

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: See "RATINGS" herein

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

\$20,880,000\*  
UTILITY SYSTEM REVENUE  
OBLIGATIONS, SERIES 2025A

\$21,480,000\*  
UTILITY SYSTEM REVENUE  
OBLIGATIONS, SERIES 2025B

DRAFT I  
9/4/2025

Evidencing Proportionate Interests of the Holders Thereof in  
Installment Payments of the Purchase Price to be Paid by the  
CITY OF YUMA, ARIZONA  
Pursuant to a Series 2025 Purchase Agreement,  
Dated as of November 1, 2025\*

Dated: Date of Initial Delivery

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

The Utility System Revenue Obligations, Series 2025A (the "2025A Obligations") and the Utility System Revenue Obligations, Series 2025B (collectively with the 2025A Obligations, the "Obligations") are being executed and delivered pursuant to a Series 2025 Obligation Indenture, to be dated as of November 1, 2025\*, between the City of Yuma, Arizona (the "City"), and [TRUSTEE], as trustee (the "Trustee"). Interest with respect to the Obligations will be payable semiannually on July 1 and January 1 of each year, commencing January 1, 2026\*. The Obligations will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of \$5,000 of principal represented by the Obligations of a series due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Obligations. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the City's waterworks and sewer plant and system (the "System"), and (ii) paying costs incurred in connection with the execution and delivery of the Obligations. See "SOURCES AND USES OF FUNDS" herein.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER PAGES

The Obligations will be subject to redemption prior to maturity as described herein. See "THE OBLIGATIONS - Redemption Provisions."

The Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to a Series 2025 Purchase Agreement, to be dated as of November 1, 2025\* (the "Purchase Agreement"), between the City and the Trustee in its capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and interest on the outstanding Parity Obligations (as defined herein) and any additional Parity Obligations, will be payable solely from the Net Revenues (as defined herein) derived by the City from the operation of the System. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS" herein. *The Obligations will not be general obligations of the City and will not constitute an indebtedness of the City when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional or statutory provisions, a charge against the general credit limitations imposed by constitutional or statutory provisions or against the general credit or taxing power of the City nor a liability of the City for payment of the Obligations other than from the sources described herein.*

THE "RISK FACTORS" SECTION OF THIS OFFICIAL STATEMENT SHOULD BE REVIEWED PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE OBLIGATIONS.

The Obligations will be offered when, as and if executed and delivered by the Trustee, subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the Obligations and tax exemption. Certain matters will be passed upon for the Underwriter identified below by its counsel, Ballard Spahr LLP, Phoenix, Arizona. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about November \_\_, 2025\*.

*This cover page contains only a brief description of the Obligations and the security therefor. It is not intended to be a summary of material information with respect to the Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.*



\* Subject to change.

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

**\$20,880,000\***  
**UTILITY SYSTEM REVENUE OBLIGATIONS, SERIES 2025A**  
**Evidencing Proportionate Interests of the Holders Thereof in**  
**Installment Payments of the Purchase Price to be Paid by the**  
**CITY OF YUMA, ARIZONA,**  
**Pursuant to a Series 2025 Purchase Agreement,**  
**Dated as of November 1, 2025\***

**MATURITY SCHEDULE\***

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® <sup>(1)</sup> No. 988522
2026	\$1,040,000	%	%	
2027	650,000			
2028	680,000			
2029	715,000			
2030	750,000			
2031	785,000			
2032	825,000			
2033	870,000			
2034	910,000			
2035	955,000			
2036	1,005,000			
2037	1,055,000			
2038	1,110,000			
2039	1,165,000			
2040	1,220,000			
2041	1,285,000			
2042	1,355,000			
2043	1,425,000			
2044	1,500,000			
2045	1,580,000			

\* Subject to change.

