the time individual items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

j. Capital Assets

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. Intangible assets for the City include goodwill, right of way, easements and computer software. The City has elected to capitalize software with an initial cost of \$100,000 or more. All capital assets, whether owned by governmental activities or business-type activities, are required to be recorded and depreciated in the government-wide financial statements.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at acquisition value or engineering estimates of acquisition value at the time of receipt. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts, and any resultant gain or loss is charged to income or expense.

Depreciation and amortization of all assets are recorded and calculated using the straight-line method over the following estimated useful lives:

Buildings	15-50 Years
Other Improvements	5-50 Years
Machinery and Equipment	3-30 Years
Intangibles	6-15 Years
Infrastructure	5-50 Years

Lease and subscription-based information technology arrangements assets are amortized over the shorter of the lease period or estimated useful life of the associated contract.

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

k. Compensated Absences

Vacation, compensatory time and sick leave benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is more likely than not that the City will compensate the employees for the benefits through paid time off or some other means, such as cash.

For Governmental Funds a liability for vacation, compensatory time and sick leave are reported only if they have matured, for example, as a result of employee resignations and retirements. The entire amount of accumulated unpaid vested vacation pay, compensatory time and an estimated amount for sick leave related to the Proprietary Funds is included as a liability in the fund financial statements. The remaining long-term balances related to Governmental Activities are included in the Government-Wide Financial Statement.

l. Reserve for Loss and Loss Adjustment Expenses

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds establish claim liabilities based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expenses in the periods in which they are made.

m. Long-Term Obligations

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

n. Pension and Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/ deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. Fund Balance Policies

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent restricted classifications and Committed, Assigned, and Unassigned represent unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact. Restricted fund balance has externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter). Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required by resolution to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/nonapproval. City Charter authorizes the City Manager or Designee the authority to perform all financial transactions. The City Manager has authorized the Chief Financial Officer this responsibility. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

p. Statement of Cash Flows

A statement of cash flows classifies cash receipts and payments according to whether they stem from operating, non-capital financing, capital and related financing, or investing activities.

For purposes of the statements of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. This includes all monies in the State Treasurer's Local Government Investment Pools since the City may deposit or withdraw cash at any time without prior notice or penalty.

q. **Contingency Services**

The principal purpose of a contingency is to cover any unforeseen expenditures that may arise after the budget is adopted, and to cover expenditures resulting from prior year encumbrances. It is impossible to estimate revenues exactly or to determine in a prior year the exact expenditure of each program or activity for the ensuing year. Thus, a contingency is essential for budgetary purposes.

Any balance of a contingency fund not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2025, and are made in accordance with State Statutes.

r. **Property Taxes**

The City's secondary property tax is levied each year on or before the third Monday in August based on the previous February limited property values as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16.0%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of tax liens on properties which have delinquent real estate taxes are held in February.

Secondary property taxes are levied to pay principal and interest on bonded indebtedness. The dollar amount of the secondary property tax levy is "unlimited" and the limited property value is used in determining the tax rate.

In fiscal year 2024-2025, current property tax collections were \$40,911,056 or 98.79% of the tax levy and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as unavailable revenue. The receivable on June 30, 2025, was \$1,145,595 of which \$642,915 was recorded as revenue and \$502,680 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 102 *Certain Risk Disclosures*. This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. The City implemented this Standard in fiscal year 2025 with no significant impact on these financial statements.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each governmental fund financial statement.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net position (in thousands):

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
Assets					
Pooled Cash and Investments	\$ 955,496	\$ -	\$ 54,586	\$ -	\$ 1,010,082
Accounts and Misc Receivable, Net	29,231	-	1,319	-	30,550
Lease Receivable	49,536	-	-	-	49,536
Accrued Interest Receivable	4,997	-	162	-	5,159
Due from Other Governments	50,798	-	-	-	50,798
Dues from Other Funds	4,947	-	-	(4,947)	-
Inventory	-	-	14,646	-	14,646
Prepaid and Deposits	5,366	468	2,184	-	8,018
Restricted Assets:					
Pooled Cash and Investments	87,039	-	-	-	87,039
Cash with Fiscal Agent	55,462	-	-	-	55,462
Accounts Receivable	19,740	-	-	-	19,740
Dues from Other Governments	1,238	-	-	-	1,238
Investment in Joint Ventures	-	278,936	-	-	278,936
Capital Assets	-	1,914,481	10,039	-	1,924,520
Total Assets	<u>1,263,850</u>	<u>2,193,885</u>	<u>82,936</u>	<u>(4,947)</u>	<u>3,535,724</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	2,264	-	-	2,264
Pensions and OPEB	-	304,060	4,349	-	308,409
Total Deferred Outflows of Resources	<u>-</u>	<u>306,324</u>	<u>4,349</u>	<u>-</u>	<u>310,673</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,263,850</u>	<u>\$ 2,500,209</u>	<u>\$ 87,285</u>	<u>\$ (4,947)</u>	<u>\$ 3,846,397</u>
Liabilities					
Accounts Payable and Accrued	\$ 65,643	\$ -	\$ 5,991	\$ -	\$ 71,634
Due to Other Funds	-	-	4,947	(4,947)	-
Claims Payable	-	-	39,946	-	39,946
Customer and Defendant Deposits	10,035	-	-	-	10,035
Unearned Revenue	30,164	-	-	-	30,164
Liabilities Payable from Restricted Pension and OPEB	59,661	-	-	-	59,661
Long-term Liabilities	-	1,833,432	39,893	-	1,873,325
Total Liabilities	<u>165,503</u>	<u>2,534,675</u>	<u>92,162</u>	<u>(4,947)</u>	<u>2,787,393</u>
Deferred Inflows of Resources					
Unavailable Revenue	27,413	(27,413)	-	-	-
Pension	-	144,151	4,625	-	148,776
Deferred Inflows Related to Leases	46,088	-	-	-	46,088
Total Deferred Inflows of Resources	<u>73,501</u>	<u>116,738</u>	<u>4,625</u>	<u>-</u>	<u>194,864</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>1,024,846</u>	<u>(151,204)</u>	<u>(9,502)</u>	<u>-</u>	<u>864,140</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 1,263,850</u>	<u>\$ 2,500,209</u>	<u>\$ 87,285</u>	<u>\$ (4,947)</u>	<u>\$ 3,846,397</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

(1) Investment in joint ventures that are to be used in governmental activities are also reported in the governmental funds as expenditures as constructed. These assets are included in the statement of net position for the City as a whole.

Investment in Joint Ventures	\$ <u>278,936</u>
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When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 3,393,533
Accumulated Depreciation	<u>(1,506,391)</u>
Total	<u>\$ 1,887,142</u>

Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid such leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the shorter of the lease period or estimated useful life of the associated contract.

Lease and SBITA Assets	\$ 38,071
Accumulated Amortization	<u>(10,732)</u>
Total	<u>\$ 27,339</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement.

Bonds Payable	\$ 583,808
Lease & SBITA Liability	29,165
Compensated Absences	52,003
Unamortized Bond Premium	36,267
Post-employment Benefits	864,723
Pension Liability	<u>968,709</u>
Total	<u>\$ 2,534,675</u>

Deferred outflows represent a consumption of net assets that applies to future reporting period(s) and do not meet the definition of an asset. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. The pension-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period.

Deferred Amounts on Refunding	\$ 2,264
Deferred Pensions and OPEB	<u>304,060</u>
	<u>\$ 306,324</u>

Deferred inflows relating to pensions represent acquisition of net assets that applies to future periods.

Deferred Inflow of Resources on Pension	\$ <u>144,151</u>
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Prepaid expense consists of items that will consume net position in a future reporting period(s):

Prepaid Cost of Issuance	\$ <u>468</u>
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Unavailable revenues shown on the governmental fund statements are not deferred on the statement of net position.

Unavailable Property Tax Revenues	\$ 533
Unavailable Special Assessment Revenue	19,740
Receivables not yet Collected	<u>7,140</u>
	<u>\$ 27,413</u>

(2) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The assets, liabilities, deferred inflows and deferred outflows of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.

Internal Service Funds	\$ <u>(9,502)</u>
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City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Activities (in thousands):

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
Revenues and Other							
Revenues:							
Sales Taxes	\$ 330,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,176
Property Taxes	46,543	(235)	-	-	-	-	46,308
Occupancy Taxes	6,726	-	-	-	-	-	6,726
Special Assessments	1,737	(846)	-	-	-	-	891
Licenses and Permits	44,305	-	-	-	-	-	44,305
Intergovernmental	353,053	-	-	-	-	-	353,053
Charges for Service	91,658	-	-	-	-	-	91,658
Fines and Forfeitures	8,248	-	-	-	-	-	8,248
Investment Income	54,764	-	-	2,971	-	-	57,735
Contributions	57	-	4,056	32,690	-	-	36,803
Miscellaneous	11,995	2,326	-	-	-	-	14,321
Other Sources:							
Transfers In	218,873	-	-	11,556	-	(91,683)	138,746
Sale of Capital Assets	568	-	(568)	-	-	-	-
Face Amount of Bonds	154,266	-	-	-	(154,266)	-	-
Financing of Leases	11,123	-	-	-	(11,123)	-	-
Premiums on Issuance of Bonds	14,622	-	-	-	(14,622)	-	-
Total Revenue and Other Sources	1,348,714	1,245	3,488	47,217	(180,011)	(91,683)	1,128,970
Expenditures/ Expenses and Other							
Expenditures/Expenses:							
Current:							
General	160,894	17,661	33,202	18,758	-	-	230,515
Public Safety	438,559	17,960	21,682	16,078	-	-	494,279
Community	126,557	1,994	59,355	5,262	-	-	193,168
Cultural-	87,941	2,070	21,530	2,128	-	-	113,669
Debt Service:							
Principal	55,420	-	-	-	(55,420)	-	-
Interest	20,114	-	-	-	(2,975)	-	17,139
Service Charge	13	-	-	-	-	-	13
Cost of Issuance	772	-	-	-	25	-	797
Capital Outlay	211,642	-	(211,642)	-	-	-	-
Other Financing Uses:							
Transfers Out	91,571	-	-	112	-	(91,683)	-
Total Expenditures/ & Other Financing	1,193,483	39,685	(75,873)	42,338	(58,370)	(91,683)	1,049,580
Net Change for the Year	\$ 155,231	\$ (38,440)	\$ 79,361	\$ 4,879	\$(121,641)	\$ -	\$ 79,390

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

- (1) Revenues in the statement of activities that do not provide current financial resources include unavailable revenues. Revenues that are “unavailable” and do not provide current financial resources are not reported in the governmental funds. However, the subsequent collection of these revenues in the governmental funds will reduce the amount reported in the statement of activities.

Property Tax Revenues	\$ (235)
Special Assessment Revenue	(846)
Unavailable Revenue	2,326
	<u>\$ 1,245</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of Long Term Compensated Absence	\$ 3,289
OPEB Expense	31,303
Pension Expense	5,093
Total	<u>\$ 39,685</u>

- (2) When capital assets that are to be used in the governmental activities are purchased or constructed the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation/amortization expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation/amortization expense charged for the year.

Capital Outlay for Capital Assets	\$ 163,058
Depreciation Expense	(78,738)
Total	<u>\$ 84,320</u>

When leases (in which the City is the lessee) and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/ Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP and PVFSP are recognized as intangible assets and amortized over the lease term/subscription term.

Capital Outlay for Leases and SBITAs	\$ 11,123
Lease & SBITA Amortization	(6,900)
Total	<u>\$ 4,223</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) and investment in joint venture activity is to increase net position.

Change in Equity Interest for Joint Venture	\$ (8,836)
Donations, transfers and Disposals	(346)
	<u>\$ (9,182)</u>

- (3) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The adjustments for internal service funds “close” those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year.

Revenue and other Sources	\$ 47,217
Expenditures and other Assets	(42,338)
Change in Net Position	<u>\$ 4,879</u>

- (4) Bond and note proceeds are reported as financing sources and the repayment of principal consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities.

General Obligation Bonds	\$ (154,266)
Principal Repayments	49,588
Total	<u>\$ (104,678)</u>

The financing of leases and subscription-based information technology arrangements (SBITAs) are reported as financing sources in governmental funds and thus contribute to the change in fund balance. The repayment of principal on leases and SBITAs consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities

Lease Acquisition	\$ (11,123)
Principal Repayment	5,832
	<u>\$ (5,291)</u>

Governmental funds report bond premium, deferred amounts and prepaids relating to refunding when first issued. In the statement of activities these amounts are amortized.

Premiums on Bonds	\$ 14,622
Amortization of Bond Premiums	(3,894)
Amortization of Deferred Refunding Amounts	919
Amortization of Bond Issuance Costs	25
	<u>\$ 11,672</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

(5) Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

Transfers Out	\$	(91,683)
Transfers In		91,683
	\$	<u> —</u>

3. FUND BALANCE

As of June 30, 2025, the fund balance details by classification are listed below (in thousands):

Fund Balances:	General Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Costs	\$ 4,523	\$ 843	\$ 5,366
Nonspendable Sub-total	4,523	843	5,366
Restricted:			
Capital Projects	-	139,584	139,584
Community Facility District	-	1,550	1,550
Coronavirus Relief	-	2,894	2,894
Court	-	2,090	2,090
Debt Service	-	28,349	28,349
Fire	-	51,624	51,624
General Government	-	10	10
Housing	-	1,972	1,972
Library	-	276	276
Parks & Recreation	-	709	709
Police	-	67,098	67,098
Public Health	-	4,946	4,946
Spring Training and Tourism	-	3,716	3,716
Transportation Programs	-	160,630	160,630
Restricted Sub-total	-	465,448	465,448
Committed To:			
Arts & Culture	-	1,121	1,121
Cemetery	3,553	3,343	6,896
Environmental Compliance	-	19,314	19,314
Fire	3,188	-	3,188
Technology	-	2,548	2,548
Committed To Sub-total	6,741	26,326	33,067
Assigned To:			
Capital Projects	-	91,283	91,283
Development Services	608	-	608
Economic Development	6,125	-	6,125
Fire	10,698	-	10,698
General Government	143,084	219	143,303
Housing	5,600	-	5,600
Parks & Recreation	1,831	-	1,831
Police	18,413	-	18,413
Spring Training and Tourism	30,531	-	30,531
Sustainability	397	-	397
Transit	351	-	351
Vehicle Replacement	-	1,734	1,734
Assigned To Sub-total	217,638	93,236	310,874
Unassigned	210,091	-	210,091
Total Fund Balances	\$ 438,993	\$ 585,853	\$ 1,024,846

4. POOLED CASH AND INVESTMENTS

Total Pooled City Cash and Investments at fair value are as follows (in thousands):

Cash on Hand	\$	18,670
Investments in Local Govt Invest Pools		11,087
Cash with Custodian (1)		11,300
Money Market		30,000
Cash with Fiscal Agent (2)		144,419
Cash with Trustee		7
Long-Term Investments		1,336,110
Total City Pooled Cash and Investments	<u>\$</u>	<u>1,551,593</u>

(1) Represents cash sent by the City to Custodian on June 30, 2025 for investing purposes.

(2) Represents cash sent by the City to fiscal agents on June 30, 2025 for debt service payments due to bondholders on July 1, 2025

Deposits

At year end, the City’s cash totaled \$18,670,416 which included \$137,030 in petty cash. The City’s adjusted book balance was \$18,533,386 and the bank balance was \$29,624,660. The difference of \$11,091,274 represents outstanding deposits and withdrawals in transit.

Custodial Risk

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the City’s deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 Arizona Revised Statute (§35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the “Administrator”) in the State Treasurer’s Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank’s compliance. Collateral under this program is pledged in the name of the Administrator and the City’s current bank is a participant in this program. The City’s cash balances on deposit as of June 30, 2025 are covered under House Bill 2619.

Investments

The City’s Investment Policy is consistent with the City Charter. The investment policy authorizes the investment of City funds in accordance with Arizona Revised Statute §35-323. These investments include obligations of the U.S. Treasury and U.S.agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties, or incorporated cities, towns or duly organized school districts, improvement districts in this state, State Treasurer Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

Interest Rate Risk

The City’s investment policy for limiting its exposure from rising interest rates complies with Arizona Revised Statute §35-323, which limits investments of public monies to maturities of five years or less.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy for credit risk complies with Arizona Revised Statute §35-323. The City’s portfolio

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from two nationally recognized rating agencies.

The City's portfolio also invests in Corporate Notes rated "A" or better by two nationally recognized rating agencies and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. Pool 7 carries a weighted average credit rating of AAA.

Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City's investments had the following credit risk structure as of June 30, 2025 (in thousands):

Investment Type	S & P Rating	Fair value
Corporate Notes	AAA	\$ 3,076
Corporate Notes	AA+	9,418
Corporate Notes	AA	1,502
Corporate Notes	AA-	29,858
Corporate Notes	A+	33,422
Corporate Notes	A	29,682
Corporate Notes	A-	27,524
Corporate Notes	BBB+	4,063
Corporate Notes	NR / NR**	5,067
First American Gov't Obligation MM Fund	AAAm	11,300
Goldman Sachs Money Market	AAAm	30,000
Foreign Issues	AAA	13,065
Foreign Issues	AA-	13,811
Foreign Issues	A+	13,807
Foreign Issues	A	10,991
Foreign Issues	A-	19,500
Foreign Issues	BBB+	3,023
Municipal Bonds	AAA	15,499
Municipal Bonds	AA+	8,974
Municipal Bonds	AA	15,388
Municipal Bonds	AA-	20,108
Municipal Bonds	A+	3,028
Municipal Bonds	A	984
Municipal Bonds	N/A	7,374
Municipal Bonds	N/R	6,973
US Agencies	AA+	377,152
US Agencies	N/A	328,378
US Agencies and Treasuries Short Term	N/R**	334,443
Total		\$ 1,377,410

*Rating by Moodys **No Rating
Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

On June 30, 2025, the City had the following recurring fair value measurements (in thousands):

<u>Investment by Fair Value Level</u>	Fair Value 6/30/2025	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<u>Debt Securities</u>				
Corporate Notes	\$ 143,612	\$ -	\$ 143,612	\$ -
Foreign Issues	74,197	-	74,197	-
Municipal Bonds	78,328	-	78,328	-
US Treasuries and Agencies	1,039,973	-	1,039,973	-
Total Debt Securities at Fair Value	<u>1,336,110</u>	<u>\$ -</u>	<u>\$1,336,110</u>	<u>\$ -</u>
<u>Investments Measured at Net Asset Value</u>				
Arizona State Treasurers Investment Pools	11,087			
First American Gov't Obligation MM Fund	11,300			
Goldman Sachs Money Market	<u>30,000</u>			
Total Investments Measured At Fair Value	<u>\$ 1,388,497</u>			

Debt securities classified in Level 2 are valued using quoted prices for similar securities in active markets.

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable fair values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office on June 30, 2025.

The City's investment maturities on June 30, 2025 are as follows (in thousands):

<u>Investment Type</u>	Investment Maturities (in Years)				Concentration of Credit Risk %
	Fair Value	Less Than 1	1-3	3-5	
Corporate Notes	\$ 143,613	\$ 4,277	\$ 75,705	\$ 63,631	10.43 %
First American Gov't Obligation MM	11,300	11,300	-	-	0.82 %
Goldman Sachs Money Market	30,000	30,000	-	-	2.18 %
Foreign Issues	74,197	12,697	39,001	22,499	5.39 %
Municipal Bonds	78,327	26,887	31,215	20,225	5.69 %
US Treasuries and Agencies	1,039,973	613,833	270,223	155,917	75.50 %
Totals	<u>\$1,377,410</u>	<u>\$ 698,994</u>	<u>\$ 416,144</u>	<u>\$262,272</u>	<u>100.00 %</u>

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows (in thousands):

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Other Customers	\$ 33,993	\$ (9,518)	\$ 24,475
Leases	49,536	-	49,536
Due from Other Governments:	17,562	-	17,562
Non-Major Governmental Funds:			
Other Customers	6,002	(1,246)	4,756
Restricted-Spec. Assessments	19,740	-	19,740
Restricted-Due from Other Governments	1,238	-	1,238
Due from Other Governments			
Sales Tax Revenues	26,403	-	26,403
Other	6,833	-	6,833
Internal Service Funds:			
Premiums	11	-	11
Other Customers	1,952	(644)	1,308
Total Governmental Activities	\$ 163,270	\$ (11,408)	\$ 151,862
 Business-Type Activities:			
Utility Customers	\$ 52,985	\$ (2,172)	\$ 50,813
Other Customers	1,537	(190)	1,347
Leases	59,967	-	59,967
Due from Other Governments	5,867	-	5,867
Total Business-type Activities	\$ 120,356	\$ (2,362)	\$ 117,994

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2025, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 3,669
Gas	1,869
Water	12,874
Wastewater	6,212
Solid Waste	3,818
	\$ 28,442

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Additionally, governmental funds record unearned revenue when resources have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported were as follows (in thousands):

	Governmental Activities		
	General Fund	Non-Major Funds	Total
<u>Unearned Revenue</u>			
Advance ticket sales	\$ 3,762	\$ 276	\$ 4,038
Grants received prior to meeting all eligibility requirements	-	18,496	18,496
Unspent ABC Donations	-	110	110
Amounts paid in advance	1,475	6,045	7,520
	<u>\$ 5,237</u>	<u>\$ 24,927</u>	<u>\$ 30,164</u>
<u>Unavailable Revenue</u>			
Receivables not yet collected	\$ 4,379	\$ 2,761	\$ 7,140
Delinquent Property Taxes	-	533	533
Special Assessments not yet due	-	19,740	19,740
	<u>\$ 4,379</u>	<u>\$ 23,034</u>	<u>\$ 27,413</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements on June 30, 2025 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 4,947	\$ -
Proprietary Funds	-	4,947
Total	<u>\$ 4,947</u>	<u>\$ 4,947</u>

Interfund balances on June 30, 2025, are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2025 (in thousands):

		Transfers Out					
Transfers In	Funds	General	Non-Major Governmental	Utility	Airport	Internal Service	Total
	General		\$ -	\$ 5,739	\$138,566	\$ 11	\$ 112
Non-Major Governmental		74,445	-	-	-	-	74,445
Internal Service		11,387	-	167	2	-	11,556
	Total	\$ 85,832	\$ 5,739	\$138,733	\$ 13	\$ 112	\$ 230,429

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$138,143,000 operational subsidy from the Utility Fund to the General Fund. The remaining interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; and 2) subsidy/reserve transfers.

7. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

City as Lessee

The City, as a lessee, has entered into lease agreements for three buildings, including one located at a local commercial airport, under long-term, non-cancelable lease agreements. The City sub-leases the airport building to an aircraft parts engineering and maintenance company. The airport lease agreement provides for increases in future minimum annual rental payments based on defined increases in the consumer price index, subject to certain minimum increases. The total of the City's lease assets is recorded at a cost of \$27,809,868, less accumulated amortization of \$6,040,833.

Total future minimum lease payments under this lease agreement are as follows (in thousands):

	Governmental Activities		Total
	Principal	Interest	
2026	\$ 2,795	\$ 446	\$ 3,241
2027	2,140	360	2,500
2028	1,327	326	1,653
2029	1,231	301	1,532
2030	1,253	276	1,529
2031-2035	6,645	982	7,627
Thereafter	6,999	254	7,253
Totals	<u>\$ 22,391</u>	<u>\$ 2,945</u>	<u>\$ 25,335</u>

City as Lessor

The City, as a lessor, has entered into lease agreements for land, air, buildings, and equipment under long-term, non-cancelable lease agreements. The building that is leased from a local commercial airport is sub-leased to an aircraft parts engineering and maintenance company. These leases expire at various dates through 2079 and provide for renewal options ranging from 1 to 50 years. During the year ended June 30, 2025, the City recognized \$5,625,422 and \$2,422,956 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Subscription-Based Information Technology Arrangements

The City has obtained the right to use various desktop and server software, cloud backup services, payroll and human resources software, and other intangible right-to-use software under the provisions of various subscription-based information technology arrangements (SBITA's).

The total of the City's subscription assets is recorded at a cost of \$10,262,000, less accumulated amortization of \$4,690,000.

The future subscription payments under SBITA agreements are as follows (in thousands):

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,420	\$ 247	\$ 1,667
2027	1,268	198	1,466
2028	662	160	822
2029	384	144	528
2030	416	127	543
2031-2035	<u>2,625</u>	<u>282</u>	<u>2,907</u>
Totals	<u>\$ 6,775</u>	<u>\$ 1,158</u>	<u>\$ 7,933</u>

8. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2025, follows (in thousands):

Government Activities	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable Assets:				
Land	\$ 419,761	\$ -	\$ -	\$ 419,761
Infrastructure	3,597	-	-	3,597
Construction-in-Progress	186,489	202,455	(217,518)	171,426
Total Non-depreciable Assets	<u>609,847</u>	<u>202,455</u>	<u>(217,518)</u>	<u>594,784</u>
Depreciable Assets:				
Buildings	542,027	58,764	-	600,791
Other Improvements	327,457	47,530	(1,673)	373,314
Machinery & Equipment	335,730	48,029	(5,481)	378,278
Infrastructure	1,412,491	30,099	(70)	1,442,520
Intangible:				
Subscription Assets	3,926	8,000	(1,664)	10,262
Lease - Buildings	28,316	2,832	(3,629)	27,519
Lease - Machinery & Equipment	-	264	-	264
Lease - Land	-	26	-	26
Software	24,312	-	-	24,312
Total Depreciable Assets	<u>2,674,259</u>	<u>195,544</u>	<u>(12,517)</u>	<u>2,857,286</u>
Less Accumulated Depreciation for:				
Buildings	(182,276)	(10,453)	-	(192,729)
Other Improvements	(184,340)	(11,943)	1,464	(194,819)
Machinery & Equipment	(218,458)	(17,105)	5,322	(230,241)
Infrastructure	(835,222)	(39,565)	70	(874,717)
Intangible:				
Subscription Assets	(2,455)	(3,899)	1,664	(4,690)
Lease - Buildings	(6,577)	(2,967)	3,604	(5,940)
Lease - Machinery & Equipment	-	(84)	-	(84)
Lease - Land	-	(18)	-	(18)
Software	(24,312)	-	-	(24,312)
Total Accum. Depreciation	<u>(1,453,640)</u>	<u>(86,034)</u>	<u>12,124</u>	<u>(1,527,550)</u>
Total Depreciated Capital Assets net	<u>1,220,619</u>	<u>109,510</u>	<u>(393)</u>	<u>1,329,736</u>
Governmental Activities Capital, net	<u>\$1,830,466</u>	<u>\$ 311,965</u>	<u>\$ (217,911)</u>	<u>\$1,924,520</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

Depreciation and Amortization expense was charged to functions in the government-wide financial statements as follows (in thousands):

General Government	\$ 11,628
Public Safety	14,685
Community Environment	42,590
Cultural-Recreational	16,715
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	416
	<u>\$ 86,034</u>

Business-Type Activities:	Beginning	Additions	Retirements	Balance
Non-depreciable Assets:				
Land	\$ 31,786	\$ -	\$ -	\$ 31,786
Water Rights	17,560	-	-	17,560
Collections of Art	106	-	-	106
Construction-in-Progress	191,396	327,488	(105,931)	412,953
Total Non-depreciable Assets	<u>240,848</u>	<u>327,488</u>	<u>(105,931)</u>	<u>462,405</u>
Depreciable Assets:				
Buildings	46,701	-	-	46,701
Other Improvements	87,533	314	-	87,847
Machinery & Equipment	93,555	15,334	(4,032)	104,857
Intangibles	26,801	-	-	26,801
Infrastructure	2,372,334	82,707	(100)	2,454,941
Total Depreciable Assets	<u>2,626,924</u>	<u>98,355</u>	<u>(4,132)</u>	<u>2,721,147</u>
Less Accumulated Depreciation for:				
Buildings	(19,273)	(857)	-	(20,130)
Other Improvements	(52,328)	(2,342)	-	(54,670)
Machinery & Equipment	(67,377)	(4,876)	4,032	(68,221)
Intangibles	(23,222)	(112)	-	(23,334)
Infrastructure	(1,157,587)	(57,408)	59	(1,214,936)
Total Accum. Depreciation	<u>(1,319,787)</u>	<u>(65,595)</u>	<u>4,091</u>	<u>(1,381,291)</u>
Total Depreciable Assets, net	<u>1,307,137</u>	<u>32,760</u>	<u>(41)</u>	<u>1,339,856</u>
Business-Type Activities Assets, net	<u>\$1,547,985</u>	<u>\$ 360,248</u>	<u>\$ (105,972)</u>	<u>\$ 1,802,261</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

Depreciation and Amortization expense was charged to enterprise functions in the government-wide financial statements as follows (in thousands):

Electric	\$ 3,826
Gas	6,780
Water	32,806
Wastewater	17,363
Solid Waste	2,706
Airport	1,795
District Cooling	319
	<u>\$ 65,595</u>

Construction in progress and related construction commitments are composed of the following (in thousands):

Governmental Activities	Construction in Progress	Commitments
General Governments	\$ 150,717	\$ 169,937
Public Safety	3,206	1,360
Community Environment	5,864	129
Cultural-Recreational	11,639	204
Total	<u>\$ 171,426</u>	<u>\$ 171,630</u>
Business-Type Activities	Construction In Progress	Commitments
Electric	\$ 10,422	\$ 1,965
Gas	54,044	11,253
Water	263,537	227,756
Wastewater	69,318	30,512
Solid Waste	7,319	4,226
Airport	8,142	1,472
District Cooling	171	19
Total	<u>\$ 412,953</u>	<u>\$ 277,203</u>

9. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations (in thousands).

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 335,990	\$ 154,265	\$ (33,745)	\$ 456,510	\$ 28,775
Highway User Revenue Bonds	18,540	-	(10,880)	7,660	3,755
Excise Tax Revenue Obligations	31,630	-	(1,375)	30,255	1,440
Community Facility District	92,971	-	(3,588)	89,383	3,678
Total Bonds Payable	<u>479,131</u>	<u>154,265</u>	<u>(49,588)</u>	<u>583,808</u>	<u>37,648</u>
Leases	22,077	3,122	(2,808)	22,391	2,795
Subscription-Based Information					
Technology Arrangements	1,900	8,000	(3,126)	6,774	1,420
Unamortized Premiums	25,539	14,622	(3,894)	36,267	-
Compensated Absences	50,001	40,064	(36,677)	53,388	5,725
Pension and OPEB Liability	1,808,878	64,447	-	1,873,325	24,751
Governmental Activities Total	<u>\$2,387,526</u>	<u>\$ 284,519</u>	<u>\$ (96,093)</u>	<u>\$ 2,575,953</u>	<u>\$ 72,339</u>
Business-Type Activities:					
Bonds Payable:					
Utility Revenue Bonds	\$1,063,125	\$ -	\$ (65,335)	\$ 997,790	\$ 52,185
Utility Revenue Obligations	323,975	295,465	(8,790)	610,650	12,570
Total Bonds Payable	<u>1,387,100</u>	<u>295,465</u>	<u>(74,125)</u>	<u>1,608,440</u>	<u>64,755</u>
Notes Payable	827	-	(160)	667	163
Unamortized Bond Premiums	76,961	-	(8,453)	68,508	-
Unamortized Obligation Premiums	24,110	12,823	(1,755)	35,178	-
Compensated Absences	6,259	5,251	(5,044)	6,466	816
Pension and OPEB Liability	138,622	-	(263)	138,359	2,314
Business-Type Activities Total	<u>\$1,633,879</u>	<u>\$ 313,539</u>	<u>\$ (89,799)</u>	<u>\$ 1,857,619</u>	<u>\$ 68,048</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$1,384,705 of internal service funds compensated absences are included in the above amounts.

