NEW ISSUE — BOOK-ENTRY-ONLY **RATINGS: Moody's: Aa2**
Standard & Poor's: AA+

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2014

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance with certain tax covenants, interest on the Bonds is excludible from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see "TAX EXEMPTION" herein for a description of certain federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that assuming interest is so excludible for federal income tax purposes, the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. See also "ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM" herein.

$132,920,000*

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014

Dated: Date of Delivery **Due: July 1, as shown on inside front cover**

Principal of, and premium, if any, on the Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014 (the *"Bonds"*) are payable at the designated corporate trust office of U.S. Bank National Association, Phoenix, Arizona, as trustee (the *"Trustee,"* also referred to herein as the *"Registrar and Paying Agent"*). The Bonds will be issued as fully registered bonds in the denominations of $5,000 each or any integral multiple thereof. The Bonds, when issued, will be registered in the name of The Depository Trust Company (*"DTC"*) or its nominee and will be available to purchasers initially only through the book-entry-only system maintained by DTC. So long as the book-entry-only system is maintained, no physical delivery of the Bonds will be made to the ultimate purchasers thereof and all payments of principal of and premium, if any, and interest on the Bonds will be made to such purchasers through DTC. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2014. The Bonds are being issued pursuant to a Bond Indenture dated as of April 1, 2014, by and between the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) and the Trustee.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special revenue obligations of the Corporation and are payable solely from payments required to be paid by the City of Phoenix, Arizona (the *"City"*) to the Corporation pursuant to the City Purchase Agreement dated as of April 1, 2014 (the *"City Purchase Agreement"*), by and between the City and the Corporation. The obligations of the City to make the payments and any other obligations of the City under the City Purchase Agreement are payable from a pledge of Designated Revenues (as defined herein) received from the City's wastewater system and do not constitute a pledge of the full faith and credit or the ad valorem taxing power of the City. The Bonds are issued on a parity basis with certain other outstanding junior lien wastewater system revenue obligations of the City and the Corporation and are junior in priority to current and any future outstanding senior lien wastewater system revenue obligations of the City and the Corporation. See "SECURITY AND SOURCE OF PAYMENT" herein.

This cover page contains only a brief description of the Bonds and the security therefor, and is designed for quick reference only. The cover page is not a summary of all material information with respect to the Bonds, and investors are advised to read the entire Official Statement in order to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriters, and subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Underwriters by Squire Sanders (US) LLP, Phoenix, Arizona, Counsel to the Underwriters. It is expected that the Bonds will be available for delivery in book-entry-only form through the facilities of DTC on or about April , 2014.

Goldman, Sachs & Co.

BAIRD **Siebert Brandford Shank & Co., LLC**

Cabrera Capital Markets, LLC **Fidelity Capital Markets** **Raymond James**

* Subject to change.

MATURITY SCHEDULE*

$132,920,000
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014

Maturity July 1	Principal Amount	Interest Rate	Yield
2015	$ 1,690,000		
2016	6,930,000		
2017	7,140,000		
2018	7,425,000		
2019	7,725,000		
2020	8,110,000		
2021	8,515,000		
2022	8,945,000		
2023	9,385,000		
2024	9,860,000		
2025	10,350,000		
2026	10,865,000		
2027	11,410,000		
2028	11,985,000		
2029	12,585,000		

$ Term Bonds due July 1, , Yield %

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* Subject to change.

CITY OF PHOENIX, ARIZONA

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

Wallace Estfan
President and Director

Michael R. Davis
Vice President and Director

James H. Lundy
Secretary-Treasurer and Director

Barbara Barone
Director

Bruce Covill
Director

CITY OF PHOENIX, ARIZONA
CITY COUNCIL

Greg Stanton, *Mayor*

Jim Waring, *Vice Mayor*
District 2

Sal DiCiccio, *Member*
District 6

Kate Gallego, *Member*
District 8

Bill Gates, *Member*
District 3

Michael Nowakowski, *Member*
District 7

Laura Pastor, *Member*
District 4

Daniel Valenzuela, *Member*
District 5

Thelda Williams, *Member*
District 1

ADMINISTRATIVE OFFICIALS

Ed Zuercher
City Manager

Danny Murphy
Acting Assistant City Manager

Rick Naimark
Deputy City Manager

Neal Young
Acting Chief Financial Officer

Kathryn Sorensen
Water Services Director

Daniel L. Brown
Acting City Attorney

Cris Meyer
City Clerk

SPECIAL SERVICES

FRASCA & ASSOCIATES, L.L.C.
New York, New York
Financial Advisor

GREENBERG TRAURIG, LLP
Phoenix, Arizona
Bond Counsel

U.S. BANK NATIONAL ASSOCIATION
Phoenix, Arizona
Trustee, Bond Registrar and Paying Agent

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Corporation identified on the cover page hereof. No person has been authorized by the Corporation, the City, the Financial Advisor (as defined herein) or the Underwriters (as defined herein) to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the Corporation, the City, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation or the City since the date hereof. There is no obligation on the part of the City or the Corporation to provide any continuing secondary market disclosure other than as described herein under the heading "CONTINUING DISCLOSURE."

Upon issuance, the Bonds will not be registered by the Corporation, the City or the Underwriters under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The City currently maintains an investor relations website. However, unless specifically incorporated by reference herein, the information presented on the website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

TABLE OF CONTENTS

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OFFICIAL STATEMENT
Relating to

$132,920,000*
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, is to set forth certain information concerning the City of Phoenix Civic Improvement Corporation (the *"Corporation"*), the City of Phoenix, Arizona (the *"City"*), and the captioned bonds (the *"Bonds"*). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Accordingly, prospective Bond purchasers should read this entire Official Statement before making their investment decision.

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 Corporation and the City warrant that this Official Statement contains no untrue statements of material fact and does not omit any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading. The presentation of financial and other information, including tables of receipts from taxes and other sources, is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes (A.R.S.) or uncodified, or to the Arizona Constitution, are references to current provisions. Those provisions may be amended, repealed or supplemented.

For certain provisions of the City Purchase Agreement dated as of April 1, 2014 (the *"City Purchase Agreement"*), between the Corporation and the City and for the definitions of certain capitalized terms used in this Official Statement and for certain provisions of the Bond Indenture dated as of April 1, 2014 (the "*Indenture"*), between the Corporation and U.S. Bank National Association, as trustee (the *"Trustee"*), pursuant to which the Bonds are being issued, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

THE BONDS

Authorization and Purpose

The Bonds are being issued by the Corporation under the terms of the Indenture for the purpose of (i) refunding a portion of the Corporation's outstanding Junior Lien Wastewater System Revenue Bonds, Series 2004 (the *"Bonds Being Refunded"*) and (ii) paying the costs of issuance of the Bonds as described herein. The payments to be made by the City pursuant to the City Purchase Agreement are scheduled to be sufficient to make payments on the Bonds. The City has made a pledge of the Designated Revenues of the System (each as defined herein) to secure amounts due under the City Purchase Agreement. See "SECURITY AND SOURCE OF PAYMENT."

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* Subject to change.

Plan of Refunding

The proceeds of the sale of the Bonds remaining after deduction of issuance costs will be deposited at closing with U.S. Bank National Association, as bond registrar, paying agent and bond trustee (the *"2004 Trustee"*) under the Bond Indenture, dated as of December 1, 2004 (the "*2004 Indenture*") between the Corporation and the 2004 Trustee, for the Bonds Being Refunded, to be applied to pay the principal amount of and a portion of the interest on the Bonds Being Refunded. The balance of the interest will be paid from other funds of the City. The Bonds Being Refunded will be redeemed on July 1, 2014 at a price of par plus accrued interest, but without premium. The Bonds Being Refunded will remain outstanding under the 2004 Indenture until the redemption date.

MATURITY DATES OF BONDS BEING REFUNDED*

Issue Date	Maturity Date	Principal Amount Outstanding	Principal Amount to be Refunded	Coupon	Expected Call Date	Call Price as a Percentage of Principal
12-01-04	07-01-15	$ 1,990,000	$ 1,990,000	5.00%	07-01-14	100.0%
12-01-04	07-01-16	7,295,000	7,295,000	5.00	07-01-14	100.0
12-01-04	07-01-17	7,660,000	7,660,000	5.00	07-01-14	100.0
12-01-04	07-01-18	1,335,000	1,335,000	4.00	07-01-14	100.0
12-01-04	07-01-18	6,710,000	6,710,000	5.00	07-01-14	100.0
12-01-04	07-01-19	8,435,000	8,435,000	5.00	07-01-14	100.0
12-01-04	07-01-20	8,855,000	8,855,000	5.00	07-01-14	100.0
12-01-04	07-01-21	9,300,000	9,300,000	5.00	07-01-14	100.0
12-01-04	07-01-22	9,765,000	9,765,000	5.00	07-01-14	100.0
12-01-04	07-01-23	10,250,000	10,250,000	5.00	07-01-14	100.0
12-01-04	07-01-24	10,765,000	10,765,000	5.00	07-01-14	100.0
12-01-04	07-01-25	11,300,000	11,300,000	5.00	07-01-14	100.0
12-01-04	07-01-26	11,865,000	11,865,000	5.00	07-01-14	100.0
12-01-04	07-01-27	12,460,000	12,460,000	5.00	07-01-14	100.0
12-01-04	07-01-28	13,085,000	13,085,000	5.00	07-01-14	100.0
12-01-04	07-01-29	5,425,000	5,425,000	4.75	07-01-14	100.0
12-01-04	07-01-29	8,315,000	8,315,000	5.00	07-01-14	100.0

General Description

The Bonds will be issued as fully registered bonds, without coupons, in book-entry-only form and will be registered to Cede & Co. as described below under "Book-Entry-Only System." AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF THE DEPOSITORY TRUST COMPANY ("DTC"), REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX EXEMPTION" AND "ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM") WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST PAYMENTS ON THE BONDS ARE TO BE MADE TO DTC AND ALL SUCH PAYMENTS WILL BE VALID AND EFFECTIVE TO SATISFY FULLY AND TO DISCHARGE THE OBLIGATIONS OF THE CORPORATION AND THE CITY WITH RESPECT TO, AND TO THE EXTENT OF, THE AMOUNTS SO PAID.

The Bonds will be dated the date of initial authentication and delivery thereof, will bear interest payable semiannually on January 1 and July 1 of each year (each an *"Interest Payment Date"*), commencing July 1, 2014. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the

* Subject to change.

inside front cover of this Official Statement. The Bonds will be delivered in fully registered form in the denomination of $5,000 each or any whole multiple thereof (but no Bond may represent installments of principal maturing on more than one date).

Subject to the provisions contained under the heading "Book-Entry-Only System" below, the principal of and premium, if any, and interest at maturity or redemption on each Bond will be payable upon presentation and surrender of such Bond at the designated corporate trust office of the Registrar. Interest on each Bond, other than that due at maturity or redemption, will be paid on each Interest Payment Date by check of said Registrar, mailed to the person shown on the bond register of the Corporation maintained by the Registrar as being the registered owner of such Bond (the *"Owner"*) as of the fifteenth day of the month immediately preceding such Interest Payment Date (the *"Regular Record Date"*) at the address appearing on said bond register or at such other address as is furnished to the Trustee in writing by such Owner before the fifteenth day of the month prior to such Interest Payment Date.

The Indenture also provides that, with the approval of the Corporation, the Trustee may enter into an agreement with any Owner of $1,000,000 or more in aggregate principal amount of Bonds providing for making all payments to that Owner of principal of and interest and any premium on that Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as described above, without presentation or surrender of the Bond, upon any conditions which shall be satisfactory to the Trustee and the Corporation; provided that without a special agreement or consent of the Corporation, payment of interest on the Bonds may be made by wire transfer to any Owner of $1,000,000 aggregate principal of Bonds upon two days prior written notice to the Trustee specifying a wire transfer address of a bank or trust company in the United States.

If the Corporation fails to pay the interest due on any Interest Payment Date, that interest shall cease to be payable to the person who was the Owner as of the Regular Record Date. When moneys become available for payment of the interest, the Registrar will establish a special record date (the *"Special Record Date"*) for such payment which will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment and the interest will be payable to the persons who are Owners on the Special Record Date. The Registrar will mail notice of the proposed payment and of the Special Record Date to each Owner.

Book-Entry-Only System

The following information about the book-entry-only system applicable to the Bonds has been supplied by DTC. None of the Corporation, the City, the Trustee, the Underwriters or the Financial Advisor makes any representations, warranties or guarantees with respect to its accuracy or completeness.

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, 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 and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on the 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 nor its nominee, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 Corporation 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.

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

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

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE REGISTERED OWNER, THE CORPORATION AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY OWNER OF THE BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE CORPORATION AND THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER SUCH INDENTURE. THE CORPORATION AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF AND INTEREST ON THE BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (E) CONSENTS OR OTHER ACTION TAKEN BY DTC OR CEDE & CO., AS REGISTERED OWNER OR (F) ANY OTHER MATTER.

Redemption Provisions

Optional Redemption. Bonds maturing on or prior to July 1, are not subject to optional redemption prior to maturity. Bonds maturing on and after July 1, are subject to redemption at the option of the Corporation, as directed by the City, on July 1, and thereafter, in whole or in part at any time, in increments of $5,000, in any order of maturity, as directed by the City, and by lot within a maturity, by payment of the redemption price of each Bond called for redemption, plus accrued interest to the date fixed for redemption, but without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on July 1, (collectively, *"Term Bonds"*) are subject to mandatory redemption and will be redeemed on July 1 of the respective years set forth below (the *"Sinking Fund Retirement Dates"*) and in the amounts set forth below (the *"Sinking Fund Requirements"*), by payment of a redemption price of the principal amount of such Term Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

Bonds Maturing July 1,

Sinking Fund Retirement Date	Sinking Fund Requirement

* Maturity

At the option of the Corporation, as directed by the City, whenever Term Bonds are purchased, redeemed (other than pursuant to the foregoing scheduled Sinking Fund Requirement) or delivered by the City or the Corporation to the Paying Agent for cancellation, the principal amount of such Bonds so retired will satisfy and be credited against the Sinking Fund Requirement (and the corresponding redemption requirements) relating to such Bonds of the same maturity in such manner as the City determines; *provided, however,* that following such reduction, each Sinking Fund Requirement is an integral multiple of $5,000. Such option must be exercised on or before the 45th day preceding the applicable mandatory Sinking Fund Retirement Date, by furnishing the Paying Agent a certificate setting forth the extent of the credit to be applied with respect to the then current Sinking Fund Requirement. If the certificate is not timely furnished, the Sinking Fund Requirement (and the corresponding redemption requirement) will not be reduced.

Notice of Redemption. When redemption is authorized or required, the Trustee will give the Owners of the Bonds to be redeemed notice of the redemption of the Bonds. Such notice will specify (a) that the whole or part of the Bonds are to be redeemed and, if in part, the part to be redeemed; (b) the date of redemption; (c) the place or places where the redemption will be made; and (d) the redemption price to be paid. Any redemption of Bonds in part will be from such maturities as directed by the City and by lot within a maturity in any manner the Paying Agent deems fair. Notwithstanding the foregoing, no notice of redemption shall be sent unless (i) the Trustee has on deposit sufficient funds to effect such redemption or (ii) the redemption notice states that redemption is contingent upon receipt of such funds prior to the redemption date.

Notice of such redemption will be given by mailing a copy of the redemption notice not more than 60 days nor less than 30 days prior to such redemption date, to the Owner of each Bond subject to redemption in whole or in part at the Owner's address shown on the bond register on the fifteenth day preceding that mailing. Neither failure to receive any such notice nor any defect therein will affect the sufficiency of the proceedings for the redemption of the Bonds with respect to which there is no such defect.

Notice having been given in the manner provided above, the Bonds or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Bonds and portions thereof called for redemption is held by the Trustee or any paying agent on the redemption date, then the Bonds or portions thereof to be redeemed will not be considered outstanding under the Indenture and will cease to bear interest from and after such redemption date.

SOURCES AND APPLICATIONS OF FUNDS

Sources:	
Par Amount of the Bonds	$
Net Original Issue Premium / (Discount)	
Other Available Funds	
Total	$
Applications:	
Trust Account for Bonds Being Refunded	$
Costs of Issuance	
Underwriters' Discount	
Total	$

CITY OF PHOENIX WASTEWATER SYSTEM

The City's wastewater system (the "*System*") serves more than 397,627 accounts within a 540 square mile service area encompassing a service population of approximately 1,485,719. The System consists of more than 4,816 miles of sewers and interceptors and three treatment facilities. The treatment facilities include two major Wastewater Treatment Plants ("*WWTP*"), consisting of the 23rd Avenue WWTP and the 91st Avenue WWTP and one Water Reclamation Plant ("*WRP*"), the Cave Creek WRP.

The 23rd Avenue WWTP

The 23rd Avenue WWTP provides wastewater treatment for central Phoenix and is located on a 55-acre site southwest of the downtown area. The service area includes the downtown sections of Phoenix along with various adjacent residential neighborhoods. The area is extensively developed with growth coming from redevelopment, including the conversion of older neighborhoods to commercial business or high density residential.

The original 23rd Avenue WWTP was built in 1931; however, most of the original facilities have been replaced. The current plant consists of facilities constructed in 1960 that have been doubled in size and were significantly modified and upgraded in 1994. The plant presently operates as an advanced wastewater treatment process. The plant has a current design capacity of 63.00 million gallons per day ("mgd"). A large portion of the treated water is utilized by the Roosevelt Irrigation District (RID) to irrigate crops and the remainder is discharged to the Salt River. For additional information on the facilities and treatment process of the 23rd Avenue WWTP, see "APPENDIX A — SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM."

The 91st Avenue WWTP

The 91st Avenue WWTP is located on a 560-acre site just east of 91st Avenue, south of Broadway Road and north of the Salt River. Within a two-mile radius, the plant is surrounded by rural-agricultural development. Within a two-to-four-mile radius, scattered new residential developments are occurring mainly in the area to the north. The plant provides regional wastewater treatment for the multi-city Subregional Operating Group ("SROG"), which includes the City of Phoenix, except for the central area served by the 23rd Avenue WWTP, and the cities of Glendale, Mesa, Scottsdale and Tempe.

The original 91st Avenue WWTP was built in 1958. The portions of the plant as they are used today have been modified and upgraded since the original construction. The present plant operates as an advanced wastewater treatment process consisting of a nitrification/denitrification activated sludge treatment process. The plant has a current design capacity of 230.00 mgd, and the City's capacity share is 112.80 mgd.

A large portion of the effluent is used by the Palo Verde Nuclear Generating Station for cooling reactors. A minimal amount is discharged to the Salt River for the Buckeye Irrigation District to withdraw for crop irrigation. The remaining effluent is discharged to the Tres Rios wetlands for additional treatment, ground recharging and effluent reuse. For additional information on the facilities, treatment process and future expansion of the 91st Avenue WWTP, see "APPENDIX A — SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM."

The Cave Creek WRP

The Cave Creek WRP provides wastewater treatment in the northeast area of Phoenix. The plant is located on a 116-acre plant site at the intersection of Deer Valley Road and Cave Creek Road. The plant began operations in December 2001 with an initial design capacity of 8.00 mgd. The plant can be expanded to a capacity of 32.00 mgd. Once fully expanded, the reclamation plant is expected to treat all wastewater north of the Central Arizona Project Canal.

The Cave Creek WRP is a conventional activated sludge wastewater treatment plant with advanced treatment using nitrification/denitrification and filtration. Sludge from the treatment plant is transferred through existing sewer pipelines to the 91st Avenue WWTP for further treatment and disposal. All the process basins are covered and ventilated to control and scrub odors.

The plant is able to provide additional water resources by treating wastewater and producing reclaimed water for turf irrigation and groundwater recharge. The reclaimed water is delivered to turf facilities through a separate reclaimed water distribution system.

Due to lower wastewater flows resulting from current economic conditions, the plant was shut down in October 2009, until flows return to higher levels. The plant treatment process is not operationally efficient at these lower flows. Flows are bypassed to the 91st Avenue WWTP where sufficient capacity exists to process the additional load. During the shutdown of the plant, turf facilities previously using reclaimed water from the Cave Creek WRP will be delivered potable water. This temporary change results in more efficient operation of the wastewater system. For additional information on the facilities and treatment process of the Cave Creek WRP, see "APPENDIX A — SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM."

Capacity of the System

A summary of the capacity of the 23rd Avenue WWTP, the 91st Avenue WWTP and the Cave Creek WRP is presented below:

EXISTING WASTEWATER TREATMENT FACILITIES

Treatment Facility	Initial Year of Operation	Current Design Capacity (mgd)	Average Flow Fiscal Year 2012-13 (mgd)
23rd Avenue WWTP	1931	63.00	30.45
91st Avenue WWTP(1)	1958	230.00	84.43
Cave Creek WRP(2)	2001	8.00	0.00

(1) The table reflects the total treatment capacity of the 91st Avenue WWTP. The City's share of the capacity of the 9lst Avenue WWTP is 112.80 mgd.
(2) In October of 2009, the Cave Creek WRP was shut down until flows return to higher levels.
(3) For Fiscal Year 2012-13, the City had excess capacity in the System of 68.92 mgd.

Source: City of Phoenix Water Services Department

Both the 23rd Avenue WWTP and the 91st Avenue WWTP are necessary for the City to treat the wastewater delivered to the System and to ensure that the effluent discharged from the System meets all federal and state regulatory requirements. The System currently satisfies all federal, state and county regulations, as described in "APPENDIX A — SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM."

Environmental Compliance

The System must meet federal, state, and county regulations which are implemented through the permit programs administered by the responsible agencies. The City's Water Services Department has obtained or has applied for the required System permits. The System currently satisfies applicable water quality parameters.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are special, limited obligations of the Corporation payable solely from payments received under the City Purchase Agreement. Under the terms of the City Purchase Agreement, the City is to make payments (the *"Purchase Payments"*) to the Trustee in amounts sufficient to pay when due the principal of and interest on the Bonds, fees of the Trustee and all other expenses enumerated in the City Purchase Agreement.

Purchase Payments by the City are to be made solely from designated revenues of the System (the *"Designated Revenues"*), which are described below. During the term of the City Purchase Agreement, payments are to be made regardless of damage to the System 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 the System. The City's obligation to make Purchase Payments will continue until all Purchase Payments and all other amounts due under the City Purchase Agreement have been paid.

The City Purchase Agreement

The Purchase Payments required by the City under the City Purchase Agreement are secured by a pledge of the "Designated Revenues" of the System, which consist of the "Operating Revenues" of the System, after provision for payment of (a) all "Expenses of Operation and Maintenance" and (b) all payments required on any senior lien obligations payable from "Net Operating Revenues" (the *"Senior Lien Obligations"* or *"Senior Lien Revenue Obligations"*) (the Operating Revenues, net of Expenses of Operation and Maintenance, are referred to as the *"Net Operating Revenues"*). The term Operating Revenues generally includes all income and revenue received by the City from the operation of the System and the term Expenses of Operation and Maintenance generally includes all expenses reasonably incurred in connection with the operation of the System. For a complete description of the definitions of Operating Revenues, Net Operating Revenues and Expenses of Operations and Maintenance, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — Certain Definitions." The Purchase Payments to be made under the City Purchase Agreement will be on a parity with certain other outstanding obligations of the City and any other parity obligations issued in the future (collectively, *"Junior Lien Obligations"* or *"Junior Lien Revenue Obligations"*), subject to any payments required to be made for the benefit of any Senior Lien Obligations issued or incurred in the future as described below under "Issuance of Additional Senior Lien Revenue Obligations and Additional Junior Lien Revenue Obligations." Amounts owed under the City Purchase Agreement are in connection with the refinancing of the sale of certain property by the Corporation to the City under the previous 2004 City Purchase Agreement, dated December 1, 2004.

The obligation of the City under the City Purchase Agreement does not constitute a debt or a pledge of the full faith and credit of the City, the State of Arizona or any other political subdivision thereof. The City has not pledged any form of ad valorem taxes to the payment of the Bonds. The Bonds are special, limited obligations of the Corporation secured only by the Purchase Payments which are to be paid from a pledge of the Designated Revenues of the System. No security interest is held by the Trustee for the benefit of the Owners of the Bonds in any portion of the System. Remedies available to the Trustee upon a failure of the City to make Purchase Payments when due are generally limited to specific performance against the City to payment from Designated Revenues. For a description of events of default and remedies under the City Purchase Agreement, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS." The City may, but is not required to, pay amounts due under the City Purchase Agreement from any other money legally available for such purposes. For a discussion of the System, see "APPENDIX A — SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM." For a discussion of certain covenants which the City has entered into with respect to the System, see "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

Outstanding Senior Lien Revenue Obligations and Junior Lien Revenue Obligations

Senior Lien Revenue Obligations and Junior Lien Revenue Obligations (collectively, the *"Revenue Obligations"*) of the Corporation and the City are outstanding as described below.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
SENIOR LIEN WASTEWATER SYSTEM REVENUE BONDED DEBT OUTSTANDING

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
01-11-05	$102,020,000	Wastewater System Refunding	7-1-06/15	4.92%	$ 26,660,000
11-18-08	133,400,000	Wastewater System Refunding	7-1-16/24	5.50	133,400,000
Total Senior Lien Wastewater System Revenue Bonded Debt Outstanding					$160,060,000

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
JUNIOR LIEN WASTEWATER SYSTEM REVENUE BONDED DEBT OUTSTANDING

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
12-01-04	$180,000,000	Wastewater System Improvements	7-1-10/29	4.97%	$151,415,000(1)
11-27-07	300,000,000	Wastewater System Improvements	7-1-12/37	4.98	288,780,000
12-22-11	118,290,000	Wastewater System Refunding	7-1-14/24	4.72	118,290,000
Total Junior Lien Wastewater System Revenue Bonded Debt Outstanding					$558,485,000

(1) Represents bonds, a portion of which are expected to be refunded by the Bonds offered herein.

CITY OF PHOENIX
JUNIOR LIEN WASTEWATER SYSTEM REVENUE BONDED DEBT OUTSTANDING(1)

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
05-26-10	$6,000,000(2)	Wastewater System Improvements	7-1-10/18	2.97%	$ 3,462,895
08-03-10	6,286,996	Wastewater System Improvements	7-1-18/26	2.97	6,286,996
06-02-11	3,909,270	Wastewater System Improvements	7-1-26/29	2.97	3,909,270
Total Junior Lien Wastewater System Revenue Bonded Debt Outstanding					$13,659,161

(1) Represents a loan agreement between the City and the Water Infrastructure Finance Authority of Arizona (WIFA) pursuant to the American Recovery and Reinvestment Act of 2009 (the *"Recovery Act"*).

(2) Amount does not include $2,000,000 loaned to the City by WIFA but not required to be repaid pursuant to the Recovery Act (the *"Forgivable Principal"*). Failure by the City to comply with all requirements of the loan agreement may result in a default under the loan agreement and cause the Forgivable Principal to be owed by the City.

Outstanding Junior Subordinate Lien Revenue Obligations

As of March 4, 2014, there are no Junior Subordinate Lien Obligations outstanding.

Issuance of Additional Senior Lien Revenue Obligations and Additional Junior Lien Revenue Obligations

General. The City Purchase Agreement sets forth the tests for issuing Additional Senior Lien Revenue Obligations and additional Junior Lien Revenue Obligations.

Additional Senior Lien Revenue Obligations. In order to issue Additional Senior Lien Revenue Obligations, payments which would be senior to payments to be made under the City Purchase Agreement, the City Purchase Agreement requires that the City file a statement by an Independent Certified Public Accountant or a Consultant to the effect that Net Operating Revenues of the System for the most recently completed Fiscal Year for which audited financial statements are available or any 12 consecutive calendar months of the immediately preceding 18 calendar months were equal to at least 120% of Junior Lien Parity Test Debt Service for all outstanding Revenue Obligations, including the Senior Lien Revenue Obligations proposed to be issued. The City Purchase Agreement permits and the Senior Lien Obligation Documents permit, certain adjustments to Net Operating Revenues in the report of the Independent Certified Public Accountant or the Consultant as described below under "Certain Adjustments; Refunding Bonds."

Additional Junior Lien Revenue Obligations. In order to issue additional Junior Lien Revenue Obligations, the City Purchase Agreement sets forth the same requirements for the issuance of additional Senior Lien Revenue Obligations set forth above. Specifically, the City Purchase Agreement requires that the City file a statement by an Independent Certified Public Accountant or a Consultant to the effect that Net Operating Revenues of the System for the most recently completed Fiscal Year for which audited financial statements are available or any 12 consecutive calendar months of the immediately preceding 18 calendar months were equal to at least 115% of Junior Lien Parity Test Debt Service for all outstanding Revenue Obligations, including the Junior Lien Revenue Obligations proposed to be issued. The City Purchase Agreement permits certain adjustments to Net Operating Revenues in the report of the Independent Certified Public Accountant or the Consultant as described below under "Certain Adjustments; Refunding Bonds."

Certain Adjustments; Refunding Bonds. For purposes of the tests described above, the City Purchase Agreement permits certain adjustments to Net Operating Revenues in the report of the Independent Certified Public Accountant or the Consultant, including adjustments to Net Operating Revenues attributable to or resulting from revisions in the schedule of rates and charges, new connections, additions, extensions and improvements to the System. In determining debt service on a series of Revenue Obligations to which a Derivative Product with a Qualified Counterparty relates, the net amount owed by the City (exclusive of any termination payment) is to be used for purposes of determining Junior Lien Parity Test Debt Service. See "Derivative Products" below. The City Purchase Agreement also permits the issuance of Revenue Obligations for refunding purposes without compliance with the foregoing financial tests if certain other conditions are met. See "APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — City Purchase Agreement."

Derivative Products. The City reserves the right to enter into arrangements involving Derivative Products including swap agreements, forward agreements, interest rate agreements, and other similar agreements, to the extent permitted by law, and make payments on such agreements from Net Operating Revenues or Designated Revenues, provided that payments under such agreements may not be made on a basis which is senior to the payment of any Senior Lien Revenue Obligations and do not permit extraordinary payments such as termination payments to be made on a basis other than subordinate to payment of the Principal Requirement and the interest requirement on Revenue Obligations. Such agreements may only be entered into if the City satisfies the tests for additional Revenue Obligations set forth in the Senior Lien Revenue Obligation Documents and the Junior Lien Revenue Obligation Documents, as applicable, subject to the provisions set forth below. In determining whether the additional Revenue Obligations tests are satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on those agreements or on the Revenue Obligations to which the applicable agreement applies as the amount or rate of interest payable after giving effect to the agreements involving Derivative Products, provided that any agreement is with a Qualified Counterparty, thus the City is permitted to include the net payment due under such agreements in calculating the additional Revenue Obligations test. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Counterparty. The City currently has no Derivative Products outstanding secured by Net Operating Revenues or Designated Revenues. See “APPENDIX F — SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — City Purchase Agreement.”

Rate Covenant; Other Covenants

Pursuant to the City Purchase Agreement, the City has covenanted to continuously own, control, operate and maintain the System in an efficient and economical manner and on a revenue producing basis and will at all times, establish, fix, maintain and collect rates, fees and other charges for all water and services furnished by the System fully sufficient at all times:

(1) To provide for 100% of the Expenses of Operation and Maintenance;

(2) To produce Net Operating Revenues in each bond year which will equal at least 115% of the interest and principal requirement for the then current bond year on all Revenue Obligations then outstanding;

(3) To produce Designated Revenues sufficient to remedy any deficiencies in payments from prior years for the Bonds and other Junior Lien Revenue Obligations; and

(4) To produce “Junior Subordinate Lien Revenues,” after provision for payment of the Bonds and any Junior Lien Revenue Obligations, sufficient to meet the principal and interest requirements on any obligations subordinate to the Bonds and other Junior Lien Parity Obligations.

In determining debt service on a series of Revenue Obligations to which a Derivative Product with a Qualified Counterparty relates, the net amount owed by the City (exclusive of any early termination payment) is to be used for purposes of the rate covenant.

SCHEDULE OF ESTIMATED ANNUALIZED PAYMENTS UNDER THE CITY PURCHASE AGREEMENT WITH RESPECT TO THE BONDS*

The City Purchase Agreement requires annual Purchase Payments by the City to the Corporation in an amount equal to the principal of and interest on the Bonds, which payments have been assigned to the Trustee. The Purchase Payments are due in immediately available funds on December 31 and June 30 of each year, commencing June 30, 2014 and ending June 30, 2029. The Indenture requires that the Trustee receive and apply Purchase Payments to pay the principal of and interest on the Bonds due on the following day. Set forth below is a schedule of the estimated annual Purchase Payments required under the City Purchase Agreement with respect to the Bonds:

Fiscal Year	Principal	Interest(1)	Total
2013-14	$ —	$ 1,332,333	$ 1,332,333
2014-15	1,690,000	6,311,050	8,001,050
2015-16	6,930,000	6,277,250	13,207,250
2016-17	7,140,000	6,069,350	13,209,350
2017-18	7,425,000	5,783,750	13,208,750
2018-19	7,725,000	5,486,750	13,211,750
2019-20	8,110,000	5,100,500	13,210,500
2020-21	8,515,000	4,695,000	13,210,000
2021-22	8,945,000	4,269,250	13,214,250
2022-23	9,385,000	3,822,000	13,207,000
2023-24	9,860,000	3,352,750	13,212,750
2024-25	10,350,000	2,859,750	13,209,750
2025-26	10,865,000	2,342,250	13,207,250
2026-27	11,410,000	1,799,000	13,209,000
2027-28	11,985,000	1,228,500	13,213,500
2028-29	12,585,000	629,250	13,214,250
	$132,920,000	$61,358,733	$194,278,733

(1) Interest requirements are estimated at an average rate of 4.93%.

* Subject to change.

SCHEDULE OF PROJECTED DESIGNATED REVENUES, ESTIMATED JUNIOR LIEN DEBT SERVICE REQUIREMENTS AND ESTIMATED JUNIOR LIEN DEBT SERVICE COVERAGE*

Fiscal Year	Projected Net Operating Revenues Available for Senior Lien Revenue Obligations(1)	Debt Service on Outstanding Senior Lien Revenue Obligations	Projected Designated Revenues Available for Junior Lien Debt Service Obligations	Debt Service on Outstanding Junior Lien Revenue Obligations(2)	Estimated Debt Service on the Bonds(3)	Total Estimated Junior Lien Debt Service Obligations	Estimated Coverage of Total Estimated Junior Lien Debt Service Obligations
2013-14	$124,368,869	$ 21,675,000	$102,693,869	$ 45,597,850	$ 1,332,333	$ 46,930,183	2.19
2014-15	124,368,869	21,674,750	102,694,119	27,183,469	8,001,050	35,184,519	2.92
2015-16	124,368,869	21,727,000	102,641,869	34,826,620	13,207,250	48,033,870	2.14
2016-17	124,368,869	21,685,550	102,683,319	34,864,120	13,209,350	48,073,470	2.14
2017-18	124,368,869	16,857,850	107,511,019	39,695,870	13,208,750	52,904,620	2.03
2018-19	124,368,869	16,814,875	107,553,994	39,731,619	13,211,750	52,943,369	2.03
2019-20	124,368,869	16,780,550	107,588,319	39,772,620	13,210,500	52,983,120	2.03
2020-21	124,368,869	16,732,675	107,636,194	39,814,619	13,210,000	53,024,619	2.03
2021-22	124,368,869	16,685,150	107,683,719	39,862,369	13,214,250	53,076,619	2.03
2022-23		22,831,050		33,723,055	13,207,000	46,930,055	
2023-24		22,782,725		33,766,556	13,212,750	46,979,306	
2024-25		—		22,038,806	13,209,750	35,248,556	
2025-26		—		22,096,556	13,207,250	35,303,806	
2026-27		—		22,154,057	13,209,000	35,363,057	
2027-28		—		22,217,931	13,213,500	35,431,431	
2028-29		—		22,226,446	13,214,250	35,440,696	
2029-30		—		21,264,750	—	21,264,750	
2030-31		—		21,334,250	—	21,334,250	
2031-32		—		21,409,500	—	21,409,500	
2032-33		—		21,488,250	—	21,488,250	
2033-34		—		21,573,250	—	21,573,250	
2034-35		—		21,662,000	—	21,662,000	
2035-36		—		21,757,000	—	21,757,000	
2036-37		—		21,850,500	—	21,850,500	
		$216,247,175		$691,912,063	$194,278,733	$886,190,796	

(1) Actual revenues collected in 2012-13 are used to calculate estimated debt service coverage in each year the bonds are to be outstanding.