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**\$21,480,000\***  
**UTILITY SYSTEM REVENUE OBLIGATIONS, SERIES 2025B**  
**Evidencing Proportionate Interests of the Holders Thereof in**  
**Installment Payments of the Purchase Price to be Paid by the**  
**CITY OF YUMA, ARIZONA,**  
**Pursuant to a Series 2025 Purchase Agreement,**  
**Dated as of November 1, 2025\***

**MATURITY SCHEDULE\***

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® <sup>(1)</sup> No. 988522
2026	\$2,100,000	%	%	
2027	1,760,000			
2028	1,845,000			
2029	1,935,000			
2030	2,035,000			
2031	2,135,000			
2032	2,245,000			
2033	2,355,000			
2034	2,475,000			
2035	2,595,000			

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\* Subject to change.

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**CITY OF YUMA, ARIZONA**

**MAYOR AND CITY COUNCIL**

Douglas J. Nicholls, *Mayor*

Carol Smith, *Deputy Mayor*

Mark Martinez, *Councilmember*

Leslie McClendon, *Councilmember*

Arturo Morales, *Councilmember*

Chris Morris, *Councilmember*

Karen Watts, *Councilmember*

**CITY ADMINISTRATION**

Jay Simonton, *Interim City Administrator*

Douglas Allen, *Director of Financial Services*

Richard Files, *City Attorney*

Karla Bailey, *Assistant Director of Finance*

Lynda Bushong, *City Clerk*

**SPECIAL COUNSEL**

Greenberg Traurig, LLP  
*Phoenix, Arizona*

**TRUSTEE**

[TRUSTEE]  
*[Location]*

## REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Yuma, Arizona (the “City”), or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the City’s Utility System Revenue Obligations, Series 2025A or Utility System Revenue Obligations, Series 2025B (collectively, the “Obligations”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been obtained from the City and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the City or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

None of the City, the Underwriter, counsel to the Underwriter or Special Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the City’s share of the unfunded liabilities of the Arizona State Retirement System or the Arizona Public Safety Personnel Retirement System.

The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. All information, estimates and assumptions contained herein have been based on past experience and on the latest information available and are believed to be accurate and reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of forecasts, projections, opinions, assumptions, or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the City has been identified by source and has not been independently confirmed or verified by the City or the Underwriter and its accuracy cannot be guaranteed. The information and forward looking statements herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange in reliance upon certain exemptions. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the merits of the Obligations, the accuracy or adequacy of this Official Statement, or approved the Obligations for sale.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The City will agree to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

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**OFFICIAL STATEMENT**

**\$20,880,000\***  
**UTILITY SYSTEM REVENUE**  
**OBLIGATIONS, SERIES 2025A**

**\$21,480,000\***  
**UTILITY SYSTEM REVENUE**  
**OBLIGATIONS, SERIES 2025B**

**Evidencing Proportionate Interests of the Holders Thereof in  
Installment Payments of the Purchase Price to be Paid by the  
CITY OF YUMA, ARIZONA  
Pursuant to a Series 2025 Purchase Agreement,  
Dated as of November 1, 2025\***

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page, the inside front cover pages and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the \$20,880,000\* principal amount of Utility System Revenue Obligations, Series 2025A (the “2025A Obligations”) and the \$21,480,000\* principal amount of Utility System Revenue Obligations, Series 2025B (the “2025B Obligations” and, collectively with the 2025A Obligations, the “Obligations”), evidencing proportionate interests of the registered owners of each Obligation (the “Holders”), in certain installment payments (the “Purchase Payments” and collectively, the “Purchase Price”) to be paid by the City of Yuma, Arizona (the “City”), pursuant to a Series 2025 Purchase Agreement, to be dated as of November 1, 2025\* (the “Purchase Agreement”), between [TRUSTEE] (the “Trustee”), in its capacity as seller, and the City. The Obligations will be executed and delivered pursuant to a Series 2025 Obligation Indenture, to be dated as of November 1, 2025\* (the “Indenture”), between the City and the Trustee in its capacity as trustee thereunder.

For definitions of certain capitalized terms used in this Official Statement and not otherwise defined, as well as for certain provisions of the Purchase Agreement and the Indenture, see APPENDIX F – “OBLIGATIONS DOCUMENTS SUMMARIES.”