For governmental activities, compensated absences are generally liquidated by the general fund.

b. Bonds Payable

On June 30, 2025, long-term bonds payable consisted of:

Classified in Governmental Activities on the government-wide financial statements:

General Obligation Bonds

	Bonds Outstanding (In Thousands)
\$27,290,000 2012 general obligation serial bonds due in annual installments ranging from \$840,000 to \$8,550,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2032.	\$ 14,875
\$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2033.	32,525
\$37,550,000 2014 general obligation serial bonds due in annual installments ranging from \$1,050,000 to \$5,575,000, plus semi-annual interest ranging from 2 percent to 3.6 percent through July 1, 2034.	18,800
\$13,690,000 2015 general obligation serial bonds due in annual installments ranging from \$250,000 to \$6,700,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2035.	4,315
\$37,700,000 2016 general obligation serial bonds due in annual installments ranging from \$825,000 to \$2,775,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2036.	23,100
\$20,475,000 2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.	10,485
\$22,935,000 2016 taxable general obligation refunding serial bonds due in annual installments ranging from \$1,000,000 to \$3,565,000, plus semi-annual interest ranging from 0.85 percent to 3 percent through July 1, 2029.	10,495
\$47,180,000 2017 general obligation serial bonds due in annual installments ranging from \$1,500,000 to \$5,725,000, plus semi-annual interest ranging from 3 percent to 3.25 percent through July 1, 2037.	29,630
\$47,450,000 2017 general obligation refunding serial bonds due in annual installments ranging from \$50,000 to \$9,920,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2029.	27,025
\$16,120,000 2018 general obligation serial bonds due in annual installments ranging from \$275,000 to \$8,795,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 1, 2038.	5,525

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

\$33,065,000	2019 general obligation serial bonds due in annual installments ranging from \$640,000 to \$16,700,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2039.	\$ 12,965
\$22,075,000	2020 general obligation serial and term bonds due in annual installments ranging from \$465,000 to \$11,330,000 plus semi-annual interest ranging from 1.875 percent to 3 percent through July 1, 2040.	8,825
\$23,390,000	2020 general obligation refunding serial bonds due in annual installments ranging from \$730,000 to \$12,480,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2030.	18,530
\$19,030,000	2021 general obligation serial and term bonds due in annual installments ranging from \$80,000 to \$17,080,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	1,685
\$14,495,000	2021 general obligation refunding serial bonds due in annual installments ranging from \$665,000 to \$6,380,000, plus semi-annual interest ranging of 5 percent through July 1, 2031.	10,260
\$22,620,000	2022 general obligation serial bonds due in annual installments ranging from \$905,000 to \$12,665,000, plus semi-annual interest of 5 percent through July 1, 2032.	8,100
\$83,340,000	2023 general obligation serial bonds due in annual installments ranging from \$2,440,000 to \$9,235,000, plus semi-annual interest of 5 percent through July 1, 2032.	68,665
\$154,265,000	2025 general obligation serial bonds due in annual installments ranging from \$100,000 to \$14,895,000, plus semi-annual interest of 5 percent through July 1, 2045.	<u>150,705</u>
Total General Obligation Bonds		<u><u>\$ 456,510</u></u>

Street and Highway User Revenue Bonds

\$17,555,000	2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	<u><u>\$ 7,660</u></u>
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Community Facilities District

<p>\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$62,000 to \$180,000, plus semi-annual interest ranging from 2 percent to 5.25 percent through July 1, 2038.</p>	<p>\$ 1,702</p>
<p>\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$85,000 to \$215,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039.</p>	<p>2,197</p>
<p>\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039.</p>	<p>1,392</p>
<p>\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.</p>	<p>4,845</p>
<p>\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$15,000 to \$65,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2040.</p>	<p>618</p>
<p>\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040.</p>	<p>765</p>
<p>\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041.</p>	<p>378</p>
<p>\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.</p>	<p>6,220</p>
<p>\$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.</p>	<p>1,031</p>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

<p>\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$21,000 to \$49,000, plus semi-annual interest ranging from 2.5 percent to 4.5 percent through July 1, 2042.</p>	<p>\$ 597</p>
<p>\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$8,000 to \$24,000, plus semi-annual interest ranging from 2.85 percent to 4.75 percent through July 1, 2042.</p>	<p>270</p>
<p>\$10,830,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 percent to 5.0 percent through July 15, 2043.</p>	<p>7,995</p>
<p>\$969,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 11 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$24,000 to \$65,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2043.</p>	<p>810</p>
<p>\$287,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$20,000, plus semi-annual interest ranging from 3.25 percent to 4.50 percent through July 1, 2043.</p>	<p>214</p>
<p>\$1,883,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 10 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$48,000 to \$130,000, plus semi-annual interest ranging from 2.75 percent to 5.20 percent through July 1, 2043.</p>	<p>1,562</p>
<p>\$261,000 2019 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$5,000 to \$16,000, plus semi-annual interest ranging from 2.00 percent to 5.00 percent through July 15, 2043.</p>	<p>205</p>
<p>\$2,012,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$55,000 to \$130,000, plus semi-annual interest ranging from 2.25 percent to 4.50 percent through July 1, 2043.</p>	<p>1,639</p>
<p>\$1,235,000 2019 Second Series, Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$350,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.</p>	<p>1,025</p>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2025

\$14,120,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$285,000 to \$3,950,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.	\$ 11,805
\$707,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) Assessment District "A" Special Assessment Revenue Bonds, due in annual principal installments ranging from \$20,000 to \$270,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 1, 2044.	596
\$2,803,000 2020 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$78,000 to \$170,000, plus semi-annual interest ranging from 1.50 percent to 4.00 percent through July 1, 2045.	2,405
\$5,935,000 2020 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$180,000 to \$1,410,000, plus semi-annual interest ranging from 2.00 percent to 3.00 percent through July 15, 2044.	4,965
\$14,000,000 2020 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$425,000 to \$3,250,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	11,550
\$2,315,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$1,105,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	1,975
\$4,469,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 12 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$134,000 to \$2,300,000, plus semi-annual interest ranging from 1.60 percent to 3.75 percent through July 1, 2045.	3,922
\$1,580,000 2021 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$41,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2045.	1,290
\$9,955,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$1,965,000, plus semi-annual interest of 4.00 percent through July 15, 2045.	7,820
\$3,520,000 2023 Eastmark Community Facilities District No.1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$850,000 to \$1,080,000, plus semi-annual interest ranging from 4.125 percent to 5.00 percent through July 15, 2045.	2,470

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

\$3,480,000 2023 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$115,000 to \$1,305,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 15, 2046. \$ 2,880

\$4,975,000 2023 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$385,000 to \$1,095,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 15, 2046. 4,240

Total Community Facilities District Bonds **\$ 89,383**

Excise Tax Revenue Obligation

\$36,010,000 2020 excise tax revenue serial obligations, due in annual principal installments ranging from \$645,000 to \$2,595,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2040. \$ 30,255

Total bonds payable recorded in governmental activities **\$ 583,808**

Classified in Business-type Activities on the government-wide financial statements:

Utility Systems Revenue Bonds

\$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 and 2018 utility systems revenue refunding bonds), due in annual principal installments ranging from \$700,000 to \$44,675,000, plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2029. \$ 650

\$47,290,000 2013 utility systems revenue bonds, due in one principal installment plus semi-annual interest of 4.0 percent through July 1, 2037. 47,290

\$36,385,000 2014 utility systems revenue bonds, due in two principal installments of \$20,000,000 and \$16,385,000, plus semi-annual interest of 4.0 percent through July 1, 2038. 36,385

\$102,945,000 2014 utility systems revenue refunding serial bonds, (partially refunded by 2018 utility systems revenue refunding bonds) due in annual principal installments ranging from \$475,000 to \$31,345,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030. 77,880

\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039. 23,445

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

\$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.	\$ 83,925
\$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.	134,660
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	112,050
\$75,435,000 2017 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$885,000 to \$26,565,000, plus semi-annual interest of 4 percent through July 1, 2028.	43,620
\$112,120,000 2018 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$3,000,000 to \$12,825,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2042.	91,120
\$93,825,000 2019A utility systems revenue serial and term bonds, due in annual principal installments ranging from \$850,000 to \$13,455,000, plus semi-annual interest of 5 percent through July 1, 2043.	76,730
\$54,225,000 2019B utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$200,000 to \$42,420,000, plus semi-annual interest 3 percent to 5 percent through July 1, 2033.	41,560
\$79,335,000 2019C utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,950,000 to \$7,800,000 plus semi-annual interest of 5 percent through July 1, 2035.	58,055
\$71,070,000 2020 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$10,100,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2044.	60,480
\$37,675,000 2020 utility systems revenue refunding serial bond due in a single principal installment of \$37,675,000 plus semi-annual interest of 4 percent through July 1, 2034.	37,675
\$34,685,000 2021 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$1,000,000 to \$11,395,000 plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2045.	27,395
\$44,870,000 2021 utility systems revenue refunding serial bond due in a single principal installment of \$44,870,000 plus semi-annual interest of 4 percent through July 1, 2035.	44,870
Total Utility Systems Revenue Bonds	<u>\$ 997,790</u>

Utility System Revenue Obligations

\$14,015,000 2021 utility revenue serial and term obligations, due in annual principal installments ranging from \$1,000,000 to \$4,780,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2045.	\$ 11,015
\$16,075,000 2022 utility revenue serial and term obligations, due in annual principal installments ranging from \$2,660,000 to \$7,845,000, plus semi-annual interest of 5.00 percent through July 1, 2046.	7,955
\$54,705,000 2022 taxable utility revenue serial obligations, due in annual principal installments ranging from \$2,630,000 to \$2,725,000, plus semi-annual interest ranging from 2.90 percent to 3.95 percent through July 1, 2028.	54,705
\$57,655,000 2022C taxable utility revenue refunding serial obligations, due in a single principal installment of \$57,655,000 plus semi-annual interest of 5 percent through July 1, 2036.	57,655
\$193,710,000 2023 utility revenue serial obligations, due in annual principal installment ranging from 2,500,000 to 21,300,000 plus semi-annual interest of 5 percent through July 1, 2048.	183,855
\$295,465,000 2025 utility revenue serial obligations, due in annual principal installment ranging from 3,100,000 to 25,000,000 plus semi-annual interest of 5 percent through July 1, 2049.	<u>295,465</u>
Total Utility Systems Revenue Obligations	<u>\$ 610,650</u>
Total bonds payable recorded in business-type activities	<u>\$ 1,608,440</u>

The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable on June 30, 2025 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2026	\$ 28,775	\$ 19,139	\$ 47,914	2026	\$ 3,755	\$ 344	\$ 4,099
2027	29,860	18,128	47,988	2027	3,905	156	4,061
2028	31,000	17,009	48,009	2028	-	-	-
2029	32,135	15,854	47,989	2029	-	-	-
2030	33,440	14,655	48,095	2030	-	-	-
2031-2035	153,590	52,938	206,528	2031-2035	-	-	-
2036-2040	103,400	24,684	128,084	2036-2040	-	-	-
2041-2045	44,310	5,330	49,640	2041-2045	-	-	-
TOTALS	\$ 456,510	\$ 167,737	\$ 624,247	TOTALS	\$ 7,660	\$ 500	\$ 8,160

Excise Tax Revenue Obligations				Community Facilities District			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2026	\$ 1,440	\$ 1,255	\$ 2,695	2026	\$ 3,678	\$ 3,524	\$ 7,202
2027	1,515	1,183	2,698	2027	3,807	3,384	7,191
2028	1,590	1,107	2,697	2028	3,915	3,233	7,148
2029	1,670	1,028	2,698	2029	4,001	3,078	7,079
2030	1,750	944	2,694	2030	4,116	2,918	7,034
2031-2035	10,105	3,380	13,485	2031-2035	22,441	11,507	33,948
2036-2040	12,185	1,297	13,482	2036-2040	25,737	7,443	33,180
2041-2045	-	-	-	2041-2045	21,113	2,418	23,531
2046-2050	-	-	-	2046-2050	575	24	599
TOTALS	\$ 30,255	\$ 10,195	\$ 40,450	TOTALS	\$ 89,383	\$ 37,529	\$ 126,912

Business-type Activities

Revenue Bonds				Utility Revenue Obligations			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2026	\$ 52,185	\$ 40,379	\$ 92,564	2026	\$ 12,570	\$ 31,394	\$ 43,964
2027	54,655	38,104	92,759	2027	13,055	29,260	42,315
2028	58,055	35,811	93,866	2028	11,830	28,641	40,471
2029	56,235	33,383	89,618	2029	15,360	28,077	43,437
2030	55,770	31,043	86,813	2030	15,275	27,309	42,584
2031-2035	322,900	115,743	438,643	2031-2035	79,435	125,450	204,885
2036-2040	270,510	60,944	331,454	2036-2040	168,355	91,962	260,317
2041-2045	127,480	12,075	139,555	2041-2045	189,905	53,999	243,904
2046-2050	-	-	-	2046-2050	104,865	10,293	115,158
TOTALS	\$ 997,790	\$ 367,482	\$ 1,365,272	TOTALS	\$ 610,650	\$ 426,385	\$ 1,037,035

General Obligation Bonds

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities. General obligation bonds of community facilities districts are not subject to or included in this calculation.

The total debt margin available June 30, 2025, is (in thousands):

6% Bonds	\$	579,729
20% Bonds		1,540,939
Total Available	\$	<u>2,120,668</u>

Community Facilities Districts Special Assessment and General Obligation Bonds

Community Facilities District Special Assessment and General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. The City has no liability for CFD bonds.

CFD general obligation bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. As of June 30, 2025, total principal and interest outstanding for CFD general obligation bonds was \$97,790,063.

CFD special assessment bonds are collateralized by properties within established districts. In the event of default by the property owner, the CFD may enforce an auction sale to satisfy the debt service requirements of the assessment bonds. On June 30, 2025, the special assessments receivable for CFDs, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. The total principal and interest remaining to be paid on the bonds is \$29,122,861. Principal and interest paid for the current year and total assessments collected were \$1,669,000, and \$1,737,000 respectively.

Utility System Revenue Bonds

City revenue bond indenture ordinances require that the net amount of revenues of the electric, gas, water, wastewater and solid waste systems (total revenues less operations and maintenance expenses) equal 120 percent of the principal and interest requirement in each fiscal year. The above covenant and all other bond covenants have been met.

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to 2 percent of all tangible assets of the Utility System is accumulated. For the year ended June 30, 2025, the amount provided in the Replacement and Extension Funds equaled \$10,133,000 which is in compliance with the bond provisions. As of June 30, 2025, the amount available is \$46,850,000.

c. Notes Payable

Business Type Activities

The City entered into four separate loan agreements with the Water Infrastructure Finance Authority of Arizona. The purposes of the loans are to make improvements and upgrades to existing water and wastewater projects. The loans utilize funds from the United States Environmental Protection Agency pursuant to the Federal American Reinvestment and Recovery Act of 2009. Subject to the City meeting the required specifications of the loan documents, two of the loans include a combined interest and fee rate subsidy and the two remaining loans include a principal forgiveness portion. Total principal (without principal forgiveness) is \$3,486,902 and the loans have a 20-year repayment period. The total principal forgiveness is \$626,000. Total interest over the 20 years with principal forgiveness and the combined interest and fee rate subsidy is \$635,736.

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2025(in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2026	\$ 163	\$ 15	\$ 178
2027	167	11	178
2028	170	7	177
2029	167	4	171
Totals	<u>\$ 667</u>	<u>\$ 37</u>	<u>\$ 704</u>

d. Short-term Debt

The City had no short-term debt activity for the fiscal year ended June 30, 2025.

e. Series 2012 Special Activity Revenue Bonds

PMGAA issued \$19,220,000 in special facility Revenue Bonds on February 29, 2012. The City has entered into a memorandum of understanding (MOU) with PMGAA and Able Engineering and Component Services for the development, construction and lease of an aircraft maintenance repair and overhaul facility at Phoenix-Mesa Gateway Airport. In general, the MOU addresses PMGAA issuing Special Facility Revenue Bonds, constructing the facility and leasing the facility to the City. The City, in turn, will sublease the facility to Able Engineering. The City pledged a portion of its excise taxes as security for payment of the base rent. The pledge of such excise taxes will be a junior lien subordinate to certain outstanding senior obligations. The bonds are payable from the future revenues from the City through 2038. During that time frame, total principal and interest to be paid on the bonds will be \$35,216,300. The bonds are not considered the debt of the City.

f. Pledged Revenue

Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$0.998 billion in utility system revenue bonds issued and outstanding since 2006. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2045. Annual principal and interest payments on the bonds were 45.1% percent of net revenues. The total principal and interest remaining to be paid on the bonds is

\$1.365 billion. Principal and interest paid for the current year and total customer net revenues were \$108,264,000 and \$240,231,000, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$7,660,000 in highway user revenue bonds issued and outstanding since 2006. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 23.2% percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$8,160,000. Principal and interest paid for the current year and total highway user tax revenues were \$11,666,000 and \$50,373,000, respectively.

Excise Tax Revenue Obligations

The City has pledged future Excise Tax Revenues to repay \$30,255,000 in excise tax revenue obligations issued and outstanding since 2020. Proceeds from the obligations provided financing for construction and installation of new higher education building. Annual principal and interest payments on the bonds were 0.005% of eligible revenues. The total principle and interest remaining to be paid on the bonds is \$40,450,000. Principle and interest paid for the current year and total excise tax revenues were \$2,698,900 and \$490,847,000, respectively.

10. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

Liabilities to be Paid from Assets Held in Escrow

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue or a Defeasance. Under an advanced refunding arrangement, refunding bonds are issued and the net proceeds, plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. Under a Defeasance City resources are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

In accordance with GASB Statement No. 7, the refunded debt outstanding on June 30, 2025, as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated May 29, 2008	\$ 3,150
Utility System Revenue Refunding Bond Issue dated September 25, 2014	<u>14,050</u>
Total Refunded and Defeased Bonds Outstanding	<u><u>\$ 17,200</u></u>

11. SELF-INSURANCE INTERNAL SERVICE FUND

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$3,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$1,000,000 liability per

occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceed \$225,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables on June 30, 2025, and did not received any settlements in excess of insurance coverage over the past three fiscal years.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The estimated liability for claims outstanding is determined by a yearly actuarial study in the Property and Public Liability Fund and the Workers Compensation Fund. The claims liability in the Employee Benefits Fund is generated by a third-party claims processing company.

Changes in the balances of claims liabilities during the past two fiscal years are as follows (in thousands):

	<u>Property & Public Liability</u>	<u>Workers' Compensation</u>	<u>Employee Benefits</u>	<u>Total</u>
Unpaid Claims, 6/30/23	\$ 10,469	\$ 28,284	\$ 4,465	\$ 43,218
Adjustments to Reserves	2,464	(1,671)	71,828	72,621
Claim Expense	(1,021)	827	(70,522)	(70,716)
	<hr/>	<hr/>	<hr/>	<hr/>
Unpaid Claims, 6/30/24	11,912	27,440	5,771	45,123
Adjustments to Reserves	(246)	(2,248)	72,687	70,193
Claims Expense	(1,032)	(2,512)	(71,828)	(75,372)
	<hr/>	<hr/>	<hr/>	<hr/>
Unpaid Claims, 6/30/25	<u>\$ 10,634</u>	<u>\$ 22,680</u>	<u>\$ 6,630</u>	<u>\$ 39,944</u>

All unpaid claims are reported as current liabilities in the Statement of Net Position as the change in these amounts has already been expensed in the statement of activities.

12. COMMITMENTS AND CONTINGENT LIABILITIES

a. Pending Litigation

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

b. Sick Leave Benefits

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Fifty percent of unused benefits are payable only upon retirement of an employee. In accordance with the criteria, sick leave paid within 60 days of the year-end has been recorded as a liability in the governmental fund financial statements. Long-term liabilities of governmental funds are not shown on the fund financial statements. In the government-wide financial statements as well as the proprietary fund financial

statements, the amount of estimated sick leave payable to employees has been expensed and the liability is shown in the appropriate funds. These amounts have been calculated based on the vested method.

The total sick leave balance recorded as a liability on June 30, 2025, is \$25,168,730.

13. NET POSITION

a. Restricted Net Position

The government-wide statement of net position reports \$512,919,000 of restricted net position, of which \$280,357,000 is restricted by enabling legislation.

b. Designated Net Position

The net position in the Employee Benefits Self Insurance Fund is designated for anticipated future losses and is a result of excess premiums charged to increase the fund balance specifically for this purpose.

c. Deficit in Net Position and Fund Balance

The deficit in the Worker’s Compensation Self-Insurance Fund consists of the prior year’s deficit resulting from claims expenses exceeding revenues received and from post-employment benefit charges and pension expenses. The City’s funding plan calls for yearly contributions from various funds to equal the year’s estimated claims and claim related expenses. Future claim liabilities, post-employment benefit charges, and pension expenses are not considered in determining funding for each year.

The deficit in the Warehouse, Maintenance, and Services Fund consists of the prior year’s deficit resulting from other post-employment benefit charges and pension expenses. The City’s funding plan calls for Charges for Services to cover operational expenses. Post-employment benefit charges and pension expenses are not considered in determining Charges for Services.

14. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport and district cooling. Although the City’s Enterprise Fund does not meet the requirements for disclosing segment information, the services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2025, for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation	Other	
Electric	\$ 51,377	\$ 3,826	\$ 37,881	\$ 9,670
Gas	60,901	6,780	34,310	19,811
Water	205,684	32,806	89,666	83,212
Wastewater	110,266	17,363	54,610	38,293
Solid Waste	76,885	2,706	48,415	25,764
Airport	5,086	1,795	4,896	(1,605)
District Cooling	1,501	319	1,431	(249)
Total	\$ 511,700	\$ 65,595	\$ 271,209	\$ 174,896

15. JOINT VENTURES

The City currently participates in five joint ventures. The Greenfield Water Reclamation Plant and TOPAZ Regional Wireless Cooperative are managed by the City of Mesa, while the Subregional Operating Group, the Val Vista Water Treatment Plant, and Valley Metro Rail, Inc. are managed externally.

The City's investment in these Joint Ventures as of June 30, 2025, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 272,615	\$ -	\$ 272,615
TOPAZ Regional Wireless Cooperative	6,321	-	6,321
Subregional Operating Group	-	86,926	86,926
Val Vista Water Treatment Plant	-	52,535	52,535
Greenfield Water Reclamation Plant	-	136,540	136,540
Joint Ventures Construction Deposits	-	7,119	7,119
Total Investment in Joint Ventures	<u>\$ 278,936</u>	<u>\$ 283,120</u>	<u>\$ 562,056</u>

Valley Metro Rail, Inc. "VMRI"

The City currently participates in the Central Phoenix/East Valley Light Rail Transit (LRT) along with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint agreement between the cities and has oversight responsibility for the planning, design, construction and operation of the system. The agreement provides voting rights for members of the representative cities, including passage of an annual budget. The City has ongoing financial responsibility as a result of the joint agreement including participation in the cost to construct and to operate the light rail project less any Federal reimbursements and operating fares. The City's equity in the joint venture is \$272,615,164 and is reflected in the governmental activities.

Separate financial statements can be obtained through Valley Metro Rail Inc. at 101 North First Avenue, Suite 1300, Phoenix, Arizona, 85003.

TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek, Fort McDowell and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (TOPAZ). TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City's equity in the joint venture is \$6,320,920 and is reflected in the governmental activities. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2025, is (in thousands):

TOPAZ Regional Wireless Cooperative		
City of Mesa	\$	6,321
Town of Gilbert		1,565
City of Apache Junction		635
Superstition Fire and Medical		177
Town of Queen Creek		284
Fort McDowell		71
Rio Verde Fire District		17
Fountain Hills		13
Total Joint Venture	\$	9,083

Wastewater

Subregional Operating Group

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in the Subregional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation and maintenance of a multi-city sanitary sewer system (the "System"). The System includes the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities.

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$86,925,857 and is reflected in the proprietary funds financial statements.

SROG has no bonded debt outstanding. Separate financial statements for the activity under the joint venture agreement can be obtained through the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona, 85012.

Greenfield Water Reclamation Project

The City of Mesa acts as the lead agency in a joint water reclamation plant with the Towns of Gilbert and Queen Creek and is responsible for the planning, budgeting, construction, operation, and maintenance of the plant. As lead agent, the city provides all management personnel and financing arrangements. Mesa, Gilbert, and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's equity in the joint venture is \$136,540,254 and is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2025, is (in thousands):

Greenfield Water Reclamation Project		
Mesa's Share	\$	136,540
Gilbert's Share		89,334
Queen Creek's Share		27,045
Total Joint Venture	\$	252,919

Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As the lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$52,535,155 and is reflected in the proprietary funds financial statements.

The water treatment plant has no bonded debt outstanding. Separate financial statements for the activity can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division at 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

16. PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

All benefited 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 benefited City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent plan. The Mayor and City Council Members contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan. The Elected Officials Retirement Plan is not described below because of its relative insignificance to the financial statements.

In addition, eligible employees are covered by other postemployment benefit plans. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System (PSPRS) that is an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. Eligible City employees also participate in the City's OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

On June 30, 2025, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business- Type Activities	Total
Net Pension Liabilities	\$ 980,645	\$ 55,934	\$ 1,036,579
Deferred Outflows of Resources - Pension	246,892	11,495	258,387
Deferred Inflows of Resources - Pension	26,909	3,579	30,488
Pension Expense	123,331	6,480	129,811
Net OPEB Liabilities	892,680	82,425	975,105
Deferred Outflows of Resources - OPEB	61,517	5,591	67,108
Deferred Inflows of Resources - OPEB	121,868	11,386	133,254
OPEB Expense	52,358	4,775	57,133

Arizona State Retirement System Defined Benefit Plan:

a. Plan Description

All of the City’s eligible benefited general employees participate in the Arizona State Retirement System (“ASRS”), a multiple-employer, cost-sharing defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. ASRS is administered by the ASRS Governing Board in accordance with Title 38, Chapter 5 Articles 2 and 2.1 of the Arizona Revised Statutes (“A.R.S.”). ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

b. Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions

The A.R.S. provides statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, the city and covered employees were required by state statute to contribute at the actuarially determined rate of 12.27% (12.12% pension plus 0.15% long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2025, was \$29,632,022, 75.35% paid from governmental funds, 4.33% paid from internal service funds, and 20.31% paid from enterprise funds.

Additionally, the City is required by Statute to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2025, was 10.19 % (10.14% pension plus, 0.05% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2025, were \$221,336.

c. Pension Liability

On June 30, 2025, the City reported a liability of \$275,385,905 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The City's proportion measured as of June 30, 2024, was 1.72100%, which was a increase of 0.10612% from its proportion measured as of June 30, 2023.

d. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2025, the City recognized pension expense for ASRS of \$31,903,303. On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resourced related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,372	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings		
on pension plan investments	-	17,586
Changes in proportion and differences between City contributions	11,367	34
City contributions subsequent to the measurement date	29,853	-
Total	<u>\$ 56,592</u>	<u>\$ 17,620</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2025

The \$29,853,358 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	
2026	\$ (2,058)
2027	18,855
2028	(4,452)
2029	(3,226)
	<u>\$ 9,119</u>

e. Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2023
Actuarial Roll Forward Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%
Projected Salary Increases	2.9 - 8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public Equity	44%	4.48 %
Credit	23%	4.40 %
Real Estate	17%	6.05 %
Private Equity	10%	6.11 %
Interest Rate Sensitive	6%	(0.45)%
Total	<u>100%</u>	

f. Discount Rate

At June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.0 %, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0 %) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
City's proportionate share of the net pension liability	\$ 421,672	\$ 275,386	\$ 153,469

h. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System:

a. Plan Description

All sworn fire and police personnel regularly assigned hazardous duty are eligible to participate in the Public Safety Personnel Retirement System (“PSPRS”). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The PSPRS is jointly administered by a nine-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at www.psprs.com.

b. Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<u>Initial Membership Date</u>		
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>	<u>On or After July 1, 2017</u>
<u>Retirement and Disability</u>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5*; 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percentage			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% for each year of credited service not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<u>Survivor Benefit</u>			
Retired Members	80% to 100% of retired member's pension benefit		
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

* With actuarially reduced benefits

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

The PSPRS-Fire OPEB plan is not presented because of its relative insignificance to the financial statements.

Employees Covered by Benefit Terms

On June 30, 2025, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire	PSPRS Police	
	Pension	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	330	764	764
Inactive employees entitled to but not yet receiving benefits	91	292	117
Active employees	435	731	731
Total	856	1,787	1,612

c. Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	City Pension	City OPEB
PSPRS - Fire	7.65%	60.49%	0.58%
PSPRS - Police	7.65%	61.22%	1.50%
PSPRS Tier 3 - Fire	9.66%	9.53%	0.13%
PSPRS Tier 3 - Police	8.67%	8.58%	0.09%

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 43.87% and 47.28% for City fire and police employees respectively, who were PSPRS Tier 3 members.

The City's required contributions to the plans for the year ended June 30, 2025, were:

	Pension	OPEB
PSPRS - Fire	\$ 18,446,029	\$ 176,867
PSPRS - Police	29,877,822	732,060
PSPRS Tier 3 - Fire	8,613,987	59,685
PSPRS Tier 3 - Police	18,862,370	415,337

The City contributed to the unfunded liability additional amounts of \$4,206,978 and \$12,116,780 to PSPRS-Fire and PSPRS-Police, respectively. The City's contribution to the system was paid for by the general fund.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required

contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2025, was 43.87% and 47.28% for fire and police, respectively. The City did not have any ACR contributions for the year ending June 30, 2025.

d. Liability

On June 30, 2025, the City reported the following pension liabilities of \$263,264,432 and \$497,926,145 for fire and police, respectively. The City also reported an OPEB liability of \$11,072,878 for police. The net liabilities were measured as of June 30, 2024, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2024, reflect changes of actuarial assumptions from the prior year.

e. Pension/OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2025, the City recognized pension expenses of \$34,283,881 and \$63,624,098 for fire and police, respectively. The City also recognized OPEB expense of \$1,288,446 for police.

On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

PSPRS - Fire Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,900	\$ 63
Changes in assumptions	5,044	-
Net difference between projected and actual earnings on pension plan investments	-	4,413
City contributions subsequent to the measurement date	31,267	-
Total	\$ 74,211	\$ 4,476

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police				
Differences between expected and actual experience	\$ 61,482	\$ -	\$ 408	\$ -
Changes in assumptions	5,244	-	156	-
Net difference between projected and actual earnings on plan investments	-	8,391	-	84
City contributions subsequent to the measurement date	60,857	-	1,147	-
Total	\$ 127,583	\$ 8,391	\$ 1,711	\$ 84

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	PSPRS Fire Pension	PSPRS Police Pension	PSPRS Police OPEB
2026	\$ 6,094	\$ 10,870	\$ 38
2027	11,581	22,683	350
2028	5,631	11,580	73
2029	4,826	7,370	(13)
2030	4,014	5,832	16
Thereafter	6,322	-	16
	<u>\$ 38,468</u>	<u>\$ 58,335</u>	<u>\$ 480</u>

f. Actuarial Methods and Assumptions

The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial Assumptions:

Measurement Date	June 30, 2024
Actuarial Valuation Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.20%
Wage Inflation	3.25 - 15.0%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	1.85%, N/A for OPEB
Mortality Rates for Pension and OPEB	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	24%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	100%	

g. Discount Rate

A discount rate of 7.20% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability. A discount rate of 7.00% for Tier 3 members was used to measure the total Pension/OPEB Liability. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

h. Sensitivity of the City's Net Pension/OPEB Liability to Changes in the Discount Rate

The following table presents the City's net pension/ OPEB liabilities calculated using the discount rates noted above, as well as what the City's net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Fire Net Pension Liability	\$ 339,334	\$ 263,264	\$ 200,837
Police Net Pension Liability	645,608	497,926	377,782
Police OPEB Liability	13,411	11,073	9,099

Changes in the Net Pension/OPEB Liability

The following tables present changes in the City's net pension/OPEB liability for the PSPRS – Fire and Police plans as follows (in thousands):

Fire	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - Beginning of Year	\$ 540,182	\$ 278,421	\$ 261,761
Changes for the Year:			
Service Cost	10,101	-	10,101
Interest on the Total Liability	38,618	-	38,618
Differences Between Expected & Actual Experience in the Measurement of the Liability	18,462	-	18,462
Contributions - Employer	-	32,664	(32,664)
Contributions - Employee	-	3,990	(3,990)
Net Investment Income	-	29,201	(29,201)
Benefit Payments, Including Refunds of Employee Contributions	(27,833)	(27,833)	-
Administrative Expenses	-	(177)	177
Net Changes	39,348	37,845	1,503
Balances - End of Year	\$ 579,530	\$ 316,266	\$ 263,264

Police	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - Beginning of Year	\$ 1,010,327	\$511,948	\$498,379	\$ 22,671	\$ 11,171	\$ 11,501
Changes for the Year:						
Service Cost	15,642	-	15,642	237	-	237
Interest on the Total Liability	71,984	-	71,984	1,589	-	1,589
Differences Between Expected & Actual Experience in the Measurement of the Liability	34,992	-	34,992	115	-	115
Contributions - Employer	-	62,164	(62,164)	-	1,311	(1,311)
Contributions - Employee	-	7,300	(7,300)	-	-	-
Net Investment Income	-	53,977	(53,977)	-	1,064	(1,064)
Benefit Payments, Including Refunds of Employee Contributions	(52,375)	(52,375)	-	(1,690)	(1,690)	-
Administrative Expenses	-	(370)	370	-	(7)	-
Net Changes	70,243	70,696	(453)	251	678	(427)
Balances - End of Year	\$ 1,080,570	\$582,644	\$497,926	\$ 22,922	\$ 11,849	\$ 11,074

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, note that trend rates are not applied in the valuation due to the nature of the benefits provided.

i. Plan Fiduciary Net Position

Detailed information about the pension/OPEB plan’s fiduciary net position is available in the separately issued PSPRS financial report.

City of Mesa OPEB:

a. Plan Description

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

b. Benefits Provided

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City’s medical plan during their active status. Employees must enroll in a City plan immediately after they retire or their eligibility for this benefit ceases. All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree’s death, the retiree’s dependents are no longer eligible for City coverage.