(2) Net of Bonds Being Refunded. For a description of certain assumptions related to the loan agreements with WIFA, see footnotes (1) and (2) under the caption "SECURITY AND SOURCE OF PAYMENTS — Outstanding Senior Lien Revenue Obligations and Junior Lien Revenue Obligations — City of Phoenix Junior Lien Wastewater System Revenue Bonded Debt Outstanding."

(3) Interest requirements are estimated at an average rate of 4.93%.

* Subject to change.

THE CITY

The City is a municipal corporation duly organized and validly existing under the laws of the State of Arizona. Pursuant to the City Purchase Agreement, the City will agree to make payments sufficient to pay amounts due on the Bonds. Detailed information on the City is set forth in Appendices A through E.

THE CORPORATION

The Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the purpose of assisting the City in the acquisition and financing of municipal property and equipment.

The Corporation will enter into the City Purchase Agreement and the Indenture to facilitate the refunding of the Bonds Being Refunded. The Corporation is not financially liable for the payment of the principal of or interest on the Bonds and the Owners will have no right to look to the Corporation for payment of the Bonds except to the extent of the payments received from the City under the City Purchase Agreement.

LITIGATION

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney has advised City management of the nature and extent of pending and threatened claims against the City. In the opinion of City management, such matters will not have a materially adverse effect on the City's ability to comply with the requirements of the City Purchase Agreement.

To the knowledge of the City Attorney, no pending or threatened litigation or administrative action or proceeding has (i) restrained or enjoined the City from entering into the City Purchase Agreement or approving the issuance and delivery of the Bonds or (ii) contested or questioned the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued, secured, sold, executed or delivered. Certificates of the City to that effect will be delivered at the time of delivery of the Bonds.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code") includes requirements which the City and the Corporation must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds be excludible from gross income for federal income tax purposes. The City or the Corporation's failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted in the City Purchase Agreement to take the actions required by the Code in order to maintain the excludibility from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel, rendered with respect to the Bonds on the date of issuance of the Bonds, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance by the City and the Corporation with the tax covenants referred to above, interest on the Bonds is excludible from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that assuming interest is excludible from gross income for federal income tax purposes, the interest thereon is exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds 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 Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment 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 in gross income of interest of the Bonds in the determination of taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. 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 Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond 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 Bond 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.

Information Reporting and Backup Withholding

Interest paid on bonds such as the Bonds is subject to information reporting to the Internal Revenue Service. This reporting requirement does not affect the excludibility of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owners of Bonds. This withholding generally applies if the owner of Bonds (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 Bonds 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.

ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM

Original Issue Discount

Certain of the Bonds as indicated on the inside front cover of this Official Statement ("Discount Bonds"), were 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 Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond 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 Bond (i) is interest excludible 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 Bonds, 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 Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Bond Premium

Certain of the Bonds as indicated on the inside front cover of this Official Statement (*"Premium Bonds"*), were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond 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 Bond), 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 Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond 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 Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside front cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Other Considerations

Owners of Discount Bonds and Premium Bonds 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 in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION-General") are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, who has been retained by, and is acting as Bond Counsel to the Corporation and the City. Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered to the Underwriters. Certain legal matters will be passed upon for the Underwriters by Squire Sanders (US) LLP, Phoenix, Arizona, as Counsel to the Underwriters.

The text of the proposed legal opinion is set forth as Appendix G. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

RATINGS

Moody's Investors Service, Inc. (*"Moody's"*) has assigned a rating of "Aa2" to the Bonds and Standard & Poor's Financial Services LLC (*"S&P"*) has assigned a rating of "AA+" to the Bonds. No application has been made to any other rating service for the purpose of obtaining ratings on the Bonds. The City furnished these rating agencies with certain information and materials with respect to the Bonds. The ratings will reflect only the views of the rating services. An explanation of the significance of the ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings by Moody's or S&P may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Goldman, Sachs & Co. and the other underwriters shown on the cover (the *"Underwriters"*). The Underwriters have agreed to purchase the Bonds, subject to certain conditions, at an aggregate underwriting discount of $. If the Bonds are sold to produce the yields shown on the inside front cover hereof, the underwriters' compensation will be $.

The Underwriters are committed to purchase all of the Bonds if any are purchased. The Bonds are offered for sale initially at the approximate yields set forth on the inside front cover of this Official Statement, which yields may be changed, from time to time, by the Underwriters. The Bonds may be sold to certain dealers (including underwriters and dealers depositing the Bonds into investment trusts) at prices lower than the public offering price.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) with respect to the Bonds for the benefit of the beneficial owners of such Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, are set forth in "APPENDIX H — FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The City has represented that it is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the City Purchase Agreement or the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "APPENDIX H — FORM OF CONTINUING DISCLOSURE UNDERTAKING." A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

INDEPENDENT AUDITORS AND INCORPORATION BY REFERENCE OF CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial statements of the City as of June 30, 2013 for its fiscal year then ended have been audited by Grant Thornton LLP, independent auditors, as stated in their report. The financial statements and auditor's report are part of the City's comprehensive annual financial report (the *"CAFR"*), which may be obtained from EMMA, free of charge at http://emma.msrb.org or from the City, free of charge, at the following location: 251 West Washington Street, 9th Floor, Phoenix, Arizona 85003, Attention: Finance Department, Telephone: (602) 262-7166. The CAFR may also be downloaded from the City's website at www.phoenix.gov under City Government-Financial Information-Comprehensive Annual Financial Report. The CAFR so filed with EMMA as part of the City's continuing disclosure undertakings pursuant to the Rule is hereby incorporated by reference.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation, the City or the Underwriters and the purchasers or holders of any of the Bonds.

This Official Statement has been approved, executed and delivered by the Corporation and the City.

CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

By ____

President

CITY OF PHOENIX, ARIZONA

By ____

Acting Chief Financial Officer

APPENDIX A

SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM

ORGANIZATION AND ADMINISTRATION

The City's Wastewater System (the "*System*") has been operated as a financially self-supporting municipal utility service since July 1, 1980. It is organized as a functional division of the City's Water Services Department (the "*Department*"). The Department also contains Water Operations as a separate functional division that acts as a completely self-supporting utility service. The Department's authority and responsibility is derived from the Phoenix City Charter and City Council adopted ordinances and resolutions. The Department is required to prepare and submit an annual budget for the Water and Wastewater systems to the City Council prior to the beginning of each fiscal year. The City Council is required to hold a public hearing on the proposed budget and a specified notice of this hearing must be given to any bondholder who requests such notice in writing. If for any reason a budget is not adopted, the budget of the preceding fiscal year shall apply. The City Council adopts both the water and wastewater budgets, establishes water and wastewater rate structures, and sets overall policy for the Department.

The Water Services Director currently reports to the Deputy City Manager. The three Assistant Water Services Directors for Administration, Water and Wastewater report to the Water Services Director.

Rick Naimark, Deputy City Manager, began serving in this position in 2004 and has worked for the City of Phoenix for 27 years. He oversees the Water Services, Public Transit, Public Works, Planning & Development Services and Street Transportation Departments. He is also responsible for the Light Rail, Water Strategy, Environmental Programs and Sustainability functions. Mr. Naimark previously served as the Executive Assistant to the City Manager and the City Council, and has worked in a variety of other management positions. He serves on various community boards including the United Way, Hospice of the Valley, Local Initiatives Support Corporation, Jewish Family and Children's Services and the Arizona Science Center. Mr. Naimark has a master's degree in Public Policy from Harvard University and an undergraduate degree in Public Policy from Stanford University.

Kathryn Sorensen, Water Services Director, began serving in this position in August 2013. Prior to joining the City of Phoenix Water Services Department, she was the City of Mesa Water Resources Department Director for over four years. Before serving as the department director in Mesa, Ms. Sorensen worked in management positions in the City of Mesa's water, wastewater, gas and electric utility services departments for nine years. Ms. Sorensen is a member of the External Advisory Committee of Arizona State University's Decision Center for a Desert City, and is a member of the American Water Works Association Rates and Charges Subcommittee. Ms. Sorensen has a Ph.D. in Resource Economics from Texas A&M University and a bachelor's degree in Economics from the University of Michigan.

Joe Giudice, Acting Assistant Water Services Director — Administration, began serving in this position in June 2013. Prior to joining the Water Services Department he was Deputy Public Works Director for the City of Phoenix. Mr. Giudice has 14 years of experience managing public works and utility operations. Mr. Giudice has a master's in Public Administration from Arizona State University and a bachelor's in Environmental Science from Arizona State University.

Ron Serio, Assistant Water Services Director — Wastewater, began serving in this position in June 2010. Mr. Serio has over 28 years of civil engineering and management experience. Prior to joining the Water Services Department, he served as a Deputy Public Works Director for the City of Phoenix. He also has civil engineering experience in both the private and public sectors in the areas of wastewater, solid waste and transportation. He holds a bachelor's degree in Civil Engineering from Arizona State University and is a licensed professional civil engineer in the state of Arizona.

Assistant Water Services Director — Water, vacant; currently under recruitment.

FINANCIAL PLANNING AND RATE DEVELOPMENT

Financial planning and wastewater rate development are provided by the Finance Department in coordination with the Water Services Department. In addition, the division reviews the timeliness and accuracy of the billing services, provides all financial reporting and financial information, establishes financial policies and recommends rates and fees. Wastewater rates are set to recover the direct and indirect costs of service.

BILLING AND COLLECTION RESPONSIBILITY

The Water Services Department is responsible for a combined municipal services bill for water, sanitary sewer, and solid waste services along with a jail tax and storm water management program tax. Wastewater accounts are billed monthly based on the date the water meter is read. Wastewater charges are based on a percentage of the January, February and March water consumption for all customers except for industrial customers and self-service laundries, which are billed based upon a percentage of actual monthly water consumption. Payment of a regular bill is due 21 days after the bill issuance date. If payment is not received within three days after the due date, a late payment charge is assessed to the outstanding account balance. A first delinquent letter is sent 38 days from the issuance date of the original bill. If payment still has not been received, a second letter is sent 44 days from the issuance date of the original bill. If the total amount due is not received within ten days from the date of the second letter, a notice of turnoff is sent. If payment is not received within three days after the date of the notice of turnoff, water service is discontinued to the premises and a turn-off fee of $55.00 is charged to the customer's account. The total amount of the bill, including all fees, is collected before water service is restored. A customer with a poor payment history receives a shortened credit and collections process; receiving only one delinquent letter and a quicker notice of turnoff to the premises.

The System bills more than 397,627 accounts in a 540 square mile service area for a service population of approximately 1,485,719. Approximately 359,707 (90.5%) of the accounts are single family residential, 15,821 (4.0%) multi-family residential, and 22,099 (5.5%) non-residential. For fiscal year 2012-13, the System billed 62,006,850 hundred cubic feet (ccf) of wastewater flow of which 34,399,071 ccf (55.5%) was from single family residential accounts, 12,581,754 ccf (20.3%) from multi-family accounts, and 15,026,025 ccf (24.2%) from non-residential accounts. The largest single wastewater customer is the City of Phoenix, which accounted for 1.2% of wastewater rate revenue. The top ten customers accounted for $8,070,000 (4.5%) of total wastewater rate revenue.

WASTEWATER RATE STRUCTURE

Wastewater rate schedules are adopted by the Mayor and City Council by ordinance, subject to certain provisions of the Clean Water Act and federal regulations. Since July 1, 1980, wastewater rates have been reviewed annually, in accordance with the Council's adopted policy. The City's principal consideration in adjusting wastewater rates is to maintain the System's operations as a completely self-supporting enterprise. Within the last twenty years, the City has approved seventeen rate revenue adjustments, with the most recent adjustment being a decrease effective July 1, 2012. There was no rate adjustment during 2013.

The following table summarizes the effective dates of these adjustments and the corresponding annualized percentage change in wastewater rate revenue:

Effective Date	Annualized % Change in Wastewater Rate Revenues(1)
July 1, 1994	7.90
March 1, 1996	4.00
March 1, 1997	4.50
March 3, 1998	3.00
March 4, 1999	3.00
April 1, 2000	3.00
April 1, 2001	5.00
March 4, 2002	3.50
March 3, 2003	8.00
March 3, 2004	7.00
March 2, 2005	9.00
March 2, 2006	9.00
March 2, 2007	9.50
March 3, 2008	7.00
March 3, 2009	5.00
March 1, 2010	4.50
July 1, 2012	-7.50

(1) There was no rate revenue adjustment in 1995, 2011 or 2013.

SEWER SERVICE CHARGES

Sewer Volume and Monthly Charges

The City's current wastewater (sewer) rate structure includes several customer classes with rates for each customer class based on the relative strength of the sewage discharge. The higher the customer's sewage strength, the higher the rate will be. The strength based volume charges recover most costs except for costs associated with billing and collection and environmental compliance. The costs of billing and collection are recovered through a fixed monthly charge of $1.00 per account. There is a minimum charge of $4.50 per billing per month for all customers.

For sewer system customers, except industrial customers and self-service laundries, a percentage of winter (January through March) water usage is used to estimate sewage flows and calculate monthly bills. Estimated sewage flows for each customer are updated annually in July based on the current year's winter usage. The annual estimated sewage flows for all customers, except industrial, are adjusted as necessary based on a sewer flow stabilization factor in order to ensure that the overall base level of revenue is achieved.

Environmental Charge

An environmental charge, which is assessed to recover the annual cost of complying with new environmental standards, was implemented on December 1, 1992. The current rate is $0.5385 per ccf effective on July 1, 2012. The fee is indicated on a separate line item on the customer's bill. Revenues from the charge are used to cover all operation, maintenance, replacement, administrative and capital expenses necessary to meet federal, state and county environmental regulations.

Industrial Wastewater Charges

In addition to the sewer service charges, the industrial customers pay fees to recover the annual cost of the Industrial Pretreatment Program. Cost recovery for this program is through a pretreatment monitoring charge of $0.2918 per ccf of sewage discharged to all industrial users and an annual pretreatment permitting fee of $1,009 per location to the significant industrial users.

Commercial Inspection Fee

A commercial inspection fee of $19.53 per month is applied to commercial and self-service laundries, car washes, bakeries, restaurants, service stations/auto repair shops, and all commercial customers with dining facilities. The fee recovers costs incurred by the Environmental Services Division to inspect and monitor the facilities.

DEVELOPMENT OCCUPATIONAL FEE

The Development Occupational Fee was established in May 1982 for water and wastewater connections for new construction. The fee is currently $600 for single family homes and varies by water meter size for other types of connections. The use of revenues from this fee is restricted to the funding of growth related wastewater capital improvement projects or debt service on outstanding wastewater obligations issued for growth related purposes.

DEVELOPMENT IMPACT FEE

The Development Impact Fee is collected to help fund the construction of the capital facilities in designated high-growth areas of the City. The fee varies by area for single family homes and by water meter size and land use for other types of connections. The fee is collected at the time the developer pays for the building permits. Developers may be given Development Impact Fee credits or pay reduced fees if capital projects are constructed and contributed by the developer that would typically be the responsibility of the City. The use of revenues from this fee is restricted to the funding of growth related wastewater capital improvement projects or debt service on outstanding wastewater obligations issued for growth related purposes.

CONNECTIONS TO PUBLIC SEWERS, SEWER EXTENSIONS

All users of the System must obtain a permit prior to connecting to the System. Industrial users must satisfy more stringent permit requirements than residential and other users. Plans of the design and specifications, quantity, location, method of connection and size of all sewer connections are submitted for review and approval before a permit is issued.

For new subdivisions and developments within the City, public sewers are authorized by the Development Services Department Director. For new subdivisions and developments outside the City, public sewers are authorized by the Water Services Director. Such public sewers are to be constructed at the developer’s expense in accordance with the City building codes and approved by the respective Director. The costs for the preparation and review of plans and specifications, the staking of the location of the new public sewers, the cost of inspecting the construction, the cost of acquiring rights-of-way and easements, and preparation of as-built plans are the responsibility of the developer. The ownership of all public sewer lines, lift stations, treatment facilities, equipment and other appurtenances to the System which are maintained or accepted for maintenance by the Department is vested in the City.

The main sewer extension policy for areas beyond present City trunk lines requires the developer to pay all costs for engineering, design and construction of main sewers. The main sewers must be of such size as to afford adequate capacity and service for their specific service areas to be served by City trunk sewers. The design and engineering is required to be in accordance with the specifications of the City and approved by the Water Services Director prior to construction. Upon completion, the main sewer line becomes the property of the City, and the City has exclusive control of connections to the proposed main sewer line.

PRIVATE SEWERAGE SYSTEMS

Except as provided in the Phoenix City Code, it is unlawful to construct or maintain within the City any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of sewage. However, where a public sanitary sewer is not available, a building may be connected to a private sewage disposal system complying with the provisions and recommendations of the Arizona Department of Health Services and the sanitary code of the Maricopa County Environmental Services Department. The private sewage disposal system is to be constructed, maintained, and operated at all times in a sanitary manner.

INDUSTRIAL USERS, INDUSTRIAL PRETREATMENT PROGRAM

As part of its coordinated efforts to meet federal and state standards, the City requires industrial users of the System to meet certain requirements, obtain special permits and to participate in the City's Industrial Pretreatment Program (IPP). There are 213 industrial users of which 95 are designated as a significant industrial user (SIU) and are required to obtain a Class A permit prior to discharging industrial waste into the System. Significant industrial users must assist the Water Services Director in determining the exact concentration and volume of any pollutant intended for discharge to the System, and upon request, must allow the examination and copying of all relevant records or documents available to the user and the inspection of the user's business locations. Additionally, the user must provide the Water Services Director with self-monitoring reports relating to the user's industrial discharge and must allow the Department to take and remove samples of wastewater discharged to the System. The Water Services Director has authority to carry out a sampling program and perform whatever analyses are necessary. If the testing shows that a variation exists between the user's certified data regarding discharge and the data monitored by the Department, the City may adjust charges to that user. Users found not to be in compliance with required standards are issued notices to conform to the proper standards. In some cases, civil monetary penalties have been assessed and collected when conformance has not been reached within the prescribed time frame.

WASTEWATER SYSTEM — FACILITIES

The System currently consists of two Wastewater Treatment Plants (WWTP) — the 23rd Avenue WWTP, and the 91st Avenue WWTP, and one Water Reclamation Plant (WRP) — the Cave Creek WRP. The 23rd Avenue WWTP has the capacity to treat 63.00 million gallons per day (mgd) of City of Phoenix-only flows, and the 91st Avenue WWTP has the capacity to treat 230.00 mgd of combined flow from the five participating cities. Pending the allocation of the increased capacity from the Unified Plant Expansion 2005, the City of Phoenix share of total capacity is 112.80 mgd.

To meet the future anticipated wastewater flows in the northern areas, the City has the Cave Creek WRP. This facility, which is currently shutdown, is expected to service areas of new development north of State Route 101 and outside the service areas of the 91st Avenue and 23rd Avenue WWTPs. The first 8.00 mgd of capacity for the Cave Creek WRP became operational in December 2001 but was shutdown in October 2009, until flows return to higher levels. Expansion of the Cave Creek WRP is planned as new development increases treatment requirements. The Cave Creek WRP can be expanded to a capacity of 32.00 mgd.

Collection System

The collection system contains more than 4,816 miles of sewers. Approximately 18% of the sewers have been installed since 2000. These sewers range in size from 4 inches to 90 inches in diameter. There are 107,314 manholes and 8,373 cleanouts available for access to the main sewer system.

23rd Avenue Wastewater Treatment Plant

The 23rd Avenue WWTP provides wastewater treatment for central Phoenix and is located on a 55-acre site between Durango Street and Lower Buckeye Road at the extended alignment of 23rd Avenue. The plant is surrounded by various government maintenance and operation facilities. In general, the boundaries of the service area can be described as follows: the south boundary is Buckeye Road and Sky Harbor International Airport, the north boundary is Cactus Road, the east boundary is 56th Street, and the west boundary is the Black Canyon (I-17) Freeway. The plant's service area includes the downtown sections of Phoenix and various residential neighborhoods near the central business district. The area is extensively developed with growth coming from redevelopment, including the conversion of older neighborhoods to commercial business or high density residential.

The original 23rd Avenue WWTP was built in 1931; however, most of the original facilities have been replaced. The current facilities consist of plant facilities constructed in 1960 that have been doubled in size and were significantly modified and upgraded in 1994. The plant presently operates as an advanced wastewater treatment process. The plant is designed to treat a capacity of 63.00 mgd. The plant consists of a series of unit processes that remove pollutants from wastewater. Removed pollutants fall into two main categories, total suspended solids (TSS) and organics as measured by a chemical oxygen demand (COD) test. The treated water is disinfected to destroy disease-causing organisms. The treatment unit processes at the plant consist of preliminary screening and grit removal; primary sedimentation; secondary treatment consisting of biological activated sludge with nitrification and denitrification followed by secondary sedimentation; tertiary treatment consisting of chemical addition, flocculation and filtration; and chlorination/dechlorination (disinfection). A large portion of the treated water is utilized by the Roosevelt Irrigation District (RID) to irrigate crops and the remainder is discharged to the Salt River. The residual solids, which are by-products of the aforementioned primary and secondary unit processes, are treated on site in anaerobic digesters. The digested solids are dewatered by centrifuges on site and then are trucked off site to be applied as a soil amendment to agricultural land, processed into a compost product, or landfilled.

91st Avenue Wastewater Treatment Plant

The 91st Avenue WWTP is located on a 560-acre site just east of 91st Avenue, south of Broadway Road and on the north side of the Salt River. Within a two-mile radius, the plant is surrounded by rural-agricultural development. Within a two-to-four-mile radius, scattered new residential developments are occurring mainly in the area to the north. The Gila River Indian Community is located on the south bank of the Salt River channel, approximately one mile south of the existing plant location. The 91st Avenue WWTP provides regional wastewater treatment for the multi-city Subregional Operating Group (SROG), including the City of Phoenix except for the central area served by the 23rd Avenue WWTP. The City of Phoenix participates with the cities of Glendale, Mesa, Scottsdale, and Tempe in the joint exercise powers agreement (JEPA) for the construction, operation and maintenance of jointly used facilities, including the 91st Avenue WWTP, the Salt River Outfall Sewer (SRO), the Southern Avenue Interceptor (SAI), 99th Avenue Interceptor, and other related transportation facilities. As lead agency, the City is responsible for the planning, budgeting, construction, operation and maintenance of the plant. The City provides all management personnel and accepts federal grants on behalf of the participants. The other cities pay for costs of operation and maintenance based on sewage flows and strengths, and for purchased capacity in plant and related transportation facilities based on approved engineering billing schedules.

The original 91st Avenue WWTP was built in 1958; however, most of the original facilities have been replaced. The portions of the plant as they are used today have been modified and upgraded since the original construction. The present day plant operates as an advanced wastewater treatment process consisting of a nitrification/denitrification activated sludge treatment process. The treatment unit processes at the plant consist of preliminary screening and grit removal; primary sedimentation; secondary treatment consisting of biological activated sludge with nitrification and denitrification followed by secondary sedimentation; and chlorination/dechlorination (disinfection). A large portion of the effluent is used by the Palo Verde Nuclear Generating Station for cooling reactors. A minimal amount is discharged into the Salt River for the Buckeye Irrigation District (BID) to withdraw downstream for crop irrigation. The remaining effluent is discharged to the Tres Rios wetlands for additional treatment, ground recharging and effluent reuse. The wetlands also provide flood control, ecosystem restoration, wildlife habitat and education components. The residual solids, which are by-products of the aforementioned primary and secondary unit processes, are treated on site in anaerobic digesters. Centrifuges on site dewater approximately 99% of the digested solids, and the remaining 1% is dewatered in solar drying beds. The dewatered solids are trucked off site to be applied as a soil amendment to agricultural land, processed into a compost product, or landfilled.

The 91st Avenue WWTP Unified Plant Expansion project series, which creates a unified plant rather than a series of individual plants, adds operational flexibility, dependability and increases the total plant capacity. The first project, Unified Plant Expansion 2001 (UP01) was completed at the end of 2008 and increased capacity from 179.25 mgd to 204.50 mgd. The second project, Unified Plant Expansion 2005 (UP05) increased capacity to 230.00 mgd and improved overall plant operational performance. Design and construction on UP05 was divided into two phases. Phase A was completed in 2010 and connects the effluent stream to the Tres Rios Wetlands. Construction of Phase B was completed in 2012 and improves the digestion and thickening processes.

Cave Creek Wastewater Reclamation Plant

The Cave Creek WRP provides wastewater treatment in the northeast area of Phoenix. The plant is located on a 116-acre plant site at the northeast corner of Deer Valley Road and Cave Creek Road. The plant began operations in December 2001 with an initial design capacity of 8.00 mgd. The plant can be expanded to a capacity of 32.00 mgd. The plant provides additional water resources by treating wastewater and producing reclaimed water for irrigation of turf facilities larger than five acres in the service area and retractable groundwater recharge in the northeast area of Phoenix. The reclaimed water is delivered to turf facilities through a separate reclaimed water distribution system.

The Cave Creek WRP is a conventional activated sludge wastewater treatment plant with advanced treatment using nitrification/denitrification processes, and filtration. The plant consists of screening, primary clarification, nitrification/denitrification, secondary clarification, filtration, ultra-violet disinfection, and reclaimed water storage facilities. Sludge from the treatment plant is transferred through existing sewer pipelines to the 91st Avenue WWTP for further treatment and disposal. All process basins are covered and ventilated to control and scrub odors.

Due to lower wastewater flows resulting from current economic conditions, the plant was shutdown in October 2009, until flows return to higher levels. The plant treatment process is not operationally efficient at these lower flows. Currently, the lower flows are bypassed to the 91st Avenue WWTP where sufficient capacity exists to process the additional load. During the shutdown of the plant, turf facilities previously using reclaimed water from the Cave Creek WRP will be delivered potable water. This temporary change results in more efficient operation of the wastewater system.

HISTORICAL ANNUAL SEWAGE FLOW

The average annual City of Phoenix-only flows collected by the sewers and treated at the two WWTPs and the Cave Creek WRP for the past ten years in million gallons per day are as follows:

Fiscal Year	23rd Avenue	91st Avenue	Cave Creek	Total
2003-04	47.71	73.93	1.63	123.27
2004-05	45.00	80.06	2.08	127.14
2005-06	50.33(1)	74.09(1)	3.03	127.45
2006-07	47.64(1)	72.66(1)	3.60	123.90
2007-08	46.87(1)	74.33(1)	3.90	125.10
2008-09	35.75	80.52	3.79	120.06
2009-10	31.37	82.04	3.89	117.30
2010-11	30.81	83.60(2)	0.00(2)	114.41
2011-12	30.44	83.69(2)	0.00(2)	114.13
2012-13	30.45	84.43(2)	0.00(2)	114.88

(1) Flows were diverted to meet increased demand for irrigation water for RID and to lower flows during construction at the 91st Avenue WWTP.

(2) The Cave Creek WRP was shut down in October 2009, until flows return to higher levels. Flows are bypassed to the 91st Avenue WWTP.

ENVIRONMENTAL COMPLIANCE

The System must meet federal, state, and county regulations which are implemented through the permit programs administered by the responsible agencies. The Department has obtained or has applied for the required System permits. The System currently satisfies applicable water quality parameters.

OUTSTANDING WASTEWATER SYSTEM OBLIGATION

City of Phoenix Civic Improvement Corporation Senior Lien Wastewater System Revenue Bonds

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the purpose of acquiring and constructing additional wastewater treatment facilities at the 23rd Avenue WWTP and wastewater system improvements at various locations in the City. The City of Phoenix Civic Improvement Corporation issued bonds for acquiring and constructing additional facilities and various other improvements and the City made a senior lien pledge of net operating revenues of the wastewater system for the payment of principal and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Senior Lien Wastewater System Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
01-11-05	$102,020,000	Wastewater System Refunding	7-1-06/15	4.92%	$ 26,660,000
11-18-08	133,400,000	Wastewater System Refunding	7-1-16/24	5.50	133,400,000
Total Senior Lien Wastewater System Revenue Bonded Debt Outstanding					$160,060,000

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Senior Lien Wastewater System Revenue Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Total
2013-14	$ 13,005,000	$ 8,670,000	$ 21,675,000
2014-15	13,655,000	8,019,750	21,674,750
2015-16	14,390,000	7,337,000	21,727,000
2016-17	15,140,000	6,545,550	21,685,550
2017-18	11,145,000	5,712,850	16,857,850
2018-19	11,715,000	5,099,875	16,814,875
2019-20	12,325,000	4,455,550	16,780,550
2020-21	12,955,000	3,777,675	16,732,675
2021-22	13,620,000	3,065,150	16,685,150
2022-23	20,515,000	2,316,050	22,831,050
2023-24	21,595,000	1,187,725	22,782,725
	$160,060,000	$56,187,175	$216,247,175

City of Phoenix Civic Improvement Corporation Junior Lien Wastewater System Revenue Bonds

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for improvements to the City's wastewater system. The City of Phoenix Civic Improvement Corporation issued bonds for odor control facilities, process improvements and capacity expansions of the 91st Avenue WWTP, laboratory building improvements at the 23rd Avenue WWTP, purchase of land and construction of water reclamation facilities in the northern service area, new sewers and lift stations in growth areas and rehabilitation and replacement of sewers throughout the wastewater system. The City made a junior lien pledge of net operating revenues of the wastewater system for the payment of principal of and interest on the bonds. Amounts due on the bonds and pursuant to the city purchase agreements are as follows:

City of Phoenix Civic Improvement Corporation
Junior Lien Wastewater System Revenue Bonded Debt Outstanding*

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
12-01-04	$180,000,000	Wastewater System Improvements	7-1-10/29	4.97%	$151,415,000(1)
11-27-07	300,000,000	Wastewater System Improvements	7-1-12/37	4.98	288,780,000
12-22-11	118,290,000	Wastewater System Refunding	7-1-14/24	4.72	118,290,000
Total Junior Lien Wastewater System Revenue Bonded Debt Outstanding					$558,485,000

(1) Represents bonds, a portion of which are expected to be refunded by the Bonds offered herein.

City of Phoenix Civic Improvement Corporation
Schedule of Annual Debt Service Requirements
Junior Lien Wastewater System Revenue Bonded Debt Outstanding(1)*

Fiscal Year	Principal	Interest	Total
2013-14	$ 18,660,000	$ 27,373,287	$ 46,033,287
2014-15	8,805,000	26,494,625	35,299,625
2015-16	22,045,000	26,103,275	48,148,275
2016-17	23,135,000	25,051,025	48,186,025
2017-18	29,030,000	23,989,775	53,019,775
2018-19	30,415,000	22,641,625	53,056,625
2019-20	31,915,000	21,180,875	53,095,875
2020-21	33,495,000	19,645,125	53,140,125
2021-22	35,185,000	18,002,875	53,187,875
2022-23	30,790,000	16,255,312	47,045,312
2023-24	32,370,000	14,721,313	47,091,313
2024-25	22,245,000	13,115,313	35,360,313
2025-26	23,415,000	12,003,063	35,418,063
2026-27	24,645,000	10,832,313	35,477,313
2027-28	25,940,000	9,603,187	35,543,187
2028-29	27,300,000	8,306,187	35,606,187
2029-30	14,310,000	6,954,750	21,264,750
2030-31	15,095,000	6,239,250	21,334,250
2031-32	15,925,000	5,484,500	21,409,500
2032-33	16,800,000	4,688,250	21,488,250
2033-34	17,725,000	3,848,250	21,573,250
2034-35	18,700,000	2,962,000	21,662,000
2035-36	19,730,000	2,027,000	21,757,000
2036-37	20,810,000	1,040,500	21,850,500
	$558,485,000	$328,563,675	$887,048,675

(1) Schedule does not include debt service on the Bonds offered herein, but does include debt service on the Bonds Being Refunded.

* Subject to change.

City of Phoenix Junior Lien Wastewater System Revenue Debt

The City entered into a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) to finance the replacement of the Broadway Road Interceptor, rehabilitate approximately 41,000 linear feet of small diameter sewer and construct relief sewers in the southwest portion of the City. WIFA loaned funds to the City, which were derived in whole or in part from the United States Environmental Protection Agency pursuant to the federal American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The City made a junior lien pledge of net operating revenues of the wastewater system for the payment of principal and interest on the loans. Amounts due on the loans pursuant to the loan agreement are as follows:

City of Phoenix
Junior Lien Wastewater System Revenue Bonded Debt Outstanding

Issue Date	Original Issuance	Purpose	Maturity Dates	Average Interest Rate	Bonds Outstanding As of 2-1-14
05-26-10	$6,000,000(1)	Wastewater System Improvements	7-1-10/18	2.97%	$ 3,462,895
08-03-10	6,286,996	Wastewater System Improvements	7-1-18/26	2.97	6,286,996
06-02-11	3,909,270	Wastewater System Improvements	7-1-26/29	2.97	3,909,270
Total Junior Lien Wastewater System Revenue Bonded Debt Outstanding					$13,659,161

(1) Amount does not include $2,000,000 loaned to the City but not required to be repaid pursuant to the Recovery Act (the "*Forgivable Principal*"). Failure by the City to comply with all requirements of the loan agreement may result in a default under the loan agreement and cause the Forgivable Principal to be owed by the City.

City of Phoenix
Schedule of Annual Debt Service Requirements
Junior Lien Wastewater System Revenue Bonded Debt Outstanding

Fiscal Year	Principal	Interest	Total
2013-14	$ 682,028	$ 405,404	$ 1,087,432
2014-15	702,270	385,161	1,087,431
2015-16	723,114	364,318	1,087,432
2016-17	744,576	342,856	1,087,432
2017-18	766,675	320,757	1,087,432
2018-19	789,429	298,002	1,087,431
2019-20	812,860	274,572	1,087,432
2020-21	836,985	250,446	1,087,431
2021-22	861,827	225,604	1,087,431
2022-23	887,406	200,025	1,087,431
2023-24	913,744	173,687	1,087,431
2024-25	940,864	146,567	1,087,431
2025-26	968,789	118,642	1,087,431
2026-27	997,543	89,889	1,087,432
2027-28	1,027,150	60,282	1,087,432
2028-29	1,003,901	29,796	1,033,697
	$13,659,161	$3,686,008	$17,345,169

Outstanding Junior Subordinate Lien Obligations

As of March 4, 2014, there are no Junior Subordinate Lien Obligations outstanding.

WASTEWATER FINANCIAL PLANNING PROCESS AND CAPITAL IMPROVEMENT PROGRAM

The City has a long standing practice of updating the five-year Wastewater Capital Improvement Program (CIP) and financial forecast each year for review by the City Council as part of the financial planning process. The Wastewater CIP, financial forecast and associated proposed wastewater rates are updated through a coordinated process between the Water Services Department and the Finance Department. The two departments recommend rates necessary to maintain wastewater revenue bond debt service coverage of 2.0 times or greater, a minimum available fund balance equal to annual total revenue bond debt service and long-term sustainability of the System. The most recent financial analysis indicates that no adjustment in wastewater rates is required for fiscal year 2013-14. Future rate adjustments of 2.0% per year through the forecast period ending fiscal year 2018-19 are projected to be sufficient to support the financial needs of the System.

The Wastewater CIP for fiscal years 2014-15 through 2018-19 totals $472.6 million. In addition, $66.8 million was programmed in the fiscal year 2013-14 for a total CIP of $539.4 million. In general, the CIP includes projects for system studies, modifications at the 91st Avenue and 23rd Avenue Wastewater Treatment Plants, improvements to odor control facilities and transmission mains, and rehabilitation and replacement of sewer mains throughout the System. The total Wastewater CIP for the next six fiscal years is shown on the following page.