The Purchase Payments will be payable from and secured by a first lien on and pledge of the Net Revenues (as defined herein) on a parity with the pledge and lien granted by the City for the payment and security of \$44,360,000 outstanding principal amount of Senior Lien Utility System Revenue Refunding Bonds, Series 2015, issued by the City of Yuma Municipal Property Corporation (the “Corporation”), the debt service with respect to which is secured by payments due pursuant to the Series 2015 Utilities City Purchase Agreement, dated as of October 1, 2015, by and between the City and the Corporation, \$64,755,000 outstanding principal amount of the City’s Utility System Revenue Obligations, Series 2021, the debt service with respect to which is secured by payments due pursuant to the Series 2021 Purchase Agreement, dated as of December 1, 2021, by and between the City and U.S. Bank Trust Company, National Association (successor in interest to U.S. Bank National Association), and any Parity Obligations.

“Net Revenues” means that portion of the Revenues remaining after deducting sufficient funds for the Operation and Maintenance Expenses of the System (as defined herein), subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. “Revenues” means and includes all income, moneys, and receipts to be received by the City, directly or indirectly, from the ownership, use, or operation of the System, including any waste material or by-products of the System, and also including investment income. Revenues will include the allocable portion of any development, impact, connection or related fee or charge available as a result of the existence of the System. “Operation and Maintenance Expenses” means all costs reasonably incurred in connection with the operation, use and maintenance of the System, including (i) repairs necessary to keep the System in efficient and economical operating condition, (ii) the payments of premiums for insurance required to be carried on the System, (iii) payments of reasonable Administrative Expenses, and (iv) generally all expenses of the System except depreciation, interest expense on the Obligations or Parity Obligations, and interest expense on any obligations subordinate to the Obligations or Parity Obligations.

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\* *Subject to change.*

The offering of the Obligations 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 Obligations. Accordingly, prospective purchasers of the Obligations should read this entire Official Statement before making their investment decision.

All financial and other information presented in this Official Statement with respect to the City has been provided by representatives of the City from its records, except for information expressly attributed to other sources. The presentation of financial and other information, including tables of receipts from the revenues of the System (as defined herein) 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 State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Copies of the forms of the Purchase Agreement and the Indenture may be obtained, until the delivery of the Obligations, from Stifel, Nicolaus & Company Incorporated (the “Underwriter”), upon request to: Stifel, Nicolaus & Company, Incorporated, 2801 E. Camelback Road, Suite 300, Phoenix, Arizona 85016, Attention: Municipal Finance. After delivery of the Obligations, copies of such documents may be obtained from the Trustee upon request to: [TRUSTEE], [TRUSTEE ADDRESS], Attention: Corporate Trust Services.

## **THE OBLIGATIONS**

### **Authorization and Purpose**

The Trustee will be authorized to execute and deliver the Obligations pursuant to the provisions of the Indenture and an ordinance adopted by the Mayor and Council of the City on October 1, 2025 (the “Ordinance”).

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the System (collectively, the “Projects”), and (ii) paying costs incurred in connection with the execution and delivery of the Obligations. See “SOURCES AND USES OF FUNDS” herein.

### **General Provisions**

The Obligations will be dated the date of initial delivery thereof and will be issued in the form of fully registered obligations in amounts of \$5,000 of principal of a series due on a maturity date or any integral multiple thereof. As described in APPENDIX H - “BOOK-ENTRY-ONLY SYSTEM,” the Obligations will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). So long as DTC, or its nominee, is the registered owner of all of the Obligations, all payments on the Obligations will be made directly to DTC for payment to the owners as described in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.”

The Obligations will bear interest from their dated date, payable semiannually on January 1 and July 1 of each year, commencing January 1, 2026\*. The Obligations will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover pages of this Official Statement. Interest will be computed on the basis of a year comprised of three hundred sixty (360) days consisting of twelve (12) months of thirty (30) days each. Interest on the Obligations will be paid by the Trustee to the owners thereof (initially Cede & Co., as nominee of DTC) as shown on the registration books maintained by the Trustee, at the close of business on the 15th day of the month next preceding each Obligation Payment Date (the “Record Date”). So long as the Obligations are in DTC’s book-entry-only system, and thereafter at the written request and expense of the owners of \$1,000,000 or more in aggregate principal amount of Obligations delivered to the Trustee prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.