To receive maximum benefits an employee must meet the following:

- Ten years of service for employees hired prior to January 1, 2001
- Fifteen years of service for employees hired on January 1, 2001 but before January 1, 2006.
- Twenty years of service for employees hired on or after January 1, 2006.

Employees Covered by Benefit Terms

As of June 30, 2023 (date of most recent valuation), membership consisted of:

Active Employees	3,707
Retirees	2,139
Spouses	1,517
Others	<u>414</u>
Total	<u><u>7,777</u></u>

c. OPEB Liability

The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2025, is \$964,030,800.

d. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2025, the City recognized OPEB expense of \$55,843,809. On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,584	\$ 3,319
Changes of assumptions	11,748	129,851
City benefit payments subsequent to the measurement date	27,065	-
Total	<u>\$ 65,397</u>	<u>\$ 133,170</u>

The amounts reported as deferred outflows of resources resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

	<u>Year Ended June 30,</u>
2026	\$ (31,709)
2027	(33,885)
2028	(33,560)
2029	2,635
2030	1,528
2031	153
	<u>\$ (94,838)</u>

e. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions:

Actuarial Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Discount Rate	4.21%
Consumer Price Index	3.00%
Projected Salary Increases	2.90 - 15.0%
Mortality Rates	Based on the rates used for the June 30, 2024 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50-8.00%
Dental, Vision	4.50%

Actuarial assumptions used in the June 30, 2023 valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

Future Salary Increase

Consistent with the June 30, 2024, valuations of the Arizona State Retirement System (ASRS) Plan and the Arizona Public Safety Personnel Retirement System (PSPRS) Plan. The ASRS salary increase assumption has been updated since the prior valuation based on the 2024 ASRS experience study. Salary increases assumptions range from 2.9% to 15.0%, based on years of service and the applicable plan.

Aging Factors

The age morbidity curve was developed by Dale Yamamoto for the Society of Actuaries. This curve is used to measure the annual increases in per capita claim costs for each age as well as relative cost by gender, adjusting the male age 65 per capita claims cost. The factors range from 0.4612 to 1.6944, based on age and gender.

Cost, Contribution and Premium Trend Rates

Medical and prescription drug costs and administrative costs are assumed to increase according to the rates below. This assumption is consistent with the prior valuation. The initial medical trend rate was developed using the National Health Care Trend Survey. The survey gathers information of trend expectations for the coming year from various insurers and PBMs. These trends are broken out by drug and medical, as well as type of coverage (e.g., PPO, HMO, POS). The healthcare cost trend range is 4.5% to 8.0%.

f. Discount Rate

The discount rate at the measurement date is 4.21%. The discount rate increased from 4.13% as of June 30, 2023, to 4.21% as of June 30, 2024. Benefit payments are funded on a pay-as-you-go basis. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2024.

g. Changes in OPEB Liability

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2025 (in thousands):

OPEB Liability at Beginning of Year	\$ 914,548
Service Cost	31,496
Interest	38,479
Differences between Expected and Actual Experience	(2,539)
Changes in Assumptions	11,038
Employer contributions *	(28,991)
Net Change in Total OPEB Liability	<u>49,483</u>
OPEB Liability at End of Year	<u><u>\$ 964,031</u></u>

* Because the City funds OPEB benefits on a “pay-as-you-go” basis, employer contributions are equal to benefit payments.

The City’s benefit payments to the plan were paid 88.55% from governmental funds, 2.9% from internal service funds, and 8.55% from enterprise funds.h. **Sensitivity of the City’s OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates**

The following table presents the City’s net OPEB liabilities calculated using the municipal bond rates and healthcare cost trend rates noted above, as well as what the City’s net OPEB liability would be if it were calculated using rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

	<u>1% Decrease</u>	<u>Current Municipal Bond Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 1,117,722	\$ 964,031	\$ 840,444

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 830,617	\$ 964,031	\$ 1,133,594



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CITY OF MESA, AZ
**REQUIRED SUPPLEMENTARY
INFORMATION**

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025





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City of Mesa, Arizona

Schedule of the City's Proportionate Share of Net Pension Liability

Cost-Sharing Pension Plan

June 30, 2025

(in thousands)

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
City's Proportion of Net Pension Liability	1.7210%	1.6149%	1.6156%	1.5857%
City's Proportionate Share of Net Pension Liability	\$ 275,386	\$ 261,311	\$ 263,694	\$ 208,353
City's Covered Payroll	\$ 241,163	\$ 211,155	\$ 192,542	\$ 178,405
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	114.19%	123.75%	136.95%	116.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	75.47%	74.26%	78.58%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year
(Measurement Date)

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
1.6188%	1.6209%	1.6293%	1.6416%	1.6605%	1.6393%
\$ 280,473	\$ 235,853	\$ 227,233	\$ 255,729	\$ 268,013	\$ 255,337
\$ 175,767	\$ 168,900	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154
159.57%	139.64%	140.19%	160.88%	171.95%	168.93%
69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2025

(in thousands)

Personal Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
Total Pension Liability				
Service Cost	\$ 10,101	\$ 9,175	\$ 8,079	\$ 7,645
Interest on the Total Pension Liability	38,618	36,294	34,277	32,539
Changes of Benefit Terms	-	-	-	-
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	18,462	13,651	11,356	7,760
Changes of Assumptions or Other Inputs	-	-	6,706	-
Benefit Payments, Including Refunds of Employee Contributions	(27,833)	(27,696)	(26,268)	(22,868)
Net Change in Total Pension Liability	39,348	31,423	34,150	25,076
Total Pension Liability - Beginning	540,182	508,759	474,607	449,531
Total Pension Liability - Ending (a)	579,530	540,182	508,757	474,607
Plan Fiduciary Net Position				
Contributions - Employer	32,664	26,733	28,025	21,601
Contributions - Employee	3,990	3,776	3,507	3,321
Net Investment Income	29,201	20,023	(10,644)	56,815
Benefit Payments, Including Refunds of Employee Contributions	(27,833)	(27,696)	(26,268)	(22,868)
Hall/Parker Settlement	-	-	-	-
Administrative Expense	(177)	(136)	(192)	(266)
Other Changes	-	-	-	-
Net Change in Plan Fiduciary Net Position	37,845	22,699	(5,572)	58,603
Plan Fiduciary Net Position - As Previously Reported	278,421	255,722	261,293	202,690
Adjustment to Beginning Balance	-	-	-	-
Plan Fiduciary Net Position - Beginning	278,421	255,722	261,293	202,690
Plan Fiduciary Net Position - Ending (b)	316,266	278,421	255,721	261,293
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 263,264</u>	<u>\$ 261,761</u>	<u>\$ 253,036</u>	<u>\$ 213,314</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.57%	51.54%	50.26%	55.05%
City's Covered Payroll	\$ 48,048	\$ 39,896	\$ 36,776	\$ 34,198
City's Net Pension Liability as a Percentage of its Covered Payroll	547.91%	656.11%	688.05%	623.76%

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)					
2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
\$ 7,871	\$ 7,663	\$ 7,271	\$ 7,724	\$ 6,439	\$ 6,127
31,397	29,147	27,446	25,687	23,654	23,086
-	-	-	2,125	21,380	-
(221)	11,844	1,951	(2,670)	(4,423)	(3,518)
-	8,488	-	12,613	11,970	-
<u>(23,473)</u>	<u>(18,809)</u>	<u>(16,608)</u>	<u>(17,095)</u>	<u>(19,893)</u>	<u>(17,323)</u>
15,574	38,333	20,060	28,384	39,127	8,372
433,957	395,624	375,564	347,180	308,053	299,681
<u>449,531</u>	<u>433,957</u>	<u>395,624</u>	<u>375,564</u>	<u>347,180</u>	<u>308,053</u>
18,107	16,708	16,733	13,558	12,735	9,828
2,845	2,805	3,035	3,923	4,396	3,847
2,587	10,339	12,464	19,308	954	5,878
(23,473)	(18,809)	(16,608)	(17,095)	(19,893)	(17,323)
-	-	(5,150)	-	-	-
(211)	(181)	(190)	(174)	(138)	(144)
58	-	2	43	(12)	45
<u>(87)</u>	<u>10,862</u>	<u>10,286</u>	<u>19,563</u>	<u>(1,958)</u>	<u>2,131</u>
202,777	191,986	181,700	162,137	164,095	161,964
-	(71)	-	-	-	-
<u>202,777</u>	<u>191,915</u>	<u>181,700</u>	<u>162,137</u>	<u>164,095</u>	<u>161,964</u>
<u>202,690</u>	<u>202,777</u>	<u>191,986</u>	<u>181,700</u>	<u>162,137</u>	<u>164,095</u>
<u>\$ 246,841</u>	<u>\$ 231,180</u>	<u>\$ 203,638</u>	<u>\$ 193,864</u>	<u>\$ 185,043</u>	<u>\$ 143,958</u>
45.09%	46.73%	48.53%	48.38%	46.70%	53.27%
\$ 32,562	\$ 34,136	\$ 32,445	\$ 32,941	\$ 32,453	\$ 31,661
758.06%	677.23%	627.64%	588.52%	570.19%	454.69%

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2025

(in thousands)

Personal Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year (Measurement Date)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
Total Pension Liability				
Service Cost	\$ 15,642	\$ 14,824	\$ 13,979	\$ 13,861
Interest on the Total Pension Liability	71,984	67,540	64,052	61,557
Changes of Benefit Terms	-	-	-	-
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	34,992	29,045	18,155	2,112
Changes of Assumptions or Other Inputs	-	-	10,488	-
Benefit Payments, Including Refunds of Employee Contributions	(52,375)	(48,622)	(45,167)	(41,764)
Net Change in Total Pension Liability	70,243	62,787	61,507	35,766
Total Pension Liability - Beginning	1,010,327	947,541	886,034	850,268
Total Pension Liability - Ending (a)	1,080,570	1,010,327	947,541	886,034
Plan Fiduciary Net Position				
Contributions - Employer	62,164	55,209	53,349	38,561
Contributions - Employee	7,300	6,897	6,608	6,268
Net Investment Income	53,977	36,571	(19,142)	101,528
Benefit Payments, Including Refunds of Employee Contributions	(52,375)	(48,622)	(45,167)	(41,764)
Hall/Parker Settlement	-	-	-	-
Administrative Expense	(370)	(288)	(345)	(477)
Other Changes	-	(7)	-	-
Net Change in Plan Fiduciary Net Position	70,696	49,759	(4,697)	104,116
Plan Fiduciary Net Position - As Previously Reported	511,948	462,190	466,887	362,771
Adjustment to Beginning Balance	-	-	-	-
Plan Fiduciary Net Position - Beginning	511,948	462,190	466,887	362,771
Plan Fiduciary Net Position - Ending (b)	582,644	511,949	462,190	466,887
City's Net Pension Liability - Ending (a) - (b)	\$ 497,926	\$ 498,379	\$ 485,351	\$ 419,147
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.92%	50.67%	48.78%	52.69%
City's Covered Payroll	\$ 86,055	\$ 73,451	\$ 68,471	\$ 64,419
City's Net Pension Liability as a Percentage of its Covered Payroll	578.61%	678.52%	708.84%	650.66 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year
(Measurement Date)

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
\$ 14,016	\$ 15,015	\$ 13,826	\$ 15,841	\$ 12,438	\$ 12,216
57,794	53,953	50,926	47,572	43,573	41,908
-	-	-	5,718	34,005	-
19,067	10,259	3,862	365	(4,001)	(2,173)
-	21,092	-	19,037	23,614	-
<u>(36,572)</u>	<u>(36,864)</u>	<u>(34,755)</u>	<u>(32,522)</u>	<u>(31,689)</u>	<u>(29,998)</u>
54,305	63,455	33,859	56,011	77,940	21,953
795,963	732,508	698,649	642,638	564,698	542,745
<u>850,268</u>	<u>795,963</u>	<u>732,508</u>	<u>698,649</u>	<u>642,638</u>	<u>564,698</u>
34,340	32,387	31,596	26,819	24,067	19,680
6,045	5,718	6,058	7,693	8,157	7,613
4,551	18,270	21,889	34,221	1,667	10,065
(36,572)	(36,864)	(34,754)	(32,522)	(31,689)	(29,998)
-	-	(10,096)	-	-	-
(371)	(319)	(333)	(360)	(240)	(246)
(2)	340	514	420	382	28
7,991	19,532	14,874	36,271	2,344	7,142
354,780	335,631	320,757	284,432	282,088	274,946
-	(383)	-	-	-	-
<u>354,780</u>	<u>335,248</u>	<u>320,757</u>	<u>284,432</u>	<u>282,088</u>	<u>274,946</u>
<u>362,771</u>	<u>354,780</u>	<u>335,631</u>	<u>320,757</u>	<u>284,432</u>	<u>282,088</u>
<u>\$ 487,497</u>	<u>\$ 441,183</u>	<u>\$ 396,877</u>	<u>\$ 377,892</u>	<u>\$ 358,206</u>	<u>\$ 282,610</u>
42.67%	44.57%	45.82%	45.91%	44.26%	49.95%
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461
770.97%	689.42%	629.93%	583.71%	585.20%	452.46%

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2025

(in thousands)

Personal Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year (Measurement Date)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
Total OPEB Liability				
Service Cost	\$ 237	\$ 250	\$ 280	\$ 351
Interest on the Total OPEB Liability	1,589	1,568	1,537	1,511
Changes of Benefit Terms	-	-	-	-
Diff Between Expected and Actual Experience in the Measurement of the OPEB Liability	115	155	218	100
Changes of Assumptions or Other Inputs	-	-	312	-
Benefit Payments, Including Refunds of Employee Contributions	(1,690)	(1,640)	(1,571)	(1,494)
Net Change in Total OPEB Liability	251	331	776	468
Total OPEB Liability - Beginning	22,671	22,341	21,565	21,097
Total OPEB Liability - Ending (a)	22,922	22,672	22,341	21,565
Plan Fiduciary Net Position				
Contributions - Employer	1,311	1,050	946	853
Contributions - Employee	-	44	32	88
Net Investment Income	1,064	784	(448)	2,583
Benefit Payments, Including Refunds of Employee Contributions	(1,690)	(1,640)	(1,571)	(1,494)
Administrative Expense	(7)	(7)	(8)	(10)
Net Change in Plan Fiduciary Net Position	678	231	(1,049)	2,020
Plan Fiduciary Net Position - As Previously Reported	11,171	10,940	11,989	9,969
Adjustment to Beginning Balance	-	-	-	-
Plan Fiduciary Net Position - Beginning	11,171	10,940	11,989	9,969
Plan Fiduciary Net Position - Ending (b)	11,849	11,171	10,940	11,989
City's Net OPEB Liability - Ending (a) - (b)	\$ 11,074	\$ 11,501	\$ 11,401	\$ 9,576
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.69%	49.27%	48.97%	55.59%
City's Covered Payroll	\$ 86,055	\$ 73,451	\$ 68,471	\$ 64,419
City's Net OPEB Liability as a Percentage of its Covered Payroll	12.87%	15.66%	16.65%	14.87%

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)				2017 through 2015
2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
\$ 322	\$ 200	\$ 190	\$ 213	Information not available
1,477	1,416	1,359	1,356	
-	-	-	35	
381	43	472	312	
-	474	-	(335)	
(1,455)	(1,391)	(1,325)	(1,239)	
725	742	696	342	
20,372	19,630	18,934	18,592	
21,097	20,372	19,630	18,934	
934	736	231	639	
46	14	-	-	
123	530	695	1,141	
(1,455)	(1,391)	(1,325)	(1,239)	
(10)	(9)	(11)	(10)	
(362)	(120)	(410)	531	
10,331	10,067	10,477	9,946	
-	384	-	-	
10,331	10,451	10,477	9,946	
9,969	10,331	10,067	10,477	
<u>\$ 11,128</u>	<u>\$ 10,041</u>	<u>\$ 9,563</u>	<u>\$ 8,457</u>	
47.25%	50.71%	51.28%	55.33%	
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	
17.60%	15.69%	15.18%	13.06%	

City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2025
(in thousands)

Arizona State Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Statutorily Required Contribution	\$ 29,853	\$ 28,965	\$ 25,129	\$ 23,097
City's Contribution in Relation to the Statutorily Required Contribution	<u>29,853</u>	<u>28,965</u>	<u>25,129</u>	<u>23,097</u>
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 248,092	\$ 232,139	\$ 211,155	\$ 192,542
City's Contributions as a Percentage of Covered Payroll	12.03%	12.48%	11.90%	12.00%