City of Phoenix Wastewater System
Capital Improvement Program Summary

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	6-year Total
Uses of Funds							
Treatment:							
91st Avenue WWTP(1)	$ 9,531,894	$ 11,506,792	$ 11,288,000	$ 12,872,500	$17,938,500	$15,007,500	$ 78,145,186
23rd Avenue WWTP	3,769,000	6,613,000	3,260,000	4,265,000	3,260,000	4,425,000	25,592,000
Tres Rios Wetlands	1,635,800	305,000	—	—	—	—	1,940,800
Subtotal Treatment	14,936,694	18,424,792	14,548,000	17,137,500	21,198,500	19,432,500	105,677,986
Collections:							
Lift Stations	4,063,900	2,813,000	9,440,000	2,085,000	2,200,000	4,500,000	25,101,900
North Phoenix Sewers	1,180,000	14,078,484	15,000,000	100,000	—	—	30,358,484
South Phoenix Sewers	2,469,000	9,014,101	—	—	—	—	11,483,101
Main Replacements	25,820,582	35,704,009	27,385,000	45,524,960	26,364,000	37,750,000	198,548,551
Multi-City Main Replacements	9,849,000	24,254,000	62,535,000	38,850,000	430,000	—	135,918,000
Sewer Other	790,000	240,000	2,640,000	—	95,000	1,458,000	5,223,000
Subtotal Collections	44,172,482	86,103,594	117,000,000	86,559,960	29,089,000	43,708,000	406,633,036
Other:							
Buildings	899,000	799,000	799,000	799,000	300,000	300,000	3,896,000
Automation	5,029,809	1,624,835	1,391,271	1,769,271	—	1,600,000	11,415,186
System Studies	1,066,000	397,000	2,184,000	1,484,000	2,739,000	2,240,000	10,110,000
Security	10,000	—	—	—	—	—	10,000
% for Arts	722,743	161,120	570,788	223,114	—	—	1,677,765
Subtotal Other	7,727,552	2,981,955	4,945,059	4,275,385	3,039,000	4,140,000	27,108,951
Total Uses	$66,836,728	$107,510,341	$136,493,059	$107,972,845	$53,326,500	$67,280,500	$539,419,973
Sources of Funds							
Operating Funds:							
Development Occupation Fees	$ 1,166,000	$ —	$ 1,880,000	$ —	$ —	$ 2,496,440	$ 5,542,440
Wastewater Revenue	49,299,484	50,620,789	83,820,805	74,946,596	37,442,212	49,477,209	345,607,095
Replacement Lines	320,910	300,000	300,000	300,000	300,000	300,000	1,820,910
23rd Ave Replacement	1,879,000	1,965,000	2,000,000	2,100,000	2,100,000	2,250,000	12,294,000
Subtotal Operating Funds	52,665,394	52,885,789	88,000,805	77,346,596	39,842,212	54,523,649	365,264,445
Non-Profit Corporation:							
CIC — Wastewater Bonds	801,833	161,120	570,788	223,114	—	—	1,756,855
Subtotal Non-Profit Corp.	801,833	161,120	570,788	223,114	—	—	1,756,855
Other Financing:							
Other Cities(2)	13,119,501	21,576,838	30,761,466	30,403,135	13,436,288	11,515,851	120,813,079
Development Impact Fee(3)	250,000	32,886,594	17,160,000	—	48,000	1,241,000	51,585,594
Subtotal Other Financing	13,369,501	54,463,432	47,921,466	30,403,135	13,484,288	12,756,851	172,398,673
Total Sources	$66,836,728	$107,510,341	$136,493,059	$107,972,845	$53,326,500	$67,280,500	$539,419,973

(1) Represents total costs for all SROG cities for the 91st Avenue WWTP.

(2) Represents contributions from other cities for the 91st Avenue WWTP.

(3) Development Impact Fees are used as a source only when accumulated funds are available.

City of Phoenix Wastewater System
Comparative Statement of Revenues, Expenditures, Encumbrances, Debt Service, Debt Service Coverage and Changes in Fund Balance (Non-GAAP Budgetary Basis)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues:					
Sewer Service Charges	$144,139,655	$149,080,870	$159,155,990	$156,223,799	$145,040,139
Environmental Charges	32,833,824	34,647,931	36,597,371	35,867,497	33,746,554
Development Occupational Fees	1,639,620	1,485,280	1,059,240	1,670,220	2,281,560
Interest	6,566,032	4,131,809	2,957,954	2,165,538	1,285,710
Industrial Pretreatment Fee	913,802	809,488	803,156	766,162	911,419
Other(1)	4,834,409	8,002,366	11,302,072	16,297,114	11,347,545
Total Revenues	190,927,342	198,157,744	211,875,783	212,990,330	194,612,927
Operation & Maintenance Expenditures and Encumbrances:					
Administration	10,333,239	12,629,563	15,084,250	14,357,736	13,547,284
23rd Avenue WWTP	13,250,916	11,451,227	10,928,616	11,238,212	10,955,517
Reclamation Plants(2)	2,948,747	2,083,528	824,541	621,734	743,589
Transfer to SROG Fund	23,349,655	23,790,715	23,538,183	24,247,226	23,787,704
Pollution Control	5,096,418	5,139,153	4,456,942	4,972,308	4,428,371
Sewer Maintenance and Collection	16,567,705	16,922,378	16,907,541	16,584,408	16,781,593
Total O&M Expenditures and Encumbrances	71,546,680	72,016,564	71,740,073	72,021,624	70,244,058
Net Operating Revenues Available for Senior Lien Revenue Bond Debt Service (Net Operating Revenues)	119,380,662	126,141,180	140,135,710	140,968,706	124,368,869
Senior Lien Revenue Bond Debt Service(3)	22,647,190	21,673,500	21,673,900	21,679,200	21,674,250
Senior Lien Revenue Bond Debt Service Coverage	5.27	5.82	6.47	6.50	5.74
Net Operating Revenues Available for Junior Lien Bond Debt Service (Designated Revenues)	96,733,472	104,467,680	118,461,810	119,289,506	102,694,619
Junior Lien Revenue Bond Debt Service	40,187,601	46,376,785	48,040,797	41,773,181	41,113,156
Junior Lien Revenue Bond Debt Service Coverage	2.41	2.25	2.47	2.86	2.50
Revenues Available After Junior Lien Revenue Bond Debt Service	56,545,871	58,090,895	70,421,013	77,516,325	61,581,463
Other Expenditures, Encumbrances and Transfers:					
Bond Anticipation Note Interest	—	333,403	324,929	210,873	143,804
G.O. Bond Debt Service(4)	—	—	—	5,169,195	4,976,224
Plant Additions and Improvements	32,071,126	21,131,520	32,424,825	28,734,640	46,875,803
Repayment Agreements	5,282	—	—	—	—
Transfer from Other Funds:					
Wastewater Capital Project Funds	(4,943,938)	—	—	(53,141)	1
Self-Insurance Reserve Trust Fund	(163,795)	—	—	—	—
Impact Fees Fund	—	(5,000,000)	—	—	—
Transfer to Other Funds:					
Staff and Administrative Charges	1,150,101	1,177,840	958,044	4,576,504	3,682,386
In-Lieu Property Tax Payments	7,518,440	7,823,223	7,997,093	7,592,832	7,804,026
Wastewater Capital Reserve Funds	—	10,000,000	—	—	94,999,640
General Fund — Reserve(4)	3,867,261	6,394,221	13,677,090	—	—
Other	—	292,552	8,479	—	—
Total Other Expenditures, Encumbrances and Transfers	39,504,477	42,152,759	55,390,460	46,230,903	158,481,884
Net Increase (Decrease) in Fund Balance	17,041,394	15,938,136	15,030,553	31,285,422	(96,900,421)
Fund Balance, Beginning of Year	112,421,693	129,463,087	145,401,223	160,431,776	191,717,198
Fund Balance, End of Year	129,463,087	145,401,223	160,431,776	191,717,198	94,816,777
Reserved for:					
Development Occupational Fees	29,292,824	30,161,158	24,866,805	26,695,089	20,886,782
Reserved Fund Balance, End of Year	29,292,824	30,161,158	24,866,805	26,695,089	20,886,782
Unreserved Fund Balance, End of Year	100,170,263	115,240,065	135,564,971	165,022,109	73,929,995
Wastewater Reserve Fund	40,000,360	50,000,360	50,000,360	25,000,360	70,000,000
Available Fund Balance, End of Year	$140,170,623	$165,240,425	$185,565,331	$190,022,469	$143,929,995

(1) Other includes revenue from sources such as sales of by-products, penalties, test fees, and other miscellaneous revenues.

(2) In October 2009, the Cave Creek Reclamation Plant ceased operations.

(3) In October 2008, the Corporation issued $133 million of senior lien revenue refunding bonds for the purposes of refunding the Corporation's outstanding senior lien variable rate revenue refunding bonds and the termination of the two derivative products.

(4) In fiscal years 2008-09, 2009-10 and 2010-11, the July 1, 2008, January 1, 2009, July 1, 2009, January 1, 2010, July 1, 2010, January 1, 2011 and July 1, 2011 G.O. debt service payments were paid from secondary property tax funds. A portion of each payment amount was transferred to the City's General Fund Reserve each year.

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APPENDIX B
CITY OF PHOENIX, ARIZONA — DESCRIPTION
OVERVIEW

Phoenix is the sixth largest city in the United States, the state capital of Arizona and the center of the metropolitan area encompassed by Maricopa County. This metropolitan area also includes the cities of Mesa, Chandler, Glendale, Scottsdale, Tempe, Peoria, Surprise, Avondale, Goodyear and El Mirage; the towns of Gilbert, Buckeye, Queen Creek, Fountain Hills, and Paradise Valley as well as several smaller cities and towns and all unincorporated areas of the County. It is situated 1,117 feet above sea level in the semi-arid Salt River Valley. The area is well known for its mild, sunny winters and hot summers and receives average rainfall of 8.01 inches annually.

Phoenix was founded in 1870 as an agricultural community. In 1881, it was incorporated as a city. The City Charter under which it is presently governed was adopted in 1913 and has been amended from time to time. The City has grown steadily since its inception and has shown especially strong growth since 1950. The 1900 census recorded Phoenix's population at 5,544. In 1950, the City occupied 17 square miles with a population of almost 107,000 ranking it 99th among American cities. The 2010 census recorded Phoenix's population at 1,447,128. As of January 1, 2014 the City encompasses 519.38 square miles.

Population Statistics
Phoenix, Maricopa County and Arizona

Area	1950	1970	1990	2000	2010	2013(1)	Percent Change 1950-13	Percent Change 1990-13
Phoenix	106,818	584,303	983,403	1,321,045	1,447,128	1,485,719	1,290.9%	51.1%
Maricopa County	331,770	971,228	2,122,101	3,072,149	3,817,117	3,944,859	1,089.0	85.9
State of Arizona	749,587	1,775,399	3,665,228	5,130,632	6,392,017	6,581,054	778.0	79.6

(1) Population figures for Maricopa County, the State of Arizona and the City of Phoenix are as of July 1, 2013.

Source: Population figures prior to 2011 are from the U.S. Department of Commerce Census Bureau. The 2012 population figures for Maricopa County and the State of Arizona are from the Arizona Office of Employment and Population Statistics. The 2013 population figure for the City of Phoenix is from the City of Phoenix Planning & Development Department.

Phoenix is served by main lines of the Union Pacific and Burlington Northern Santa Fe Railroads, a busline (Greyhound Trailways), and 10 transcontinental, 34 interstate and 39 intrastate truck lines. Phoenix Sky Harbor International Airport, located approximately 4 miles from downtown Phoenix, is served by the following scheduled airlines: AeroMexico, Air Canada, Alaska, American, American Eagle, British Airways, Delta, ExpressJet (United Express), Frontier, Great Lakes, Hawaiian, JetBlue, Mesa (US Airways Express), Pinnacle (Delta Connection), SkyWest (Delta Connection, US Airways Express and United Express), Southwest, Spirit, Sun Country, United, US Airways, Volaris and WestJet. Interstate 10, Interstate 17, U.S. Highway 60, State Routes 51, 74, 85, 87, 88, 143 and Loops 101, 202, and 303 all traverse the metropolitan area.

The metropolitan area is presently served by 33 elementary school districts, 6 high school districts, 17 unified school districts and 2 technical institutes, operating over 760 schools. Education is also provided by public charter schools and private and parochial schools located throughout the metropolitan area. Maricopa County Community College District serves the educational needs of the Phoenix area through 10 institutions. Arizona State University (ASU) houses 20 colleges, schools and institutes and has a total enrollment of more than 76,000 undergraduate, graduate and professional students on four campuses in Metro Phoenix. ASU's main campus is located just east of Phoenix in the city of Tempe. The Arizona State University West campus opened in 1991, is located in northwest Phoenix, and has an enrollment of over 14,000 students. The Arizona State University Polytechnic campus opened in 1996, is located in southeast Metro Phoenix in the city of Mesa, and has an enrollment of more than 11,000 students. The Arizona State University Downtown Phoenix campus opened in 2006 and has an enrollment of more than 20,000 students. The City also contains a private graduate school and a number of private universities, colleges, and technical institutions. The 2011 American Community Survey conducted by the U.S. Census Bureau estimated that more than 63.2% of the adult residents of Maricopa County attended college, compared to 57.5% nationally.

SIGNIFICANT DEVELOPMENTS

Downtown Development

In 1979, the City adopted the Downtown Redevelopment Area plan for a 1.5 square mile area of downtown to revitalize the urban center of the City. Redevelopment efforts to date have resulted in the construction of residential units as well as numerous public and private redevelopment projects that have produced several amenities and services for employers, residents and visitors.

In 1984, a group of downtown business leaders founded the Phoenix Community Alliance. The group's express purpose is to work with government and other development interests to accomplish the highest quality downtown revitalization possible. They have been involved in a program of cooperative planning between government and private interests and have been focusing their attention on bringing increased housing, especially ownership housing, to downtown. The Phoenix Community Alliance's 2011-2016 Action Plan provides three goals: facilitating quality land development in Downtown Phoenix, attracting investment to Downtown Phoenix, and sharpening Downtown Phoenix's competitive advantage.

In December 2004, the Phoenix City Council adopted a ten-year plan for downtown entitled "Downtown Phoenix: A Strategic Vision and Blueprint for the Future" (the "Downtown Strategic Plan"). The Downtown Strategic Plan was developed by the combined efforts of the City, Phoenix Community Alliance, Downtown Phoenix Partnership, and Arizona State University. The Downtown Strategic Plan serves as a framework for the City to pursue the comprehensive revitalization of Downtown Phoenix and serves as a guide for decision-making as specific plans and projects are pursued.

The Downtown Phoenix Urban Form Project (the "Project") was a collaborative planning process to revise downtown zoning, to shape future growth and to help realize the City's vision for a livelier, more integrated and sustainable downtown. The City embarked on this project due to heightened development interest in Downtown Phoenix while acknowledging the unique development challenges of the infill urban environment. The Project was completed in April 2010 when the Phoenix City Council approved Chapter 12 of the Phoenix Zoning Ordinance (the "Downtown Code").

Downtown Phoenix Inc. ("DPI") is a new nonprofit entity designed specifically to enhance the economic and cultural vitality of Downtown Phoenix. It serves as an umbrella organization to "broaden the tent" of the downtown community and improve coordination among downtown focused organizations, resulting in greater efficiency and effectiveness among nonprofits, such as Downtown Phoenix Partnership, Phoenix Community Alliance and the Downtown Phoenix Community Development Corporation. DPI serves as a City liaison to downtown stakeholders, including neighborhood and business organizations, assisting the City in communicating with the community by providing guidance and advice as needed. DPI also collaborates with the City to expand and enhance special events downtown.

General Plan

In 1985, the Phoenix City Council adopted the General Plan, a long-range plan based on the Urban Village Concept. The overall goal of the Urban Village Concept (now referred to as the Urban Village Model) is to offer Phoenix residents a choice of lifestyles in which residents may live, work and enjoy leisure time activities within the same urban village. The Urban Village Model also gives residents the opportunity to play a major role in shaping these choices. It is a unique concept that has provided a high degree of citizen participation in local land use planning processes.

The General Plan guides future development in Phoenix through the establishment of fifteen urban villages, each with an approximate population of 125,000. Each village has its own village planning committee. The committees, guided by and responsible to the Phoenix City Council, are comprised of 15-21 citizens, most of whom live in their respective villages. Planning activities include identifying the attitudes, problems, and issues impacting their village; formulating goals and policies that reflect the unique needs of their planning area; developing land use plans that will guide future growth in their village, and reviewing rezoning applications and development proposals.

As required by the State of Arizona Growing Smarter Legislation passed in 1998, and the Growing Smarter Plus Legislation passed in 2000, the City undertook a rewrite of the existing 11 elements in the General Plan and preparation of five new elements as required by the two laws. The updated General Plan was adopted by the City Council on December 5, 2001 and was approved by voters on March 12, 2002.

In the opinion of management, the Growing Smarter legislation provides processes and tools that can contribute to better planned, coordinated and balanced future development.

On July 1, 2009, the Phoenix City Council approved plans to implement a public participation process in developing the Phoenix General Plan Update. In August 2012, the Planning and Development Department, in partnership with the Mayor and City Council, launched PlanPHX in an effort to enhance community outreach. In order to facilitate public participation, the PlanPHX project included the debut of www.myplanphx.com. The website serves as an interactive and innovative way for Phoenix residents to be involved in the Phoenix General Plan Update. In addition to the website, the Planning and Development Department conducts meetings throughout the community to obtain input and ideas from residents. The Phoenix General Plan Update will focus on five themes — Connecting People and Places, Building the Sustainable Desert City, Creating an Even More Vibrant Downtown, Celebrating our Diverse Communities and Neighborhoods, and Strengthening Our Local Economy. The updated plan is scheduled to be presented to and reviewed by the Phoenix City Council in 2015.

Phoenix Convention Center

Redevelopment of the downtown Phoenix area has accompanied the construction and expansion of the Phoenix Convention Center (previously Phoenix Civic Plaza). Opened in 1972, the original convention and cultural center facility encompassed eight city-blocks in downtown Phoenix, having a capacity of 10,000 persons and containing a variety of meeting and exhibition halls in addition to Symphony Hall.

In 1980, the Phoenix City Council authorized the first expansion of the Phoenix Convention Center, adding a new structure connected directly to the existing facility. The additional space expanded the total convention space to 306,000 square feet. Construction of the $55 million addition commenced in late 1982 and was completed in June 1985, effectively doubling the size of the facility. In November 1995, the City completed a $31.5 million modernization and refurbishing program for the Phoenix Convention Center.

In 1998, construction began on the Civic Plaza East Garage, a 2,891-space parking facility to serve Phoenix Convention Center patrons and other downtown visitors. Included within the garage is approximately 25,000 square feet of commercial space. The garage was completed in the fall of 1999.

On June 22, 2001, the Arizona Legislature appointed the Ad Hoc Study Committee on Phoenix Civic Plaza/ Convention Facility Expansion (the "Committee") to make recommendations on several issues regarding Phoenix Convention Center expansion, including potential funding sources and State involvement. The membership included four State Senators, four State Representatives and nine public members. The Committee recognized the significant statewide benefit of convention business and unanimously recommended that the State develop a program to provide matching funds for major convention center improvements.

On November 6, 2001, City of Phoenix voters approved a ballot proposition authorizing the City to incur debt and expend public funds in an amount up to $300 million from City funding sources and in an amount up to $300 million in State or other non-City funding sources for the construction, expansion, modification and improvement of the Phoenix Convention Center. In June 2003, the Arizona Legislature approved spending up to $300 million in State money to match the City's contribution. Combined, the $600 million expansion project effectively tripled the size of the facility by adding approximately 600,000 square feet of meeting and exhibition space.

In 2001, Phoenix voters approved an additional $18.5 million in general obligation bonds for the renovation of the adjacent Symphony Hall. In order to minimize disruption to event activity, the construction schedule for Symphony Hall was aligned with the first phase of the Phoenix Convention Center expansion. In June 2003, the City Council approved the final development concept and selected the design team and the construction management team for the Phoenix Convention Center expansion and Symphony Hall renovation.

Construction of phase one of the Phoenix Convention Center expansion and the Symphony Hall renovation began in June 2004. Symphony Hall re-opened September 3, 2005 after renovations were completed during phase one. Significant improvements to Symphony Hall included a new entrance, plaza facing, wall paneling, carpeting, seating, roofing and an upgraded lobby. Phase one of the Phoenix Convention Center expansion, known as the West Building, was completed in July 2006. The four-level West Building includes a 45,000 square foot ballroom, an Executive Conference Center, 64,000 square feet of exhibition hall space and 27,000 square feet of meeting space.

Phase two construction on the new Phoenix Convention Center North Building was completed in December 2008. The four-level North Building features amenities such as a 46,000 square foot street-level ballroom, 56 meeting rooms, over 300,000 square feet of exhibition hall space on the lower level, 190,000 square feet of exhibition hall space on the upper level and a food court with six themed eateries. The North Building is connected to the West Building via a pedestrian bridge on the third level and below ground through the lower level exhibition hall. The fully expanded Phoenix Convention Center, which welcomed its first convention in January 2009, now offers approximately 900,000 square feet of rentable convention space and is one of the top 25 facilities in the country in terms of size.

The Phoenix Convention Center expansion had a significant impact on Arizona during the five-year construction period. From December 18, 2003 through November 30, 2008, 95 percent of the work was performed by Arizona residents, 11,684 people were employed on the project, $89.0 million was paid in wages and $26.9 million was paid in state construction taxes.

The Phoenix Convention Center surpassed its projected goals for 2009, hosting 69 conventions with approximately 309,729 delegates, which equated to an economic impact of approximately $449 million in direct spending. In 2010, the convention center hosted a total of 62 conventions with an estimated 237,974 delegates, which equated to approximately $345 million in direct spending. In 2011, the convention center hosted a total of 51 conventions with an estimated 243,344 delegates, which equated to approximately $353 million in direct spending. In 2012, the convention center hosted a total of 60 conventions with an estimated 190,701 delegates, which equated to approximately $277 million in direct spending. In 2013, the convention center hosted a total of 44 conventions with an estimated 155,549 delegates, which equated to approximately $225 million in direct spending.

Business Development

The Greater Phoenix Economic Council (GPEC) was formed in 1989 as a partnership between Maricopa County and municipal governments, business and industry, and educational institutions in the metropolitan Phoenix area to serve as the marketing, business development and imaging and promotional arm for all of its members. GPEC's mission is to market the region globally to attract quality businesses and champion foundational efforts to improve the region's competitiveness.

The City of Phoenix has been a GPEC member since its inception. The City's Community and Economic Development Department (CEDD) works closely with GPEC to attract new wealth-generating employers to Phoenix. GPEC's collaborative fiscal year 2012-13 regional economic development model, "Inventing the Future," builds upon GPEC's efforts to implement a cutting-edge business development model with clear strategies that position the region as a true center of excellence. With this plan, GPEC continues several initiatives aimed at creating and maintaining high quality jobs and capital investment through industry diversification, while pursuing projects that meet community and regional objectives. The model also establishes sound economic development programs that enhance regional and statewide competitiveness, while communicating, educating and informing stakeholders, policy-makers, citizens and media of key economic development issues.

Since 2000, CEDD has directly assisted in the attraction of 247 new employers to the City of Phoenix by working with GPEC and many other economic development partners. These companies represent more than 45,000 new jobs and approximately $2.9 billion in new capital investment.

Arts, Cultural and Sports Facilities

The Orpheum Theatre was built in 1929 in Downtown Phoenix for vaudeville performances and movie exhibitions. The City purchased the theatre in 1984 and it was listed on the National Register of Historic Places the following year. In 1988, citizens approved funding $7 million towards a renovation of the theatre, with the Orpheum Theatre Foundation providing additional funding of $7 million. The theatre, built in the Spanish Baroque Revival architectural style, reopened in early 1997 and is the last remaining example of theatre palace architecture in Phoenix. The 1,364-seat Orpheum Theatre is now an internationally recognized showcase for arts and entertainment and hosts a variety of productions which draw thousands of people to the vibrant downtown venue annually.

The Herberger Theater Center, a performing arts facility, opened in October 1989 adjacent to the Phoenix Convention Center. Located on a one-block site immediately north of the original Phoenix Convention Center, the Herberger Theater Center was financed with $18 million in public and private funds. Renovations to the Herberger Theater were performed during the summer of 2010 and included refurbishment of seating, platforms, lighting, carpet and paint on the 801-seat Center Stage and 343-seat Stage West. The renovations included the addition of exterior public space, upgraded outdoor signage and a new private second floor lounge and balcony for theater VIPs. The renovations were completed in October 2010 at a cost of approximately $16 million.

The Phoenix Art Museum, located at Central Avenue and McDowell Street began an expansion in December 2004. The $50 million project added nearly 30,000 square feet to the museum complex, most of which is utilized for exhibition space to benefit the museum's 290,000 annual visitors. $18.2 million of the total project cost was financed with bond funds approved by Phoenix voters in 2001. The remaining funds were raised from individuals and philanthropic organizations. The expansion was completed in November 2006.

The Arizona Science Center is located in Heritage and Science Park, a multi-block downtown cultural center, and received City funding from general obligation bonds approved by the voters in 1988. The Arizona Science Center, which cost $47 million, encompasses nearly 127,000 square feet including a 200-seat planetarium and a 285-seat IMAX Theater. The City contributed land and $20 million to the project, with the balance funded by private contributions. The Arizona Science Center opened in April 1997. In addition, an 800-space parking garage was developed. The parking garage was completed in November 1995.

In January of 2000, an agreement between the City and a private company was reached for development of a 4,800-seat entertainment facility on a City owned site at the northwest corner of Washington Street and Fourth Avenue. The Comerica Theatre (formerly Dodge Theatre) totals 165,000 square feet and cost approximately $39 million. Construction began in September 2000 and was completed in April 2002.

In November 1988, the City entered into negotiations with the Phoenix Suns Limited Partnership (the "Suns") for the development and operation of a 20,000-seat downtown sports arena to be located immediately south of the Phoenix Convention Center. Final agreements between the City and the Suns were approved by the City Council in July 1989. The construction cost of the arena and adjacent garage was $100 million. The City acquired and cleared the land for the project at a cost of $12.8 million and contributed $35 million toward construction. The Suns contributed an additional $515,000 for land acquisition and were responsible for the balance of the construction costs (approximately $52 million). Construction began in November 1990 and America West Arena (currently US Airways Center) opened in June 1992.

A multi-phased renovation of US Airways Center began in the spring of 2001 and was completed in early 2005. Exterior renovations included the addition of a 15,000 square foot climate controlled pavilion on the main entrance plaza, expansion of the north façade to accommodate street level restaurants along Jefferson Street and the construction of a pedestrian passageway from Jefferson Street to Jackson Street. The interior renovations consisted of concourse improvements, seating enhancements and additional restrooms. The second phase of renovations brought significant technology improvements including a new scoreboard and wrap around LED boards, as well as expansion of the Platinum Club, and other core building improvements, all of which ensure the Center's continued state of the art status. The renovations were completed at a total cost of approximately $57 million funded jointly by the City and the Suns.

Major League Baseball owners awarded a Phoenix-based ownership group a major league baseball franchise in March 1995. The team, the Arizona Diamondbacks, began play in March 1998. A $354 million, 48,500-seat, natural grass baseball stadium was constructed at the southwest corner of Jefferson Street and Seventh Street in downtown Phoenix through a public/private partnership. Public participation was authorized in early 1994, when the Maricopa County Stadium District approved the expenditure of $238 million for the development of the stadium. The balance of the construction costs were financed by the team ownership group.

In April 2009, the City completed construction on the Civic Space Park. The 2.77-acre park in the heart of Downtown Phoenix, bounded by First and Central Avenues and Van Buren and Fillmore Streets, offers residents, workers, students and visitors a unique urban design. The park contains sustainable features such as solar panel shade structures, which generate power for the park's lighting and electrical needs and pervious concrete and pavers to reduce heat reflection and allow rainfall to seep through to the ground. The park also includes interactive water and light features, green spaces and a 100-foot aerial art sculpture. The historic 1926 A.E. England Building is located inside Civic Space Park and hosts an auditorium as well as office, meeting and retail space.

On August 31, 2011 the Community and Economic Development and Phoenix Convention Center Department entered into a 20 year public private partnership with the Legends Entertainment District. The district, which utilizes digital signage to stimulate activity within downtown, is generally bounded on the north and south sides of Jefferson Street from First Avenue to Seventh Street and includes sites such as Chase Field, US Airways Center, the Phoenix Convention Center South Building and the Phoenix Convention Center East Garage.

In 2011, the City's Community and Economic Development Department acquired a site on Central Avenue across from the Phoenix Art Museum for the construction of the Arizona Opera Center. The new building, which opened in March 2013, is a 28,000 square foot performing arts facility that includes performance and rehearsal space, administrative offices, and educational and public meeting facilities. The City contributed $3.2 million of general obligation bonds towards the $5.2 million facility. The Arizona Opera Center building is owned by the City of Phoenix and operated by Arizona Opera.

Commercial Development

In the 1970s, Arizona's three major commercial banks (at that time The Valley National Bank of Arizona, First Interstate Bank, and The Arizona Bank) located their high-rise headquarters buildings in the downtown area. In addition, the Citibank building (now Compass Bancshares), consisting of 113,000 square feet of space situated on the northwest corner of Van Buren Street and First Avenue, was opened on August 1, 1989.

The 1970s also saw the development of two downtown high-rise hotels. The Hyatt and Renaissance (formerly the Wyndham) properties combine to provide 1,242 hotel rooms in downtown Phoenix. As an outgrowth of the many downtown development and redevelopment projects during the 1990s and 2000s, there was a rapid increase in hotel room demand from business, leisure and convention travelers visiting the area. To meet this demand, the City of Phoenix constructed a new 1,000-room hotel on the northwest corner of Third Street and Van Buren Street. Adjacent to the Arizona Center and several office and entertainment venues, the hotel contains approximately 10,000 square feet of retail space, including a coffee shop, lounge, restaurant, and fitness facilities; a 30,000 square foot ballroom; and additional meeting space. Starwood Hotels and Resorts was selected as the hotel's operator under the company's Sheraton flag. Design of the hotel began in early 2005 and construction began in March 2006. The Sheraton Phoenix Downtown Hotel opened September 2008 to support the additional hotel demand generated by the recently completed expansion of the Phoenix Convention Center. The opening of the hotel increased the number of hotel rooms in downtown Phoenix to 2,850.

The Trammell Crow Company completed construction of an $80 million, 26-story, 450,000 square foot high-rise office building (currently called One Renaissance), including 40,000 square feet of retail, in the center of downtown Phoenix in 1988. In conjunction with this project, the City constructed a 1,456 space underground public parking garage to support the parking needs generated by the Trammell Crow building and other downtown projects. This $15 million project was dedicated in December 1988. In response to a successful leasing effort, Trammell Crow Company constructed a second office building (called Two Renaissance) which opened in January 1990 on the half-block immediately north of their first building, consisting of 475,000 square feet including 15,000 square feet of retail.

Culminating an effort initiated by the Phoenix Community Alliance, the City entered into an agreement with The Rouse Company in September 1987 to develop a $515 million mixed-use development project to the north of the Phoenix Convention Center known as the Arizona Center. The development includes office and retail use as well as a three-acre public plaza. Arizona Public Service occupies a 450,000 square foot office tower, which was completed in March 1989. In March 1998, a 5,000-seat 24-screen movie theater opened.

The Barron Collier Company and Opus West initiated a mixed-use downtown development project in 1998. The plans for Collier Center included three high-rise towers with 1.5 million square feet of office space, 200,000 square feet of retail shops and restaurants, and parking for 2,400 vehicles. The project is located on a 7.2-acre site bounded by Washington, Jefferson, First and Third Streets. Collier Center's Phase I, a $500 million, 23-story office tower, was completed in September 2000 and is the Arizona headquarters for Bank of America. The tower contains over 500,000 square feet of office space, 85,000 square feet of retail space and a 1,500-space underground parking garage.

Construction of the 20-story, 410,000 square foot One North Central Building (formerly the Phelps Dodge Building), including 10,000 square feet of retail and 975 on-site parking spaces, began in February 2000. The building is located on the northeast corner of Washington Street and Central Avenue in downtown Phoenix. Construction was completed in November 2001.

In 2005, the City exchanged the City-owned historic Hanny's Building located at First and Adams Streets for the historic A.E. England Building located next to the ASU Downtown Phoenix campus at 424 North Central. The A.E. England Building, owned and operated by the City of Phoenix Parks and Recreation Department, was renovated for mixed retail and community use. The 30,000 square foot Hanny's Building was renovated into a restaurant that opened in December 2008. The Historic Preservation Commission and the City assisted with approximately $400,000 of the estimated $4 million renovation costs.

The City entered into an agreement with One Central Park East Associates LLC to develop a $185 million 26-story office tower at the northwest corner of First and Van Buren streets. The Freeport McMoRan Center houses the world headquarters for Freeport-McMoRan Copper & Gold Inc. (formerly Phelps Dodge Corporation) and the Westin Hotel. The City provided property tax assistance and abandonment of right-of-way for the 485,700 square foot building of Class A office space, 8,500 square feet of ground level retail space and 590 parking spaces. Construction began in October 2007 and was completed in November 2009. The Westin, which opened in March 2011, occupies nine floors of the Freeport McMoRan Center and includes 242 over sized guest rooms averaging 550 square feet.

In 2011 Freeport McMoRan Copper and Gold, Inc., relocated its corporate headquarters to a new office tower located on the northwest corner of First and Van Buren Streets, (the Freeport McMoRan Center) constructed by One Central Park East Associates, LLC.

In March 2012, the office space vacated by Freeport McMoRan at One North Central Avenue, (the former Phelps Dodge Building) was leased to the Phoenix School of Law (currently known as Arizona Summit Law School). The school relocated its private law school from the Phoenix mid-town corridor into the downtown area to improve student and faculty access to the various courts and for convenient access and close proximity to retail and entertainment venues.

CityScape is an approximately 5-acre, mixed-use development that blends urban living with work, shopping and entertainment and includes restaurants, a hotel, offices and outdoor event space. The project encompasses two blocks in downtown Phoenix and is one block from the US Airways Center and within two blocks of Chase Field. Construction on CityScape began in the fall of 2007 and the first phase opened in March 2010. The first phase includes 660,000 square feet of Class A office space, 200,000 square feet of retail, 1,300 parking spaces and redevelopment of Patriot's Square Park. Construction of the second phase commenced in February 2011 and included construction of the 242 room Hotel Palomar which was completed in June 2012. The final phase of the project is comprised of 242 high rise apartment units currently under construction above the Hotel Palomar and is expected to be open for occupancy in the spring of 2014.

Biotechnology and Education

In spring of 2002, the City of Phoenix and the State of Arizona, in partnership with Maricopa County, Arizona's three State universities, various foundations and the private sector, formalized two proposals to the International Genomics Consortium (IGC) and the Translational Genomics Research Institute (TGen) to locate their new headquarters in downtown Phoenix. The City agreed to construct a six-story, 170,000 square foot research facility for IGC and TGen located at Fifth and Van Buren Streets. Construction began in late July 2003 with occupancy occurring in December 2004.

In August 2004, the Arizona Board of Regents, the University of Arizona (U of A) and ASU (collectively, the Arizona Biomedical Collaborative) entered into a memorandum of understanding outlining a combined vision to expand the U of A's colleges of medicine and pharmacy in downtown Phoenix, perform complementary research and develop facilities at the Phoenix Biomedical Campus (PBC) located on Van Buren Street between Fifth and Seventh Streets. The U of A College of Medicine has renovated three historic former Phoenix Union High School buildings located on the PBC for the first phase of the medical school. The $27 million renovation project began in March 2005 and was completed in September 2006. The first Arizona Biomedical Collaborative building (ABC I) is a four-story, 85,000 square foot building located just north of the historic Phoenix Union High School buildings along Fifth Street. Research within ABC I focuses on several areas including cancer, diabetes, neurological and cardiovascular diseases. The $30 million facility includes academic space for the ASU Department of Biomedical Informatics on floors one and two and wet lab space for the U of A College of Medicine on floors three and four. Construction began in September 2005 and was completed July 2007.