## **Redemption Provisions\***

The 2025A Obligations maturing before or on July 1, 20\_\_, will not be subject to redemption prior to maturity. The 2025A Obligations maturing on or after July 1, 20\_\_, will be subject to redemption, in whole or in part on any date on or after July 1, 20\_\_, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the principal amount of each Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

The 2025B Obligations maturing before or on July 1, 20\_\_, will not be subject to redemption prior to maturity. The 2025B Obligations maturing on or after July 1, 20\_\_, will be subject to redemption, in whole or in part on any date on or after July 1, 20\_\_, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the principal amount of each Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

## **Notice of and Procedure for Redemption**

Notice of any redemption will be sent by first-class mail not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the Holder of each Obligation, initially DTC, to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee or at such other address as may be furnished by such Holders to the Trustee.

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of such Obligations called for redemption will become due and payable and that, from and after such date, the Obligations being redeemed will cease to accrue interest; provided, that no notice of redemption shall be sent unless (i) the Trustee has on deposit funds to effect such redemption, or (ii) such redemption notice states that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of the Obligations being redeemed on the redemption date.

## **SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS**

### **General**

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

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the Obligations. During the term of the Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the waterworks and sewer plant and system of the City (collectively, the "System"). The obligation of the City to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the Obligations in any portion of the Projects or the System. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the Projects or any portion of the System. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX F – "OBLIGATIONS DOCUMENTS SUMMARIES – The Purchase Agreement – Purchase Events of Default" and "– Remedies on Default by City." For information concerning the System, see APPENDIX A – "CITY OF YUMA, ARIZONA – THE SYSTEM."

### **Source of Purchase Payments**

The obligation of the City to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a first lien on, pledge of, and security interest in, the Net Revenues.

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

The pledge of, lien on and security interest in the Net Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the Obligations and to make other payments specified. None of the Obligations, the outstanding Parity Obligations or any of the additional Parity Obligations will be entitled to priority or distinction over any of the others in the application of the Net Revenues, regardless of the issuance or incurrence of the Obligations, the outstanding Parity Obligations or any of the additional Parity Obligations in series or the delivery of the Obligations, the outstanding Parity Obligations or any of the additional Parity Obligations prior to the delivery of the Obligations, the outstanding Parity Obligations or any other of the additional Parity Obligations of that series or regardless of the time or times the Obligations, the outstanding Parity Obligations or the additional Parity Obligations mature or are called for redemption prior to maturity or otherwise. The Obligations, the outstanding Parity Obligations and the additional Parity Obligations will be co-equal as to the pledge of and lien on the Net Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefor.

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

#### **Rate Covenant**

The City has covenanted and agreed in the Purchase Agreement to at all times establish, fix, maintain and collect rates, fees and other charges for all utility services furnished by the System fully sufficient at all times, (a) to pay the Operation and Maintenance Expenses of the System; (b) to produce an aggregate amount of Net Revenues in each Fiscal Year equal to the sum of (i) one hundred twenty percent (120%) of Interest Requirement and Principal Requirement for the then current Fiscal Year on all obligations payable from a first lien pledge of Net Revenues, including the Obligations and any Parity Obligations (collectively, the "Senior Obligations") then outstanding in such Fiscal Year, and (ii) one hundred percent (100%) of the aggregate of the debt service on comparable payments, separately payable and secured on a basis subordinate to the Senior Obligations by Net Revenues; and (c) to produce Net Revenues in each Fiscal Year which will remedy all deficiencies in payments into any of the funds and accounts described in the Purchase Agreement and in the Indenture required from prior Fiscal Years for the payment of the Purchase Price as well as the payment of principal of and interest on Parity Obligations.