Public Safety Personnel Retirement System - Fire Pension

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 27,060	\$ 27,751	\$ 22,569	\$ 20,178
City's Contribution in Relation to the Actuarially Determined Contribution	<u>31,267</u>	<u>30,800</u>	<u>26,388</u>	<u>27,797</u>
City's Contribution (Deficiency) / Excess	<u>\$ 4,207</u>	<u>\$ 3,049</u>	<u>\$ 3,819</u>	<u>\$ 7,619</u>
City's Covered Payroll	\$ 46,625	\$ 48,048	\$ 39,896	\$ 36,776
City's Contributions as a Percentage of Covered Payroll	67.06%	64.10%	66.14%	75.58%

See accompanying notes to plan schedules

2021	2020	2019	2018	2017	2016
\$ 20,763	\$ 20,258	\$ 19,124	\$ 17,650	\$ 17,423	\$ 16,955
20,763	20,258	19,124	17,650	17,423	16,955
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 178,405	\$ 175,767	\$ 169,900	\$ 162,089	\$ 158,958	\$ 155,868
11.64%	11.53%	11.26%	10.89%	10.96%	10.88%

2021	2020	2019	2018	2017	2016
\$ 19,617	\$ 18,035	\$ 16,431	\$ 14,289	\$ 13,490	\$ 11,197
19,617	18,035	16,431	10,479	13,490	12,735
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,810)</u>	<u>\$ -</u>	<u>\$ 1,538</u>
\$ 34,198	\$ 32,562	\$ 34,136	\$ 32,446	\$ 32,941	\$ 32,453
57.36%	55.39%	48.13%	32.30%	40.95%	39.24%

City of Mesa, Arizona
 Schedule of City Pension Contributions
 June 30, 2025
 (in thousands)

Public Safety Personnel Retirement System - Police Pension

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 48,740	\$ 49,162	\$ 42,430	\$ 37,457
City's Contribution in Relation to the Actuarially Determined Contribution	<u>60,857</u>	<u>62,062</u>	<u>55,116</u>	<u>53,372</u>
City's Contribution (Deficiency) / Excess	<u>\$ 12,117</u>	<u>\$ 12,900</u>	<u>\$ 12,686</u>	<u>\$ 15,915</u>
City's Covered Payroll	\$ 82,571	\$ 86,055	\$ 73,451	\$ 68,471
City's Contributions as a Percentage of Covered Payroll	73.70%	72.12%	75.04%	77.95%

Public Safety Personnel Retirement System - Police OPEB

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 1,147	\$ 1,184	\$ 1,024	\$ 838
City's Contribution in Relation to the Actuarially Determined Contribution	<u>1,147</u>	<u>1,184</u>	<u>1,024</u>	<u>838</u>
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 82,571	\$ 86,055	\$ 73,451	\$ 68,471
City's Contributions as a Percentage of Covered Payroll	1.39%	1.38%	1.39%	1.22%

See accompanying notes to plan schedules.

2021	2020	2019	2018	2017	2016
\$ 37,484	\$ 34,308	\$ 29,314	\$ 29,048	\$ 26,809	\$ 21,697
37,484	34,308	29,314	21,726	26,809	21,697
\$ -	\$ -	\$ -	\$ (7,322)	\$ -	\$ -
\$ 64,419	\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211
58.19%	54.26%	45.81%	34.48%	41.41%	39.32%

2021	2020	2019	2018	2017	2016
\$ 713	\$ 815	\$ 733	\$ 772	\$641	Information not available
713	815	733	772	\$641	
\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 64,419	\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	
1.11%	1.29%	1.15%	1.23%	0.99 %	

Note 1 - Actuarially determined contribution rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll, closed
Remaining Amort Period	15 years of unfunded actuarial accrued liability, 15 years of excess
Asset Valuation Method	7-year smoothed market value; 20% market value corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2% In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3% In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4% In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%
	PSPRS members with initial membership on or after July 1, 2017: 7%
Project Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%.
Wage Growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0% - 6.25% In the 2017 actuarial valuation, wage growth was decreased from 4.0%-3.5%.
Retirement Age	Experienced-based table of rates is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study for the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females). In the 2017 actuarial valuation, changed to RP 2014 tables with 75% of MP 2016 fully generational projection scales.

Note 2 - Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the City refunded excess employee contributions to PSPRS. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018.



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City of Mesa, Arizona

Schedule of Changes in the City's Total OPEB Liability

June 30, 2025

(in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total Liability				
Service Cost	\$ 31,496	\$ 16,117	\$ 24,665	\$ 26,157
Interest on the Total Liability	38,479	32,007	21,603	25,492
Changes of Benefit Terms	-	104,183	-	-
Difference Between Expected and Actual Experience in the Measurement of the Liability	(2,539)	26,605	(1,720)	26,062
Changes of Assumptions or Other Inputs	11,038	(19,003)	(221,049)	(21,298)
Benefit Payments, Including Refunds of Employee Contributions	(28,991)	(23,408)	(23,491)	(21,010)
Net Change in Total OPEB Liability	<u>49,484</u>	<u>136,502</u>	<u>(199,992)</u>	<u>35,403</u>
Total OPEB Liability - Beginning	<u>914,547</u>	<u>778,045</u>	<u>978,037</u>	<u>942,634</u>
Total OPEB Liability - Ending	<u>\$ 964,031</u>	<u>\$ 914,547</u>	<u>\$ 778,045</u>	<u>\$ 978,037</u>
City's Covered Employee Payroll	\$ 375,266	\$ 323,910	\$ 297,789	\$ 277,022
City's Contributions as a % of Covered Employee Payroll	7.7 %	7.2 %	7.9 %	7.6 %

Note: The City funds OPEB benefits on a "pay-as-you-go" basis. Therefore, there are no assets accumulated in a trust that meet the criteria of GASB 75. In addition, employer contributions are equal to benefit payments.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	2017 through 2015
	\$ 24,165	\$ 20,818	\$ 19,997	\$ 21,430	Information not available
	25,425	22,584	22,447	20,112	
	-	-	-	-	
	(2,548)	34,022	(1,133)	-	
	18,858	92,823	17,023	(46,955)	
	(20,641)	(19,687)	(17,232)	(19,013)	
	<u>45,259</u>	<u>150,560</u>	<u>41,102</u>	<u>(24,426)</u>	
	897,375	746,815	705,713	730,139	
	<u>\$ 942,634</u>	<u>\$ 897,375</u>	<u>\$ 746,815</u>	<u>\$ 705,713</u>	
	\$ 271,561	\$ 268,029	\$ 257,537	\$ 256,639	
	7.6 %	7.3 %	6.7 %	7.4 %	

City of Mesa, Arizona

Budgetary Comparison Schedule (Non-GAAP Basis)

Combined Governmental & Enterprise Funds

For the Fiscal year Ended June 30, 2025

(In thousands)

	<u>Budgeted Amounts</u>		Actual- Budgetary Basis	Variance with Final Budget
	Original	Final		
City Total Resources	<u>\$2,690,000</u>	<u>\$2,690,000</u>	<u>\$2,652,918</u>	<u>\$37,082</u>
City Total Expenditures	<u>2,690,000</u>	<u>2,690,000</u>	<u>1,937,895</u>	<u>1,937,895</u>
Net Change in Fund Balances	-	-	715,023	(1,900,813)
Fund Balance - Beginning	<u>1,229,318</u>	<u>1,229,318</u>	<u>1,229,318</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$1,229,318</u></u>	<u><u>\$1,229,318</u></u>	<u><u>\$1,944,341</u></u>	<u><u>(715,023)</u></u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.

See accompanying note to budgetary comparison schedule.

City of Mesa, Arizona

Notes to Budgetary Comparison Schedule

June 30, 2025

(in thousands)

The financial statements for the City are prepared in accordance with generally accepted accounting principles – “GAAP basis”. Since Mesa, like most other Arizona cities, prepares its annual budget on a modified cash basis that differs from the “GAAP basis”, a reconciliation is performed. Adjustments necessary to convert the results of operations of the governmental and proprietary funds for the year ended June 30, 2025 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis-	\$	715,023
Bond related		(226,314)
Capital Related Items		(293,303)
Depreciation and Amortization		(65,944)
Lease Related items		1,919
Differences in Revenue Recognition		24,121
Payroll and Other Accruals		3,630
Pension and OPEB Expense		2,004
Joint Ventures - Change in Equity		(8,797)
Unrealized Gain on Investments		<u>28,318</u>
Net Change in Fund Balance-GAAP Basis -	\$	<u><u>180,657</u></u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.



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CITY OF MESA, AZ
COMBINING STATEMENTS

FOR THE FISCAL YEAR ENDED • JUNE 30, 2025



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery is designed to provide an accumulation of monies from which the interest earnings will provide perpetual care of the Cemetery.

Community Facilities District accounts for the operations of the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts which are paid from special assessments levied against the benefited properties.

Development Impact Fees are designed to provide a balance of monies to ensure that new development bears a proportionate share of the cost of improvements to the City's parks, libraries, fire facilities and equipment, police facilities and equipment, and storm sewers. These funds are provided through the collection of development impact fees.

Environmental Compliance accounts for expenditures that are a result of federal and state environmental requirements. Financing for this fund is derived from a monthly environmental compliance fee that is charged to each utility customer.

Highway User Revenue accounts for capital projects and maintenance of the City's streets and highways, as mandated by the Arizona Revised Statutes. Financing for this fund is provided by the state shared fuel taxes.

Mesa Arts Center Restoration is designed to provide an accumulation of monies to be used to replace or refurbish the Mesa Arts Center facilities. These funds are provided through a fee on all ticketed events at the facility.

Mesa Housing Authority accounts for federal expenditures of the City's housing assistance programs that provide rent subsidy payments to private sector owners of dwelling units.

Other Restricted Funds accounts for federal and state grant expenditures and other City programs. The principle financing source is federal and state grant revenues.

Public Safety Sales Tax accounts for expenditures of the voter-approved sales tax dedicated to Public Safety.

Quality of Life Sales Tax accounts for expenditures of the voter-approved sales tax to improve the quality of life for Mesa residents.

Relief Fund accounts for federal expenditures dedicated to supporting the City's response to COVID 19.

Street Sales Tax accounts for expenditures of the voter-approved sales tax that is used as the City match for the MAG Proposition 400 sales tax funds and also provides a local revenue source that is dedicated for street programs.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds.

Community Facilities District accounts for the bond proceeds to be used for the costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts.

General Capital Projects accounts for the costs of general City construction projects and for expenditures related to the acquisition of replacement vehicles for the City's governmental funds. The funds are provided through bonds, excise tax obligations and transfers from the City's General Fund

Parks accounts for the bond proceeds to be used for the costs of park facilities and improvements.

Public Safety accounts for the bond proceeds to be used for the cost of public safety facilities.

Streets accounts for the bond proceeds to be used for the cost of right-of-way acquisitions and street improvements.

Debt Service Funds

These funds are established to account for the accumulation of resources for, and the payment of, principal and interest not serviced by the Enterprise Fund.

Community Facilities District accumulates monies for the payment of Eastmark 1, Eastmark 2 and Cadence Community Facilities District Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.

Excise Tax Obligations accumulates monies for the payment of principal and interest requirements of the City's Excise Tax Obligation Bonds.

General Obligation Bonds accumulates monies for the payment of principal and interest requirements of the City's General Obligation Bonds.

Highway User Revenue Bonds accumulates monies for the payment of principal and interest requirements of the City's Highway User Revenue Bonds.



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City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2025
(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Highway User Revenue
Assets					
Pooled Cash and Investments	\$ 3,321	\$ 1,670	\$ 19,931	\$ 20,280	\$ 39,628
Accounts Receivable, Net	12	-	-	90	22
Accrued Interest Receivable	13	5	-	79	194
Due from Other Governments	-	4	-	-	4,945
Prepaid Costs	-	-	-	12	25
Restricted Assets:					
Pooled Cash and Investments	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 3,346</u>	<u>\$ 1,679</u>	<u>\$ 19,931</u>	<u>\$ 20,461</u>	<u>\$ 44,814</u>
Liabilities					
Accounts Payable and Accrued	\$ -	\$ 59	\$ 9	\$ 1,135	\$ 3,395
Customer and Defendant Deposits	-	-	-	-	-
Unearned Revenue	-	70	-	-	-
Payable from Restricted Assets:					
Accrued Interest Payable	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>129</u>	<u>9</u>	<u>1,135</u>	<u>3,395</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Nonspendable	-	-	-	12	25
Restricted	-	1,550	19,922	-	41,394
Committed	3,343	-	-	19,314	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>3,343</u>	<u>1,550</u>	<u>19,922</u>	<u>19,326</u>	<u>41,419</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,346</u>	<u>\$ 1,679</u>	<u>\$ 19,931</u>	<u>\$ 20,461</u>	<u>\$ 44,814</u>

Special Revenue Funds

Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief Fund	Street Sales Tax	Total Special Revenue Funds
\$ 1,875	\$ 2,579	\$ 16,301	\$ 60,449	\$ 41,595	\$ 22,445	\$ 120,171	\$ 350,245
6	94	3,147	14	-	-	1,160	4,545
7	-	74	236	156	-	465	1,229
-	1,546	2,686	6,678	6,682	-	8,098	30,639
-	-	49	93	-	531	48	758
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,888</u>	<u>\$ 4,219</u>	<u>\$ 22,257</u>	<u>\$ 67,470</u>	<u>\$ 48,433</u>	<u>\$ 22,976</u>	<u>\$ 129,942</u>	<u>\$ 387,416</u>
\$ 31	\$ 676	\$ 1,512	\$ 308	\$ -	\$ 3,295	\$ 2,133	\$ 12,553
-	-	-	-	-	-	8,337	8,337
276	1,571	1,340	-	-	16,256	-	19,513
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>307</u>	<u>2,247</u>	<u>2,852</u>	<u>308</u>	<u>-</u>	<u>19,551</u>	<u>10,470</u>	<u>40,403</u>
<u>1</u>	<u>-</u>	<u>2,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>2,273</u>
<u>1</u>	<u>-</u>	<u>2,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>2,273</u>
-	-	49	93	-	531	48	758
-	1,972	14,967	67,069	48,433	2,894	119,236	317,437
1,580	-	2,089	-	-	-	-	26,326
-	-	219	-	-	-	-	219
<u>1,580</u>	<u>1,972</u>	<u>17,324</u>	<u>67,162</u>	<u>48,433</u>	<u>3,425</u>	<u>119,284</u>	<u>344,740</u>
<u>\$ 1,888</u>	<u>\$ 4,219</u>	<u>\$ 22,257</u>	<u>\$ 67,470</u>	<u>\$ 48,433</u>	<u>\$ 22,976</u>	<u>\$ 129,942</u>	<u>\$ 387,416</u>

City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2025
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Assets						
Pooled Cash and Investments	\$ -	\$ 98,704	\$ -	\$ -	\$ 77,491	\$ 176,195
Accounts Receivable, Net	-	74	13	-	124	211
Accrued Interest Receivable	-	401	66	265	292	1,024
Due from Other Governments	-	-	-	-	2,597	2,597
Prepaid Costs	-	85	-	-	-	85
Restricted Assets:						
Pooled Cash and Investments	-	4,822	17,233	54,336	-	76,391
Cash with Fiscal Agent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 104,086</u>	<u>\$ 17,312</u>	<u>\$ 54,601</u>	<u>\$ 80,504</u>	<u>\$ 256,503</u>
Liabilities						
Accounts Payable and Accrued	\$ -	\$ 10,866	\$ 689	\$ 762	\$ 5,598	\$ 17,915
Customer and Defendant Deposits	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	5,414	5,414
Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>10,866</u>	<u>689</u>	<u>762</u>	<u>11,012</u>	<u>23,329</u>
Deferred Inflows of Resources						
Unavailable Revenue	-	-	-	-	488	488
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>488</u>	<u>488</u>
Fund Balance						
Nonspendable	-	85	-	-	-	85
Restricted	-	118	16,623	53,839	69,004	139,584
Committed	-	-	-	-	-	-
Assigned	-	93,017	-	-	-	93,017
Total Fund Balances	<u>-</u>	<u>93,220</u>	<u>16,623</u>	<u>53,839</u>	<u>69,004</u>	<u>232,686</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 104,086</u>	<u>\$ 17,312</u>	<u>\$ 54,601</u>	<u>\$ 80,504</u>	<u>\$ 256,503</u>