In July 2012, the U of A Health Sciences Education Building (HSEB) opened and now houses the U of A College of Pharmacy and Northern Arizona University's Allied Healthcare Programs. This approximately $140 million, 260,000 square-foot six-story academic facility has provided space for the expansion of the U of A College of Medicine in downtown Phoenix. The U of A is also the recipient of a $15 million American Recovery and Reinvestment Act stimulus grant for the development of a below-grade research core. At build-out, the 28-acre PBC is expected to include more than six million square-feet of research, academic and clinical development.

The next phase of construction at the PBC commenced in February 2013 with the groundbreaking of the Arizona Cancer Center. The $100 million, 225,000 square-foot facility will be located on the northwest corner of 7th and Fillmore Streets and is planned for completion in the fall of 2015. This outpatient clinical facility will host approximately 60,000 patient visits and 500,000 annual visitors at build-out.

In 2004, ASU and the City of Phoenix entered into a partnership to develop the ASU Downtown Phoenix campus. Phoenix voters committed $223 million to the ASU Downtown Phoenix campus in the 2006 bond election. The campus is located in downtown Phoenix between Van Buren and Fillmore Streets on the north and south and First Avenue and Seventh Street on the west and east, respectively. Over 18,000 students were enrolled in degree programs at the Downtown Phoenix campus during the spring 2013 semester.

As part of the first phase of the ASU Downtown Phoenix campus, which opened in August 2006, ASU offers a wide range of undergraduate and graduate programs from the College of Public Programs and the University College. The second phase brought programs from the state-of-the-art Walter Cronkite School of Journalism and Mass Communications, KAET/Channel 8 and the College of Nursing & Healthcare Innovation to the ASU Downtown Phoenix campus.

As part of the second phase of the ASU Downtown Phoenix campus expansion, construction was completed on the 82,000 square foot ASU College of Nursing and Healthcare Innovation facility. The innovative design creates a sense of arrival for the northeast corner of the campus and downtown. With over a third of the materials utilized for this project containing recycled content, the new facility achieved the Leadership in Energy and Environmental Design (LEED) certified Gold status and has received 14 awards including Best Education Facility in America and the LEED Building of the Year. Tenant improvements to build out the remaining fifth floor shell space of the ASU Nursing and Health Innovation II facility for executive offices, meeting space and staff workstations were completed in July 2013. This $1.5 million investment by ASU completes the occupancy of the building.

The second phase was completed with the addition of a student union and a student residence hall. The U.S. Post Office building at Central Avenue and Fillmore Street houses the student union for the ASU Downtown Phoenix campus. Retail postal services remain in the building, and a veranda was added along the south side of the building to be used for concerts, outdoor films and other activities. The conversion of the U.S. Post Office building was completed in March 2010. Taylor Place, a new student residence hall was constructed on the campus between First and Second Streets on Taylor Street. Taylor Place was completed in August 2009 and accommodates 1,294 beds. In early 2012, ASU began construction on the 18,870 square foot Student Engagement Center located on the lower and first floors of the historic post office. Construction was completed in time for the 2013 spring semester.

In August of 2012, construction of the new ASU student recreation center began. The Sun Devil Fitness Complex is a five-story, 64,000-square-foot facility with state-of-the-art weight and fitness areas, three multi-purpose studios for group fitness and mind/body classes, a two-court gymnasium, a rooftop outdoor leisure pool and a multi-purpose area for student clubs to utilize. The $25 million facility is located on First Avenue north of Van Buren Street, next to the YMCA. With classroom space for Exercise & Wellness on the second floor, the new facility adds to the existing YMCA services and serves both ASU students and YMCA members. The Sun Devil Fitness Complex was completed and available to students for the 2013 fall semester.

The ASU Sandra Day O'Connor College of Law will relocate to Downtown Phoenix with the completion of the Arizona Center for Law Society building. Design work has begun on the $100 million, 250,000-square-foot facility, with construction set to begin in 2014. The City of Phoenix will invest $12 million in the project, located on a square block bounded by First, Second, Taylor and Polk streets. The building is expected to be completed in 2016.

The City and ASU are working together to develop the State's workforce through education and generating additional academic and intellectual capital. The anticipated economic impact is estimated to be $570 million including the creation of 7,700 jobs.

Neighborhood Revitalization and Downtown Housing

The City's downtown redevelopment efforts are complemented by Neighborhood Services Department (NSD) programs through which NSD works to preserve and improve the physical, social and economic health of Phoenix neighborhoods. NSD has created programs to assist neighborhoods citywide and aggressively works to revitalize targeted neighborhoods. City projects are complemented by neighborhood-based programs such as clean-ups, blight elimination and graffiti prevention that are often led by neighborhood stakeholders, including businesses, residents and schools.

Targeted neighborhood strategies are more comprehensive and concentrated in approach, involving redevelopment of blighted or under-used properties, proactive code enforcement, housing rehabilitation, infill housing development, infrastructure improvements, neighborhood capacity building and economic development. Targeted neighborhoods include Neighborhood Initiative Areas, Redevelopment Areas, West Phoenix Revitalization Area, Rental Renaissance Neighborhoods and other City designated revitalization areas.

In order to make a meaningful impact towards the revitalization of distressed neighborhoods, NSD uses a strategic approach to address citywide needs and revitalization activities to enhance the physical environment and to improve neighborhoods. Federal programs that address blight elimination and neighborhood revitalization priorities including owner occupied housing rehabilitation and homeownership opportunities support the NSD strategies while enhancing the quality of life of Phoenix residents.

Beginning in the late 1990s, Downtown Phoenix saw the development of several market rate projects for the first time in nearly a decade. From 1997 through 2003, nearly 1,300 housing units were built and available for occupancy in downtown. The units included apartments, lofts, condominiums and multi-family housing.

In the summer of 2003, Post Properties and Desert Viking Properties, LLC completed a rehabilitation project of a 12,300 square foot retail structure located at Roosevelt Street and Third Avenue. The Gold Spot Market was reopened on July 17, 2003.

In August 2003, Artisan Homes, Inc. began building 105 ownership housing units on a 5.5 acre site bounded by Fifth and Seventh Streets and Roosevelt and Portland Streets. Artisan Village is an urban, mixed-use row house and townhouse residential project featuring ownership and unique live/work units with 3,000 square feet of street level retail opportunities, streetscapes, green belts, open spaces and 1,200 square feet dedicated for cultural use. The total project cost approximately $18 million and was completed in March 2006.

In March 2004, the City entered into an agreement with Portland Place Partners to develop vacant land on Portland Street between Third Avenue and Central Avenue. Portland Place is an urban residential development that consists of 54 units in a six-story condominium tower and brownstones. Construction of Portland Place was completed in July 2007. The next phase of development, the Portland Park Lofts, includes the construction of approximately 170 residential ownership units, with construction scheduled to begin in the summer of 2014. The project is estimated to take 24 months to complete.

Since 2003, residential housing projects have been developed in Downtown Phoenix with several additional projects currently under construction. Over the past ten years, downtown has gained over 3,300 market rate units and 1,200 affordable units. These new units have been developed as urban infill and adaptive reuse as well as low, mid and high rise development projects.

On July 1, 2004, the City Council authorized staff to enter into a disposition and development agreement with Urban Form Development, LLC for a mixed-use residential project on City-owned property located at 215/217 East McKinley Street. Named 215 East McKinley, the development includes 14 residential units. Construction began in March 2006 and was completed in the fall of 2007.

WP South Acquisitions, LLC began construction in the spring of 2005 of a mixed-use residential project on a City-owned parcel and adjacent privately-owned property at the northwest corner of Fourth and Fillmore Streets. Alta Phoenix Lofts consists of approximately 325 market-rate rental residential units in an eight-story building with up to 10,000 square feet of street level commercial space and live/work units and a six-story parking structure with 450 parking spaces. Occupancy began in March 2009.

The Summit at Copper Square, a $32 million project adjacent to Chase Field, was completed in late 2007. The 22-story residential project on the southwest corner of Fourth Street and Jackson Street, consists of 167 ownership loft, studio, and luxury condominium units.

Grace Communities completed demolition of an office building located at the northeast corner of First Avenue and Monroe Street in June 2005 and constructed the tallest residential tower in Arizona. 44 Monroe consists of a 34-story mixed-use high-rise with 196 ownership condominium units, a recreation area, fitness center, theater, parking and approximately 3,300 square feet of commercial development. The $140 million project was completed in August 2008. In June 2010, ST Residential purchased 44 Monroe and converted the condominiums into rental units.

The City of Phoenix obtained a HOPE VI (Home Ownership Opportunities for People Everywhere) grant from the U.S. Department of Housing and Urban Development (HUD) to fund the revitalization of the Matthew Henson public housing site and surrounding community. The overall goals of HOPE VI are to assist public housing authorities in replacing severely distressed housing, increasing resident self-sufficiency and home ownership opportunities, creating incentives to encourage investment, and lessening concentrations of poverty by promoting mixed-income communities. The HOPE VI Special Redevelopment Area encompasses the area between Seventh and Fifteenth Avenues and Grant and Pima Streets. The project is a concentrated, mixed-income development of 611 affordable housing units with a community resource center, youth activity center, public parks, community gardens and swimming pools. Demolition and reconstruction began in December 2003. Eligible residents began to return to the communities in December 2005 and final occupancy occurred in the fall of 2008.

Concord Eastridge began development of a major multi-family, mixed-use residential project in 2011. The $52 million project occupies a three acre site in downtown Phoenix located between Roosevelt and McKinley Streets and Third and Fourth Streets. The privately funded project consists of 327 units and a 5-level parking garage and several thousand square feet of street-level retail. The project is intended to serve the growing population of students attending classes at the ASU Downtown Phoenix campus and the Phoenix Biomedical Campus. Construction began in the spring of 2012 and was completed in September 2013.

In January 2013, the developer of the CityScape project began construction on a 242 luxury apartment complex situated atop the 10-story Hotel Palomar at the intersection of Jefferson Street and Central Avenue. Scheduled to be completed in the first quarter of 2014, the Residences at CityScape will extend 24 stories above street level and give the apartment residents access to all of the hotel’s amenities, including a private pool deck.

In December 2013, construction began on the Cooper Place Apartment project. The four or five level, mid-rise project will include 27 residential apartment units, approximately 30 tenant parking spaces and ground floor retail. The estimated $3 million privately financed project will be located at 350 North Second Avenue, within walking distance to the Arizona State University Downtown Phoenix Campus.

ArtHAUS, a 30-unit, three story, market rate residential project will commence construction in April 2014. The project will be constructed on the remnant parcel behind the Arizona Opera at Central Avenue and McDowell Road. The $5.5 million project will be within walking distance of the mid-town arts district. The project is scheduled to be completed in July 2015.

Government Facilities

A 601,000 square-foot Phoenix City Hall was built on Washington Street between Second and Third Avenues, immediately north of the existing Calvin C. Goode Municipal Building. The project, completed in 1994, includes a 1,500-space parking structure that contains 43,000 square feet of office and retail space and is located between Washington and Jefferson Streets and Third and Fourth Avenues.

The Burton Barr Central Library celebrated its grand opening in May 1995. The five-story, 284,000 square-foot library accommodates more than 1 million volumes and has seating for up to 800 patrons. The facility was designed to meet the needs of library patrons well into the 21st century.

Construction of the Phoenix Municipal Court Valdemar A. Cordova Building, a nine-story, 375,000 square-foot City criminal justice facility, was completed in the fall of 1999. The building is located on the northwest corner of Washington Street and Third Avenue, directly west of Phoenix City Hall. The project cost $79 million. It is estimated that between 3,000 and 4,000 customers per day visit this facility, making it the largest volume court in the State.

The Federal government completed construction of a 550,000 square-foot federal courthouse in September 2000. The Sandra Day O'Connor U.S. Courthouse is located on two blocks bounded by Jefferson and Washington Streets and Fourth and Sixth Avenues in downtown Phoenix. The project cost approximately $110 million and includes courtrooms and related office space.

Maricopa County constructed a new courthouse in downtown Phoenix at First Avenue and Madison Street. The new 16-story courthouse provides 683,000 square feet of space, including 32 criminal courtrooms. Construction of the $340 million courthouse was completed in February 2012.

Maricopa County began construction of a new Maricopa County Sherriff's Office (MCSO's) Headquarters in June 2012. The 5-story, $92.5 million facility will be located on Fifth Avenue and Jefferson Street and will house MCSO administrative staff, and the 911 call center operations. The building will contain approximately 128,000 square feet of space with 75 parking spaces below ground and is expected to be completed in early 2014.

Downtown Streetscape

Construction on an $8.9 million streetscape project in downtown Phoenix was completed in February 1995. The project added pedestrian lighting, landscaping and street furniture to pedestrian-oriented streets in the downtown area. The improvements are concentrated along Adams Street between Second Avenue and Second Street, Monroe Street between Third Avenue and Seventh Street, Second Street from Van Buren to Jefferson Streets, and Third Street between Van Buren and Monroe Streets. Project boundaries were chosen to create a pedestrian link between Phoenix City Hall, the Orpheum Theater, US Airways Center, the Arizona Center and the Heritage and Science Park.

In the fall of 2000, the City of Phoenix and Maricopa County reached an agreement wherein the County would be responsible for funding the streetscape build out of Jackson Street from First Avenue to Ninth Avenue and the City would be responsible for its maintenance. The $3.2 million project included a three-month community input process to identify the parameters of the street layout, landscape, sidewalk, lighting and design elements. Construction began March 2004 and was completed in November 2004.

In the fall of 2006, the City of Phoenix began construction of two streetscape projects on the ASU Downtown Phoenix campus. The projects, which included Taylor Mall and First Street, were completed in January 2009. Taylor Mall is a tree-lined, pedestrian-friendly sidewalk and street between the Civic Space Park and Arizona Center that contains public art, inviting benches, and sustainable water features. A traffic signal and crosswalk allows pedestrians to cross Central Avenue and light rail tracks to enter the Civic Space Park safely from Taylor Mall. In addition, the west side of First Street from Polk Street to McKinley Street has been improved with lighting, shade and landscaping.

In late 2012, the City of Phoenix completed construction of a 2006 voter approved bond project which improved downtown streetscapes on First Street from Fillmore to McKinley streets. The City received an award from the Arizona Community Tree Council for the First Street streetscape project for the beautification of the urban environment through the use of trees.

Transit/Light Rail

Central Station, the City's downtown transit center located on the northwest corner of Central Avenue and Van Buren Street was constructed in 1997. The 2.7-acre site includes a 4,000 square-foot passenger services building for ticket sales, security, and restrooms; a 16,000 square-foot passenger plaza that includes passenger information, seating and shade; and bus loading and circulation areas for 10 bus routes, Dial-a-Ride and DASH (Downtown Area Shuttle). The total cost of the project was approximately $9.3 million, with the Federal Transit Administration funding 80% and the City funding 20% of the project. Central Station received a $3.7 million renovation, completed in July 2011, to modernize the facility, improve security, and incorporate sustainable elements. The transit center improvements were one of five major transit capital projects funded by the American Recovery and Reinvestment Act (ARRA). The other four projects include a $1.4 million expansion of the 40th Street and Pecos Road park-and-ride that was completed in June 2010, the construction of a new $3.4 million park-and-ride at the southwest corner of Interstate 17 and Happy Valley Road that was completed in January 2011, the construction of a new $2.7 million park-and-ride at the southwest corner of 27th Avenue and Baseline Road that was completed in February 2012 and a $4.0 million project to make Americans with Disabilities Act (ADA) related improvements to 400 bus stops in Phoenix that was completed in October 2012.

On March 14, 2000, City of Phoenix voters approved a 0.4% sales tax increase to be levied for a period of twenty years to provide funding for a light rail system as well as mass transit, including expanded bus service and other transportation improvements. Construction of an approximately $1.4 billion, 20-mile light rail starter segment connecting north central Phoenix (19th Avenue and Bethany Home Road) with Tempe and Mesa (Main Street and Sycamore Road) began in the fall of 2004 and opened for operations in December 2008. The total cost of the project was funded with Federal grant funds, City sales tax revenues and other local funding sources.

In March 2008, the City entered into an intergovernmental agreement with Valley Metro Rail, Inc. (METRO) to design, build, operate and maintain an extension to the initial light rail system. The Northwest Extension (NWE) as initially planned would extend the original light rail system 4.6 miles northwest from 19th Avenue and Montebello (just south of Bethany Home Road) to 25th Avenue and Mountain View Road. The project will be completed in two phases. Phase I will extend the light rail system 3.2 miles from 19th Avenue and Montebello to 19th Avenue and Dunlap. Phase II will extend the light rail system another 1.4 miles from 19th Avenue and Dunlap to 25th Avenue and Mountain View Road. Construction on Phase I began in January 2013, with service expected to begin in early 2016. The City is in the planning stages for NWE Phase II. The City of Mesa received local and regional approval in August 2010 to move forward with the Central Mesa Extension, which will extend the System 3.1 miles from Sycamore Drive and Main Street to Mesa Drive and Main Street. Construction on the Central Mesa Extension began in May 2012, with service expected to begin in early 2016. The Transit Excise Tax has already funded 33% of the construction costs for the NWE and the Maricopa County Transportation Excise Tax is funding the remaining 67% of the construction costs. No additional borrowing by the City is expected to be required for the City to fund capital costs of the NWE. The NWE operations costs will be funded with Transit Excise Tax revenues, fares, advertising revenues, and Federal preventive maintenance funds. The Federal Transit Administration is funding 64% of the Central Mesa Extension construction costs and the Maricopa County Transportation Excise Tax is funding the remaining 36% of the construction costs.

In the last few years, the City has also made major renovations to two of its bus transit centers. Renovations to the Sunnyslope Transit Center and the Paradise Valley Mall Transit Center were completed in June 2007 and June 2009, respectively. The renovations provided much needed improvements to the facilities, including security upgrades. The City is currently developing a new park-and-ride facility along the Baseline Road corridor at 24th Street, which is scheduled to open in October 2014. In addition, the City is in the planning stages of upgrading and expanding the Desert Sky Mall Transit Center to serve residents in West Phoenix. This project is expected to be completed in summer 2015.

The City has also made substantial improvements to its bus operating and maintenance facilities. These facilities are the backbone of the transit system, as they provide fueling, cleaning, and maintenance for the City's bus fleet, as well as administrative space for the bus operations contract service providers. In November 2007, a new $50 million West Transit Facility was completed and opened for operations. This facility provides additional capacity to operate and maintain buses for the Phoenix transit system. The facility was designed to accommodate 250 buses and replace a rented facility, which could only accommodate 75 buses. The additional capacity will help address future expansion of the Phoenix bus system.

Improvement plans for the bus operating and maintenance facilities also includes renovations to the two existing facilities, the North Transit Facility and the South Transit Facility. Upgrades to these facilities include improvements to life safety, security, building code upgrades, roofing replacements, HVAC equipment replacement, and fueling system upgrades. The North Transit Facility renovation was completed in November 2013, while work at the South Transit Facility is scheduled to begin in spring 2014, with completion in early 2016.

Phoenix Sky Harbor Center

The creation of Phoenix Sky Harbor Center was approved by the City Council in 1984, and in 1985, $19,150,000 in City bonds were issued for the development of 550 City-owned acres into a high quality business office, technological and industrial center. Located immediately west of Phoenix Sky Harbor International Airport, Phoenix Sky Harbor Center is generally bordered by I-17 to the south, 16th Street to the west, the Southern Pacific Railroad to the north and 24th Street to the east. Phoenix Sky Harbor Center is bisected by I-10, which provides convenient transportation access to the site and to Phoenix Sky Harbor International Airport.

The initial acquisition and infrastructure development phase of Phoenix Sky Harbor Center was completed in 1993. Among the earliest occupants were Honeywell, Sky Chefs Inc., Miller Brands of Phoenix and Arrow Electronics. These initial tenants built distribution space, office buildings, warehouses and manufacturing facilities totaling over 1.16 million square feet.

Bank of America, N.A. established its credit card operations at Sky Harbor Center in 1991. The Bank of America Credit Card Center has approximately 2,000 employees and includes a 400,000 square-foot complex on 30 acres. In November 1995, Bank of America, N.A. completed construction of an additional 150,000 square-foot structure for credit card operations, which employs approximately 1,100 employees. The leasehold interest in the property was acquired by First States Investors LLC on June 30, 2003.

In July 1993, the City received approval for the relocation and expansion of Foreign Trade Zone (FTZ) No. 75 to a 375-acre site at Sky Harbor Center. The FTZ was established to allow companies who import large amounts of foreign products to defer paying duties on these products until they are shipped to retail outlets. The FTZ boundaries were modified to include air cargo operations at the Airport.

In April 2002, America West Airlines (now US Airways) completed construction of a $35 million, 15,000 square-foot flight training center and systems operation control facility on a 17-acre site at Sky Harbor Center.

In December 2005, Bank One (now JPMorgan Chase) completed a $70 million, 400,000 square-foot regional processing center to support its banking and financial operations. As of September 2008, the facility accommodates 2,874 employees. JPMorgan Chase added a fourth level (330 parking spaces) to the existing parking garage on the facility to accommodate the hiring of additional employees. The leasehold interest was acquired by Brookfield Asset Management in late 2008.

Other sizeable tenants at Phoenix Sky Harbor Center include Greyhound Lines, Charlie Case dba Community Tire (formerly Knudson Tire), Level 3 Communications, Lincoln Sky Harbor LLC, the City of Phoenix, Horseheads Industrial Capital II, LLC, Walton CWAZ Phoenix, LLC and Honeywell International Inc.

In July 2001, the Phoenix City Council approved the concept of a consolidated rental car center (RCC) for Phoenix Sky Harbor International Airport. On June 1, 2002, the City initiated a $3.50 daily customer facility charge (CFC) on all car rentals to be used to fund the construction, operation and maintenance of the RCC. The CFC was subsequently increased to $4.50 on September 1, 2003 and to $6.00 effective January 1, 2009. The RCC is located on approximately 143 acres within Sky Harbor Center and opened on January 19, 2006. The development includes a customer service building, car service facility, a 5,651 space parking garage, bus fleet, bus maintenance facility, and associated site improvements, infrastructure, roadways, landscaping and signage. The project was funded with CFC revenues and bond funds and cost approximately $285 million.

Phoenix Sky Harbor International Airport

In November 1990, construction was completed on Terminal 4 at Phoenix Sky Harbor International Airport (the "Airport") at a cost of $276 million. The original facility included 4 domestic concourses housing 44 gates, one international concourse with 4 gates, and a 3,400-space parking facility. In July 1994, the City Council approved expansion of Terminal 4 to add 10 domestic gates to the international concourse. Construction of the new facilities was completed in February 1996. In September 1995, America West Airlines (now US Airways) announced plans to expand its Phoenix operations over the next several years. In March 1998, the City Council approved an airport capital expansion program funded primarily by passenger facility charges and airport revenue bonds. Approved projects included rebuilding runways in concrete, construction of two new airport fire stations, a new Terminal 4 concourse to provide more capacity for US Airways, and additional parking facilities at Terminal 4. All of these projects have been completed.

In April 2000, the City Council approved a $640 million airport expansion program funded by airport revenue bonds. This program included funds to design a new terminal complex at the west end of the airport and to construct the infrastructure necessary to support the terminal. Also included were funds for land acquisition, a residential sound assistance program, an airport automated train system, additional public parking garages, and improvements for the reliever airports. Many of the projects in this program were postponed due to the reduction of airline travel after the events of September 11, 2001, but moved forward as passenger traffic at Phoenix Sky Harbor International Airport began to recover to pre-September 2001 levels.

In February 2007, the City Council approved a $2.9 billion, ten-year Airport Development Program (ADP), which updated and replaced the 2000 airport expansion program. The ADP includes the design and construction of the PHX Sky Train®, development of additional gates and facility rehabilitation and maintenance. The recent national economic recession negatively impacted the airline industry and resulted in reductions to passenger traffic at the Airport. As a result of traffic and revenue declines, Airport management reduced operating expenditures and deferred some non-essential capital projects. These reductions and deferrals allowed management to continue design and construction of phase one of the PHX Sky Train® project and other vital Airport projects. Air passenger traffic at Sky Harbor International Airport began to recover following the downturn that occurred as a result of the 2007 to 2009 national economic recession. Since 2010, the Airport has seen regular passenger traffic increase and stabilize in 2013.

The PHX Sky Train® is an automated people mover designed to carry over 35 million riders annually through seven stations at Sky Harbor along an elevated guideway spanning approximately five miles. The PHX Sky Train® provides a new front door to the Airport, offering a seamless connection with the Valley Metro Rail, Inc., (METRO) light rail transit station at 44th Street and Washington. Stage 1 of the PHX Sky Train® connects Phoenix's light rail system, Sky Harbor's east economy parking garages and Terminal 4. Stage 1 is a fully operable stand-alone system and began service on April 8, 2013. Due to active management and favorable pricing, Stage 1 was completed well under its $644 million development budget. The Stage 1a (Terminal 3 Line Extension) will run from Terminal 4 to Terminal 3 with a walkway connection to Terminal 2. Stage 1a (Terminal 3 Line Extension) has a budget of approximately $240 million and is on schedule to be completed in 2015. Upon completion of Stage 1a (Terminal 3 Line Extension) the PHX Sky Train® will connect all of the Airport's terminal facilities, and help relieve significant traffic congestion during peak times in the terminal core. Future stages will extend the PHX Sky Train® to the RCC.

Property Tax Supported Bond Program

In order to help meet the City's future capital financing needs, a comprehensive property tax supported general obligation bond program was initiated in the summer of 2005. A citizens bond committee consisting of approximately 700 private citizens was appointed by the Mayor and City Council to review the City's capital requirements and recommend a total bond program to the voters. This is the traditional approach used by the City for bond elections since 1950. The program culminated in a special bond election on March 14, 2006 when the voters approved all seven propositions totaling $878.5 million in new general obligation bond authorizations. The propositions and the amount of bonds authorized are shown in the following table.

2006 Bond Program	Amount Authorized
Police, Fire and Homeland Security	$177,000,000
Education Facilities	198,700,000
Library and Youth, Senior and Cultural Facilities	133,800,000
Parks, Open Space and Recreational Facilities	120,500,000
Streets, Storm Sewers and Flood Protection	147,400,000
Affordable Housing and Neighborhood Revitalization	85,000,000
Computer Technology	16,100,000
Total	$878,500,000

PHOENIX CITY GOVERNMENT

Phoenix operates under a Council-Manager form of government as provided by its Charter which was adopted in 1913. The Phoenix City Council consists of a Mayor and eight Council members, elected by the people on a non-partisan ballot. At a special election held on October 3, 1989, the Phoenix voters passed Proposition 105 which amended the City Charter to provide for four year staggered terms and a limit of two such terms for the Mayor and Council members. On November 6, 2001, the Phoenix voters passed Proposition 101 which amended the City Charter to allow Council members to serve up to three consecutive four-year terms, with no limit on the number of terms that could be served over a lifetime. The Mayor is elected at-large, while Council members are elected by voters in each of eight separate districts they represent. The Mayor and each Council member have equal voting power.

The Council is responsible for policy making. It appoints advisory boards, commissions and committees and also appoints Municipal Court Judges and the City Manager.

The City Manager is responsible for executing Council policies and administering City operations. Reporting to the City Manager is an Assistant City Manager, a Deputy City Manager, a Special Assistant, the Budget and Research Director, the Chief Financial Officer, the City Auditor, the Human Resources Director and the City Attorney.

The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's 24 departments, 21 functions and 14,875 employees include police, Municipal Court, fire protection, parks, recreation, libraries, sanitation, water, sewer, transportation (including streets and public transit), airports, building safety, public works, neighborhood improvement and housing, community and economic development and convention and cultural services. These services are being provided in fiscal year 2013-14 through an adopted operating budget of $3,502.5 million. Of this, the general purpose funds budget totals $1,127.8 million, which is for general municipal services and excludes enterprise activities such as water, sewer, refuse and airports and special revenue funds such as grants, secondary property taxes, Arizona Highway User Revenues, impact fees and voter-approved dedicated sales taxes.

Elected Officials

GREG STANTON, MAYOR

Mayor Stanton began his first term as Mayor in January 2012. Prior to being elected Mayor, Mr. Stanton served nine years on the Phoenix City Council representing District 6. Mayor Stanton has served as a member of Big Brothers/Big Sisters of Central Arizona, Arizona Children's Association Board of Directors and the Arizona School Readiness Board. In 2009, Mr. Stanton joined the Arizona State Attorney General's Office as Deputy Attorney General. Mr. Stanton holds a bachelor's degree from Marquette University and earned his law degree from the University of Michigan.

JIM WARING, VICE MAYOR, DISTRICT 2

Vice Mayor Waring began his term on the City Council in September 2011. Mr. Waring has been an active member of the community for many years and has volunteered on many City and charitable organizations, including the Paradise Valley Village Planning Committee, Phoenix Planning Commission and Neighborhood Block Watch Committee. For his contributions, he has earned awards from the Arizona Federation of Taxpayers (Champion of the Taxpayer), National Federation of Independent Business (Guardian of Small Business), and the Arizona Chamber of Commerce (Senator of the Year). In addition, he was recognized for his work fighting domestic violence by the Arizona Coalition Against Domestic Violence (Legislator of the Year twice) and the Men's Anti Violence Network (Man of the Year). Vice Mayor Waring was awarded the Arizona Veterans Hall of Fame Copper Shield Award and the National Guard Association of the United States Medal of Merit. Mr. Waring was an Arizona State Senator for seven years and has served on the staffs at Arizona State University, the Arizona Board of Regents and Northern Arizona University. Mr. Waring received his PhD in

Public Administration from Arizona State University's School of Public Affairs and his undergraduate degree from Northern Illinois University.

SAL DICICCIO, COUNCILMEMBER, DISTRICT 6

Councilmember DiCiccio began his most recent term on the City Council in January 2010. Mr. DiCiccio previously served on the City Council from 1994 to 2000. Mr. DiCiccio currently works with state, tribal, county and municipal governments as well as national business entities to develop business opportunities in Arizona. Mr. DiCiccio has served on several boards and committees including the Arizona Municipal Tax Code Commission, the State Land Conservation Task Force, the Arizona Growing Smarter Working Advisory Committee, the Maricopa County Planning Commission and the Arizona FARE Committee. Mr. DiCiccio was also a member of the Fiesta Bowl Committee and the Board of Directors for the Arizona Center for the Blind. Mr. DiCiccio is a member of the South East Valley Regional Association of Realtors and the National Association of Realtors. Mr. DiCiccio is a small business professional and holds a bachelor's degree in business from Arizona State University.

KATE GALLEGO, COUNCILMEMBER, DISTRICT 8

Councilmember Gallego began her first term on the City Council in January 2014. Ms. Gallego has served the City in several volunteer positions including as Chair of the Environmental Quality Commission, Chair of the Solar Energy Subcommittee, Vice Chair of MyPlanPHX.com, and as a member of the Central City Village Planning Commission. Additionally, Ms. Gallego is a member of the Board of Directors of the Arizona Latino Arts and Culture Center and serves on the Arizona Commission on Service and Volunteerism. Ms. Gallego has a bachelor's degree in environmental studies from Harvard University and holds an MBA in Entrepreneurial Management from the Wharton School of Business at the University of Pennsylvania.

BILL GATES, COUNCILMEMBER, DISTRICT 3

Councilmember Gates has served on the Phoenix City Council since 2009, and began serving his first four-year term in January 2012. Mr. Gates has served in a variety of capacities with several nonprofit and community organizations, including the Wounded Warriors Project, Valley Leadership, INROADS, American Legion Boys State and the Young Lawyers Division of the State Bar. Mr. Gates was appointed to the Board of Trustees for the Christopher Columbus Fellowship Foundation in 2006, and he was awarded the Mark J. Santana Award by the Arizona Foundation for Legal Services and Education for exceptional service in law-related education. Mr. Gates is a lawyer for PING, a local golf equipment manufacturer. Mr. Gates received his bachelor's degree in Political Science and Economics from Drake University and earned his law degree from Harvard Law School.

MICHAEL NOWAKOWSKI, COUNCILMEMBER, DISTRICT 7

Councilmember Nowakowski began his second full consecutive term on the City Council in January 2012. Mr. Nowakowski is currently the Vice President of Communications of a non-profit radio station, coming from previous work with the Catholic Diocese of Phoenix where he served as Assistant Director of the Office of Youth and Young Adult Ministry. Mr. Nowakowski has served on several boards and committees including co-chairman of the 2006 City of Phoenix Historic Preservation Bond Committee, member of the City of Phoenix Police Chief's Advisory Board, founding member of the Mayor's Anti-Graffiti Task Force, City of Phoenix Census 2000 Committee, Phoenix Union High School Superintendent's Advisory Board, chairman of Santa Rosa Neighborhood Council and in 2008 was appointed commissioner for the Western Maricopa Enterprise Zone. Mr. Nowakowski holds a bachelor's degree in liberal arts in religious studies from Arizona State University.

LAURA PASTOR, COUNCILMEMBER, DISTRICT 4

Councilmember Pastor began her first term on the City Council in January 2014. Ms. Pastor is Director of Achieving a College Education Program at South Mountain Community College and was a classroom elementary teacher for four years. Previously, Ms. Pastor was with the Department of Employment and Rehabilitation Services at the Arizona Department of Economic Security and was Special Assistant to the Arizona Director of Insurance. Ms. Pastor is a member of the Phoenix Union High School District Board and serves on the O'Connor House Speak Out Against Domestic Violence and Mi Familia Vota advisory boards. She is a former member of the Hispanic Advisory Board of Maricopa Community Colleges, Maricopa Transportation Advisory Board, the Homeless Task Force, and Phoenix Day. Ms. Pastor has a bachelor's degree in education from Arizona State University, and a Master of Public Administration degree from City University of New York.

DANIEL VALENZUELA, COUNCILMEMBER, DISTRICT 5

Councilmember Valenzuela began his first term on the City Council in January 2012. Mr. Valenzuela currently works as a special operations firefighter with the city of Glendale, and was formerly the public information officer for the Glendale Fire Department. Mr. Valenzuela serves on a number of boards and committees, including the Arizona Department of Emergency Management, director of the National Fire and Rescue Services Information Officer Network and is the former president of the National Association of Hispanic Firefighters.

THELDA WILLIAMS, COUNCILMEMBER, DISTRICT 1

Councilmember Williams began her second consecutive term on the City Council in January 2012, having previously served on the Council from 1989 to 1996 and as interim mayor in 1994. Before rejoining the City Council, Ms. Williams served on the Maricopa County Animal Care and Control Agency, the Governor's Commission to Prevent Violence Against Women and the Phoenix Sky Harbor International Airport Master Plan Committee. Currently, Ms. Williams serves on the Phoenix-Mesa Gateway Airport Authority, the Luke (AFB) West Valley Council and the Childhelp USA Advisory Board.

Administrative Staff

ED ZUERCHER
City Manager

Ed Zuercher was appointed City Manager in February 2014, after serving as Acting City Manager since October 2013. Prior to his appointment as City Manager, Mr. Zuercher had been the Assistant City Manager since November 2009 and served as a Deputy City Manager since November 2007. Before working in the City Manager's Office, Mr. Zuercher served as Co-Chief of Staff to the Mayor, Executive Assistant to the City Manager, Assistant to the City Manager, Public Transit Director and Management Assistant in the City Manager's Office and Budget & Research Department. Originally from Kansas, he participated in the City of Phoenix Management Intern Program from 1993 to 1994. Mr. Zuercher served as chairperson of the Public Safety Pension Retirement System from 2005-2009 and currently serves on the Greater Phoenix Convention and Visitors Bureau board. He has a master's degree in Public Administration from the University of Kansas and an undergraduate degree from Goshen College.