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

#### **Additional Parity Obligations; No Prior Obligations**

Pursuant to the provisions of the Purchase Agreement, the City may, in the future, incur additional Parity Obligations having a lien upon and payable from Net Revenues on parity with the Obligations, but only as provided in the Purchase Agreement.

The City will not incur any obligations payable from Net Revenues in the future on a parity with its obligations under the Purchase Agreement or any outstanding Parity Obligations except for (a) additional Parity Obligations entered into or issued for the purpose of refunding the Senior Obligations if, upon the incurring of such Parity Obligations, the conditions specified in the next paragraph are met, or (b) additional Parity Obligations entered into or issued for purposes other than refunding the Senior Obligations and for the purpose of providing funds to make improvements and expansions to the existing System, to purchase capacity rights in sewage treatment plant facilities owned by other political subdivisions of the State, to purchase capacity rights in water treatment plant facilities owned by other political subdivisions of the State, to acquire land, rights in land or water rights for the System, to provide reasonable reserves for Senior Obligations, to refund Senior Obligations or to refund other bonds of the City, if any, whether

revenue bonds, general obligation bonds or other bonds or obligations, issued to provide funds to construct or acquire additions, extensions, improvements, expansions or replacements to the System if, upon the incurring of such Parity Obligations, the conditions specified in the Purchase Agreement are met.

Any or all of the Senior Obligations may be refunded at maturity, upon redemption in accordance with their terms or with the consent of the holders thereof, and the refunding Parity Obligations so entered into or issued will constitute Parity Obligations; provided, however, that: (a) the requirements in the next paragraph shall be satisfied, except that for the purpose of the calculation required in the next paragraph, the percentage requirement on such Parity Obligations will be taken into consideration only in any future Fiscal Year in which any fractional part of such Parity Obligations will remain outstanding after the issuance of such Parity Obligations and the City Clerk shall have received a statement of an Independent Certified Public Accountant demonstrating the same; or (b) all outstanding Senior Obligations are being refunded under arrangements which immediately result in making provision for the payment of the refunded Senior Obligations.

Additional Parity Obligations may also be issued for other than refunding purposes as described above if, prior to the issuance thereof, the City will not, at the time of the issuance thereof, be in default under any Senior Obligations or under the Purchase Agreement or Parity Obligation Documents or any related credit or reserve fund instrument, and there shall have been procured and filed with the City Clerk and the Trustee a certificate or report by an Independent Certified Public Accountant to the effect that the aggregate amount of Net Revenues for the last full Fiscal Year immediately preceding the issuance thereof were equal to the sum of (i) not less than one hundred twenty percent (120%) of the highest aggregate Interest Requirement and Principal Requirement of all outstanding Senior Obligations to fall due and payable in the current or any future Fiscal Year, including the obligations proposed to be issued, (ii) not less than one hundred percent (100%) of the aggregate amounts payable in such Fiscal Year and secured on a subordinate basis by Net Revenues, and (iii) not less than one hundred percent (100%) of any additional amounts required to maintain or fund necessary fund balances under the Purchase Agreement or any documents constituting or authorizing Parity Obligations.

Any statement of an Independent Certified Public Accountant required pursuant to the preceding paragraph may contain the following adjustments to Net Revenues for such most recently completed Fiscal Year:

(a) If Revenues have been increased as a result of construction of additions or acquisitions to the System made prior to the issuance thereof but during either the Fiscal Year in which the same are to be issued or in the preceding Fiscal Year, such increased Revenues may be treated as if such additions to the System were completed on the first day of the Fiscal Year used for purposes of the computation. The Revenues derived from such additions and acquisitions to the System may be converted for purposes of computation to estimated Net Revenues which would have been derived therefrom if said additions and acquisitions had actually been completed on the first day of the year used for computation purposes, such estimates to be made by an Independent Engineer.

(b) If all or part of the proceeds thereof are to be expended for the acquisition of existing water or wastewater properties or facilities, there may be added to the Net Revenues of such preceding Fiscal Year the Net Revenues which would have been derived from the operation of such properties or facilities if such properties or facilities had been acquired or operated by the City under the applicable rate schedule of the City during the entire preceding Fiscal Year, such Net Revenues to be estimated by an Independent Engineer.