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,440
-	-	-	-	-	4,756
32	-	1,245	-	1,277	3,530
-	-	-	-	-	33,236
-	-	-	-	-	843
8,432	-	2,216	-	10,648	87,039
1,194	2,037	40,958	11,273	55,462	55,462
19,740	-	-	-	19,740	19,740
92	-	1,146	-	1,238	1,238
<u>\$ 29,490</u>	<u>\$ 2,037</u>	<u>\$ 45,565</u>	<u>\$ 11,273</u>	<u>\$ 88,365</u>	<u>\$ 732,284</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,468
4	-	-	-	4	8,341
-	-	-	-	-	24,927
1,827	662	7,213	393	10,095	10,095
<u>3,566</u>	<u>1,375</u>	<u>33,745</u>	<u>10,880</u>	<u>49,566</u>	<u>49,566</u>
<u>5,397</u>	<u>2,037</u>	<u>40,958</u>	<u>11,273</u>	<u>59,665</u>	<u>123,397</u>
19,770	-	503	-	20,273	23,034
<u>19,770</u>	<u>-</u>	<u>503</u>	<u>-</u>	<u>20,273</u>	<u>23,034</u>
-	-	-	-	-	843
4,323	-	4,104	-	8,427	465,448
-	-	-	-	-	26,326
-	-	-	-	-	93,236
<u>4,323</u>	<u>-</u>	<u>4,104</u>	<u>-</u>	<u>8,427</u>	<u>585,853</u>
<u>\$ 29,490</u>	<u>\$ 2,037</u>	<u>\$ 45,565</u>	<u>\$ 11,273</u>	<u>\$ 88,365</u>	<u>\$ 732,284</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2025
(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Highway User Revenue
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	720	-	-	-
Occupancy Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	2,861	-	-
Intergovernmental	-	-	-	-	50,374
Charges for Services	120	-	-	18,255	-
Fines and Forfeitures	-	-	-	-	-
Investment Income (Loss)	199	73	-	1,377	2,933
Contributions	-	-	-	-	-
Miscellaneous Revenues	-	-	-	95	-
Total Revenues	<u>319</u>	<u>793</u>	<u>2,861</u>	<u>19,727</u>	<u>53,307</u>
Expenditures					
Current:					
General Government	-	298	-	3,602	150
Public Safety	-	-	-	-	-
Community Environment	-	-	-	5,082	23,349
Cultural-Recreational	-	-	-	10,160	-
Debt Services:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Services Charges	-	-	-	-	-
Cost of Issuance	-	-	-	-	-
Capital Outlay	-	-	-	2,266	16,330
Total Expenditures	<u>-</u>	<u>298</u>	<u>-</u>	<u>21,110</u>	<u>39,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>319</u>	<u>495</u>	<u>2,861</u>	<u>(1,383)</u>	<u>13,478</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	(4,275)	(6)	(11,683)
Sale of Capital Assets	-	-	-	-	-
Face Amounts of Bonds Issued	-	-	-	-	-
Face Amounts of Leases Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(4,275)</u>	<u>(6)</u>	<u>(11,683)</u>
Net Change in Fund Balances	319	495	(1,414)	(1,389)	1,795
Fund Balances - Beginning	<u>3,024</u>	<u>1,055</u>	<u>21,336</u>	<u>20,715</u>	<u>39,624</u>
Fund Balances - Ending	<u>\$ 3,343</u>	<u>\$ 1,550</u>	<u>\$ 19,922</u>	<u>\$ 19,326</u>	<u>\$ 41,419</u>

Special Revenue Funds

Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ 41,187	\$ 41,206	\$ -	\$ 49,448	\$ 131,841
-	-	-	-	-	-	-	720
-	-	4,342	-	-	-	-	4,342
-	-	-	-	-	-	-	-
-	-	704	-	122	-	246	3,933
-	34,695	13,690	14	-	20,257	154	119,184
-	-	139	-	-	-	5,873	24,387
562	-	712	-	-	-	-	1,274
114	168	1,119	3,855	2,615	2,074	6,925	21,452
-	-	44	-	-	-	-	44
-	-	5,103	(1)	-	-	512	5,709
<u>676</u>	<u>34,863</u>	<u>25,853</u>	<u>45,055</u>	<u>43,943</u>	<u>22,331</u>	<u>63,158</u>	<u>312,886</u>
-	13	10,082	251	254	2,584	4,268	21,502
-	-	4,678	38,803	36,617	2,110	171	82,379
-	33,515	1,150	-	-	5,153	27,630	95,879
-	-	3,600	-	5,378	145	-	19,283
-	-	119	-	-	-	-	119
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
496	299	6,565	6,442	193	5,308	13,942	51,841
<u>496</u>	<u>33,827</u>	<u>26,202</u>	<u>45,496</u>	<u>42,442</u>	<u>15,300</u>	<u>46,011</u>	<u>271,011</u>
180	1,036	(349)	(441)	1,501	7,031	17,147	41,875
-	-	356	-	-	93	-	449
-	-	-	-	-	(5,693)	(116)	(21,773)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	356	-	-	(5,600)	(116)	(21,324)
180	1,036	7	(441)	1,501	1,431	17,031	20,551
<u>1,400</u>	<u>936</u>	<u>17,317</u>	<u>67,603</u>	<u>46,932</u>	<u>1,994</u>	<u>102,253</u>	<u>324,189</u>
<u>\$ 1,580</u>	<u>\$ 1,972</u>	<u>\$ 17,324</u>	<u>\$ 67,162</u>	<u>\$ 48,433</u>	<u>\$ 3,425</u>	<u>\$ 119,284</u>	<u>\$ 344,740</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2025
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Revenues:						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	44	-	-	5,884	5,928
Charges for Services	-	-	-	-	204	204
Fines and Forfeitures	-	-	-	-	-	-
Investment Income (Loss)	-	5,652	3	(783)	3,724	8,596
Contributions	-	-	-	-	-	-
Miscellaneous Revenues	-	166	-	-	-	166
Total Revenues	-	5,862	3	(783)	9,812	14,894
Expenditures						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Services:						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Services Charges	-	-	-	-	-	-
Cost of Issuance	-	53	115	489	115	772
Capital Outlay	-	83,486	8,532	24,585	18,763	135,366
Total Expenditures	-	83,539	8,647	25,074	18,878	136,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(77,677)	(8,644)	(25,857)	(9,066)	(121,244)
Other Financing Sources (Uses):						
Transfers In	-	71,263	65	44	-	71,372
Transfers Out	(338)	-	(65)	(44)	-	(447)
Sale of Capital Assets	-	211	-	-	-	211
Face Amounts of Bonds Issued	-	10,677	22,935	97,742	22,912	154,266
Face Amounts of Leases Issued	-	-	-	-	-	-
Premium on Issuance of Bonds (Net)	-	1,012	2,173	9,261	2,171	14,617
Total Other Financing Sources (Uses)	(338)	83,163	25,108	107,003	25,083	240,019
Net Change in Fund Balances	(338)	5,486	16,464	81,146	16,017	118,775
Fund Balances - Beginning	338	87,734	159	(27,307)	52,987	113,911
Fund Balances - Ending	\$ -	\$ 93,220	\$ 16,623	\$ 53,839	\$ 69,004	\$ 232,686

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,841
5,845	-	39,978	-	45,823	46,543
-	-	-	-	-	4,342
1,737	-	-	-	1,737	1,737
-	-	-	-	-	3,933
-	-	-	-	-	125,112
-	108	-	-	108	24,699
-	-	592	-	592	1,866
430	-	798	-	1,228	31,276
-	-	-	-	-	44
-	-	-	-	-	5,875
<u>8,012</u>	<u>108</u>	<u>41,368</u>	<u>-</u>	<u>49,488</u>	<u>377,268</u>
-	-	-	-	-	21,502
-	-	-	-	-	82,379
-	-	-	-	-	95,879
-	-	-	-	-	19,283
3,588	1,375	33,745	10,880	49,588	49,707
3,653	1,324	13,590	786	19,353	19,353
7	2	4	-	13	13
-	-	-	-	-	772
-	-	-	-	-	187,207
<u>7,248</u>	<u>2,701</u>	<u>47,339</u>	<u>11,666</u>	<u>68,954</u>	<u>476,103</u>
764	(2,593)	(5,971)	(11,666)	(19,466)	(98,835)
338	2,593	5,144	11,666	19,741	74,445
-	-	(636)	-	(636)	(5,739)
-	-	-	-	-	211
-	-	-	-	-	154,266
-	-	-	-	-	-
-	-	5	-	5	14,622
<u>338</u>	<u>2,593</u>	<u>4,513</u>	<u>11,666</u>	<u>19,110</u>	<u>237,805</u>
1,102	-	(1,458)	-	(356)	138,970
3,221	-	5,562	-	8,783	446,883
<u>\$ 4,323</u>	<u>\$ -</u>	<u>\$ 4,104</u>	<u>\$ -</u>	<u>\$ 8,427</u>	<u>\$ 585,853</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Warehouse, Maintenance and Services Fund was established to finance and account for services and commodities furnished by Fleet Support, Materials and Supply, and Printing and Graphics.

Property and Public Liability Self-Insurance Fund was established to account for the cost of claims incurred by the City under a self-insurance program.

Workers' Compensation Self-Insurance Fund was established to account for the costs of maintaining a self-insurance program for industrial insurance at the City.

Employee Benefits Self-Insurance Fund was established to account for the costs of maintaining the City's self-insurance health program

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Net Position
June, 30, 2025
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Assets					
Current Assets:					
Pooled Cash and Investments	\$ 22	\$ 11,180	\$ 7,702	\$ 35,682	\$ 54,586
Accounts Receivable	645	-	-	663	1,308
Accrued Premiums Receivable	-	-	-	11	11
Accrued Interest Receivable	-	42	29	91	162
Inventory	14,646	-	-	-	14,646
Deposits and Prepaid Costs	15	1,784	385	-	2,184
Total Current Assets	<u>15,328</u>	<u>13,006</u>	<u>8,116</u>	<u>36,447</u>	<u>72,897</u>
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	53	-	-	68	121
Capital Assets, Being Depreciated, Net	3,008	-	-	6,910	9,918
Total Noncurrent Assets	<u>3,061</u>	<u>-</u>	<u>-</u>	<u>6,978</u>	<u>10,039</u>
Total Assets	<u>18,389</u>	<u>13,006</u>	<u>8,116</u>	<u>43,425</u>	<u>82,936</u>
Deferred Outflows of Resources					
Pensions and OPEB	3,299	283	254	513	4,349
Total Deferred Outflows of Resources	<u>3,299</u>	<u>283</u>	<u>254</u>	<u>513</u>	<u>4,349</u>
Total Assets and Deferred Outflows of Resources	<u>21,688</u>	<u>13,289</u>	<u>8,370</u>	<u>43,938</u>	<u>87,285</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,102	53	86	3,750	5,991
Claims Payable	-	10,634	22,682	6,630	39,946
Due to Other Funds	4,947	-	-	-	4,947
Current Portion of OPEB Liability	609	30	35	111	785
Current Portion of Compensated Absences	164	14	45	13	236
Total Current Liabilities	<u>7,822</u>	<u>10,731</u>	<u>22,848</u>	<u>10,504</u>	<u>51,905</u>
Long-Term Liabilities					
Compensated Absences	823	134	51	141	1,149
Net Pension and OPEB Liability	29,977	2,059	2,039	5,033	39,108
Total Long-Term Liabilities	<u>30,800</u>	<u>2,193</u>	<u>2,090</u>	<u>5,174</u>	<u>40,257</u>
Total Liabilities	<u>38,622</u>	<u>12,924</u>	<u>24,938</u>	<u>15,678</u>	<u>92,162</u>
Deferred Inflows of Resources					
Pensions and OPEB	3,565	212	226	622	4,625
Total Deferred Inflows of Resources	<u>3,565</u>	<u>212</u>	<u>226</u>	<u>622</u>	<u>4,625</u>
Net Position					
Net Investment in Capital Assets	3,061	-	-	6,978	10,039
Unrestricted	(23,560)	153	(16,794)	20,660	(19,541)
Total Net Position	<u>\$ (20,499)</u>	<u>\$ 153</u>	<u>\$ (16,794)</u>	<u>\$ 27,638</u>	<u>\$ (9,502)</u>

City of Mesa, Arizona

Internal Service Funds

Combining Statement of Revenue, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2025

(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 12,077	\$ -	\$ -	\$ -	\$ 12,077
Fleet Support Services	32,775	-	-	-	32,775
Printing and Graphics	810	-	-	-	810
Self-Insurance Contributions:					
Employee	-	-	-	13,971	13,971
City	-	10,359	4,630	90,740	105,729
State Retirement System	-	-	-	5,409	5,409
Other	571	-	-	12,739	13,310
Total Operating Revenues	46,233	10,359	4,630	122,859	184,081
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	11,436	-	-	-	11,436
Fleet Support Services	32,211	-	-	-	32,211
Printing and Graphics	943	-	-	-	943
Self-Insurance:					
Administrative Costs	-	667	2,052	10,850	13,569
Claims and Premiums Paid	-	6,836	406	127,804	135,046
Total Operating Expenses	44,590	7,503	2,458	138,654	193,205
Operating Income (Loss) Before	1,643	2,856	2,172	(15,795)	(9,124)
Depreciation and Amortization	(282)	-	-	(134)	(416)
Operating Income (Loss)	1,361	2,856	2,172	(15,929)	(9,540)
Nonoperating Revenues (Expense):					
Investment Income/(Loss)	(319)	564	567	2,159	2,971
Lease Interest Expenses	-	-	-	(1)	(1)
Gain/(Loss) on Disposal of Capital	5	-	-	-	5
Total Nonoperating Revenues	(314)	564	567	2,158	2,975
Income (Loss) Before Capital	1,047	3,420	2,739	(13,771)	(6,565)
Transfers In	408	-	-	11,148	11,556
Transfers Out	(73)	-	-	(39)	(112)
Change in Net Position	1,382	3,420	2,739	(2,662)	4,879
Total Net Position - Beginning	(21,881)	(3,268)	(19,533)	30,301	(14,381)
Total Net Position - Ending	\$ (20,499)	\$ 152	\$ (16,794)	\$ 27,639	\$ (9,502)

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 46,046	\$ 10,359	\$ 4,630	\$ 122,405	\$183,440
Cash Payments to Suppliers	(39,491)	(8,636)	(6,379)	(135,432)	(189,938)
Cash Payments to Employees	(7,899)	(942)	(735)	(1,072)	(10,648)
Net Cash Provided By/(Used For) Operating Activities	(1,344)	781	(2,484)	\$ (14,099)	(17,146)
Cash Flows From Noncapital Financing Activities:					
Increase in Interfund Payable	1,395	-	-	-	1,395
Transfers In From Other Funds	408	-	-	11,148	11,556
Transfers Out To Other Funds	(73)	-	-	(39)	(112)
Net Cash Provided By/(Used For) Noncapital Financing Activities	1,730	-	-	11,109	12,839
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(50)	-	-	(6,249)	(6,299)
Proceeds from the Sale of Capital Assets	5	-	-	-	5
Principal Paid on Leases	-	-	-	(78)	(78)
Interest Income/(Expense) on Lease	-	-	-	(3)	(3)
Net Cash Provided By/(Used For) Capital and Related Financing Activities	(45)	-	-	(6,330)	(6,375)
Cash Flows from Investing Activities:					
Interest Received on Investments	(319)	560	577	2,243	3,061
Net Cash Provided By/(Used For) Investing	(319)	560	577	2,243	3,061
Net Change in Pooled Cash and Investments	22	1,341	(1,907)	(7,077)	(7,621)
Pooled Cash and Investments at Beginning of	-	9,839	9,609	42,759	62,207
Pooled Cash and Investments at End of Year	<u>\$ 22</u>	<u>\$ 11,180</u>	<u>\$ 7,702</u>	<u>\$ 35,682</u>	<u>\$ 54,586</u>

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(In thousands)

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefits Self Insurance</u>	<u>Total</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided By/(Used For) Operating Activities:					
Operating Income/(Loss)	\$ 1,361	\$ 2,856	\$ 2,172	\$ (15,929)	\$ (9,540)
Adjustments to Reconcile Operating Income/ (Loss) to Net Cash Provided By/(Used For) Operating Activities:					
Depreciation and Amortization	282	-	-	134	416
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(187)	-	-	(454)	(641)
(Increase)/Decrease in Inventory	(2,662)	-	-	-	(2,662)
(Increase)/Decrease in Deposits and Prepaid	(5)	(266)	(79)	-	(350)
(Increase)/Decrease in Deferred Outflows	(147)	14	(54)	(27)	(214)
Increase/(Decrease) in Accounts Payable	35	51	(61)	989	1,014
Increase/(Decrease) in Pension and OPEB	732	(498)	284	441	959
Increase/(Decrease) in Deferred Inflows	(857)	(80)	5	(117)	(1,049)
Increase/(Decrease) in Other Accrued Expenses	104	(1,296)	(4,751)	864	(5,079)
Total Adjustments	(2,705)	(2,075)	(4,656)	1,830	(7,606)
Net Cash Provided By/(Used for) Operating	<u>\$ (1,344)</u>	<u>\$ 781</u>	<u>\$ (2,484)</u>	<u>\$ (14,099)</u>	<u>\$ (17,146)</u>
Noncash Transactions Affecting Financial Position:					
Gain/(Loss) on Disposal of Capital Assets	5	-	-	-	5

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SUMMARY OF THE MASTER BOND RESOLUTION, AS AMENDED

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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/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 provide free System services 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 Appreciation 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.