RICK NAIMARK
Deputy City Manager

Mr. Naimark has been a Deputy City Manager since 2004 and has worked for the City of Phoenix for 27 years. He manages and oversees the Water Services Department, Public Transit, Public Works, Planning & Development Services and Street Transportation Departments. He is also responsible for the Light Rail, Water Strategy, Environmental Programs and Sustainability functions. Mr. Naimark previously served as the Executive Assistant to the City Manager and the City Council, and has worked in a variety of other management positions. He serves on various community boards including the United Way, Hospice of the Valley, Local Initiatives Support Corporation, Jewish Family and Children's Services and the Arizona Science Center. Mr. Naimark has a master's degree in Public Policy from Harvard University and an undergraduate degree in Public Policy from Stanford University.

DANIEL L. BROWN
Acting City Attorney

Mr. Brown was appointed Acting City Attorney in January 2014. Mr. Brown has worked for the City of Phoenix for 16 years, most recently as Chief Assistant City Attorney for the last three years. He has advised numerous departments, including Water Services, Street Transportation, Engineering, and Finance, among others. Mr. Brown is admitted to federal and state courts in Arizona as well as the 9th Circuit Court of Appeals. Mr. Brown received a bachelor's degree in architecture from Arizona State University and is a graduate of the University of Arizona College of Law.

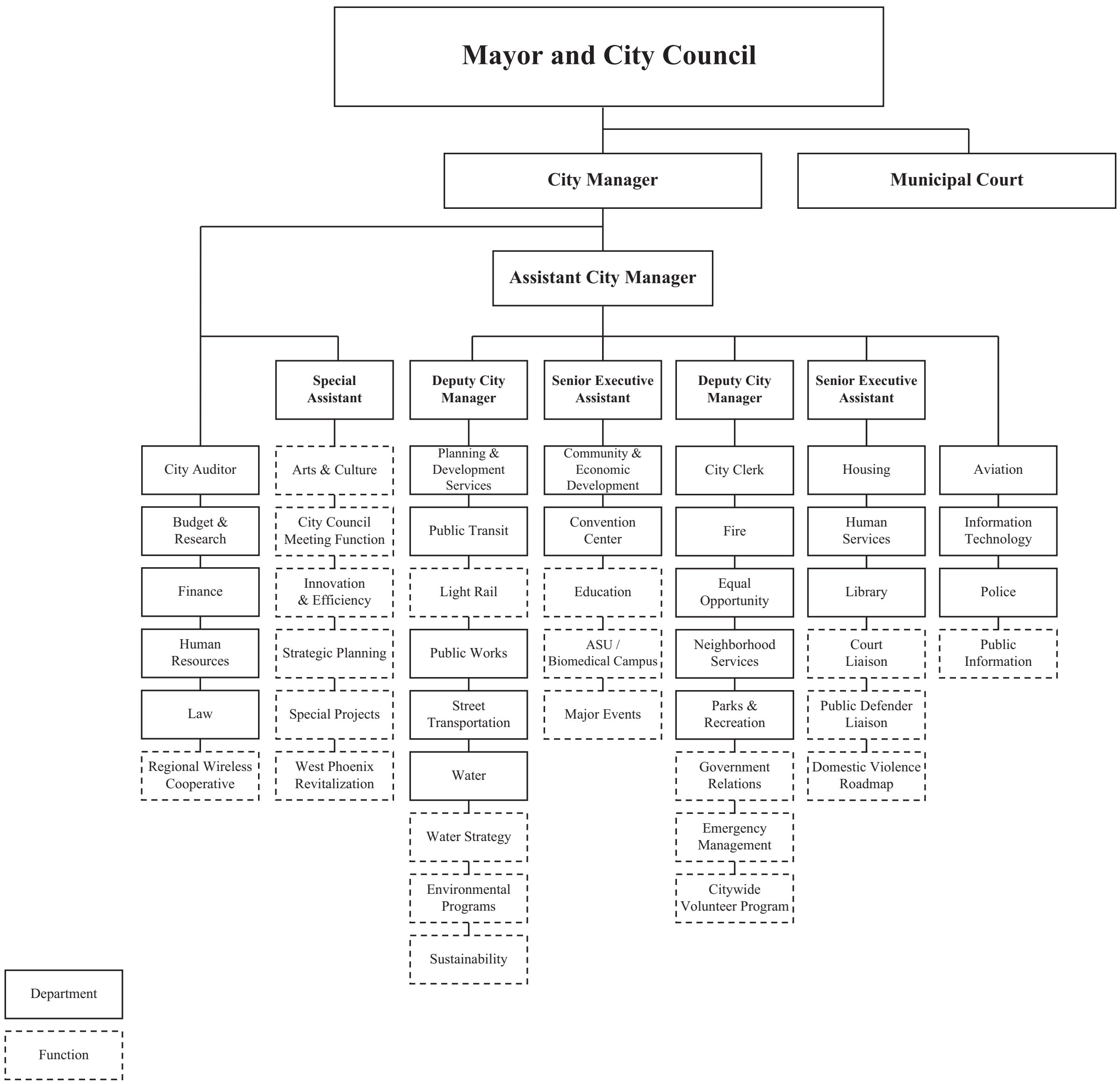
NEAL YOUNG
Acting Chief Financial Officer

Mr. Young was appointed Acting Chief Financial Officer in December 2013. Mr. Young brings more than 28 years of public service experience to the Finance Department. He has served in a wide range of management capacities throughout his career, including Director of the Arizona Department of Economic Security, leading over 9,000 employees in meeting the needs of the state's children and people with disabilities, as well as overseeing Arizona's workforce development and unemployment assistance programs. Prior to his appointment, Mr. Young served in multiple positions throughout the City of Phoenix, including Senior Executive Assistant to the City Manager, Interim Public Transit Director and Assistant Director and Deputy Director of the Human Services Department, where he oversaw a variety of programs for youth, families and seniors. Mr. Young holds both a master's degree and bachelor of science degree in Business Administration from Arizona State University.

KATHRYN SORENSEN
Water Services Director

Ms. Sorensen was named the City of Phoenix Water Services Director in August 2013. Prior to joining the City of Phoenix Water Services Department, she was the City of Mesa Water Resources Department Director for over four years. Before serving as the department director in Mesa, Ms. Sorensen worked in management positions in the City of Mesa's water, wastewater, gas and electric utility services departments for nine years. Ms. Sorensen is a member of the External Advisory Committee of Arizona State University's Decision Center for a Desert City, and is a member of the American Water Works Association Rates and Charges Subcommittee. Ms. Sorensen has a Ph.D. in Resource Economics from Texas A&M University and a bachelor's degree in Economics from the University of Michigan.

CITY OF PHOENIX



Effective December 19, 2013

Awards

The City of Phoenix and its employees have been recognized professionally for numerous awards including the following accomplishments:

- **2009 All-America City Award**

The City of Phoenix was the recipient of the National Civic League's All-America City award, the fifth time the City has earned the recognition, for its collaborative projects that involve the community and address critical issues. The City highlighted the newly developed urban education campuses (Arizona State University Downtown Phoenix Campus and Phoenix Biomedical Campus), the Phoenix Parks and Preserve Initiative and the innovative library teen spaces.

- **Carl Bertelsmann Prize**

Awarded in 1993 to the City of Phoenix and Christchurch, New Zealand, recognizing each as being the best managed city governments in the world. The international competition for the most efficiently operated city was sponsored by the Bertelsmann Foundation, a research and philanthropic arm of Bertelsmann AG, the second largest media organization in the world. Cities were judged on several categories including customer service, decentralized management, planning and financial controls, employee empowerment and administrative innovation.

- **Certificate of Achievement for Excellence in Financial Reporting**

Awarded to the City of Phoenix by the Government Finance Officers Association each year since 1976. This award (formerly the Certificate of Conformance in Financial Reporting) recognizes the completeness, accuracy and understandability of the City's Comprehensive Annual Financial Reports.

- **Employees' Retirement Plan Certificate of Achievement for Excellence in Financial Reporting**

Awarded to the City of Phoenix by the Government Finance Officers Association for its component unit financial report each year since 1985. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting.

- **Distinguished Budget Presentation Award**

Awarded to the City of Phoenix Budget and Research Department each year since 1990 by the Government Finance Officers Association for the completeness and understandability of its budget document.

- **2013 Sunny Award**

Awarded to the City of Phoenix by Sunshine Review, a national nonprofit organization dedicated to government transparency. The award honors the most transparent government websites in the nation. This is the fourth time the City has won the award.

- **2013 NGWA Outstanding Groundwater Protection Award**

The National Ground Water Association (NGWA) annually awards the Groundwater Protection Award to the organization that exhibits outstanding science, engineering, or innovation in the area of protecting groundwater. The City of Phoenix Water Services Department received the award for incorporating innovative technologies in the aquifer restoration program. Phoenix was the first city in the country to use the technology, which has reduced annual operations and maintenance costs by over $110,000.

- **2012 NACWA Gold Peak Performance Award**

The National Association of Clean Water Agencies (NACWA) honored the City of Phoenix Water Services Department with the Gold Award for consistently meeting all National Pollutant Discharge Elimination System permit limits during the calendar year. The City's 23rd Avenue Wastewater Treatment Plant and 91st Avenue Multi-Cities Wastewater Treatment Plant were presented the award to recognize 100 percent compliance with regulatory discharge limits.

- **2013 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for its organizational review, which resulted in a leaner work force and more efficient delivery of services. The goals of the organizational review were to eliminate layers of supervision, broaden the span of control, streamline services, identify efficiencies and reduce the size of government. Through these goals, the City was able to improve services to residents by providing for faster decision making and enhanced organizational flexibility and communications, leading to the smallest City government in 40 years, as measured by employees per capita.

- **2012 Outstanding Achievement in Innovation**

The Alliance for Innovation awarded the City of Phoenix an Outstanding Achievement in Innovation Award for the Innovation and Efficiency Task Force. Created in January 2010, the task force is comprised of City staff and public members who explore, develop and implement innovative processes that result in a more efficient delivery of City services and maximize the use of limited taxpayer dollars. The Task Force has a goal of achieving $100 million in total savings by December 2015, and has realized over $60 million in savings to date.

- **2007-2008 Technology Achievement Awards**

The City of Phoenix was the recipient of two Public Technology, Inc. awards. The Aviation Department received an achievement award for its disaster recovery system to maintain uninterrupted airport operations. The project used site server clustering and disk mirroring technology to consolidate many diverse airport systems. The Neighborhood Services Department received an achievement award for its mobile data access system. This system allows field staff to access permitting, utility and property information systems by using laptops, docking ports and wireless printers. This use of mobile technology allows field staff to work more efficiently and effectively to improve conditions of existing housing stock.

- **2006-2007 Technology Achievement Awards**

The City of Phoenix was the recipient of four Public Technology, Inc. awards. The Neighborhood Services Department received an achievement award for its use of an on-line system to track graffiti occurrences and to collect restitution from perpetrators. This system works with a mobile technology system that the Neighborhood Services Department established to fight graffiti, which also received an award in 2005. The Fire Department received an achievement award for implementing an interface between the City Fire Department's CAD system and the State Department of Transportation traffic management center. The Information Technology Department received an achievement award for implementing a standards-based, site-wide text resizing tool that makes the City website more accessible to users with impaired vision. The City also received an achievement award for implementing a wireless system that facilitates scale house transactions for residential collection commercial vehicles.

- **NBC-LEO 2012 City Cultural Diversity Award**

In March 2012, the City of Phoenix was recognized by the National Black Caucus of Local Elected Officials (NBC-LEO) of the National League of Cities for the City Manager's Community Engagement and Outreach Task Force. The task force was established in 2010 as a community-based, long-term effort to enhance the relationship between the Phoenix Police Department and the community.

- **National Association of Housing and Redevelopment Officials (NAHRO) Awards**

In October 2011, the City's Neighborhood Services Department (NSD) received three Awards of Merit. NSD was honored for a pilot program that allows residents to use mobile devices to report blight, a code violation resolution volunteer assistance program and the Isaac Neighborhood Initiative Area. Since 1993, the City has used the Neighborhood Initiative Area strategy in the Isaac community to do comprehensive and concentrated neighborhood revitalization which continues to make significant progress in improving the economic, physical and social health of the neighborhood.

In November 2010, the City received an Award of Excellence for the Housing Department's McCarty on Monroe senior housing development. McCarty on Monroe consists of 34 public housing units and 35 low-income housing tax credit units. All units are clustered around a central, landscaped courtyard, creating a sense of community and interaction among the residents. McCarty on Monroe combines quality affordable housing for seniors and immediate access to light-rail while preserving history and adding green design.

In July 2007, the City received three Awards of Merit for its efforts at removing neighborhood blight, building infill housing and removing health and safety hazards from homes in the community. The award represents community development efforts that addressed more than 1,200 blighted properties in central Phoenix, built 17 affordable infill homes, rehabilitated more than 100 homes, created approximately 200 jobs for low-and moderate-income residents, designed and created a Neighborhood Resource Center and remedied child health and safety hazards in 120 housing units.

In October 2005, the City received an Award of Excellence for the Housing Department's "Bringing Information/Technology to Seniors" program to help residents learn basic to advanced computer and internet skills. In order to provide accessibility, computer labs were installed in most of the City's senior and disabled-designated housing communities, complete with classroom instruction on using the internet, employment assistance, printshop training, photo restoration, resume writing and general computer assistance.

- **2002 EPA Clean Water Act Recognition Award**

The City of Phoenix and the Sub-Regional Operating Group (SROG) were awarded the Environmental Protection Agency's (EPA) 2002 Clean Water Act Recognition Award in the Pretreatment Category, signifying outstanding industrial pretreatment programs and a commitment to protecting and improving waters of our nation.

- **AMWA Gold Award for Competitiveness**

Awarded in March 2001 to the City of Phoenix Water Services Department by the Association of Metropolitan Water Agencies for its internationally hailed re-engineering program. The program resulted in a reduction of annual operating costs, improved customer service, water quality, and environmental protection as well as water and sewer service charges that are among the lowest in the country.

- **Sister Cities Innovation Award for Education**

In July 2004, the Phoenix Sister Cities Commission received an award from Sister Cities International in recognition for its long-term and comprehensive efforts and programs in the area of education. Specifically cited were the Commission's annual youth ambassador exchange program, short and long-term teacher exchanges, the Global Connections World Technology Conference and the Chengdu management training program.

- **Sister Cities Best Overall Sister City Program Award**

In July 2008, the Phoenix Sister Cities Commission received the Sister Cities International Best Overall Sister City Program in the U.S. for cities with a population of 500,000 or more award, its highest honor. This is the seventh time in the past 13 years that Phoenix has won this award. Phoenix Sister Cities highlights include a new and improved Youth Ambassador Exchange Program; a significant increase in arts and culture projects including the second annual WorldFEST celebration promoting its 10 sister cities; the Vincenzo Bellini Opera project with Catania, Italy; a police training program for Hermosillo, Mexico; and economic development projects with Chengdu, China; Catania, Italy; and Calgary, Canada as well as trade missions with Calgary and Catania.

- **CIO Magazine Awards**

In August 2005, the City of Phoenix was one of 100 organizations worldwide awarded the CIO-100 award. The award recognizes companies and organizations around the world that exemplify the highest level of operational and strategic excellence in the use of technology. The 2005 award theme was the Bold 100, which recognized those executives and organizations that embrace risk for the sake of reward. The City was recognized for its leadership in developing the Phoenix Regional Wireless Network, a wide-area digital radio network that will be used primarily by public safety personnel. The system is designed to allow communication between emergency personnel both within the City of Phoenix as well as among the seventeen surrounding cities and towns.

- **ASA Award of Excellence**

In November 2006, the City of Phoenix Parks and Recreation Department received an award from the Amateur Softball Association (ASA) for conducting two of the highest-rated national championships in 2006. The City of Phoenix hosted the 2006 ASA Coed Major National Championship and the 18 and under 2006 Girls Western National Championship.

- **Air Carrier Airport Safety Award**

In July 2006, the City of Phoenix Aviation Department received an award from the Federal Aviation Administration Western Pacific Airports District Office for its innovative solutions and partnerships that have resulted in enhanced airport safety.

- **2007 Top Ten Digital Cities Award**

The City of Phoenix was the recipient of a Center for Digital Government award for excellence in information technology policies and best practices in state and local government.

- **2008 Pro Patria Award**

The City of Phoenix was the recipient of an Employer Support of the Guard and Reserve (ESGR) award for supporting employees deployed in Operation Enduring/Iraqi Freedom. The Pro Patria award is presented annually to employers who demonstrate exceptional support for U.S. national defense by adopting personnel policies that make it easier for employees to participate in the National Guard and Reserve.

- **2010 LEED Platinum Certification Award**

In June 2010, the City of Phoenix Nina Mason Pulliam Rio Salado Audubon Center was the recipient of the U.S. Green Building Council's award for its use of the Leadership in Energy and Environmental Design (LEED) rating system. Located in the heart of the Rio Salado Habitat Restoration Area, the center received the award for the environmental friendliness and sustainability of the facility. The center is a gateway to a lush Sonoran riparian habitat used by more than 200 species of birds and other wildlife.

- **2008 LEED Silver Certification Award**

The City of Phoenix Convention Center was the recipient of the U.S. Green Building Council's award for its use of the Leadership in Energy and Environmental Design (LEED) rating system. The Convention Center's West Building was designed to achieve LEED certification for energy use, lighting, water and material use as well as incorporating a variety of other sustainable strategies.

- **2010 Certificate of Excellence for Performance Measurement**

In July 2010, the City of Phoenix received an award from the International City/County Management Association (ICMA) for its commitment to continuous learning and improvement based on criteria of effective, results-oriented management practices.

- **2010 Desert Peaks Award**

In June 2010, the City of Phoenix received an award from Maricopa Association of Governments for its Urban Education Initiatives, on which it collaborated with Arizona State University and the University of Arizona to create the ASU Downtown Phoenix Campus and the Phoenix Biomedical Campus. The award recognizes excellence in regionalism.

ECONOMY & DEMOGRAPHICS[1]

Overview

Since the end of World War II, one of the major economic and demographic trends in the United States has been the sustained growth of population and employment in the Sunbelt in excess of national levels. Phoenix has been an example of this trend as the Phoenix area has been one of the most rapidly growing metropolitan statistical areas (MSA)[2] in the country for many decades in terms of population, employment and personal income growth.

There are numerous reasons why one area of the country outperforms others. Some reasons why Greater Phoenix grows are subjective. Greater Phoenix is a desirable place to work, live, and raise a family. The southwestern lifestyle is attractive with low-density population and a climate conducive to outdoor recreation.

There are also objective reasons why Greater Phoenix grows. The median price of an existing single-family home in the Greater Phoenix area increased significantly between 2003 and mid-2005 and plateaued in mid-2005 and 2006. Single-family home prices declined substantially beginning in 2006 and reached a trough in third quarter 2011. According to data released by Arizona State University, from the peak in second quarter 2006 to third quarter 2011, median housing prices for both new and resale homes had declined 53.9%. While the decrease in home values had negative repercussions, the decline increased affordability of housing. Housing prices in Greater Phoenix began to rebound in fourth quarter 2011. As of October 2013, median housing prices for both new and resale homes increased 27.4% compared to October 2012. According to the National Association of Realtors, as of the third quarter of 2013, the U.S. median sales price for an existing (resale) single-family home was $207,300 and the median sales price for a similar home in Greater Phoenix was $191,700. The median housing price in Greater Phoenix continues to remain low relative to most major western cities such as Los Angeles, San Diego and Denver.

As of year-end 2012, the Phoenix-Mesa-Scottsdale MSA accounts for approximately 65.8% of Arizona’s population, 71.4% of Arizona’s employment and 69.3% of Arizona’s personal income (the personal income data is an estimate). Over the last five years from 2007 through 2012, the Phoenix-Mesa-Scottsdale MSA has accounted for approximately 83.4% of the increase in Arizona’s population. From 1950 to 2012, U.S. population grew 108.3% while Greater Phoenix grew 1,054.7% from 374,961 in 1950 to approximately 4,329,534 people in 2012. From 2002 to 2012, population growth was 23.8% in Greater Phoenix compared to 9.1% for the U.S. as a whole. According to the U.S. Census Bureau, as of 2012, Greater Phoenix was the 13th largest metropolitan statistical area in the nation. According to the University of Arizona, the population of Greater Phoenix is expected to grow to 4.5 million by 2015 and 5.0 million by 2020. The table on the following page shows historical population and growth information for Greater Phoenix in comparison to peer MSAs.

(1) The economic information contained herein has been taken from a report prepared for the City of Phoenix by Elliott D. Pollack & Company on January 8, 2014.

(2) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal Counties. The Arizona Department of Economic Security released historical employment data on this redefined Phoenix-Mesa-Scottsdale MSA from 1990 through November 2009. Prior to 1990, detailed industry sub-sector employment data is not available for the Phoenix-Mesa-Scottsdale MSA. When historical data for the Phoenix-Mesa-Scottsdale MSA is not available, Maricopa County data is used, and all references to “Maricopa County only” data are so noted. Maricopa County accounts for 97% of the Phoenix-Mesa-Scottsdale MSA employment and 95% of the MSA’s population. “Greater Phoenix” refers to the Phoenix-Mesa-Scottsdale MSA, unless otherwise noted.

POPULATION
Metropolitan Statistical Areas
(in thousands)

	1990	2000	2010	2012	Percent Growth 1990-00	2000-10	2010-12
Phoenix-Mesa-Scottsdale, AZ(1)	2,238.5	3,251.9	4,192.9	4,329.5	45.3%	28.9%	3.3%
Tucson, AZ	666.9	843.7	980.3	992.4	26.5	16.2	1.2
Albuquerque, NM	589.1	729.6	887.1	901.7	23.8	21.6	1.6
Atlanta-Sandy Springs-Roswell, GA	2,960.0	4,248.0	5,268.9	5,457.8	43.5	24.0	3.6
Austin-Round Rock, TX	846.2	1,249.8	1,716.3	1,834.3	47.7	37.3	6.9
Dallas-Fort Worth-Arlington, TX(2)	4,037.3	5,161.5	6,371.8	6,701.0	27.8	23.4	5.2
Denver-Aurora-Lakewood, CO	1,848.3	2,179.2	2,543.5	2,645.2	17.9	16.7	4.0
El Paso, TX	591.6	679.6	800.6	830.7	14.9	17.8	3.8
Houston-The Woodlands-Sugar Land, TX	3,322.0	4,715.4	5,946.8	6,177.0	41.9	26.1	3.9
Jacksonville, FL	906.7	1,122.8	1,345.6	1,377.9	23.8	19.8	2.4
Las Vegas-Henderson-Paradise, NV	852.7	1,375.8	1,951.3	2,000.8	61.3	41.8	2.5
Los Angeles-Long Beach-Anaheim, CA(2)	11,273.7	12,365.6	12,828.8	13,052.9	9.7	3.7	1.7
Orlando-Kissimmee-Sanford, FL	1,224.8	1,644.6	2,134.4	2,223.7	34.3	29.8	4.2
Riverside-San Bernardino-Ontario, CA	2,588.8	3,254.8	4,224.9	4,350.1	25.7	29.8	3.0
Sacramento-Roseville-Arden-Arcade, CA	1,340.0	1,796.9	2,149.1	2,196.5	34.1	19.6	2.2
Salt Lake City, UT(3)	1,072.2	968.9	1,124.2	1,123.7	-9.6	16.0	0.0
San Antonio-New Braunfels, TX	1,324.7	1,711.7	2,142.5	2,234.0	29.2	25.2	4.3
San Diego-Carlsbad, CA	2,498.0	2,813.8	3,095.3	3,177.1	12.6	10.0	2.6
San Francisco-Oakland-Hayward, CA(2)	3,686.6	4,123.7	4,335.4	4,455.6	11.9	5.1	2.8
San Jose-Sunnyvale-Santa Clara, CA	1,497.6	1,735.8	1,836.9	1,894.4	15.9	5.8	3.1
Seattle-Tacoma-Bellevue, WA(2)	2,559.2	3,043.9	3,439.8	3,552.2	18.9	13.0	3.3
Tampa-St. Petersburg-Clearwater, FL	2,067.9	2,396.0	2,783.2	2,842.9	15.9	16.2	2.1

(1) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties.

(2) In 2010, the OMB redefined a number of MSAs and eliminated Consolidated MSAs and Primary MSAs. This change affected the Dallas-Fort Worth-Arlington, TX MSA (to include Fort Worth), the Los Angeles-Long Beach-Anaheim MSA (to include Orange County), the San Francisco-Oakland-Hayward MSA (to include Oakland area counties) and the Seattle-Tacoma-Bellevue MSA (to include Tacoma). Data reflects redefined MSAs.

(3) In 2006, the OMB redefined the Salt Lake City-Ogden MSA into two separate areas, the Salt Lake City MSA and the Ogden-Clearfield MSA. Data prior to 2000 reflects the Salt Lake City-Ogden MSA. Data for 2000 and later reflects the Salt Lake City MSA only.

Source: U.S. Department of Commerce, Census Bureau.

The rapid population growth has been accompanied by even greater employment growth. Non-agricultural wage and salary employment from 1950 through November 2013 in the Phoenix-Mesa-Scottsdale MSA was up 2,376.3% to 1,842,400 jobs, while the U.S. as a whole grew 205.2%.

Employment growth has also yielded strong gains in personal income. In 2000, personal income increased by 10.8%, while in 2001, 2002, 2003, 2004, 2005, 2006, and 2007, personal income increased by 5.4%, 3.7%, 5.2%, 8.8%, 11.0%, 11.6% and 4.9%, respectively. However, due to decreases in employment, increases in personal income slowed to 0.4% in 2008, declined 4.8% in 2009 and increased 1.1% in 2010. In 2011, personal income increased 6.1% and in 2012 increased 4.1%. The Greater Phoenix Blue Chip Economic Forecast, a consensus forecast of a number of local economists, estimates personal income to increase 4.9% in 2013 and 5.5% in 2014.

Business Climate

The Greater Phoenix area enjoys a very positive business climate as evidenced by statistics from the U.S. Census Bureau on the number of business establishments in Maricopa County. From 1982 to 2011, the latest available data, (released April 2013), total business establishments increased 143.0%. Growth was strong in all categories: firms with employees of 100 to 499 increased 188.3% over the twenty-nine year period; while employers with 500 or more employees increased 253.0% and employers with fewer than 100 employees increased 141.8%.

Employment

The Phoenix-Mesa-Scottsdale MSA labor force is relatively young and well educated. According to the 2010 Census, the median age in Maricopa County is 34.6 years compared to 37.2 years for the U.S. as a whole. Historically, during periods of national economic expansion, Phoenix-Mesa-Scottsdale MSA employment has grown much more rapidly than the United States as a whole. During periods of slowing in the U.S. economy, the Phoenix-Mesa-Scottsdale MSA has usually continued to grow, albeit slowly. It has taken a national recession for the Phoenix-Mesa-Scottsdale MSA to experience employment declines. The National Bureau of Economic Research (NBER) maintains the chronology of the national business cycles and identifies the dates of expansion and recession. On December 1, 2008, the NBER declared that the nation was in a recession and that the recession began in December 2007. In September 2010, the NBER declared that the most recent recession ended in June 2009. This recent recession lasted 18 months and was the longest recession since the end of World War II.

Over the last several decades, Greater Phoenix has become economically healthier and more diversified. During the March 1975 to January 1980 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 47.1% versus an increase of 18.2% nationally. This exceeded the expansion in other growth areas such as San Diego, Denver and Houston. During the expansion period that began in November 1982, Phoenix-Mesa-Scottsdale MSA employment growth again outpaced that of comparable fast growth areas. During the November 1982 to July 1990 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 49.4% versus an increase of 22.4% nationally. During the March 1991 to March 2001 expansion, Phoenix-Mesa-Scottsdale MSA employment increased 58.4% versus an increase of 22.3% nationally. During the November 2001 to December 2007 expansion, employment in the Phoenix-Mesa-Scottsdale MSA increased 21.6% versus an increase of 5.3% nationally. Since the most recent expansion began in June 2009 through November 2013, Phoenix-Mesa-Scottsdale MSA employment increased 8.7% versus an increase of 4.9% nationally.

During the 1980 to 1982 recession, Phoenix-Mesa-Scottsdale MSA employment increased 6.0% versus a decrease of 0.2% nationally. During the July 1990 to March 1991 recession, Phoenix-Mesa-Scottsdale MSA employment increased 3.1% versus a decrease of 1.7% nationally. During the March 2001 through November 2001 recession, Phoenix-Mesa-Scottsdale MSA employment declined 1.0% versus an increase of 0.1% nationally. During the most recent recession from December 2007 to June 2009, Phoenix-Mesa-Scottsdale MSA employment decreased 13.0% versus a decrease of 5.3% nationally. The underperformance of Greater Phoenix employment during the last recession compared to most peer cities can be attributed to the fact that each of Greater Phoenix's major employment sectors were the most negatively impacted by the national recession and population flows slowed dramatically all at the same time. These sectors include construction, tourism, financial services, and high-tech manufacturing. See the following table for historical percentage changes in wage and salary growth for Greater Phoenix and other peer MSAs during recessionary and expansion periods.

The 1987 through 1992 period in Maricopa County was a period of modest growth by historic standards. This was due to a number of factors including a slowdown in the national economy, cutbacks in national defense spending and a severe downturn in the commercial real estate market in the metropolitan area. This situation began turning around in 1992 due to a series of events that were quite positive. These included reasonably strong growth in the national economy, an increase in international trade, strength in Greater Phoenix's manufacturing sector, especially the high-tech manufacturing sector, a sustained expansion in single-family housing within Greater Phoenix, strong retail sales within Greater Phoenix, and an end to defense cutbacks by the Federal government.

The years 1993 through early 2001 were strong growth years for the Greater Phoenix economy. Employment in 2001 increased 1.2% following increases of 3.5%, 4.6%, 5.4%, 5.4% and 7.2% in 2000, 1999, 1998, 1997 and 1996, respectively. Several of the economic sectors that usually hold Greater Phoenix in good stead in an economic slowdown were especially hard hit by the events of September 11, 2001, including semiconductor and aerospace manufacturing and tourism. In addition, although an end to the national recession was declared in November 2001, many national economists have suggested that this date ignores that employment levels were especially slow to recover and as a lagging indicator may more accurately describe the state of the economy. In October 2001, employment growth in Greater Phoenix turned negative for the first time since the 1991 recession and remained negative until July 2002. Overall, employment decreased 0.1% in 2002. The Phoenix economy began to rebound in 2003 and employment grew 1.5%, once again exceeding growth in the U.S. as a whole. Greater Phoenix employment was up 4.0% in 2004, 6.2% in 2005 and 5.4% in 2006. In response to the slowing economy related to problems in the subprime mortgage market and tight credit, Greater Phoenix employment increased only 1.7% in 2007. In 2008 and 2009, as the national and Greater Phoenix economies were impacted by the deep recession, employment in Greater Phoenix decreased 2.5% and 7.9% while the U.S. as a whole decreased 0.6% and 4.4%, respectively. During 2010, employment began to grow again in Greater Phoenix, but not enough to turn the average for the year positive. In 2010, employment in Greater Phoenix decreased 1.9% while the U.S. as a whole decreased 0.7%. In 2011, employment in Greater Phoenix once again began to outperform the U.S. increasing 1.5% while the U.S. as a whole increased 1.2%. In 2012, employment in Greater Phoenix increased 2.4% while the U.S. as a whole increased 1.7%. For the first eleven months of 2013, employment increased 2.4% in Greater Phoenix and 1.6% in the U.S. as a whole.

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT
Metropolitan Statistical Areas
Not Seasonally Adjusted
(% Change)

	RECESSION PERIODS					EXPANSION PERIODS				
	Nov. 1973 to Mar. 1975	Jan. 1980 to Nov. 1982	July 1990 to Mar. 1991	Mar. 2001 to Nov. 2001	Dec. 2007 to June 2009	Mar. 1975 to Jan. 1980	Nov. 1982 to July 1990	Mar. 1991 to Mar. 2001	Nov. 2001 to Dec. 2007	June 2009 to Nov. 2013
U.S. Average	(3.7)%	(0.2)%	(1.7)%	0.1%	(5.3)%	18.2%	22.4%	22.3%	5.3%	4.9%
Phoenix-Mesa-Scottsdale, AZ(1)	(5.6)	6.0	3.1	(1.0)	(13.0)	47.1	49.4	58.4	21.6	8.7
Tucson, AZ	0.7	6.4	8.0	(0.7)	(9.6)	27.1	24.4	35.3	11.8	4.0
Albuquerque, NM(2)	(3.0)	4.6	(1.1)	0.2	(5.6)	30.2	40.6	34.9	10.0	(1.0)
Atlanta-Sandy Springs-Roswell, GA(2)	(7.3)	7.7	(2.7)	(0.1)	(7.7)	35.3	45.2	46.5	7.8	6.9
Austin-Round Rock, TX(2)	6.1	18.3	4.9	(2.0)	(1.6)	31.9	37.3	70.4	15.6	13.5
Dallas-Fort Worth-Arlington, TX(2)	(2.2)	8.9	(1.0)	(1.6)	(4.3)	33.8	31.5	40.6	9.3	10.2
Denver-Aurora-Lakewood, CO(2)	(2.7)	8.9	(0.5)	(1.4)	(4.0)	30.6	12.8	42.0	5.6	7.3
El Paso, TX	1.2	3.7	(0.7)	(1.1)	(2.9)	21.9	27.3	23.9	10.4	5.1
Houston-The Woodlands-Sugar Land, TX(2)	7.7	8.9	0.6	0.7	(2.6)	39.2	9.9	28.1	13.2	11.4
Jacksonville, FL(2)	(0.7)	7.4	(0.9)	0.0	(8.6)	11.9	37.9	37.8	12.2	6.3
Las Vegas-Henderson-Paradise, NV	1.1	1.5	1.6	(0.8)	(12.0)	57.3	87.6	91.3	29.5	4.0
Los Angeles-Long Beach-Anaheim, CA(2)	(2.6)	(1.6)	(2.4)	(1.3)	(8.6)	25.1	21.5	7.5	4.2	4.6
Orlando-Kissimmee-Sanford, FL(2)	(8.3)	16.3	5.9	(2.1)	(9.7)	33.2	86.7	59.9	22.4	8.9
Portland-Vancouver-Hillsboro, OR-WA(2)	(2.0)	(5.6)	(0.9)	(1.5)	(7.4)	27.6	39.3	34.6	10.0	6.8
Riverside-San Bernardino-Ontario, CA	(2.0)	(0.7)	1.8	2.6	(10.5)	32.6	63.8	41.8	22.0	3.7
Sacramento-Roseville-Arden-Arcade, CA	3.3	4.7	1.0	2.0	(7.3)	27.9	29.5	29.8	9.0	0.4
Salt Lake City, UT(3)	1.6	3.4	2.0	(0.8)	(7.0)	23.2	24.1	51.1	14.4	10.4
San Antonio-New Braunfels, TX(2)	0.1	8.9	1.1	(0.3)	(1.1)	25.6	22.7	38.3	13.5	6.5
San Diego-Carlsbad, CA	1.7	2.8	0.3	1.4	(6.4)	37.0	44.9	25.7	7.4	5.3
San Francisco-Oakland-Hayward, CA	(0.4)	1.5	(0.7)	(3.8)	(7.1)	17.0	17.9	18.6	(0.2)	6.5
San Jose-Sunnyvale-Santa Clara, CA(2)	(0.7)	7.4	(1.5)	(8.8)	(6.9)	44.3	16.3	30.0	(4.5)	10.3
Seattle-Tacoma-Bellevue, WA	N/A	N/A	(1.3)	(1.6)	(5.4)	N/A	47.1	26.9	29.4	5.7
Tampa-St. Petersburg-Clearwater, FL	(3.4)	10.2	0.5	(0.7)	(9.9)	29.3	41.0	34.9	8.4	8.8

(1) In 1994, the U.S. Office of Management and Budget (OMB) redefined the Phoenix Metropolitan Statistical Area (MSA) to include both Maricopa and Pinal counties. Data prior to 1974 reflects Maricopa County data only.