(c) If prior to the issuance thereof and subsequent to the first day of such preceding Fiscal Year, the City shall have increased its rates or charges imposed for water or wastewater services, there may be added to the Net Revenues of such Fiscal Year the additional Net Revenues which would have been received from the operation of the System during such Fiscal Year had such increase been in effect throughout such Fiscal Year, such additional Net Revenues to be estimated by an Independent Engineer.

The Purchase Agreement provides that the City may not incur any obligations payable from the Net Revenues ranking prior to the obligations of the City under the Purchase Agreement.

**SOURCES AND USES OF FUNDS**

<b>Sources of Funds:</b>	2025A Obligations	2025B Obligations	Total
Principal Amount of Obligations [Net] Original Issue Premium	\$20,880,000.00*	\$21,480,000.00*	\$42,360,000.00*
<b>Total Sources</b>			
 <b>Uses of Funds:</b>			
Payment of Costs of the Projects Payment of Costs of Issuance (a)			
<b>Total Uses</b>			

(a) *Costs related to the execution and delivery of the Obligations, including underwriter's compensation.*

\* *Subject to change.*

*[Remainder of page left intentionally blank.]*

The following table illustrates certain information relating to the operation of the System and estimated debt service coverage ratio for total annual debt service requirements provided by Net Revenues.

**HISTORICAL, UNAUDITED ACTUAL AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE**

	<u>Audited</u>					<u>Unaudited</u>	<u>Budgeted (a)</u>
	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Actual (a)</u>	<u>2025/26</u>
<b>Revenues</b>							
Water Services and Fees	\$ 24,314,126	\$ 25,590,121	\$ 26,094,894	\$ 27,595,387	\$ 28,374,604	\$ 29,168,211	\$ 29,375,130
Water Non-Rate Revenues	2,181,115 (b)	934,864 (b)	1,274,740	2,434,819	4,877,452	4,547,910	2,570,250
Water Capacity Fees	2,688,781	3,141,281	3,226,474	1,545,956	2,590,211	3,230,030	2,900,000
Wastewater Services and Charges	15,470,458	15,911,054	16,509,915	17,976,835	19,000,086	18,376,138	20,132,000
Wastewater Non-Rate Revenues	3,302,648	2,718,056	1,814,791	6,903,515	6,997,504	5,988,244	2,906,086
Wastewater Capacity Fees	3,103,944	3,458,574	3,571,913	1,607,047	2,804,712	3,522,223	3,400,000
<b>Total Revenues</b>	<b>\$ 51,061,072</b>	<b>\$ 51,753,950</b>	<b>\$ 52,492,727</b>	<b>\$ 58,063,559</b>	<b>\$ 64,644,569</b>	<b>\$ 64,832,756</b>	<b>\$ 61,283,466</b>
<b>Operation and Maintenance Expenses</b>							
Water Personnel Expenses	\$ 5,750,313	\$ 5,282,034	\$ 5,196,654	\$ 6,440,820	\$ 7,519,555	\$ 8,737,002	\$ 9,308,801
Water Operating Expenses	6,732,644	6,723,997	8,181,188	8,041,579	8,956,826	9,762,533	11,112,419
Wastewater Personnel Expenses	4,723,514	4,352,510	4,352,510	5,070,392	6,252,622	6,082,908	7,276,484
Wastewater Operating Expenses	5,991,132	6,013,934	6,858,710	7,923,986	8,554,494	8,967,218	10,039,578
<b>Total Operation and Maintenance Expenses</b>	<b>\$ 23,197,603</b>	<b>\$ 22,372,475</b>	<b>\$ 22,803,430</b>	<b>\$ 27,476,777</b>	<b>\$ 31,283,497</b>	<b>\$ 33,549,661</b>	<b>\$ 37,737,282</b>
<b>Net Revenues (c)</b>	<b>\$ 27,863,469</b>	<b>\$ 29,381,475</b>	<b>\$ 29,689,297</b>	<b>\$ 30,586,782</b>	<b>\$ 33,361,072</b>	<b>\$ 31,283,095</b>	<b>\$ 23,546,184</b>
<b>Debt Service</b>							
Outstanding Debt Service for Existing Parity Obligations and Bonds	\$ 13,572,898	\$ 13,428,917	\$ 13,554,843	\$ 13,276,583	\$ 12,224,288	\$ 12,197,538	\$ 12,183,788
<b>Net Revenue Bond Debt Service Coverage (d)</b>	<b>2.05x</b>	<b>2.19x</b>	<b>2.19x</b>	<b>2.30x</b>	<b>2.73x</b>	<b>2.56x</b>	<b>1.93x</b>
<b>Net Revenue Bond Debt Service Coverage without Capacity Fees</b>	<b>1.63x</b>	<b>1.70x</b>	<b>1.69x</b>	<b>2.07x</b>	<b>2.29x</b>	<b>2.01x</b>	<b>1.42x</b>