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OBLIGATIONS DOCUMENTS SUMMARIES

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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, Parity Obligations, Additional Obligations or Bonds.

“Assumed Interest Rate” means an interest rate for a series of Variable Interest Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Interest 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 Deputy City Manager/Chief Financial Officer 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 Phoenix, Arizona, 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.

“City Representative” means the Deputy City Manager/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 the Deputy City Manager/Chief Financial Officer, or the designee of either of them, to act on behalf of the City with respect to the Trust Agreement and the Series 2026 Obligations. Such certificate may designate one or more alternates.

“City Series 2026 Obligations Fund” means the fund of that name created pursuant to Section 3.3(a) of the Purchase Agreement.

“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 utility systems and having a recognized reputation for such work, or City staff with similar experience.

“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 Series 2026 Obligations or Additional Obligations by assuring that principal of and interest on the Series 2026 Obligations or 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 Additional 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 (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries 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 Treasuries 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 “Aaa” by S&P and Moody’s, respectively, or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P, or (6) 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/Chief Financial Officer” means the chief financial officer of the City or other authorized representative of City staff.

“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.

“Fitch” means Fitch Ratings, 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, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“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 Interest 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, 2027*, 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 Series 2026 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;
- (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, Parity Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

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

“Parity Obligations” means the outstanding utility systems revenue obligations and utility systems revenue refunding obligations issued or incurred by the City and having a parity of lien on the Pledged Revenues with the Series 2026 Obligations being the (i) \$14,015,000 original aggregate principal amount of Utility Systems Revenue Obligations, Series 2021, (ii) \$54,705,000 original aggregate principal amount of Utility Systems Revenue Obligations, Series 2022A, (iii) \$16,075,000 original aggregate principal amount of Utility Systems Revenue Obligations, Taxable Series 2022B, (iv) \$57,655,000 original aggregate principal amount of Utility Systems Revenue Refunding Obligations, Series 2022C, (v) \$193,710,000 original aggregate principal amount of Utility Systems Revenue Obligations, Series 2023, (vi) \$295,465,000 original aggregate principal amount of Utility Systems Revenue Obligations, Series 2025, and (vii) \$206,300,000 original aggregate principal amount of Utility Systems Revenue Refunding Obligations, Series 2026.

“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 Series 2026 Obligations. The Trustee is designated as the initial Paying Agent for the Series 2026 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).

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 Series 2026 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 by the City's written investment policy.

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

"Pledged Revenues" means Revenues remaining after deducting Operating Expenses. (However, see "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Source of Purchase Payments; Obligations Junior to Bonds" regarding the modification to Pledged Revenues applicable so long as the Bonds are Outstanding under the Master Bond Resolution.) For the purposes of the computation required by Sections 4.4, 5.3(b) and 5.3(c) of the Purchase Agreement, additional amounts will be added to, or subtracted from, the Pledged Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Additional Obligations described in Section 4.4 of the Purchase Agreement are to be expended for the acquisition of utility properties, then the Revenues that would

have been derived from the operation of such acquired utility properties during the entire immediately preceding Fiscal Year, as estimated by a Consultant, will be added; (ii) if during such preceding Fiscal Year the City has acquired or sold existing utility properties, then the revenues that would have been derived from the operation of such utility properties during such Fiscal Year had such utility properties been acquired and operating or sold and not operating throughout such Fiscal Year, as estimated by a Consultant, will be added or subtracted, respectively; and (iii) if during such preceding Fiscal Year the City has increased rates, fees and charges with respect to the System, then the increased amount that would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by a Consultant, will be added.

“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 Series 2026 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 2026 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 Series 2026 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 2026 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 Series 2026 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 2026 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 Series 2026 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 the Trustee's 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 the Trustee's 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 Series 2026 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 Series 2026 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 2026 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 2026 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 2026 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 2026 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 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 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 either of them or their replacements as provided in the definition of each.

“Repair and Replacement Fund” means the fund of that name as described in 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 Series 2026 Obligations; provided, however, that such amount shall not exceed the least of (a) ten percent (10%) of the net proceeds of the Series 2026 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 Series 2026 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 2026 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 Interest 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

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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 2026 Projects and of execution and delivery of the Series 2026 Obligations, the Series 2026 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 Series 2026 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 the acquisition, improvement and construction of the Series 2026 Projects, and all real and personal property deemed necessary by the City, in its sole discretion, in connection with the Series 2026 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 2026 Projects advanced prior to the execution and delivery of the Series 2026 Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the Series 2026 Obligations during the acquisition, construction and improvement of the Series 2026 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 2026 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, the City may pay from the Improvements Fund the amounts not subject to retention, in accordance with Sections 2.3 and 2.4 of the Purchase Agreement.

(d) The City shall notify the Trustee of the completion date of the Series 2026 Projects by delivery of a certificate signed by the City Representative stating that (i) the Series 2026 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 2026 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 2026 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 2026 Refunding Obligations Fund; Amounts Payable After Execution and Delivery of Obligations Including for Purchase Price.

(a) Upon the execution and delivery of the Series 2026 Obligations, the City shall establish and maintain a separate, internal fund known as the “City Series 2026 Obligations Fund,” which the City shall hold in trust for the Holders of the Series 2026 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 2026 Refunding Obligations Fund as follows:

(i) Commencing July 10, 2026, one-sixth (1/6) of the interest on the Series 2026 Obligations falling due on the January 1, 2027*, Obligation Payment Date and, thereafter, one-sixth (1/6) of the

interest on the Series 2026 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, 2026, one-twelfth (1/12) of the principal due on July 1, 2027, and, thereafter, 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 2026 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 Series 2026 Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account (representing a portion of the Purchase Price).

(iii) Not later than one Business Day prior to the date on which due, the principal of the Series 2026 Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account (representing a portion of the Purchase Price).

(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, Parity 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 Series 2026 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, 2026 and on the tenth (10th) day of each month thereafter, the City shall deposit to the Repair and Replacement Fund 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.

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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 other 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 the Parity Obligation Documents 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.

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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 a Responsible Manner; Repair and Replacement Fund.

(a) All maintenance and repair of the Series 2026 Projects and utilities therefor shall be the responsibility of the City. The Seller as Trustee under the Trust Agreement shall have no obligation with respect to the operation or maintenance of the Series 2026 Projects. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Series 2026 Projects.) The City shall (a) operate and maintain the System in a responsible manner and at a reasonable cost and (b) perform all functions with reference to the System required by the Constitution and laws of the State.

(b) The City previously created the Repair and Replacement Fund in its custody. 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 Series 2026 Obligations, Parity 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 otherwise acquiring, constructing and improving 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 2026 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 Series 2026 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) the City's risk manager or other appropriate officer of the City annually reviews any such program to confirm that 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 Series 2026 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 Series 2026 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 Deputy City Manager/Chief Financial Officer 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. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(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/Chief Financial Officer, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the Deputy City Manager/Chief Financial Officer (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Series 2026 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Series 2026 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. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(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 Series 2026 Obligations, Parity 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.

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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 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 Trustee, as Seller, shall, but only if indemnified to its satisfaction by the Holders (if acting upon direction from the Holders of a majority in aggregate principal amount of the Series 2026 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 Trustee, as Seller, may assign any or all of its rights and privileges under this Section to the Trustee, and the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

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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 Series 2026 Obligations and any Additional Obligations shall be junior in lien to the Bonds, as permitted by the Master Bond Resolution. For purposes of the Purchase Agreement, the City waives its rights to amounts held in the Replacement Fund established pursuant to the Master Bond Resolution. See APPENDIX E – “Summary of the Master Bond Resolution, As Amended.”

So long as the Bonds are Outstanding under the Master Bond Resolution, the first sentence of the definition of “Pledged Revenues” pertaining to the Series 2026 Obligations shall be modified such that Pledged Revenues means Net Revenues (as defined in the Master Bond Resolution) less the payments made by the City pursuant to Section 10(B) of the Master Bond Resolution to the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund (each as defined in the Master Bond Resolution).

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 Purchase Agreement, provided that the City may issue Bonds upon meeting the conditions specified in the Master Bond Resolution.”

So long as the Bonds are Outstanding under the Master Bond Resolution, Section 5.3(b) of the Purchase Agreement is modified such that the certificate of the Consultant to be filed with the Deputy City Manager/Chief Financial Officer shall indicate the proposed sale will not reduce the Net Revenues (as defined in the Master Bond Resolution) to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the highest aggregate Principal Requirement and Interest Requirement of all Outstanding Obligations, Parity Obligations and Additional Obligations, plus the Maximum Annual Debt Service (as defined in the Master Bond Resolution) on all Outstanding Bonds.

So long as the Bonds are Outstanding under the Master Bond Resolution, Section 5.3(c) of the Purchase Agreement is modified such that the opinion of a Consultant described in clause (2) of Section 5.3(c) of the Purchase Agreement shall express the view that such transfer in and of itself will not result in any diminution of the Net Revenues (as defined in the Master Bond Resolution) to the extent that in the full Bond Year next succeeding such transfer the Net Revenues will be less than 120 percent of the highest aggregate Principal Requirement and Interest Requirement of all Outstanding Obligations, Parity Obligations and Additional Obligations, plus the Maximum Annual Debt Service (as defined in the Master Bond Resolution) on all Outstanding Bonds.

So long as the Bonds are Outstanding under the Master Bond Resolution, for purposes of the calculations in Sections 4.4, 5.3(b) and 5.3(c) of the Purchase Agreement, each as such Sections are modified by Article IX of the Purchase Agreement, additional amounts will be added to, or subtracted from, the Net Revenues in accordance with the second sentence of the definition of Pledged Revenues and otherwise in accordance with Section 14(A)(1) of the Master Bond Resolution. See APPENDIX E – “Summary of the Master Bond Resolution, As Amended – Equality of Lien; Prohibition of Future Lien.”

So long as the Bonds are Outstanding under the Master Bond Resolution, the proceeds of any disposition described in Sections 5.3(b) or 5.3(c) of the Purchase Agreement shall be deposited by the City in the Revenue Fund in accordance with the Master Bond Resolution.

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

Article IX of the Purchase Agreement 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 Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 Obligations shall be payable solely out of the revenues and other security pledged by the Trust Agreement and shall not constitute an indebtedness, a general obligation or a pledge of *ad valorem* property taxes of the City within the meaning of any State constitutional provision or statutory limitation. The Series 2026 Obligations shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City's general credit, and the Series 2026 Obligations shall never constitute 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. Notwithstanding anything to the contrary set forth in the Trust Agreement, amounts on deposit in the Debt Service Reserve Account shall be applied solely to the payment of debt service due on the Series 2026 Obligations and any Additional Obligations secured by the Debt Service Reserve Account.

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 Series 2026 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 2026 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 Series 2026 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 Obligations, Parity Obligations and Additional Obligations then Outstanding for the corresponding Bond Year for such Fiscal Years (as certified in writing by the City to the Trustee), any moneys and/or Qualified Reserve Fund Instruments held in the Debt Service Reserve Account may, at the written request of the City, be released to or as directed in writing by the City 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 2026 Obligations on the next Obligation Payment Date, as a deposit to the Principal Account.

(D) The Trustee is also directed to draw on a Qualified Reserve Fund Instrument in accordance with the terms included in the definition of Qualified Reserve Fund Instrument.

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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 a money market fund permitted by clause 7 of the definition of Permitted Investments.

(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 Series 2026 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 Series 2026 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 Series 2026 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 for the breach of the Trust Agreement, and the Trustee may pursue any other remedy afforded by law or in equity, 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 Series 2026 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 together with all moneys held by the Trustee pursuant to 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 Series 2026 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 Series 2026 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 Series 2026 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.

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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 on their face 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 person 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, 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 or willful misconduct 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 or 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 or willful misconduct.

(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 or by the Purchase 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 security or indemnity satisfactory to it 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 Series 2026 Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee. Any such resignation of the Trustee shall also automatically be deemed a resignation by the Trustee as Seller.

(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 Series 2026 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 Series 2026 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; 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 Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 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) amend the description of the Series 2026 Projects; (v) to preserve the exclusion of the interest on the Series 2026 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 Series 2026 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 Series 2026 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 X 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 Series 2026 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 Series 2026 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 2026 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 a Series 2026 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.

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BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

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

DTC will act as securities depository for the 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 UNDERWRITERS OR THE MUNICIPAL 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

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[Closing Date]

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

Re: Utility Systems Revenue Obligations, Series 2026A and Utility Systems Revenue Obligations, Series 2026B 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 June 1, 2026*

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by UMB Bank, n.a. (the "Trustee"), of \$168,100,000* principal amount of Utility Systems Revenue Obligations, Series 2026A (the "Series 2026A Obligations"), and \$153,735,000* principal amount of Utility Systems Revenue Obligations, Series 2026B (the "Series 2026B Obligations" and together with the Series 2026A Obligations, the "Obligations"), dated June 25, 2026*, pursuant to a Trust Agreement, dated as of June 1, 2026 (the "Trust Agreement"), between the Trustee and the City of Mesa, Arizona (the "City"). The Obligations are being executed and delivered to finance the acquisition, construction, improvement, equipping and installation of improvements to the water, wastewater, natural gas, solid waste and electrical systems of the City (collectively, 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 June 1, 2026* (the "Purchase Agreement"), between the Trustee, in its 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. Capitalized terms used and not otherwise defined herein have the meanings ascribed in the Trust Agreement and the Purchase Agreement. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

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. As to any facts material to our opinions, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript.

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

* Subject to change.

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. Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each installment purchase payment made by the City pursuant to the Purchase Agreement, denominated as and comprising interest and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. The Code includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

4. Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. We express no opinion regarding other state tax consequences resulting from the receipt or accrual of the Interest Portion, or ownership or disposition of, the Obligations.

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX I

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CITY OF MESA, ARIZONA

UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026A
\$168,100,000*

UTILITY SYSTEMS REVENUE OBLIGATIONS,
SERIES 2026B
\$153,735,000*

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Mesa, Arizona (the “*City*”), in connection with the execution and delivery of \$168,100,000* principal amount of Utility Systems Revenue Obligations, Series 2026A (the “*Series 2026A Obligations*”), and \$153,735,000* principal amount of Utility Systems Revenue Obligations, Series 2026B (the “*Series 2026B Obligations*” and together with the Series 2026A Obligations, the “*Obligations*”), executed and delivered pursuant to the Trust Agreement, dated as of June 1, 2026* (the “*Trust Agreement*”), by and between the City and UMB Bank, n.a., as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. Definitions. In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated _____, 2026.

“*Financial Obligation*” means 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) a 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 consistent with the Rule.

“*GAAP*” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“*Listed Event*” means the events set forth in Exhibit II.

“*Listed Events Disclosure*” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

* Subject to change.

“Purchase Agreement” means the Installment Purchase Agreement dated as of June 1, 2026*, by and between the City and the Trustee, in its separate capacity as “Seller.”

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. 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.

3. CUSIP Numbers. The CUSIP Numbers of the Series 2026A Obligations are as follows:

CUSIP No. (Base 590545)	Maturity Date (July 1)
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The CUSIP Numbers of the Series 2026B Obligations are as follows:

CUSIP No. (Base 590545)	Maturity Date (July 1)
<hr/>	

4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information 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 Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events

* Subject to change.

Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

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

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying an accounting principle to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Undertaking Payable from Pledged Revenues. The City’s undertaking to provide information under this Undertaking is payable solely from Pledged Revenues of the System (as such terms are defined in the Final Official Statement) to cover the costs of preparing and sending the Annual Financial Information Disclosure and Listed Events Disclosure. Until payment of all Bonds under the Master Bond Resolution (as such terms are defined in the Final Official Statement), 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.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means

of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. Assignment. The City shall not transfer its obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

15. Governing Law. This Undertaking shall be governed by the laws of the State.

[Signature page follows.]

Dated: [Closing Date]

City of Mesa, Arizona

By _____

Deputy City Manager/Chief Financial Officer

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND
AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the following tables of the Final Official Statement (in each case, actual results for the most recently completed fiscal year only):

- a. Combined Schedules of Revenues and Debt Service Coverage (audited information only)
- b. Appendix B – Financial Data – Statements of Bonds Outstanding

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2027. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan 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 City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. 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 security holders, if material.
16. 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.

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