(2) In 2003, the U.S. Office of Management and Budget redefined these areas to reflect data from the 2000 Census. Data for the redefined areas has been recalculated to reflect the change back to 1990 only.

(3) In 2006, the U.S. Office of Management and Budget redefined the Salt Lake City - Ogden MSA into two separate areas, the Salt Lake City MSA and the Ogden - Clearfield MSA. Data after 2000 reflects the Salt Lake City MSA only.

Source: Labor Market Information from various states.

The employment mix of the Phoenix-Mesa-Scottsdale MSA is well diversified and mirrors that of the United States in many respects. However, it is somewhat over-represented in construction and financial employment when compared to the U.S. as a whole, due to its historical rapid population and employment growth. It is under-represented in manufacturing, but its manufacturing mix is much more concentrated in high technology than that of the United States. As of November 2013, high technology manufacturing represented 42.5% of the manufacturing jobs in Greater Phoenix versus 13.1% nationally. This is a significant, positive factor in the long run because these high-technology manufacturing sectors are likely to grow at rates greater than that of non-high-tech manufacturing. However, these industries tend to be cyclical in nature and therefore, during periods of slower national economic growth, Greater Phoenix manufacturing will likely be negatively affected. In addition, manufacturing employment in the U.S. has been affected by the movement of manufacturing jobs to less expensive labor markets abroad. The following table shows the percent distribution of each employment sector for Phoenix-Mesa-Scottsdale MSA compared to the U.S.

NON-FARM WAGE & SALARY EMPLOYMENT
Percent Distribution
2013 Annual Averages through November

Sector	Phoenix-Mesa-Scottsdale MSA	United States
Manufacturing	6.5%	8.8%
Natural Resources & Mining	0.2	0.6
Construction	5.3	4.3
Total Goods Producing	12.0	13.7
Transportation, Warehousing, Utilities	3.6	3.7
Trade	16.6	15.4
Information	1.7	2.0
Financial Activities	8.5	5.8
Services	44.7	43.4
Government	12.9	16.0
Total Service Producing	88.0	86.3
Non-Farm Wage & Salary	100.0%	100.0%

Source: Arizona Department of Economic Security, U.S. Department of Labor.

Arizona's manufacturing industry is concentrated in the Phoenix-Mesa-Scottsdale MSA. As of November 2013, employment in manufacturing accounted for 6.5% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. According to the Arizona Department of Administration, the Phoenix-Mesa-Scottsdale MSA has approximately 3,233 manufacturing firms employing approximately 116,618 workers as of the second quarter of 2013 (latest available data). This represents 75.3% of the State's total manufacturing employment. The table below reflects annual growth in manufacturing employment for Greater Phoenix and the U.S. Major manufacturers located in Greater Phoenix include Honeywell, Intel, Freeport-McMoRan Copper & Gold, Boeing, General Dynamics, IBM, Freescale, Avnet, Sonora Quest Laboratories and Shamrock Foods.

Manufacturing Employment Annual Growth

Year	Greater Phoenix	United States
2006	2.5%	-0.5%
2007	-1.9	-2.0
2008	-5.5	-3.4
2009	-11.4	-11.6
2010	-3.7	-2.7
2011	1.9	1.7
2012	3.7	1.6

Source: U.S. Bureau of Labor Statistics

For the first eleven months of 2013, manufacturing employment in Greater Phoenix increased 0.1% and the U.S. manufacturing employment increased 0.5% over the similar period in 2012. The Greater Phoenix Blue Chip Economic Forecast estimates that total manufacturing employment in Greater Phoenix will increase 2.7% in 2014.

Greater Phoenix trade employment was up 5.0% in 2006 and 3.1% in 2007, but declined 2.3% in 2008, 7.9% in 2009, and 2.1% in 2010. Trade employment increased 0.8% in 2011 and 1.7% in 2012. For the first eleven months of 2013, trade employment increased 2.6% over the similar period in 2012. Employment in trade, accounting for 16.6% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA, is greatly affected by retail sales. Trade employment increases as retail sales rise and decrease as retail sales fall. According to the Arizona Department of Revenue, retail sales were up 7.9% in 2006 and 0.1% in 2007, but declined 10.3% in 2008 and 10.6% in 2009. Retail sales increased 0.7% in 2010, 10.1% in 2011 and 5.0% in 2012. For the first ten months of 2013, retail sales increased 7.9% over the same period in 2012. The Greater Phoenix Blue Chip Economic Forecast estimates retail sales will increase 6.3% in 2014.

The expansion of the Greater Phoenix economy in the past has generated employment in the financial activities category. This sector includes finance, insurance and real estate employment and rental and leasing employment. Employment in financial activities accounts for 8.5% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Employment in this sector increased 4.3% in 2006 and 0.3% in 2007, but declined 4.0% in 2008, 5.1% in 2009 and 1.4% in 2010. Employment in financial activities increased 3.0% in 2011 and 3.2% in 2012. For the first eleven months of 2013, employment in financial activities increased 3.1% over the same period in 2012.

The services industry, particularly business services, has also contributed to the sustained historical growth in Greater Phoenix. The services employment category has four sub-categories including professional and business, educational & health, leisure & hospitality and other services. In total, services account for 44.7% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Employment in this sector increased 7.0% in 2006 and 3.0% in 2007, but declined 0.5% in 2008 and 5.3% in 2009. Services employment increased 0.1% in 2010, 2.5% in 2011 and 2.4% in 2012. For the first eleven months of 2013, services employment increased 2.5% over the same period in 2012.

Professional and business services employment, 36.0% of total services industry employment, is a strong contributor to services growth. Employment in this services industry sub-category increased 7.6% in 2006 and 1.9% in 2007. The slowdown in the national economy during the last recession affected professional and business services in the Phoenix-Mesa-Scottsdale MSA. Employment in this services industry sub-category decreased 4.8% in 2008, 11.2% in 2009 and 1.5% in 2010. Employment in professional and business services began to turnaround and increased 1.5% in 2011 and 2.6% in 2012. For the first eleven months of 2013, employment in professional and business services increased 2.1% over the same period in 2012.

A significant portion of services industry employment in Greater Phoenix is related to tourism. Leisure and hospitality employment accounts for 23.6% of total services employment. Construction of three resorts within Greater Phoenix was completed in 2002. The Westin Kierland Resort, Marriott Desert Ridge and the Sheraton Wild Horse Pass added a total of 2,200 hotel rooms. A number of hotels within Greater Phoenix were completed in 2007 and early 2008. The Marriott Renaissance at Westgate, Marriott Residence Inn, Hampton Inn at Westgate, Spring Hill Suites, Holiday Inn Express and the Comfort Inn all opened in Glendale adding a total of 917 hotel rooms. Three notable hotels within Greater Phoenix were completed in the second half of 2008. The Phoenix Downtown Sheraton Hotel (1,000 rooms), the W Hotel Scottsdale (230 rooms) and the Intercontinental Montelucia Resort and Spa in Paradise Valley (293 rooms) opened adding a total of 1,523 hotel rooms. In addition, 15 select-service hotels opened in 2008 throughout Greater Phoenix totaling approximately 1,700 rooms. Overall market conditions and the continued pressure on the capital markets slowed hotel development throughout Greater Phoenix during the last recession. In 2009, the Hilton Phoenix Chandler (197 rooms), the aloft Hotel Tempe (136 rooms), the aloft Hotel Phoenix Airport (143 rooms) and the Wild Horse Pass & Casino (242 rooms) opened along with 14 select-service hotels totaling 1,800 additional rooms. The Talking Stick Resort at Casino Arizona (496 rooms) and three limited service hotels totaling 350 rooms, including Holiday Inn Phoenix, Doubletree in Gilbert and Residence Inn in Surprise, opened in 2010. The Westin Phoenix Downtown (242 rooms) and the Radisson Hotel Glendale (120 rooms) opened in 2011, along with two limited service hotels in Casa Grande and Phoenix totaling 100 rooms. New hotel openings in 2012 in Greater Phoenix included the Hotel Palomar (252 rooms) in downtown Phoenix, the

Saguaro (194 rooms) in Scottsdale and five limited service hotels totaling 610 rooms. Through November 2013, new hotel openings for Greater Phoenix include Vee Quiva Casino and Hotel (90 rooms) in Laveen, the Holiday Inn Express (104 rooms) in Phoenix and the Residence Inn Tempe Downtown (173 rooms) as well as the renovation of the Fiesta Resort in Tempe, which reopened as the Double Tree by Hilton (270 rooms). Employment in this services industry sub-category increased 5.9% in 2006 and 3.2% in 2007, but declined 0.9% in 2008, 5.5% in 2009 and 0.6% in 2010. Greater Phoenix leisure and hospitality services employment increased 2.5% in 2011 and 3.0% in 2012. For the first eleven months of 2013, Greater Phoenix leisure and hospitality services employment increased 3.5% over the same period in 2012. Employment in this sub-sector is expected to continue improving gradually as the national economy continues to recover.

Educational and health services employment is related to population flows and the aging of the population and should continue to grow in Greater Phoenix. Educational and health services employment is 32.7% of total services employment. Employment in this services industry sub-category increased 6.9% in 2006, 5.2% in 2007 and 5.7% in 2008. Educational and health services employment began to slow in 2009 due to the slowing economy, slowing population flows and reduced school district budgets. Employment growth in this services industry sub-category increased 3.3% in 2009, 4.6% in 2010, 3.6% in 2011 and 3.0% in 2012. For the first eleven months of 2013, employment in educational and health services increased 2.9% over the same period in 2012.

The government sector includes employment in federal, state and local governments. Employment in government accounts for 12.9% of total non-agricultural wage and salary employment in the Phoenix-Mesa-Scottsdale MSA. Total government sector employment advanced 1.6% in 2006, 4.1% in 2007 and 3.0% in 2008, but decreased 2.8% in 2009, 1.8% in 2010 and 2.4% in 2011. In 2012, government sector employment increased 0.7%. For the first eleven months of 2013, government employment increased 0.8% over the same period in 2012. As the economy continues to slowly recover, demand for government sector services are expected to cause government employment to grow.

NON-FARM WAGE AND SALARY EMPLOYMENT
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area

(Yearly Average in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
National Resources and Mining	2.1	2.2	2.7	3.2	3.8	3.1	3.0	3.3	3.7	3.8
Construction	141.6	163.9	180.1	169.4	139.4	96.0	82.4	83.1	87.8	94.8
Manufacturing	131.9	136.5	139.9	137.2	129.7	114.9	110.7	112.8	117.0	117.0
Trade, Transportation, and Utilities										
Wholesale Trade	79.2	82.9	87.1	89.8	89.3	83.1	80.1	80.4	82.0	86.1
Retail Trade	201.0	216.5	227.5	234.5	227.4	208.5	205.5	207.4	210.8	213.1
Transp., Warehousing, and Utilities	60.5	62.6	65.0	67.5	67.0	62.8	60.4	62.3	64.0	64.7
Information	34.6	33.3	32.4	31.2	31.2	28.9	27.4	28.4	29.5	29.9
Financial Activities	139.3	147.8	154.3	154.7	148.5	140.9	138.9	143.0	147.6	152.3
Professional and Business Services	273.8	296.8	319.2	325.3	309.5	275.0	270.7	276.4	283.7	289.0
Education and Health Services	175.4	186.0	198.8	209.2	221.2	228.6	239.1	247.6	255.1	262.1
Leisure and Hospitality	161.9	170.4	180.5	186.2	184.6	174.5	173.4	177.8	183.0	189.1
Other Services	64.2	66.0	71.0	72.1	73.4	68.2	64.0	63.9	61.9	61.9
Government	220.8	225.5	229.2	238.7	246.0	239.2	234.8	229.2	230.9	232.0
Total	1,686.1	1,790.4	1,887.6	1,918.9	1,870.8	1,723.5	1,690.4	1,715.6	1,757.1	1,795.8

Note: Annual averages may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics; Arizona Department of Commerce, Research Administration.

The following table lists the major employers in Greater Phoenix within each main employment sector.

2013 GREATER PHOENIX MAJOR EMPLOYERS

SERVICES	
(Excluding Resorts and Health Services)	
Wells Fargo & Company	11,700*
Bank of America	11,400*
JPMorgan Chase & Co	10,800*
US Airways	9,200
Apollo Group Inc	9,200*
American Express	7,700
Salt River Project	4,800*
Arizona Public Services (APS)	4,500*
Southwest Airlines	4,400
Charles Schwab & Co. Inc	3,500
FedEx	3,000
USAA	3,000
CenturyLink	3,000*
GoDaddy.com Inc	2,600
HEALTH SERVICES	
Banner Health	20,800*
Dignity Health (Catholic Healthcare West)	8,400
Scottsdale Health Care	6,500
Mayo Clinic	5,500
St Joseph's Hospital and Medical Center	5,300
CVS Caremark	4,500
Maryvale Hospital Medical Center (Abrazo)	4,100
Vanguard Health System	4,100
Phoenix Children's Hospital	3,900
RESORTS	
Pointe Hilton	1,500*
JW Marriott Desert Ridge Resort & Spa	1,000
Arizona Biltmore Resort and Spa	900
Westin Kierland Resort & Spa	900
Fairmount Scottsdale Princess	800
RETAIL TRADE	
Wal-Mart Stores Inc	20,700*
Fry's Food and Drug Stores	7,900*
Target	7,400*
Home Depot	6,100*
Basha's	6,100*
Walgreens	5,000*
Safeway	4,700*
Costco Wholesale	3,200*
Albertsons	2,600*
MANUFACTURING	
Intel Corporation	11,000
Honeywell Aerospace	10,000
Freeport-McMoRan Copper & Gold, Inc	6,500*
Boeing	5,000
IBM	3,000
Freescale Semiconductor	3,000
Avnet Inc	2,600
General Dynamics	2,500
GOVERNMENT/SCHOOLS	
State of Arizona	36,000*
City of Phoenix	14,875
Maricopa County	13,300
Arizona State University	12,200
Mesa Public Schools	8,400
Luke Air Force Base	5,600
U. S. Postal Service	5,500
Maricopa County Community College District	4,500
Grand Canyon University	3,700

* Estimate based on total employees in the State of Arizona.
Source: Elliott D. Pollack & Co.

Unemployment

The Phoenix-Mesa-Scottsdale MSA average unemployment rate has generally been consistently below the State and national average. Due to the national and local recession, unemployment rates began to increase rapidly in mid-2008. In 2010, the average unemployment rate for the Phoenix-Mesa-Scottsdale MSA was 9.8% compared to 10.5% for Arizona and 9.6% for the U.S. In 2011, the average unemployment rate for the Phoenix-Mesa-Scottsdale MSA was 8.6% compared to 9.5% for Arizona and 8.9% for the U.S. In 2012, the average unemployment rate for the Phoenix-Mesa-Scottsdale MSA was 7.3% compared to 8.3% for Arizona and 8.1% for the U.S. As of November 2013, the average unemployment rate for the Phoenix-Mesa-Scottsdale MSA was 6.8% compared to 8.0% for Arizona and 7.5% for the U.S. The table below shows annual average unemployment statistics for Greater Phoenix in comparison to Arizona and the nation.

COMPARATIVE UNEMPLOYMENT STATISTICS
Phoenix-Mesa-Scottsdale
Metropolitan Statistical Area
(Annual Average, Seasonally Adjusted)

			Unemployment Rate		
Year	Employed Phoenix-Mesa-Scottsdale MSA	Unemployed Phoenix-Mesa-Scottsdale MSA	Phoenix-Mesa-Scottsdale MSA	Arizona	U.S.
2013*	1,897,600	138,600	6.8%	8.0%	7.5%
2012	1,889,200	147,800	7.3	8.3	8.1
2011	1,860,800	174,200	8.6	9.5	8.9
2010	1,871,600	202,500	9.8	10.5	9.6
2009	1,899,100	193,900	9.3	9.8	9.3
2008	1,977,200	111,300	5.3	6.0	5.8
2007	1,975,500	65,400	3.2	3.7	4.6
2006	1,930,600	71,200	3.6	4.1	4.6
2005	1,847,500	79,300	4.1	4.7	5.1
2004	1,783,700	83,200	4.5	5.0	5.5
2003	1,727,900	95,600	5.2	5.7	6.0
2002	1,687,100	100,700	5.6	6.0	5.8

* Data as of November 2013.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Construction/Real Estate Market

During the 1990s, the construction/real estate market in Maricopa County fully recovered from the recession of the late 1980s, when the State faced a national recession, a severe real estate recession and defense cutbacks. Using Arizona State University data, which includes Maricopa County and part of Pinal County (the Apache Junction area), single-family permits declined annually from 1986 through 1990; however, single-family permit activity was up 27% in 1991, 36% in 1992, 19% in 1993, 22% in 1994, 0.7% in 1995, 5.0% in 1996, 3.4% in 1997 and 16.1% in 1998. There were 26,824 single-family permits issued in Maricopa County in 1995, 28,157 issued in 1996, 29,109 issued in 1997 and a record 33,811 issued in 1998. Indeed, 1998 was the eighth consecutive year of increased single-family permit activity. In 1999 and 2000, the number of single-family permits issued declined modestly by 1.7% and 2.3%, respectively, to 33,252 permits in 1999 and 32,511 permits in 2000.

The real estate market began to improve in 2001 and the number of single-family permits issued in Greater Phoenix increased 1.1% to 32,869 and increased 7.2% to 38,745 permits in 2002. Both 2003 and 2004 were record years for single-family construction with permit issuance up 19.7% and 28.6% to 46,382 and 59,731 permits, respectively. In 2005, single-family permits issued increased 3.0% to 61,447 permits. In an over response to high demand for single-family homes between 2003 and mid-2005 and increasing home prices, an excess number of single-family housing units were built during this period, even as demand began to slow by late 2005. This excess housing inventory resulted in a reduction in the number of single-family housing permits issued in Greater Phoenix of 33.3% to 42,423 permits in 2006. In 2006, the number of single-family units built was more consistent with the demographic demand and for the first time in several years, completions (closings) exceeded new permits. This indicated that builders were beginning to work off their existing inventory and the market began to move towards a more sustainable level. Despite the reduction in the number of single-family housing permits, 2006 was still the fourth strongest housing year on record, which appears to indicate that 2004 and 2005 were extremely robust years. As further evidence of the market's return to a more sustainable level, permits were down 26.5% to 31,172 permits in 2007, down 59.6% to 12,582 permits in 2008, down 36.2% to 8,027 permits in 2009 and down an additional 15.0% to 6,822 permits in 2010. In 2011, single family permits reached a bottom with 6,794 permits issued. As the excess supply of new and existing housing inventory was absorbed, permit activity began to turn around. In 2012, single family permits increased 71.0% to 11,615 permits. As of November 2013, single family permits increased 7.9% over the similar period in 2012.

In addition to a decline in single-family permits, the City of Phoenix also experienced a decline in market share for residential permits within the Greater Phoenix area in the late-1990s and early-2000s. This was a result of the final build-out of certain major master planned communities within the City of Phoenix and the opening or expansion of new planned communities outside of the City's boundary. However, this trend reversed itself in the mid-2000s with strong growth in a number of new communities within the City of Phoenix. Likewise, many communities outside the City's boundary had reached build-out. The City of Phoenix captured, 28.3% of the market in 2004, 27.0% of the market in 2005, 30.8% of the market in 2006, 37.4% of the market in 2007, 27.5% of the market in 2008, 25.8% of the market in 2009, 32.7% of the market in 2010, 20.1% of the market in 2011 and 31.4% of the market in 2012. As of November 2013, the City of Phoenix captured 20.3% of the market.

Single-family housing prices in Greater Phoenix increased significantly between mid-2004 and mid-2005. According to the Multiple Listing Service (MLS), housing listing prices jumped 96.8% to a median listed price of $359,900 in May 2005. This record increase in listing prices appears to have been the result of a transitory supply/demand imbalance caused by strong population flows, a large number of homes purchased for investment purposes, a jump in demand for second homes and vacation homes, the movement of people from apartments into single-family homes, easy credit, and excess liquidity in the financial markets. In addition, during that period from mid-2004 to mid-2005, there was a substantial decline in the number of units in the MLS and an increase in the delivery time of new homes by homebuilders due to factors such as the inability of cities to process permits in a timely manner due to high workloads and labor bottlenecks.

Housing price increases began to level in 2006 as a result of slowing demand, which increased the number of units listed in the MLS, and lessened investor activity. In fact, housing prices began declining in 2007 in Greater Phoenix as they did nationally. According to the S&P/Case-Shiller Home Price Index (a series that tracks changes in existing single-family home prices given a constant level of quality), Greater Phoenix housing prices increased only 0.3% in 2006 and declined 15.3% in 2007, 34.0% in 2008, 9.2% in 2009, 8.3% in 2010 and 1.2% in 2011. By mid-2012, housing prices began to show signs of growth as lower prices and little new construction allowed the excess supply of homes to clear. In 2012, existing single-family home prices increased 27.8% over 2011 to $147,600. As of third quarter 2013, the median price of an existing single-family home in Greater Phoenix increased 25.0% over the similar period in 2012 to $191,700, compared to $207,300 nationally.

As the economy continues to recover both nationally and locally, both the excess supply of single-family houses and the number of foreclosures has decreased significantly, thus removing inventory from a previously oversupplied market. In addition, although tighter credit standards and a significant slowdown in population growth have reduced the size of the buyer pool, these problems appear to be slowly abating. During 2012 there was an increase in the sale of existing single-family homes and the single-family housing market appears to have returned to a more normal equilibrium.

In the past, multi-family housing has been hit harder by recession than single-family housing. Permits declined from 1984 through 1990, but a recovery in multi-family housing began in 1991. The number of permits issued increased each year from 1991 through 1996. In 1997 the number of permits issued declined 7.1% to 7,930 units and remained just under 8,000 per year for 1998 and 1999. In 2000, 2001, 2002, 2003, 2004, 2005 and 2006 there were 8,009, 7,201, 5,134, 4,682, 4,997, 3,250 and 3,922 units permitted, respectively. Multi-family housing construction was hit hard during those years by low interest rates that made single-family housing more affordable. As a result, demand for single-family homes increased while demand for multi-family homes subsided. Permits increased to 6,676 in 2007, but decreased to 6,365 in 2008, 637 in 2009, and 408 in 2010. Multi-family construction began to turn around as permits increased to 1,961 in 2011 and 3,369 in 2012. According to the Greater Phoenix Blue Chip Economic Forecast, multi-family permits are expected to increase to 4,711 in 2013 and 6,272 in 2014. Despite the fluctuation in demand, multi-family housing has enjoyed low levels of vacancy since 1993 due to modest levels of construction. More recently, vacancy rates were 5.0% in 2005 and 5.3% in 2006, but increased to 8.5% at year-end 2007, 10.8% at year-end 2008 and 14.2% at year-end 2009. The low vacancy rates, in 2005 and 2006, despite the fact that absorption was relatively modest in those years, was due to a decrease in the number of apartments in Greater Phoenix in 2005 and again in 2006. According to the Arizona State University Real Estate Center, more than 18,500 multi-family units were converted into condominiums in 2005 and 2006. Because of this tighter market, rents for apartments increased in 2005 and 2006 and continued to increase in 2007. This trend reversed in 2008 as condominiums were converted back to apartments, apartments experienced substantial competition from single-family rental homes and population inflows slowed. Multi-family vacancy rates were 10.8% in 2010, 7.3% in 2011, 6.3% in 2012 and 6.8% through the third quarter of 2013. The Greater Phoenix Blue Chip Economic Forecast projects multi-family vacancy rates to be 6.5% in 2014.

The commercial real estate market is currently experiencing the same supply and demand imbalance that exerted downward pressure on single-family housing prices and new housing permits from 2007 through 2009. The imbalance in the commercial market has lagged the residential market due to the commercial market's long lead times between project conceptualization and project completion. Most of the commercial buildings that were completed in 2008 through 2010 were conceptualized and started when the market was still strong. The decrease in demand is a result of declines in employment growth, the general economic downturn and the inability of investors to access the credit markets due to the severe credit crunch.

The year 1996 was the first since 1991 that new office construction took place. Vacancy rates peaked in 1986 at just over 30%, but declined to 7.5% in 1997. More recently, in 2005, a total of 857,900 square feet of office space was added to the market, while 3.1 million square feet was absorbed. In addition, nearly 1.2 million square feet of office space was converted to office condominiums and residential condominiums. As a result, the office vacancy rate in 2005 was 12.6%. In 2006, a total of 2.2 million square feet of office space was added to the market, while 3.2 million square feet was absorbed. As of year-end 2006, the office vacancy rate declined to 11.1%. In 2007, a total of 4.9 million square feet of office space was added to the market, while 1.5 million square feet was absorbed. As of year-end 2007, the office vacancy rate increased to 13.9%. In 2008, 3.4 million square feet of office space was added to the market, while a net 603,000 square feet was vacated. As of year-end 2008, the office vacancy rate increased to 19.1%. In 2009, office vacancies began to approach levels not seen since the late-1980s. In 2009, a total of 1.8 million square feet of office space was added to the market, while absorption was a negative 2.4 million square feet. In 2009, the office vacancy rate increased to 24.5%. In 2010, a total of 2.0 million square feet of office space was added to the market, while 233,670 square feet was absorbed. In 2010, the office vacancy rate increased to 26.2%. In 2011, a total of 439,070 square feet of office space was added to the market, while 1.9 million square feet was absorbed. In 2011, the office vacancy rate decreased to 25.5%. In 2012, a total of 1.0 million square feet of office space was added to the market, while 2.0 million square feet was absorbed. Vacancy rates in 2012 declined to 23.9% from 25.5% in 2011. As of third quarter 2013, 120,745 square feet of office space was added to the market, while nearly 1.1 million square feet of office space was absorbed and vacancy rates decreased to 23.2%. Due to the high vacancy rate, office construction has virtually halted. According to the Greater Phoenix Blue Chip Economic Forecast, office space absorption is expected to be approximately 2.0 million square feet in 2014. Greater Phoenix new office construction is expected to be 520,000 square feet in 2014. Due to the high level of vacancy rates, it is likely to be several years before any significant new office space is required.

Along with the rapid growth in single-family housing over the last decade, the corresponding demand for retail space was relatively strong. More recently, additional supply has slowed due to the slowdown in overall retail sales. Retail vacancy rates were 7.4% in 1997 but declined to 6.3%, 5.5% and 5.3% in 1998, 1999 and 2000, respectively. According to CB Richard Ellis, retail vacancy rates rose to 6.6% in 2001, 7.3% in 2002 and 7.4% in 2003, but dropped to 6.1% in 2004, 5.3% in 2005 and 5.1% in 2006 in response to the strengthening economy. In 2007, 11.1 million square feet of inventory was added, while 9.4 million square feet was absorbed. Therefore, the retail vacancy rate increased in 2007 to 6.2%. In 2008, 6.2 million square feet of inventory was added, while 3.4 million square feet was absorbed, increasing the retail vacancy rate to 7.5%. In 2009, 4.4 million square feet of inventory was added, while absorption was a negative 1.0 million square feet, increasing the retail vacancy rate to 11.4%. In 2010, 902,380 square feet of inventory was added, while absorption was a negative 75,352 square feet, increasing the retail vacancy rate to 12.2%. In 2011, 24,543 square feet of inventory was added, while absorption was a negative 152,647 square feet, keeping the retail vacancy rate at 12.2%. In 2012, 184,932 square feet of inventory was added, while absorption was 1.9 million square feet, decreasing the retail vacancy rate to 11.0%. As of third quarter 2013, 299,275 square feet of inventory was removed from retail space inventory, while more than 1.1 million square feet was absorbed, decreasing the vacancy rate to 10.5%. The modest recovery in new residential construction suggests a slightly better outlook for the retail market. According to the Greater Phoenix Blue Chip Economic Forecast, retail vacancy rates are projected to be 9.8% at year-end 2014.

The industrial space market experienced healthy absorption from 1991 through 2000. Vacancy rates declined from a peak of 14.8% in 1991 to 7.4% by the end of 2000. New construction increased in response to the low vacancy rates. According to CB Richard Ellis, approximately 5.1 million square feet of new industrial space was built in 2002, while only 3.4 million square feet was absorbed. Therefore, the vacancy rate increased to 10.3% in 2002 compared to 9.8% in 2001. In 2003, 3.4 million square feet was added and 4.4 million square feet was absorbed, pushing the vacancy rate down to 9.7%. In 2004, 4.5 million square feet was added while 6.3 million square feet was absorbed, reducing the vacancy rate to 8.5%. In 2005, 6.3 million square feet of industrial space was built and 12.3 million square feet was absorbed, reducing the vacancy rate to 5.6%. In 2006, 7.0 million square feet of industrial space was built and 6.0 million square feet was absorbed, increasing the vacancy rate to 6.7%. In 2007, 13.9 million square feet of industrial space was built and 8.4 million square feet was absorbed, increasing the vacancy rate to 8.4%. In 2008, 13.5 million square feet of industrial space was built and 2.3 million square feet was absorbed, increasing the vacancy rate to 12.5%. In 2009, 4.8 million square feet of industrial space was built and absorption was a negative 12.8 million square feet, increasing the vacancy rate to 16.1%. In 2010, 2.5 million square feet of industrial space was built and 4.5 million square feet was absorbed, decreasing the vacancy rate to 14.7%. During 2011, an increasing number of companies looked to Greater Phoenix industrial space as an alternative to California. In 2011, 2.0 million square feet of industrial space was built and 7.8 million square feet was absorbed, decreasing the vacancy rate to 12.4%. In 2012, 3.4 million square feet of industrial space was built and 7.4 million square feet was absorbed, decreasing the vacancy rate to 10.9%. As of third quarter 2013, 3.6 million square feet of industrial space was built and 2.2 million square feet was absorbed, increasing the vacancy rate to 12.0%. According to the Greater Phoenix Blue Chip Economic Forecast, industrial vacancy rates are projected to be 11.4% at year-end 2014.

The long-term demographics of Greater Phoenix suggest that the housing market will perform well over time and that the recent slowdown is cyclical in nature. Nonetheless, commercial construction remains weak in response to tepid employment gains, a slowdown in population growth and higher vacancy rates. Following several years of growth, construction employment declined 5.9% in 2007, 17.7% in 2008, 31.1% in 2009 and 14.4% in 2010. However, construction employment increased 0.8% in 2011 and 5.6% in 2012. As of third quarter 2013, construction employment increased 8.1% over the same period in 2012. According to the Greater Phoenix Blue Chip Economic Forecast, construction employment is expected to increase 11.2% in 2014.

VALUE OF BUILDING PERMITS
CITY OF PHOENIX
($ in thousands)

Year	Residential	Commercial	Industrial	Other	Total
2013	$ 578,547	$ 374,888	$208,293	$1,348,127	$2,509,855
2012	780,212	641,175	134,309	1,559,364	3,115,060
2011	410,471	312,988	22,201	2,089,013	2,834,673
2010	482,385	294,150	106,844	1,656,489	2,539,868
2009	479,978	180,266	111,477	1,548,876	2,320,597
2008	540,212	1,662,219	157,418	1,950,777	4,310,626
2007	1,213,859	1,860,839	169,311	2,030,506	5,274,515
2006	1,784,298	1,218,767	163,873	1,864,197	5,031,135
2005	2,556,336	1,033,295	149,923	768,679	4,508,233
2004	2,341,915	598,905	56,742	983,052	3,980,614

Source: Raw data provided by City of Phoenix Planning and Development Department

VALUE OF BUILDING PERMITS
MARICOPA COUNTY
($ in thousands)

Year	Residential	Commercial	Industrial	Other	Total
2011*	$1,257,544	$ 806,209	$115,360	$1,575,631	$ 3,754,744
2010	1,801,895	1,014,790	138,344	1,960,951	4,915,980
2009	1,879,028	1,184,110	189,970	1,482,834	4,735,942
2008	2,648,031	3,877,594	315,845	2,408,825	9,250,295
2007	5,022,311	4,375,147	321,195	2,257,246	11,975,899
2006	6,512,139	3,397,828	286,877	2,085,842	12,282,686
2005	9,125,736	3,143,475	267,259	1,470,131	14,006,601
2004	9,165,871	2,057,732	139,029	1,622,472	12,985,104
2003	7,039,184	1,541,602	87,682	1,399,822	10,068,290
2002	5,750,850	1,620,722	86,044	1,231,003	8,688,619

* Year-to-date through September 2011, latest data available.

Source: Center for Real Estate Research and Practice, College of Business Administration, Arizona State University.

NEW HOUSING STARTS(1)

Year	City of Phoenix	Maricopa County
2013(2)	2,645	13,022
2012	4,434	14,131
2011(3)	1,628	8,103
2010	2,401	7,335
2009	1,971	7,638
2008	5,046	18,366
2007	13,277	35,465
2006	12,413	40,294
2005	15,148	56,018
2004	16,664	58,822

(1) Reflects housing permits authorized, including single-family, multi-family and mobile homes.

(2) Data through November 2013.

(3) Data source changed in 2011 from Arizona State University to the U.S. Census Bureau.

Source: Center for Real Estate Research and Practice, College of Business Administration, Arizona State University, and the United States Census Bureau.

Outlook/Conclusion

Overall, it is expected that the Greater Phoenix economy will continue to recover. The rates of growth expected are higher than the national average, but lower than previous Greater Phoenix recoveries. The differences in this cycle compared to previous cycles are primarily related to slower growth in the national economy and the slower rate of population growth in Greater Phoenix. Over time this will change as fewer people nationally find themselves underwater in their homes, jobs become more plentiful and the unemployment rate in Greater Phoenix continues to decline. Nevertheless, Phoenix will continue to be an attractive place to live and work and it is expected to continue to grow at a rate greater than the U.S. as a whole.

According to the National Bureau of Economic Research, the previous recession ended June 2009 and signs that the national economy is slowly stabilizing have begun to emerge. According to the National Blue Chip Economic Indicators panel, real Gross Domestic Product (GDP) growth in the U.S. is expected to increase by 1.7% in 2013 and 2.5% in 2014, indicating slow but steady growth.

Although the last economic recession negatively affected Greater Phoenix, a recovery has begun. In 2010, employment growth was down 2.1% but increased 1.5% in 2011 and 2.4% in 2012. As of November 2013, employment growth has increased 2.4% over the similar period in 2012. For the first eleven months of 2013, employment increased 2.4% in Greater Phoenix. According to the Greater Phoenix Blue Chip Economic Forecast, the rate of employment growth is expected to increase 3.2% in 2014. According to the Greater Phoenix Blue Chip Economic Forecast, retail sales, which declined 10.6% in 2009, grew 0.7% in 2010, 10.1% in 2011 and 5.0% in 2012. For the first ten months of 2013, retail sales increased 7.9% over the same period in 2012 and are projected to increase 6.3% in 2014. According to estimates by the Bureau of Economic Analysis, personal income in Greater Phoenix increased 1.1% in 2010, 6.1% in 2011 and 4.1% in 2012. The Greater Phoenix Blue Chip Economic Forecast projects personal income growth of 4.9% in 2013 and 5.5% in 2014.

The outlook for the Greater Phoenix housing market is positive. Single family home prices have been recovering as the demand for both new and existing homes increases. Although housing prices have increased recently, Phoenix housing remains very affordable compared to most other western cities and is again one key reason why Phoenix will likely emerge from the recent recession stronger than many other areas of the country.

The City of Phoenix along with the Greater Phoenix Economic Council and the Arizona Commerce Authority are working together to improve the City's economic competitiveness by designing economic development programs to attract wealth generating companies from outside the region to Phoenix. Companies are targeted that provide quality jobs in industries such as advanced business services, bioscience, manufacturing and information technology. Employers that have recently relocated major operations to Phoenix include Asurion, Gigya, LeClerc, TJX Companies, Progrexion, Living Spaces and Winco Foods.