- (a) Amounts are unaudited actual or budgeted and are subject to change until audit. These amounts are “forward-looking” statements and should be considered with an abundance of caution.
- (b) The Water Non-Rate Revenues of the System were adversely affected in audited Fiscal Years 2019/20 and 2020/21 by the decline in fixed income market interest rates due to COVID-19, the adverse effects of which were reflected in the year-over-year declines in revenue.
- (c) Represents amount of System revenues available after payment of the Operation and Maintenance Expenses.
- (d) Debt Service Coverage is computed using Net Revenues available for debt service for each Fiscal Year divided by the annual debt service on the outstanding Parity Obligations.

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## DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

The following table sets forth (i) the annual debt service requirements of the outstanding Parity Obligations, (ii) the annual debt service requirements of each series of the Obligations, (iii) the combined annual debt service requirements following execution and delivery of the Obligations, and (iv) the projected debt service coverage based on unaudited actual Net Revenues for the Fiscal Year ended June 30, 2025.

### SCHEDULE OF ANNUAL UTILITY SYSTEM REVENUE OBLIGATION DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE (a)

Fiscal Year	Net Revenues (b)	Utility System Revenue Obligations Outstanding Debt Service	The 2025A Obligations*			The 2025B Obligations*			Total Aggregate Debt Service*	Annual Debt Service Coverage (d)	
			Principal	Interest (c)	Total	Principal	Interest (c)	Total			
			2023/24	\$33,361,072							
2024/25	31,283,095	\$12,224,288						\$12,224,288	2.56x		
2025/26	23,546,184	12,197,538	\$1,040,000	\$609,000 (e)	\$1,649,000	\$2,100,000	\$626,500 (e)	\$2,726,500	13,846,538	2.26x (f)	
2026/27		12,183,788	650,000	992,000	1,642,000	1,760,000	969,000	2,729,000	13,825,788	2.26x	
2027/28		12,171,538	680,000	959,500	1,639,500	1,845,000	881,000	2,726,000	13,811,038	2.27x	
2028/29		12,084,788	715,000	925,500	1,640,500	1,935,000	788,750	2,723,750	13,725,288	2.28x	
2029/30		12,049,488	750,000	889,750	1,639,750	2,035,000	692,000	2,727,000	13,689,238	2.29x	
2030/31		12,023,438	785,000	852,250	1,637,250	2,135,000	590,250	2,725,250	13,660,688	2.29x	
2031/32		11,994,038	825,000	813,000	1,638,000	2,245,000	483,500	2,728,500	13,632,038	2.29x	
2032/33		6,481,700	870,000	771,750	1,641,750	2,355,000	371,250	2,726,250	8,123,450	3.85x	
2033/34		6,486,200	910,000	728,250	1,638,250	2,475,000	253,500	2,728,500	8,124,450	3.85x	
2034/35		6,481,600	955,000	682,750	1,637,750	2,595,000	129,750	2,724,750	8,119,350	3.85x	
2035/36		6,484,600	1,005,000	635,000	1,640,000				8,124,600	3.85x	
2036/37		6,484,600	1,055,000	584,750	1,639,750				8,124,350	3.85x	
2037/38		6,481,400	1,110,000	532,000	1,642,000				8,123,400	3.85x	
2038/39		6,484,800	1,165,000	476,500	1,641,500				8,126,300	3.85x	
2039/40		6,484,200	1,220,000	418,250	1,638,250				8,122,450	3.85x	
2040/41		6,484,400	1,285,000	357,250	1,642,250				8,126,650	3.85x	
2041/42			1,355,000	293,000	1,648,000				1,648,000	18.98x	
2042/43			1,425,000	225,250	1,650,250				1,650,250	18.96x	
2043/44			1,500,000	154,000	1,654,000				1,654,000	18.91x	
2044/45			1,580,000	79,000	1,659,000				1,659,000	18.86x	
			\$155,282,400	\$20,880,000	\$11,978,750	\$32,858,750	\$21,480,000	\$5,785,500	\$27,265,500	\$188,141,150	