MARICOPA COUNTY RETAIL SALES
($ in millions)

Year	Amount	Percentage Change
2013*	$35,471	7.9%
2012	40,772	5.0
2011	38,821	10.1
2010	35,260	0.7
2009	35,028	–10.6
2008	39,199	–10.3
2007	43,712	0.1
2006	43,686	7.9
2005	40,500	14.2
2004	35,466	9.6
2003	32,371	5.5

* Data year-to-date through October 2013.

Source: Arizona Department of Revenue.

SCHEDULED AIRLINES SERVING PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

AeroMexico
Air Canada
Alaska Airlines
American Airlines(1)
American Eagle
British Airways
Delta Airlines
ExpressJet (United Express)
Frontier Airlines
Great Lakes Airlines
Hawaiian Airlines
JetBlue Airways
Mesa Airlines (dba US Airways Express)
Pinnacle (Delta Connection)
SkyWest Airlines (dba Delta Connection, US Airways Express and United Express)
Southwest Airlines
Spirit Airlines
Sun Country
United Airlines
US Airways(1)
Volaris
WestJet

Source: City of Phoenix Aviation Department.

(1) American Airlines and US Airways merged on December 9, 2013. The two airlines will continue to operate separately until a single operating certificate is achieved within the next 18 to 24 months.

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
AIR PASSENGER TRAFFIC

AIR PASSENGER ARRIVALS

	2013	% Change Year Ago	2012	% Change Year Ago	2011	% Change Year Ago
January	1,632,154	2.0%	1,600,401	–2.5%	1,641,742	7.0%
February	1,540,452	–2.8	1,584,982	5.1	1,507,736	2.8
March	1,958,776	1.4	1,932,378	2.0	1,893,997	4.5
April	1,654,856	0.9	1,639,645	–3.9	1,706,380	6.0
May	1,703,633	1.4	1,680,555	–2.5	1,723,534	7.0
June	1,731,191	–0.1	1,733,372	–1.0	1,751,210	6.8
July	1,759,971	–2.2	1,799,029	–2.0	1,835,331	9.8
August	1,662,003	–2.7	1,707,879	–1.0	1,725,834	8.4
September	1,471,999	–1.4	1,492,400	–4.8	1,566,891	6.9
October	1,667,147	–2.1	1,703,270	1.7	1,675,269	1.8
November	1,621,324	–2.0	1,653,644	0.5	1,645,677	3.1
December	1,771,137	1.1	1,751,451	2.6	1,706,895	1.4
Total	20,174,643	–0.5%	20,279,006	–0.5%	20,380,496	5.4%

AIR PASSENGER DEPARTURES

	2013	% Change Year Ago	2012	% Change Year Ago	2011	% Change Year Ago
January	1,608,957	0.4%	1,602,017	–0.6%	1,611,366	5.3%
February	1,519,546	–2.7	1,561,041	6.2	1,470,127	2.3
March	1,944,675	2.6	1,894,601	1.3	1,869,971	5.6
April	1,750,162	1.3	1,728,312	–0.5	1,737,608	2.5
May	1,767,143	2.0	1,732,435	–1.6	1,760,434	6.2
June	1,755,103	–0.4	1,761,318	–0.1	1,763,559	5.9
July	1,722,332	–3.1	1,776,917	–0.8	1,791,153	8.7
August	1,647,622	–2.5	1,689,344	0.2	1,686,214	9.4
September	1,448,053	–0.8	1,460,453	–4.2	1,525,267	5.7
October	1,644,108	–1.6	1,671,470	1.0	1,654,340	2.7
November	1,599,737	–3.0	1,649,797	–0.4	1,656,264	4.8
December	1,759,533	7.1	1,642,221	–2.6	1,685,496	2.4
Total	20,166,971	0.0%	20,169,926	-0.2%	20,211,799	5.1%

TOTAL AIR TRAFFIC

	2013	% Change Year Ago	2012	% Change Year Ago	2011	% Change Year Ago
January	3,241,111	1.2%	3,202,418	–1.6%	3,253,108	6.1%
February	3,059,998	–2.7	3,146,023	5.6	2,977,863	2.5
March	3,903,451	2.0	3,826,979	1.7	3,763,968	5.0
April	3,405,018	1.1	3,367,957	–2.2	3,443,988	4.2
May	3,470,776	1.7	3,412,990	–2.0	3,483,968	6.6
June	3,486,294	–0.2	3,494,690	–0.6	3,514,769	6.3
July	3,482,303	–2.6	3,575,946	–1.4	3,626,484	9.2
August	3,309,625	–2.6	3,397,223	–0.4	3,412,048	8.9
September	2,920,052	–1.1	2,952,853	–4.5	3,092,158	6.3
October	3,311,255	–1.9	3,374,740	1.4	3,329,609	2.3
November	3,221,061	–2.5	3,303,441	0.0	3,301,941	4.0
December	3,530,670	4.0	3,393,672	0.0	3,392,391	1.9
Total	40,341,614	–0.3%	40,448,932	–0.4%	40,592,295	5.3%

Source: Monthly statistical reports provided by individual airlines and compiled by the City of Phoenix Aviation Department.

FINANCIAL INSTITUTIONS SERVING METRO PHOENIX
TOTAL ASSETS OVER $1 BILLION

Banks
JPMorgan Chase Bank, N.A.
Bank of America, N.A.
Wells Fargo Bank, N.A.
U.S. Bank N.A.
The Northern Trust Company
BMO Harris Bank N.A.
Compass Bank
Bank of the West
Comerica Bank
New York Community Bank
BOKF, N.A.
First-Citizens Bank & Trust Company
TCF National Bank
UMB Bank Arizona, N.A.
FirstBank
Washington Federal
MidFirst Bank
Great Western Bank
Mutual of Omaha Bank
Beal Bank, SSB
National Bank of Arizona
Johnson Bank
Western Alliance Bank
Enterprise Bank & Trust
Bankers Trust Company
CoBiz Bank
The Bank of New York Mellon Trust Company
Parkway Bank and Trust Company
First American Trust, FSB
Armed Forces Bank, N.A.
Wilmington Trust, N.A.
Stearns Bank N.A.
First Fidelity Bank, N.A.
Alerus Financial, N.A.
First National Bank Texas
Kansas State Bank of Manhattan

Savings Institutions
E* Trade Savings Bank

Source: Federal Deposit Insurance Corporation.
As of 9/30/2013

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APPENDIX C
STATE EXPENDITURE LIMITATION

Since fiscal year 1982-83, the City has been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The 2012-13 expenditure limit supplied by the Economic Estimates Commission was $1,302,039,248. The City increased this limit to $5,365,336,000 to adjust for additional voter-approved modifications, as described below.

The Constitution exempts certain expenditures from the limitation. The principal exemptions for the City of Phoenix are payments for debt service and other long-term obligations, as well as expenditures of federal funds and certain state-shared revenues. Exemptions associated with revenues not expended in the year of receipt may be carried forward and used in later years. The 1979-80 expenditure base may also be adjusted for the transfer of functions between governmental jurisdictions.

The Constitution provides four processes, all requiring voter approval, to modify the expenditure limitation:

1. A four-year home rule option.
2. A permanent adjustment to the 1979-80 base.
3. A one-time override for the following fiscal year.
4. An accumulation for pay-as-you-go capital expenditures.

Phoenix voters have approved four-year home rule options on a regular basis since the implementation of the expenditure limitation. The current home rule option which was approved in 2011 allows the City Council, after hearings are held for each council district, to establish the annual budget as the limit. This four-year home rule option is in effect through 2015-16.

On November 3, 1981, Phoenix voters approved four propositions that allow the City to accumulate and expend local revenues for "pay-as-you-go" capital improvements without being subject to the State spending limit. These capital improvement exclusions include annual amounts of up to $5,000,000 for Aviation, $6,000,000 for Sanitary Sewers, $2,000,000 for Streets and $6,000,000 for Water. These exclusions were approved on a permanent basis and do not require voter reapproval except to raise or lower the annual amounts.

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APPENDIX D
RETIREMENT AND PENSION PLANS

Substantially all full-time employees and elected officials of the City are covered by one of three pension plans: the City of Phoenix Employees' Retirement System, the State of Arizona Public Safety Personnel Retirement System or the Elected Officials' Retirement Plan.

City of Phoenix Employees' Retirement System

The City of Phoenix Employees' Retirement System *(the "Plan")*, a single-employer defined benefit pension plan, covers all full-time general employees of the City, with the exception of sworn City police and fire personnel. Periodic employer contributions to the Plan are determined on an actuarial basis using the "individual entry age normal cost method." Normal cost is funded on a current basis. The unfunded actuarial accrued liability is amortized over an open twenty-year period from July 1, 2012. Periodic contributions for both normal cost and the amortization of the actuarial accrued liability are based on the level percentage of payroll method and are required by City Charter to be made to the pension fund each year by the City. The funding strategy for normal cost and the actuarial liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The City's required contribution and actual contribution percentage for the Plan for the last three fiscal years follows:

Contributions Required and Contributions Made

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/13	$110,094,257	100%
6/30/12	106,483,325	100
6/30/11	92,145,262	100

Accrued liabilities of the Plan as of June 30, 2013 were computed to be $3,055,606,000. The funding value of assets was $1,961,939,000. The ratio of the funding value of assets to accrued liabilities was 64.2%. The market value of the assets was $1,965,622,000. The ratio of the market value of assets to accrued liabilities was 64.3%.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 8.0%. Mortality rates equal the RP 2000 Mortality Table Combined Healthy Annuitants. Salaries are expected to rise 4.5% due to inflation, 0.5% for other across-the-board factors, and from 0.0% to 3.8%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

At their September 19, 2013 meeting, the Plan's Board voted to make the following changes to certain methods and assumptions beginning in fiscal year 2014-15, which are expected to accelerate the pay-down of the Unfunded Actuarial Liability (UAL):

- Reduced the expected rate of return on investments from 8.0% to 7.5%
- Closed the amortization period of the UAL to twenty-five years. In four years all current and future UAL's will be amortized over a twenty year period
- Changed the expected increase in salaries due to inflation from 5.0% to 3.5%
- Valued the pension equalization reserve

The actuarial accrued liability of the Plan is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27. As of June 30, 2013, net assets available for benefits were less than the actuarial accrued liability by $1,093,667,000, compared with a shortfall of $1,111,846,000 at June 30, 2012, and $918,289,000 at June 30, 2011. The total actuarial accrued liability increased $55,621,000 from 2010 to 2011, $186,456,000 from 2011 to 2012 and $116,232,000 from 2012 to 2013. The following schedule shows the funding progress of the Plan at the end of the last three fiscal years.

Schedule of Funding Progress
(Unaudited) (In thousands)

Actuarial Valuation Date	Funding Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
6/30/13	$1,961,939	$3,055,606	$1,093,667	64.2%	$508,032	215.3%
6/30/12	1,827,528	2,939,374	1,111,846	62.2	506,017	219.7
6/30/11	1,834,620	2,752,909	918,289	66.7	513,322	178.9

In January 2011, the Mayor and City Council appointed members of a Pension Reform Task Force (the "*Task Force*") to work with management, outside consultants and other stakeholders to review and possibly recommend changes to the Plan. On September 25, 2012, after several revisions, the Task Force presented a final report to the Mayor and City Council, including recommended amendments to the City Charter. At the September 25, 2012 meeting, the Mayor and City Council directed staff to draft proposed revisions to City Charter language for referral to the March 2013 ballot based on the Task Force's recommendations.

At a special election held on March 12, 2013, voters approved changes to the Plan. Changes affect new employees hired on and after July 1, 2013 and are expected to save the City approximately $600 million over 25 years. The changes exclude public safety employees and elected officials, each covered under separate pension plans. The following is a summary of the voter-approved changes:

- The retirement eligibility age will increase an average of approximately 3.5 years
- The employer and employee contribution rates will be based on a 50/50 split of the actuarially determined rate necessary to fully fund the annual required contribution (ARC)
- The benefit formula components will be changed to a graduated multiplier based on years of service, matching the State of Arizona retirement plan
- Prior to these changes, the City Charter required full funding of the ARC, but prohibited the City from contributing an amount greater than the ARC. The voter-approved changes allow the City to contribute an amount greater than the ARC
- The Investment Policy for the Plan will be updated to allow for investments that meet the Prudent Investor Rule

City of Phoenix contributions for 2012-13 were $110,094,257, equivalent to 20.15% of the estimated annual active member payroll, compared with 18.18% in 2011-12. Prior to changes to the Plan approved by voters at the special election held on March 12, 2013, general employees contributed 5% of their compensation to the Plan. Changes to the Plan approved by voters at the special election created two tiers of general employees participating in the Plan. Tier 1 employees include any employee hired into a position of employment with the City before July 1, 2013 and any employee hired into a position of employment with the City on or after July 1, 2013 who prior to July 1, 2011 participated in the Arizona State Retirement System. Tier 2 employees include any employee hired by the City on or after July 1, 2013 who is not a Tier 1 employee. Effective July 1, 2013, Tier 1 employees will continue to contribute 5% of their compensation to the Plan and Tier 2 employees will contribute one-half of the required actuarial percentage. The total contribution rate for fiscal year 2013-14 is increasing to 27.24%, with the City contributing 22.24% for Tier 1 employees and 13.62% for Tier 2 employees. Cheiron (the *"Actuary"*) recommended increasing the total rate for fiscal year 2014-15 to 29.60%, with the City contributing 24.60% for Tier 1 employees and 14.80% for Tier 2 employees. The most recent report of the Actuary and the Plan's annual financial reports are available at http://phoenix.gov/AGENCY/PHXCOPER/gcmenu.html.

State of Arizona Public Safety Personnel Retirement System

The City of Phoenix also contributes to an agent multiple-employer defined benefit pension and health insurance premium subsidy plan, the Arizona Public Safety Personnel Retirement System (APSPRS), for sworn police officers and fire fighters. The APSPRS functions as an investment and administrative agent for the City of Phoenix with respect to the plans for police officers and fire fighters.

Periodic employer contributions to the pension and health insurance premium subsidy plans are determined on an actuarial basis using the projected unit credit cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a closed period of 30 years, 23 years remaining as of June 30, 2013. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the entry age normal cost method. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Significant actuarial assumptions used to compute the pension contribution requirements are as follows: The rate of return on investments is assumed to be 7.9%. Non-disability mortality rates equal the RP2000 Mortality Table, projected to 2015 using Projection Scale AA (adjusted by 105.0% for males and females). Salaries are expected to rise 4.5% due to inflation and from 0% to 4%, based on age, for merit and longevity. Probabilities of retirement at specific ages are based on past experience. Assumptions for separation from active employment and for disability are according to a table based on past experience.

In fiscal year 2010-11, members contributed 7.65% of compensation. However, on April 29, 2011, the Governor signed into law Senate Bill 1609 ("SB 1609") which gradually increases the member contribution rate to 11.65% in fiscal year 2015-16. In fiscal year 2012-13, the members contributed 11.05% of compensation, however, in accordance with SB 1609, member contributions greater than 7.65% will not be used to reduce the employer contribution. The following is a summary of other changes to the APSPRS system required by SB 1609:

- Eliminate the Deferred Retirement Option Plan (DROP) for employees hired after January 1, 2012
- Increase the number of years of service required to become retirement eligible from 20 to 25
- Tie cost of living adjustments to investment portfolio performance
- Increase the number of consecutive years of salary used to compute pension from three to five
- Calculated pension cannot exceed 80% of the five consecutive years' average

On February 20, 2014, the Arizona Supreme Court upheld a lower court ruling that SB 1609 violated the Arizona Constitution. As a result, cost of living increases affected by SB 1609 will be restored retroactively, which is likely to require rate increases from employers, including the City. The City is unable to predict the amount of such rate increases.

The City contributes normal cost less a credit (spread over an open period of twenty years) for the amount by which valuation assets exceed the actuarial accrued liability or plus a debit (spread over a closed period of twenty-four years) for the amount by which the actuarial accrued liability exceeds the valuation assets. In 2010-11 the City's contribution amounted to 23.51% for police and 23.49% for fire. The City's contribution rate for fiscal year 2011-12 was 25.63% for police and 25.76% for fire. The City's contribution rate for fiscal year 2012-13 was 30.15% for police and 31.43% for fire. The City's contribution rate increased to 34.50% for police and 34.95% for fire for fiscal year 2013-14.

The City's required contribution and actual contribution percentage to APSPRS for the last three fiscal years follows:

	Contributions Required and Contributions Made		
	Fiscal Year Ending	**Annual Pension Cost (APC)**	**Percentage Of APC Contributed**
Police Pension	6/30/13	$70,902,266	100%
Police Health	6/30/13	2,598,634	100
Police Pension	6/30/12	59,887,847	100
Police Health	6/30/12	2,624,897	100
Police Pension	6/30/11	55,905,758	100
Police Health	6/30/11	2,680,707	100
Fire Pension	6/30/13	37,492,864	100
Fire Health	6/30/13	1,879,028	100
Fire Pension	6/30/12	29,679,259	100
Fire Health	6/30/12	1,575,259	100
Fire Pension	6/30/11	27,584,206	100
Fire Health	6/30/11	1,541,703	100

For the fiscal year ended June 30, 2013, covered payroll was $240,806,000 for police and $127,636,000 for fire.

The market value of plan assets for police and fire as of June 30, 2013 is $1,139,775,000 and $642,718,000, respectively, and the smoothed valuation of assets used to compute funded ratios is $1,268,534,000 for police and $715,326,000 for fire.

The actuarial accrued liability of the APSPRS is measured in accordance with the requirements of Governmental Accounting Standards Board Statement No. 25 and No. 27 for pensions and No. 45 for health subsidiaries. For police, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2012 and June 30, 2013 by $914,251,000 and $996,399,000, respectively.

For fire, net assets available for benefits were less than the actuarial accrued liability as of June 30, 2012 and June 30, 2013 by $474,984,000 and $528,280,000 respectively.

The following schedule shows the funding progress of APSPRS at the end of the last three fiscal years.

Schedule of Funding Progress (Unaudited) (In thousands)

	Actuarial Valuation Date	Funding Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
APSPRS-Police Pension	6/30/13	$1,268,534	$2,212,287	$943,753	57.3%	$240,806	391.9%
	6/30/12	1,252,168	2,115,506	863,338	59.2	241,080	358.1
	6/30/11	1,208,248	1,924,691	716,443	62.8	243,641	294.1
APSPRS-Police Health	6/30/13	—	52,646	52,646	0.0	240,806	21.9
	6/30/12	—	50,913	50,913	0.0	241,080	21.1
	6/30/11	—	51,323	51,323	0.0	243,641	21.1
APSPRS-Fire Pension	6/30/13	715,326	1,216,078	500,752	58.8	127,636	392.3
	6/30/12	704,733	1,153,074	448,341	61.1	120,264	372.8
	6/30/11	673,410	1,058,345	384,935	63.6	117,789	326.8
APSPRS-Fire Health	6/30/13	—	27,528	27,528	0.0	127,636	21.6
	6/30/12	—	26,643	26,643	0.0	120,264	22.2
	6/30/11	—	26,923	26,923	0.0	117,789	22.9

Elected Officials' Retirement Plan

This is a cost sharing multiple-employer defined benefit pension plan of which the City of Phoenix is a contributing employer and covers the Mayor and City Council, effective January 4, 1988. As a condition of coverage, members are required to contribute a percentage of their compensation.

The City contributes an actuarially determined rate, 36.44% for the fiscal year ended June 30, 2013, to fully fund benefits for active members. The City's contribution rates for fiscal year 2011 and 2012 were 29.79% and 32.99% respectively.

The City's required contribution and actual contribution percentage for the Elected Officials' cost-sharing multiple-employer retirement plan for the last three fiscal years follows:

Contributions Required and Contributions Made

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
Pension	6/30/13	$191,039	100%
Health	6/30/13	9,927	100
Pension	6/30/12	169,988	100
Health	6/30/12	9,753	100
Pension	6/30/11	145,978	100
Health	6/30/11	9,221	100

Additional Information

Additional information regarding the City's Retirement and Pension Plans, including trend information and detailed assumptions, is available in the City's Comprehensive Annual Financial Report (CAFR) under the headings "Pension Plans" and "Required Supplementary Information". The CAFR is available at http://emma.msrb.org or www.phoenix.gov under City Government-Financial Information-Comprehensive Annual Financial Report or by calling the City at (602) 262-7166.

Additional information regarding the APSPRS, including annual financial reports, actuary reports, trend information and detailed assumptions is available at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm.

Additional information regarding the Elected Officials Retirement Plan, including annual financial reports, actuary reports, trend information and detailed assumptions is available at http://www.psprs.com/sys_eorp/AnnualReports/cato_annual_rpts_EORP.htm.

APPENDIX E

HEALTH CARE BENEFITS FOR RETIRED EMPLOYEES

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) which addresses how state and local governments should account for and report costs and obligations related to post-employment health care and other post-employment non-pension benefits (OPEB). GASB 45 generally requires that the annual cost of OPEB and the outstanding obligations and commitments related to OPEB be accounted for and reported in essentially the same manner as pensions. Annual OPEB costs typically will be based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 do not require governments to fund their OPEB plans. GASB 45 establishes accounting standards, including disclosure requirements for the post employment plans, the funding policies, the actuarial valuation process and assumptions, and the extent to which the plans have been funded over time.

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, effective July 1, 2007, and is implementing these requirements prospectively. The City's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Medical Expense Reimbursement Plan

The City provides certain post-employment health care benefits for its retired employees. Retired employees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. Employees eligible to retire in 15 years or less from August 1, 2007, will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire. Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP. The City established the City of Phoenix MERP Trust to fund all or a portion of the City's share of liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.42—Medical Expense Reimbursement Plan for Retirees and Eligible Surviving Spouses or Qualified Domestic Partners. A five-member Board of Trustees has been delegated responsibility for fiduciary oversight of the MERP Trust, subject to oversight of the City Council.

The monthly subsidy reimburses retirees for qualified medical expenses, including hospital, doctor and prescription drug charges. The City's contribution varies with length of service or bargaining unit, from $117 to $202 per month for each retiree. Retirees may be eligible for additional City contributions depending on their bargaining unit, retirement date, or enrollment in the City's medical insurance program.

The following table shows the funding progress of the MERP as of July 1, 2013, the most recent actuarial valuation date:

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
7/1/2013	$113,665,785	$419,609,654	$305,943,869	27.1%	$461,156,377	66.3%

The City has established a trust for the MERP benefits and contributes the ARC each year to fund the OPEB liability. The City has developed an investment policy for the trust with the objective of achieving a long-term return on assets contributed to the trust of 7.0 percent. The City's Comprehensive Annual Financial Report (CAFR) reflects proper treatment and note disclosure of Health Care Benefits for Retired Employees in accordance with GASB 45 beginning with the fiscal year ended June 30, 2008.

The City's annual OPEB cost, employer contributions and the percentage of annual OPEB cost contributed to the MERP since implementation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
6/30/2013	$34,021	$34,021	100.0%
6/30/2012	33,456	33,456	100.0
6/30/2011	38,007	38,007	100.0
6/30/2010	37,574	17,204	45.8
6/30/2009	37,967	43,579	114.8
6/30/2008	39,000	53,758	137.8

The number of participants as of July 1, 2013, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered by the MERP or the type of coverage since that date.

	General City	Public Safety	Total
Active employees	3,821	2,746	6,567
Retirees and Beneficiaries	5,006	2,276	7,282
Total	8,827	5,022	13,849

Post Employment Health Plan

Benefit eligible employees with more than 15 years until retirement eligibility, as of August 1, 2007, receive $150 per month while employed by the City as a defined contribution to the Post Employment Health Plan (PEHP). This is a 100% employer-paid benefit. The program provides employees who have a payroll deduction for City medical insurance coverage (single or family) with a PEHP account. This account is to be used by the employee when he/she retires or separates employment with the City for qualified medical expenses (including health insurance premiums).

Long-Term Disability Program

Long-term disability (LTD) benefits are available to regular, full-time, benefit-eligible employees who have been employed by the City for at least 12 consecutive months. The program provides income protection of 66⅔ percent of an employee's monthly base salary following a continuous three-month waiting period from the last day worked; provided all leave accruals have been exhausted, continuing to age 80. Employees receiving long-term disability benefits are entitled to continuation of group medical, dental and life insurance for a specified period. Contributions to the LTD Trust by the City (plus earnings thereon) are the sole source of funding for the LTD program. The City pays 100 percent of the cost for this benefit.

The City established the City of Phoenix Long-Term Disability Trust to fund all or a portion of the City's liabilities incurred in providing the benefits as reflected in Administrative Regulation 2.323 City of Phoenix Long-Term Disability Program. A five-member Board of Trustees has been delegated responsibility for fiduciary oversight of the LTD Trust, subject to oversight of the City Council. The LTD Trust issues a separate report that can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division, 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount determined actuarially in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the funding progress of the LTD plan as of July 1, 2013, the most recent actuarial valuation date:

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
7/1/13	$69,463,028	$69,504,490	$41,462	99.9%	$816,086,000	0.01%

The City's annual OPEB cost, employer contributions and the percentage of annual OPEB cost contributed to the LTD plan since implementation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
6/30/2013	$2,941	$2,971	101.0%
6/30/2012	2,486	2,018	81.2
6/30/2011	3,198	997	31.2
6/30/2010	2,456	848	34.5
6/30/2009	(323)	—	N/A
6/30/2008	—	—	N/A

The number of participants as of July 1, 2013, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number or category of employees covered under the LTD plan since that date.

	General City	Public Safety	Total
Current Active Employees	8,196	4,510	12,706
Currently Disabled Employees	325	17	342
Total Covered Participants	8,521	4,527	13,048

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional Information

Additional information regarding the City's Health Care Benefits for Retired Employees, including the actuarial methods and detailed assumptions used to calculate the ARC, is available in the City's Comprehensive Annual Financial Report (CAFR) under the heading "Other Postemployment Benefits (OPEB)". The CAFR is available at http://emma.msrb.org or www.phoenix.gov under City Government-Financial Information-Comprehensive Annual Financial Report or by calling the City at (602) 262-7166.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

The following information summarizes or paraphrases certain provisions of the City Purchase Agreement and the Indenture. Such information is not a full statement of the terms of such documents and, accordingly, is qualified by reference to the full text thereof.

Certain Definitions

The following are definitions in summary form of certain terms used in the City Purchase Agreement and the Indenture:

"Bond Fund" means the fund of that name created pursuant to the Indenture.

"Bond Payment Date" means each date on which interest or both principal and interest shall be payable on any of the Bonds.

"Bond Trustee" or *"Trustee"* means U.S. Bank National Association in its capacity as trustee under the Indenture or any successor thereto.

"Bond Year" means a twelve month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

"Bonds" means the City of Phoenix Civic Improvement Corporation Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014.

"Bonds Being Refunded" means the portion of the 2004 Bonds being refunded by the Bonds.

"Chief Financial Officer" means the actual, acting or interim Chief Financial Officer of the City.

"City" means the City of Phoenix, Arizona.

"City Purchase Agreement" or *"Agreement"* means, the City Purchase Agreement dated as of April 1, 2014 between the City and the Corporation, as it may be supplemented or amended from time to time.

"Commercial Paper" means Revenue Obligations with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time.

"Consultant" means when used in the City Purchase Agreement, a firm of utility consultants experienced in the financing and operation of wastewater systems and having a nationally recognized reputation for such work.

"Corporation" means City of Phoenix Civic Improvement Corporation, a corporation organized under the laws of the State of Arizona, its successors and assigns (but only to the extent permitted by the Indenture).

"Credit Facility" means a bank, financial institution, insurance company or indemnity company which is employed by or on behalf of the City to perform one or more of the following tasks: (a) the enhancement of the City's credit by assuring holders of any Revenue Obligations that principal of and interest on said Revenue Obligations will be paid promptly when due (including the issuance of an insurance policy, surety bond or other form of security for a bond reserve), or (b) providing liquidity for the holders of Revenue Obligations through undertaking to cause Revenue Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by Junior Lien Revenue Obligation Documents or Senior Lien Revenue Obligation Documents.

"Defeasance Obligations" shall mean money and any of the following:

(1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series-"SLGs").

(2) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

(3) Resolution Funding Corp. (REFCORP). 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.

(4) Pre-refunded municipal bonds rated at least as high as the lowest applicable rating of U.S. Treasury Bonds by Moody's and S&P. If however, the pre-refunded municipal bonds are 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.

(5) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.

(a) U.S.Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership;

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership;

(c) Federal Financing Bank;

(d) General Services Administration
Participation certificates;

(e) U.S. Maritime Administration
Guaranteed Title XI financing;

(f) 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.

"Derivative Product" means a swap, forward or other interest rate agreement of the City entered into in accordance with Section 4.6 of the City Purchase Agreement.

"Designated Revenues" means Net Operating Revenues of the System after making all payments required by the Senior Lien Revenue Obligation Documents for the benefit of the Senior Lien Revenue Obligations.

"Event of Default" means one of the events defined as such in the City Purchase Agreement or the Indenture, as the case may be.

"Expenses of Operation and Maintenance" means all expenses reasonably incurred in connection with the operation and maintenance of the System, including salaries, wages, the cost of materials and supplies, rentals of leased property, if any, payments to others for the collection or treatment of sewage, if any (but excluding payments to others for the construction of facilities to provide additional capacity for the System and excluding "pay-as-you-go" capital projects and further excluding in-lieu property tax payments and staff and administrative charges attributable to Citywide cost allocations of central service costs other than allocations attributable to regional systems). *"Expenses of Operation and Maintenance"* further includes the costs of audit. paying agent's and registrar's fees and payment of premiums for insurance which the City deems prudent to carry on the System

and its operations and personnel, and generally, all expenses, which under accounting principles generally accepted for municipal utility purposes are properly allocable to operation and maintenance, exclusive of depreciation and interest on any wastewater system revenue bonds of the Corporation or the City that may be outstanding from time to time and on all other obligations (including, but not limited to general obligation bonds and repayment agreements) issued to improve or extend the System or to refund obligations issued for such purposes or such refunding purposes. *"Expenses of Operation and Maintenance"* also includes the City's obligations under any contract with any other political subdivision or agency of one or more political subdivisions including, but not limited to the JEPA, pursuant to which the City makes payments measured by the expenses of operating and maintaining any facility, which relates to the System owned or operated in part by the City and in part by others or wholly by others.

"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.

"Indenture" means the Bond Indenture dated as of April 1, 2014 between the Corporation and the Trustee, as the same may be amended from time to time.

"Independent Certified Public Accountant" means a firm of certified public accountants which is not in the regular employ of the City on a salary basis.

"Interest Account" means the account of the Bond Fund by that name created under the Indenture.

"Investment Earnings" means all interest received on and profits derived from investments made with any money in the Bond Fund under the Indenture.

"JEPA" means the joint exercise of powers agreement en titled "Construction, Operation and Maintenance of the Jointly Used Sewerage Treatment and Transportation Facilities" entered into as of September 25, 1979, as amended from time to time, by and among the SROG Members, as further described in the City Purchase Agreement.

"Junior Lien Parity Test Debt Service" or *"Parity Test Debt Service"* means with respect to the Bonds and Revenue Obligations, an amount of money equal to the highest aggregate Principal Requirement and interest requirement of all outstanding Bonds and other Revenue Obligations to fall due and payable in the current or any future Bond Year, as adjusted pursuant to any Derivative Product with a Qualified Counterparty in accordance with the City Purchase Agreement. For purposes of determining Junior Lien Parity Test Debt Service for any Bond Year, the interest requirement on the Revenue Obligations shall be determined based on interest on all outstanding Revenue Obligations to their stated maturity dates unless the City shall have given the Corporation irrevocable instructions to redeem some or all outstanding Revenue Obligations pursuant to the Indenture, in which case the interest requirement on the applicable Revenue Obligations shall be determined based on interest on all outstanding Revenue Obligations to their stated maturity or, with respect to Revenue Obligations for which such irrevocable redemption instructions have been given, the dates selected for redemption prior to maturity. In case any Revenue Obligations outstanding or proposed to be issued shall bear interest at a variable rate, the interest requirement for such Revenue Obligations in each Bond Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Revenue Obligations may bear under the terms of their issuance or (ii) the rate of interest established for long-term bonds by the 20-year bond index most recently published by THE BOND BUYER of New York, New York, prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Chief Financial Officer of the City after consultation with one or more reputable, experienced investment bankers as being equivalent thereto) (the *"Variable Rate Assumption").* With respect to any Commercial Paper issued or proposed to be issued, the Principal Requirement shall be calculated as if the entire amount of Commercial Paper authorized to be issued were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper is issued or proposed to be issued and with substantially level annual debt service payments and the interest requirement shall be computed using the Variable Rate Assumption.

"Junior Lien Revenue Obligation Documents" means any ordinance, indenture, contract or agreement of the City constituting Junior Lien Parity Obligations.

"Junior Lien Revenue Obligations" means obligations issued or the payment of which is on a parity with the Bonds.

"Junior Subordinate Lien Revenues" means Designated Revenues, after making all payments required by the Junior Lien Revenue Obligation Documents for the benefit of the Junior Lien Revenue Obligations.

"Net Operating Revenues" means Operating Revenues of the System, after provision for payment of all Expenses of Operation and Maintenance.

"Operating Revenues" means all income and revenue of any nature derived from the ownership, use or operation of the System including monthly billings, service charges, connection fees (including development occupational fees), other charges for service and the availability thereof, hydrant rentals and Investment Earnings, but excluding proceeds of special assessments, local, state or federal grants, capital improvement contract payments or other money received for capital improvements to the System.

"Other Moneys" means moneys of the City other than Designated Revenues which, at the time any payment is required under the City Purchase Agreement, are legally available to make such payment and which the City has elected to make available for such purpose.

"Permitted Investments" shall mean and include:

(1) Direct obligations of the United States of America (including obligations issued or held in book- entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) <u>U.S. Export-Import Bank (Eximbank)</u>
Direct obligations or fully guaranteed certificates of beneficial ownership;

(b) <u>Farmers Home Administration (FmHA)</u>
Certificates of beneficial ownership;

(c) <u>Federal Financing Bank;</u>

(d) <u>Federal Housing Administration Debentures (FHA);</u>

(e) <u>General Services Administration</u>
Participation certificates;

(f) <u>Government National Mortgage Association (GNMA or "Ginnie Mae")</u>
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations (participating certificates)
(not acceptable for certain cash-flow sensitive issues);

(g) <u>U.S. Maritime Administration</u>
Guaranteed Title XI financing; and

(h) <u>U.S. Department of Housing and Urban Development (HUD)</u>
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;

(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 Bank System
Senior debt obligations;

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates (Mortgaged-backed securities)
Senior debt obligations;

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities
Senior debt obligations;

(d) Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations;

(e) Resolution Funding Corp. (REFCORP) obligations;

(f) Farm Credit System
Consolidated system-wide bonds and notes;

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G"; "AAA-m"; or "AA-m" or have a rating by Moody's of "Aaa", "Aal" or "Aa2";

(5) Certificates of deposit secured at all times by collateral described in (I) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

(6) Savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including guaranteed investment contracts, Forward Purchase Agreements and Reserve Fund Put Agreements;

(8) Commercial paper rated, at the time of purchase, "Prime -1" by Moody's and "A-1" or better by S&P;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime -1" or "A3" or better by Moody's and "A-11" or "A" or better by S&P;

(11) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date and which satisfy the following criteria:

(a) Repurchase agreements must be between the municipal entity and a dealer bank or securities firm;

(i) Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or

(ii) Banks rated "A" or above by S&P and Moody's;

(b) The written repurchase agreement contract must include the following:

(i) Securities which are acceptable for transfer are:

(A) Direct U.S. governments, or

(B) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC);

(ii) The term of the repurchase agreement may be up to 180 days;

(iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities);

(iv) The trustee has a perfected first priority security interest in the collateral;

(v) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement;

(vi) Failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the trustee to liquidate collateral; and

(vii) Valuation of Collateral;

(A) The securities must be valued at least weekly, marked-to-market at current market price plus accrued interest; and

(B) The value of collateral must be equal to 102% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest; if the value of securities held as collateral slips below I 02% of the value of the cash transferred by the municipality, then additional cash and/or acceptable securities must be transferred; and

(12) Pre-refunded municipal bonds rated at least as high as the lowest applicable rating of U.S. Treasury Bonds by Moody's and S&P. 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;

provided that any investment or deposit described above is not prohibited by applicable law.

"Principal Account" means the account of the Bond Fund by that name created under the Indenture.

"Principal Requirement" means (a) with respect to the Bonds, as of any date of calculation, the principal amount of the Bonds maturing or subject to mandatory sinking fund redemption pursuant to the Indenture during the then current Bond Year, and (b) with respect to any other Revenue 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 principal of Revenue Obligations. In computing the Principal Requirement for Revenue Obligations, an amount of Revenue Obligations 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 Revenue Obligations maturing on the scheduled maturity date. In the case of any Revenue Obligations supported by a Credit Facility, the Principal Requirements for such Revenue Obligations shall be determined in accordance with the principal retirement schedule specified in the Parity Obligation Documents or Senior Lien Revenue Obligation Documents authorizing the issuance of such Revenue Obligations, rather than any amortization schedule set forth in such Credit Facility unless payments under such Revenue Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Revenue Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

"Purchase Price" means the sum of the payments required by the City Purchase Agreement to be paid by the City to the Corporation.

"Qualified Counterparty" means a counterparty to a Derivative Product which at the time such agreement is executed, (i) is a bank, insurance company, indemnity company, financial institution or any similar or related company with a credit rating in one of the two highest Rating Categories of the Rating Agency, (ii) the obligations of such counterparty are guaranteed by an entity described in clause (i), or (iii) the obligations of which are fully secured by obligations described in items (a) or (b) of the definition of Permitted Investment which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien on behalf of the Trustee, and (D) free and clear from all third-party liens.

"Revenue Obligations" means, collectively, Junior Lien Revenue Obligations and the Senior Lien Revenue Obligations.

"Senior Lien Revenue Obligation Documents" means any ordinance, indenture, contract or agreement of the City constituting or authorizing Senior Lien Revenue Obligations.

"Senior Lien Revenue Obligations" means any obligations of the City which are issued under Senior Lien Obligation Documents which are payable from Net Operating Revenues.

"SROG" means the Multicity Sub-Regional Operating Group, comprised of the SROG Members.

"SROG Members" means, collectively, the City, the City of Glendale, the City of Mesa, the City of Scottsdale and the City of Tempe and any other entity which may enter into the JEPA to contract for purchased capacity.

"System" or *"Wastewater System"* means the complete sewage treatment plants and collection system of the City, including such system as it now exists and as it may be improved and extended, consisting of the 2004 Property and all treatment, interceptor and collection facilities and all real and personal property of every nature owned or operated by the City and used or to be used or useful in the operation thereof, including, but not limited to, the 2004 Property, whether within or without the boundaries of the City and including all licenses, franchises, easements, leases, rights of way, choses in action and other tangible and intangible property and rights therein, including portions thereof which may be owned jointly with other public bodies pursuant to the JEPA or other agreements.

"Tax Exemption Certificate" means the Tax Exemption Certificate of the Corporation and the City executed in connection with the issuance and delivery of the Bonds.

"2004 Bonds" means the Corporation's Junior Lien Wastewater System Revenue Bonds, Series 2004.

"2004 Property" means the portions of the prior projects financed or refinanced with proceeds of the Bonds Being Refunded.

THE CITY PURCHASE AGREEMENT

Section 2.1 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for (i) the refunding of the Bonds Being Refunded and (ii) payment of the costs of issuance of the Bonds, the Corporation will cause to be issued under the Indenture $ aggregate principal amount of Bonds, maturing and bearing interest as provided in the Indenture, as executed and delivered on the date of issuance of the Bonds.

The City will pay the reasonable expenses of the Corporation and the Trustee, if any, including, but not limited to, out-of-pocket expenses and charges, fees and disbursements of counsel, including bond counsel, if any, all printing expenses, and all other expenses reasonably incurred by the Corporation and the Trustee, if any, by reason of the execution of the City Purchase Agreement. The City covenants to transfer to the 2004 Trustee on or before June 30, 2014, any amounts needed, to the extent not available from proceeds of the Bonds deposited with the 2004 Trustee, to provide for the payment of the Bonds Being Refunded on July 1, 2014, and the City agrees to deposit the amount of the proceeds of the Bonds deposited with it to pay costs of issuance which are not expended by October   , 2014, into the Interest Account of the Bond Fund under the Bond Indenture.

* * *

Section 3.1. Agreement of Sale. The Corporation has sold to the City certain property, including the 2004 Property. In consideration for the reduction in purchase payments resulting from the refunding of the Bonds Being Refunded, the City will pay to the Corporation at the designated office of the Trustee the Purchase Price of the 2004 Property, but only from Designated Revenues as prescribed in Section 3.3 of the City Purchase Agreement.

* * *

Section 3.3. Amounts of Purchase Price Payable Upon Issuance of Bonds. The City agrees that it will pay as the Purchase Price of the 2004 Property, the aggregate of the amounts for which provision is made in the City Purchase Agreement. The payments under the City Purchase Agreement shall be payable solely from Designated Revenues and Other Moneys the City chooses to make available. The payments under the City Purchase Agreement include the following amounts:

(a) A sum equal to the interest on the Bonds falling due on the next succeeding interest payment date.

(b) A sum equal to the principal payments due or subject to mandatory sinking fund redemption for the then current Bond Year.

(c) A sum equal to the Trustee’s fees and expenses under the Indenture.

* * *

Section 3.5 Limitation on Source of City Payments. Except to the extent the City determines to make payments from Other Moneys, all amounts to be paid by the City under any section of the City Purchase Agreement shall be payable solely from the Designated Revenues as provided in Article IV thereof. Under no circumstances shall amounts paid under the City Purchase Agreement from Other Moneys constitute a pledge of such Other Moneys and amounts payable by the City hereunder shall never constitute a general obligation of the City or a pledge of ad valorem taxes by the City.

Section 3.6. Obligations of City Unconditional. The obligations of the City to make the payments required in Section 3.3 and to perform and observe the other agreements on its part contained in the City Purchase Agreement shall be absolute and unconditional, regardless of the continued existence of the 2004 Property in physical condition satisfactory to the City.

* * *

Section 4.2. Rate Covenant. The City shall continuously control, operate and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times establish, fix, maintain and collect rates, fees and other charges for all wastewater services furnished by the System fully sufficient at all times:

(a) To provide for 100% of the Expenses of Operation and Maintenance;

(b) To produce Net Operating Revenues in each Bond Year which will equal at least 115% of the interest and Principal Requirement for the then current Bond Year on all Revenue Obligations then outstanding; and

(c) To produce Designated Revenues in each Bond Year which will remedy all deficiencies in payments into any of the funds and accounts required from prior Bond Years for the payment of principal of and interest on the Bonds and other Junior Lien Revenue Obligations.

(d) To produce Junior Subordinate Lien Revenues sufficient to meet all requirements on any subordinated obligations payable from the Junior Subordinate Lien Revenues.

For purposes of this Section, the Principal Requirement and interest requirement for a series of Revenue Obligations to which a Derivative Product with a Qualified. Counterparty applies may be determined after giving effect to the netting provisions of the City Purchase Agreement, exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product.

The City shall cause an amount of Operating Revenues to be included in the annual budget and appropriation for every Fiscal Year commencing with the Fiscal Year immediately following the issuance of the Bonds sufficient to meet all requirements of the City Purchase Agreement.

Section 4.3. Prior Lien Obligations. The City shall not incur any obligations payable from the Designated Revenues ranking prior to the obligations of the City under the City Purchase Agreement except for (a) additional Senior Lien Revenue Obligations issued for the purpose of refunding other Senior Lien Revenue Obligations upon meeting the conditions specified in the Senior Lien Revenue Obligation Documents and (b) additional Senior Lien Revenue Obligations issued for other than refunding purposes upon meeting the conditions specified in the Senior Lien Revenue Obligation Documents and upon meeting the conditions specified in Section 4.5 of the City Purchase Agreement.

The City shall not incur Junior Lien Revenue Obligations payable from the Designated Revenues in the future except for (i) additional Junior Lien Revenue Obligations issued for the purpose of refunding the Bonds or Junior Lien Revenue Obligations if the conditions specified in Section 4.4 of the City Purchase Agreement are met, or (ii) additional Junior Lien Revenue Obligations issued for purposes other than refunding the Bonds or other Junior Lien Revenue Obligations if the conditions specified in Section 4.5 of the City Purchase Agreement are met.

Section 4.4. Junior Lien Parity Obligations for Refunding Purposes. Any or all of the Bonds or other Revenue Obligations may be refunded at maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and the refunding Junior Lien Revenue Obligations so entered into or issued shall constitute Junior Lien Revenue Obligations; provided, however, that all outstanding Bonds and other Revenue Obligations to be refunded are being refunded under arrangements which immediately result in making provision for the payment of the refunded Bonds and other Revenue Obligations.

Section 4.5. Additional Senior Lien Obligations and Junior Lien Revenue Obligations Generally. Additional Revenue Obligations may also be issued for other than refunding purposes as described above in Sections 4.3 and 4.4 if, prior to the issuance thereof, there shall have been procured and filed with the Chief Financial Officer and the Trustee a statement by an Independent Certified Public Accountant or a report of a Consultant to the effect that the Net Operating Revenues of the System for the most recently completed Fiscal Year for which audited financial statements are available or any 12 consecutive calendar months of the immediately preceding 18 calendar month period ("Selected Fiscal Year") were equal to at least (a) if the proposed Revenue Obligations are Senior Lien Revenue Obligations, 120% or (b) if the proposed Revenue Obligations are Junior Lien Revenue Obligations, 115% of Junior Lien Parity Test Debt Service for all outstanding Bonds and other Revenue Obligations, including the Revenue Obligations proposed to be issued.

Any statement of an Independent Certified Public Accountant or Consultant's report required pursuant to this Section 4.5 may contain the following adjustments to Net Operating Revenues for such most recently completed Selected Fiscal Year:

(a) An adjustment equal to 100% of the increased annual amount attributable to any revision in the schedule of rates and charges imposed prior to the date of delivery of such additional Revenue Obligations and not fully reflected in the audited Net Operating Revenues actually received during said Fiscal Year. Such adjustment shall be based upon certification by the Independent Certificate Public Accountant or Consultant as to the amount of Net Operating Revenues which would have been received during said Selected Fiscal Year had the new rates been in effect throughout said Selected Fiscal Year.

(b) An adjustment equal to 100% of additional new Net Operating Revenues estimated to be received from new connections to the System in the first Fiscal Year after delivery of said additional Revenue Obligations estimated in writing by the Independent Certificate Public Accountant or Consultant to the extent that such new Net Operating Revenues are not taken into account under subsection (a) above.

(c) If (i) the additional Revenue Obligations are issued for the purpose of paying the cost of acquiring other existing wastewater utilities or (ii) additional Revenue Obligations payable from the Net Operating Revenues or Designated Revenues are being assumed by the City in connection with the acquisition of other existing wastewater utilities, said statement or report may also contain an adjustment of said Net Operating Revenues or Designated Revenues to reflect 80% of the additional estimated Net Operating Revenues which in the written opinion of the Independent Certified Public Accountant or Consultant will be derived from the acquired utility during the first complete Fiscal Year after the issuance of such additional Revenue Obligations or the assumption of such obligations payable from Net Operating Revenues or Designated revenues of the acquired utility for a Selected Fiscal Year adjusted to reflect the City's ownership and the City's rate structure in effect with respect to the System at the time of the issuance of the additional Revenue Obligations or the assumption of such Revenue Obligations payable from Net Operating Revenues or Designated Revenues.

(d) If the additional Revenue Obligations are issued for the purpose of paying the cost of construction of additions, extensions or improvements to the System, and if money to pay interest on said additional Revenue Obligations has been provided from proceeds of Revenue Obligations or funds on hand in an amount sufficient to pay interest falling due on such Revenue Obligations for the period from the date of issuance thereof until the anticipated completion of the construction of such extensions and improvements, said statement may also contain an adjustment of said Net Operating Revenues or Designated Revenues to reflect 80% of the additional estimated annual Net Operating Revenues which in the written opinion of the Independent Certified Public Accountant or Consultant will be derived during the first complete Fiscal Year after the completion of such construction from connections to the proposed additions, extensions or improvements.

For purposes of determining Junior Lien Parity Test Debt Service for this Section, the Principal Requirement and interest requirement for a series of Revenue Obligations to which a Derivative Product with a Qualified Counterparty applies may be determined after giving effect to the netting provisions of the City Purchase Agreement, exclusive of any payment which may be owed by the City upon termination prior to maturity of such Derivative Product.

Section 4.6. Derivative Products. The City reserves the right to enter into arrangements involving Derivative Products including swap agreements, forward agreements, interest rate agreements, and other similar agreements, to the extent permitted by law, and make payments on such agreements from Net Operating Revenues or

Designated Revenues, provided that payments under such agreements may not be made on a basis which is senior to the payment of any Senior Lien Revenue Obligations and do not permit extraordinary payments such as termination payments to be made on a basis other than subordinate to payment of the Principal Requirement and the interest requirement on Revenue Obligations. To the extent the City enters into such agreements and pledges Designated Revenues to the payment of such agreements, such agreements may only be incurred if the City satisfies the tests for additional Revenue Obligations set forth in the Senior Lien Revenue Obligation Documents and the Junior Lien Revenue Obligation Documents, as applicable, subject to the provisions set forth below. In determining whether the additional Revenue Obligations tests are satisfied in connection with any such agreements, the City is permitted to treat the amount or rate of interest on those agreements or on the Revenue Obligations to which the applicable agreement applies as the amount or rate of interest payable after giving effect to the agreements, provided that any agreement is with a Qualified Counterparty, thus the City is permitted to include the net payment due under such agreements in calculating the additional Revenue Obligations test. Further, the City is permitted to disregard the notional principal amount of any such agreement provided that such agreement is with a Qualified Counterparty. The City agrees to give written notice to each Rating Agency not Jess than thirty (30) days prior to entering into a Derivative Product payable from Net Operating Revenues or Designated Revenues.

* * *

Section 5.2 *Maintenance of the System in Good Condition.* The City shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost, and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Arizona.

Section 5.3 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 obligations payable wholly or in part from the Revenues of the System, for the full insurable value of all buildings and 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 Expense of Operation and Maintenance. All money received for losses under any such insurance policies, except public liability policies, is hereby pledged by the City as security for the payment of the Purchase Price until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided, that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City annually reviews and certifies to the City in writing that any such program is adequate and actuarially sound.

Section 5.4 No Sale, Lease or Encumbrance, Exceptions. Subject to the JEPA and except as hereinafter expressly permitted, the City irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

The City shall have and hereby reserves the right to 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, (d) a lease of such property is permitted pursuant to Section 4.3 hereof or (e) the disposition of such property will be advantageous to the System and will not adversely affect the security for the holders of the Bonds. In addition the City may sell to Maricopa County or any other political subdivision of the State of Arizona or any agency of any one or more of them, any portion of the System if there is filed with the Chief Financial Officer a certificate executed by the Consultant showing that, in his opinion, the proposed sale will not reduce the Designated Revenues to be received by the System in the full Bond Year next succeeding such sale to an amount less than 115% of Junior Lien Parity Test Debt Service. In making such computation, the Consultant shall consider such matters as the Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Expenses of Operation and Maintenance attributable to the sale; and (iii) reduction, if any, in annual Principal Requirements and interest requirements attributable to the application of the sale proceeds for payment of Bonds and other Revenue Obligations theretofore Outstanding. Such sale may include a partial interest in a wastewater facility owned or to be owned in whole or in part by the City, subject to, if applicable, the terms of the JEPA.

All proceeds of any such sale shall be deposited in the applicable Sewerage Replacement Fund, as defined in the System Ordinance.

The City reserves the right to sell or otherwise transfer the System as a whole to any political subdivision or agency of one or more political subdivisions of the State of Arizona to which may be delegated the legal authority to own and operate the System on behalf of the public, and which undertakes in writing, filed with the Chief Financial Officer, the City's obligations hereunder; provided that there shall be first filed with the Chief Financial Officer (l) an opinion of nationally recognized bond counsel to the effect that (A) such sale will not cause interest on any Bonds or other Revenue Obligations, if applicable, to become subject to federal income taxation, (B) such sale will not materially diminish the security of the holders of the Bonds (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the City hereunder 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 Net Operating Revenues to the extent that in the full Bond Year next succeeding such transfer the Net Operating Revenues will be less than 115% of Junior Lien Parity 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.

Section 5.5 Books, Records and Accounts. The City shall cause to be kept proper books, records and accounts of the System in accordance with standard accounting practices and procedures customarily used for systems of similar nature.

Section 5.6 No Free Service. No wastewater 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 herein. 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 Operating Revenues and shall be applied in the manner herein provided for the application of the Revenues of the System.

Section 5.7 Satisfaction of Liens. The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Designated Revenues, as well as any lawful claims for labor, materials or supplies which if unpaid might by Jaw become a lien or charge upon the System or the Revenues or any part thereof or which might impair the security of the Bonds, except when the City in good faith con tests its liability to pay the same.

Section 5.8 Disconnection of Service for Non-Payment. The City shall reasonably and diligently enforce payment of all bills for wastewater 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 will discontinue wastewater service in accordance with the System Ordinance and Arizona law to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for such payment satisfactory to the City shall have been made. The City will do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

Section 5.9 No Competing System. The City will not, to the extent permitted by law and except as otherwise permitted pursuant to the System Ordinance, grant a franchise or permit for the operation of any competing wastewater system in the City.

Section 5.10 Maintenance and Utilities. All maintenance and repair of the 2004 Property and utilities therefor shall be the responsibility of the City. In exchange for the payment of the Purchase Price hereunder, the Corporation agrees to provide nothing more than the 2004 Property.

* * *

Section 5.12 Taxes. It is understood and agreed that all taxes of any type or nature charged to the Corporation or affecting the 2004 Property or affecting the amount available to the Corporation from payments received hereunder for the retirement of the Bonds (including charges assessed or levied by any governmental agency, district or corporation having power to levy taxes) shall upon receipt of invoices therefor be paid by the City under Section 3.3 hereof as additional installments of Purchase Price. Upon Written Request of the City, the Corporation agrees to take whatever steps are necessary to contest the amount of tax, or to recover any tax paid if the City believes such tax or assessment to be improper or invalid. The City agrees to reimburse the Corporation for any and all costs, including reasonable attorneys' fees, thus incurred by the Corporation.

* * *

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

(a) The City shall fail to make any payment of the Purchase Price sufficient to pay amounts due on the Bonds when due; or

(b) The City shall fail to make any other payment of the Purchase Price for a period of 30 days after notice of such failure shall have been given in writing to the City by the Corporation or by the Trustee; or

(c) The City shall fail to perform any other covenant in the City Purchase Agreement for a period of 30 days after written notice specifying such default, provided that if such failure cannot be remedied within such 30 day period, it shall not be deemed an 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 which may hereafter be enacted.

Section 7.2. *Remedies on Default by City.* Upon the occurrence of an Event of Default as above defined, the Corporation shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance. The obligations of the City under the City Purchase Agreement may not be accelerated. The Corporation may assign any or all of its rights and privileges under this section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

* * *

Section 9.3. Amendments. The City Purchase Agreement may only be amended with the express written consent of the Trustee and in accordance with the provisions of the Indenture.

INDENTURE

The information set forth below summarizes or paraphrases certain substantially similar provisions of the Indenture.

* * *

Section 1.3. Bonds Not General Obligations of the Corporation. The Bonds authorized and the payments to be made by the Corporation thereon and into the various funds established under the Indenture are not general obligations of the Corporation but are limited obligations payable solely from payments under the City Purchase Agreement.

* * *

Section 5.3. Flow of Funds. So long as any Bonds are Outstanding, in each Bond Year, payments received by the Trustee shall be applied in the following manner and order of priority:

(a) *Interest Account.* The Trustee shall deposit to the Interest Account, on or before the last Business Day of each December and June an amount equal to the amount of interest to be paid on Outstanding Bonds on the next Bond Payment Date. Moneys in the Interest Account shall be used to pay interest on the Bonds as it becomes due.

(b) *Principal Account.* The Trustee shall deposit to the Principal Account on or before the last Business Day of each June (in each Bond Year ending on a date on which Bonds mature), an amount equal to the principal amount at maturity plus an amount equal to any mandatory sinking fund redemption requirement of Section 3.2(b) of the Indenture of Bonds Outstanding which will mature or be subject to mandatory redemption on the last day of such Bond Year or any principal amounts coming due which have been called for optional redemption. Moneys in the Principal Account shall be used to retire Bonds by payment at their scheduled maturity, their mandatory sinking fund retirement date or optional redemption date.

* * *

Section 7.1. Events of Default. Each of the following is hereby declared an "Event of Default" under the Indenture:

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

(b) If payment of the principal or redemption premium, if any, on any Bond shall not be 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 shall assume custody or control of all or any part of the interests pledged hereunder and such custody or control shall continue for more than 60 days;

(d) If the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided herein or in the Bonds and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Corporation and the City by the Trustee, unless within such 30 days the Corporation shall have commenced and be diligently pursuing 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% in principal amount of the Bonds then Outstanding;

(e) Any "Event of Default" under the City Purchase Agreement; or

(f) The City fails to comply with any applicable provision of the Tax Exemption Certificate with the result that interest on any of the Bonds becomes includible in gross income for purposes of federal income taxes.

Section 7.2. *Remedies and Enforcement of Remedies.*

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

(b) Regardless of the happening of an Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Bonds 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, other than an optional redemption pursuant to the Indenture and then only to the extent of the amount to be so redeemed and only pursuant to Article III of the Indenture, amounts due hereunder.

Section 7.4. Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, 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 Bond Fund, and all amounts held by the Trustee hereunder shall be applied as follows:

First: To the payment of amounts, if any, payable pursuant to the Tax Exemption Certificate;

Second: To the payment to the Persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the Bonds) then due, and, if the amount available shall not be sufficient to pay in full any installment or installments then due, then to the payment thereof ratably in a manner consistent with the second sentence of Section 5.3(a) of the Indenture, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Third: To the payment to the Persons entitled thereto of the unpaid Principal Installments or redemption price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and of the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably in a manner consistent with the second sentence of Section 5.3(b) of the Indenture, according to the amounts of Principal Installments or redemption price due on such date, to the Persons entitled thereto, without any discrimination or preference.

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 Bonds 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 Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all principal of and interest on the Bonds which 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 Bond Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * *

Section 7.7. *Individual Bondholder Action Restricted.*

(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder 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 hereunder upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount Bonds Outstanding, shall have made written request to the Trustee to proceed to exercise the powers granted herein; and

(ii) Such Bondholders shall have offered the Trustee indemnity as provided in Section 8.2(e) of the Indenture; and

(iii) The Trustee shall have failed or refused to exercise the duties or powers herein granted 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 Bonds then Outstanding.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond, 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 Bond may institute or prosecute any such suit or enter judgment therein 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 hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

* * *

Section 7.9. Waiver of Event of Default.

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

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

(c) In case of any waiver by the Trustee of an Event of Default hereunder, the Corporation, the Trustee and the Bondholders shall be restored to their former positions and fights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section.

* * *

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

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein, or, to make any other provisions with respect to matters or questions arising hereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Holders;

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

(c) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(d) 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;

(e) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of Section 8.6 and Section 8.11 of the Indenture;

(f) To permit Bonds in bearer form if, in the opinion of Bond Counsel received by the Corporation and the Trustee, applicable such action will not cause the interest on any Bonds to become includible in gross income for purposes of federal income taxes;

(g) To preserve the exclusion of the interest on the Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes; and

(h) To adopt procedures for the disclosure of information to Bondholders 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 Indenture by agreement of the Trustee, the Corporation and the City.

Section 9.2. Supplements Requiring Consent of Bondholders.

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

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

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority;

(iii) reduce the principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding;

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

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

(b) If at any time the Corporation shall request 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 Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder 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 Bondholders.

* * *

Section 9.4. Amendments to City Purchase Agreement Not Requiring Consent of Bondholders. The Corporation and 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 City Purchase Agreement as may be required (i) by the provisions thereof; (ii) to cure any ambiguity or formal defect or omission therein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the holders; (iii) to preserve the exclusion of the interest on the Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Corporation to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein which in the opinion of the Trustee will not materially adversely affect the interests of the holders or the Trustee.

Section 9.5. Amendments to City Purchase Agreement Requiring Consent of Bondholders.

(a) Except for amendments, changes or modification to the City Purchase Agreement referred to in Section 9.4 above and subject to the terms and provisions and limitations contained in Article IX of the Indenture and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of an y amendment, change or modification to the City Purchase Agreement only upon the consent of not less than a majority in principal amount of Bonds 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 City Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then outstanding.

(b) If at any time the Corporation and the City shall request the consent of the Trustee to any such amendment, change or modification to the City Purchase Agreement the Trustee shall, upon being satisfactorily indemnified by the City with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 hereof with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection

(a) within the time and in the manner provided by Section 9.2 of the Indenture with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 of the Indenture with respect to Supplements to the Indenture.

Section 10.1. Discharge. If payment of all principal of, premium, if any, and interest on all of the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums, if any, payable by the Corporation shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request of the Corporation, and upon receipt by the Trustee of an opinion of counsel addressed to the Corporation and Trustee stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the Corporation, 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 herewith.

The Corporation or the City may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Corporation or the City may have acquired in any manner whatsoever and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Bonds. Payment of all or any part of the Bonds in authorized denominations may be provided for by the deposit with the Trustee or any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the indenture which may be designated by the City and acceptable to the Trustee to serve as its agent (the *"Depository Trustee")* of moneys or Defeasance Obligations which are not redeemable in advance of their maturity dates. 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 acceptable to the Trustee and the Depository Trustee, to pay when due the principal of and interest on such Bonds (a *"Verification Report").* The moneys and Defeasance Obligations shall be held by the Trustee or the Depository Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal and interest on such Bonds as the same shall mature or come due.

If payment of Bonds is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a Bond so provided for.

Bonds, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding under the applicable Indenture. The obligation of the Corporation in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Bond Trustee or the Depository Trustee to provide for the payment of such Bonds.

* * *

THE JOINT EXERCISE POWERS AGREEMENT (JEPA)

General

The JEPA is an agreement among the SROG Members for the construction, operation and maintenance of the Jointly Used Facilities. As lead agency under the JEPA, the City is responsible for the planning, budgeting, personnel and accepts federal grants on behalf of the SROG Members.

Construction of Jointly Used Facilities

All construction of Jointly Used Facilities is required to be done under plans and specifications prepared by and under engineering supervision furnished by engineers engaged by the City. Prior to the start of construction of any Jointly Used Facilities, the City is required to submit the plans and specifications to the SROG Committee for its concurrence.

Pursuant to the JEPA, the SROG Members agree to pay their proportionate share of the construction cost of Jointly Used Facilities on the basis of their agreed upon participation in the facility. The proportionate allocation of construction cost is calculated by the City and submitted to the SROG Committee for approval. Each SROG Member is required to advance funds to the City in accordance with cash flow estimates for improvements and contingencies prepared by the City each May I and November 1. The City bills each SROG Member monthly, thirty days in advance for one-sixth of such SROG Member's share of the City's total six-month cash flow estimate.

Payment of Operations, Maintenance and Replacement Costs

Each SROG Member agrees to pay to the City its proportionate share of the actual costs of operation, maintenance and replacement of the Jointly Used Facilities. Each SROG Member's proportionate share of the actual cost is based upon each SROG Member's actual sewage flow and the cost of treating such actual sewage flow including, but not limited to the cost of treating its biochemical oxygen demand and suspended solids. Any SROG Member which exceeds its Purchased Capacity is required to pay the proportionate cost attributed to their total flows for operation, maintenance and replacement, and a rental charge until such time that the SROG Member purchases additional capacity at least equal to their excessive flow.

The City is required to transfer its own funds to the Operating Fund representing its proportionate share of operation and maintenance costs. Operation, maintenance and replacement costs include the City's cost for applicable salaries and benefits, parts, materials and services, applicable equipment replacement and appropriate indirect services, in each case relating to the Jointly Used Facilities.

Funds Established Under the JEPA

Pursuant to the JEPA, the City establishes an Operating Fund, a Capital Fund, an Equipment Replacement Fund and a Facility Rental Distribution Fund.

Events of Default and Remedies

In the event of default by any of the SROG Members in any of the terms or conditions of the JEPA, then, within thirty (30) days' following the giving of written notice of such default, the defaulting SROG Member is required to remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Any SROG Member is entitled to dispute an asserted default upon payment or performance under protest by submission of the dispute to the SROG Committee.

In the event a default shall continue for a period of two months or more without having been cured or without the defaulting SROG Member having commenced or continued action in good faith to cure such default, or in the event the question of whether an act of default exists is the subject of litigation and such default continues for a period of two months following a final determination by a court of competent jurisdiction that an act of default exists, the nondefaulting SROG Members may, in addition to any remedy provided for by law for breach of a contractual obligation, including specific performance, declare a forfeiture of the unused Purchased Capacity, if any, of the defaulting SROG Member. Such forfeited unused Purchased Capacity will be distributed to the remaining SROG Members as may be agreed upon by the SROG Members.

APPENDIX G

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[TO BE DATED CLOSING DATE]

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

We hereby certify that we have examined a certified copy of the proceedings of the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) passed preliminary to the issue of its Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014 in the amount of $ (the *"Bonds"*) in fully registered form, dated the date of initial authentication and delivery thereof. The Bonds are being issued to refund certain obligations (the *"Bonds Being Refunded"*) previously issued to finance improvements to the wastewater system (the *"System"*) of the City of Phoenix, Arizona (the *"City"*).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion, including, without limitation, the original or a copy identified to our satisfaction as being a true copy of the Indenture (as defined herein).

As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, the proceedings and other documents, and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Bonds. Reference is made to certifications of and opinions of counsel to parties other than the Corporation with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Bonds are being issued pursuant to a Bond Indenture, dated as of April 1, 2014 (the *"Indenture"*) between the Corporation and U.S. Bank National Association, as trustee (the *"Trustee"*). The Bonds are payable solely, as to both principal and interest, from payments made by the City under the City Purchase Agreement, dated as of April 1, 2014 (the *"City Purchase Agreement"*) between the Corporation and the City.

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

1. The Indenture, the City Purchase Agreement and the Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding upon and enforceable against the Corporation.

2. The Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the Bonds (collectively, *"debt service"*), unless paid from other sources, are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include payments required to be made by the City under the City Purchase Agreement, and the City's obligation to make those payments is secured by a pledge of Designated Revenues (as defined in the City Purchase Agreement) received from the System. The Indenture creates the pledge which it purports to create in the pledged revenues and of other moneys in the funds and accounts created by the Indenture (other than the Rebate Fund), which pledge will be perfected only as to the revenue and other moneys on deposit in the funds and accounts created by the Indenture and held by the Trustee. The Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation; the Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation, the City or the State of Arizona; and the City Purchase Agreement, including the City's obligation to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. The Internal Revenue Code of 1986, as amended (the *"Code"*), includes requirements which the City and the Corporation must continue to meet after the issuance of the Bonds in order that interest on the Bonds be

excludible from gross income for federal income tax purposes. The failure of the City or the Corporation to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted to take the actions required by the Code in order to maintain the excludibility from gross income for federal income tax purposes of interest on the Bonds. (Subject to the limitations in the next to last paragraph hereof, the City and the Corporation have full legal power and authority to comply with such covenants.) Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and, if the foregoing is the case, the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

In rendering the foregoing opinions, we have assumed and relied upon compliance with the City's and the Corporation's covenants and the accuracy, including with respect to the application of the proceeds of the Bonds Being Refunded and the Bonds, respectively, which we have not independently verified, of the City's and the Corporation's representations and certifications contained in the transcript. The accuracy of those representations and certifications, and the City's and the Corporation's compliance with those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal and State income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal and State income tax purposes retroactively to the date of issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability of those rights under the Bonds and the documents referred to above may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our 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 H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the *"Undertaking"* or the *"Agreement"*) dated as of April , 2014 is executed and delivered by the City of Phoenix, Arizona (the *"City"*) in connection with the issuance of City of Phoenix Civic Improvement Corporation Junior Lien Wastewater System Revenue Refunding Bonds, Series 2014 (the *"Bonds"*). The Bonds are being issued pursuant to a Bond Indenture dated as of April 1, 2014 (the *"Indenture"*) by and between the City of Phoenix Civic Improvement Corporation (the *"Corporation"*) and U.S. Bank National Association, as trustee (the *"Trustee"*). The City covenants and agrees as follows:

1. *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 Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. *Definitions.* 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.*

City Purchase Agreement means the City Purchase Agreement dated as of April 1, 2014.

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. As of the date of this Disclosure Undertaking, information regarding submissions to EMMA is available at http://emma.msrb.org/.

Event means the occurrence of any of the events set forth in *Exhibit II*.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Listed Event means the occurrence of events set forth in *Exhibit II*, provided that with respect to any Event qualified by the phrase "if material," materially shall be interpreted under the Exchange Act. If an Event is not qualified by the phrase "if material," such Event shall in all cases be material.

Listed Events Disclosure means dissemination of disclosure concerning a Material 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 Bonds.

Rule means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State means the State of Arizona.

Undertaking means the obligations of the City pursuant to Sections 4 and 5 hereof.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Bonds are as follows:

Maturity Date	CUSIP No.	Maturity Date	CUSIP No.

The Final Official Statement relating to the Bonds is dated April , 2014 (the *"Final Official Statement"*).

4. *Annual Financial Information Disclosure.* Subject to Section 9 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*) to the MSRB through EMMA in an electronic format as prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

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 Agreement, 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 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner not in excess of ten business days after the occurrence of the event, Listed Events Disclosure to the MSRB through EMMA in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. *Duty to Update.* The City shall determine, in the manner it deems appropriate, the address of EMMA or such alternate repository specified by the MSRB each time it is required to file information with such entities.

7. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner and within ten business days after the occurrence of such failure, to the MSRB through EMMA, of any failure to provide Annual Financial Information Disclosure in the manner and at the time required.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond 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 City Purchase Agreement or the Indenture, and the sole remedy available to Bondholders under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

8. *Amendments; Waiver.* Notwithstanding any other provision of this Agreement, 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 Bonds, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the Bondholders pursuant to the Indenture 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 the generally accepted accounting principles (*"GAAP"*) 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.

9. *Termination of Undertaking.* The Undertaking of the City shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the City Purchase Agreement. The City shall give notice in a timely manner if such event occurs to the MSRB and through EMMA in an electronic format as prescribed by the MSRB.

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 Listed Events Disclosure, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or Listed Events Disclosure 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 Underwriters 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 Bonds, 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 obligations under the City Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Agreement 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.

CITY OF PHOENIX, ARIZONA

By Ed Zuercher
Its City Manager

By:____
Neal Young
Acting Chief Financial Officer

ATTEST:

By: ____
City Clerk

APPROVED AS TO FORM:

By: ____
City Attorney

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 Final Official Statement under the following captions: "SCHEDULE OF FORECASTED NET OPERATING REVENUES, WASTEWATER REVENUE BONDS DEBT SERVICE REQUIREMENTS AND JUNIOR LIEN DEBT SERVICE COVERAGE (actual results for most recently completed fiscal year only)," and "APPENDIX A-SUMMARY INFORMATION OF THE CITY OF PHOENIX WASTEWATER SYSTEM".

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 to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB through EMMA or the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, by February 1 of each year, commencing February 1, 2015, 215 days after the last day of the City's fiscal year. 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 when available.

Audited Financial Statements will be prepared according to GAAP, as applied to governmental units as modified by State law. Audited Financial Statements will be provided to the MSRB through EMMA within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, 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 with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds
7. Modifications to the rights of Bondholders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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