- (a) Prepared by the Underwriter. Amounts may not add due to rounding.
- (b) Reflects audited Net Revenues available for debt service for the Fiscal Year ended June 30, 2024, unaudited actual Net Revenues available for debt service for the Fiscal Year ended June 30, 2025, and budgeted Net Revenues available for debt service for the Fiscal Year ended June 30, 2026, as provided by the City. See "HISTORICAL, UNAUDITED ACTUAL AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE" herein. Amounts for the Fiscal Years ended June 30, 2025, and June 30, 2026, are unaudited actual or budgeted, respectively, and are subject to change until audit. These amounts are "forward-looking" statements and should be considered with an abundance of caution.
- (c) Interest is estimated.
- (d) Debt service coverage is computed using unaudited actual Net Revenues available for debt service for the Fiscal Year ended June 30, 2025, divided by the combined annual debt service on the outstanding Parity Obligations and the Obligations.
- (e) The first interest payment on the Obligations will be due January 1, 2026\*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the final maturity, or prior redemption, of the Obligations.
- (f) Represents the maximum annual debt service coverage on the combined annual debt service for the outstanding Parity Obligations and the Obligations.

\* Subject to change.

## RISK FACTORS

*Investment in the Obligations involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Obligations for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Obligations. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### Limited Obligations

The obligation of the City under the Purchase Agreement will not constitute a debt or a pledge of the full faith and credit of the City, the State or any other political subdivision thereof. The City will not pledge any form of *ad valorem* property taxes to the payment of the Obligations. The Obligations will be special, limited obligations of the City, secured only by the Purchase Payments which are to be paid from, and secured by a pledge of, the Net Revenues. No security interest will be held by the Trustee for the benefit of the owners of the Obligations in any portion of Projects or the System. Remedies available to the Trustee upon a failure of the City to make the Purchase Payments when due will be generally limited to specific performance against the City to payment from the Net Revenues.

No assurance can be made that the Net Revenues, estimated or otherwise, will be realized by the City in amounts sufficient to pay the Purchase Payments. In addition, the realization of future Net Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water and sewer management services to its customers, and the ability of the City to meet its covenant to fix, prescribe, and collect rates and charges for the System in amounts sufficient to timely pay the Purchase Payments. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Rate Covenant.” Additional obligations may be incurred in the future that are secured by the Net Revenues on a parity with the Obligations. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Additional Parity Obligations; No Prior Obligations.”

### System Expenses and Future Rates

Increases in expenses could require a significant increase in rates or charges in order to pay for projects and to pay the debt service on any Parity Obligations, including, without limitation, the Purchase Payments securing the Obligations. Also, any such rate increases could increase the likelihood of nonpayment by purchasers of water and sewer services from the City and could also decrease demand from such purchasers and may impact the City’s ability to make the Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the Obligations.

### Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The operations of the System on a daily basis require a significant amount of electrical power and natural gas. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Prices for electricity or gas may increase, which could adversely affect the System’s financial condition.

### System Demand

There can be no assurance that the local demand for the services provided by the System will be maintained at levels described in this Official Statement. Because of the potential for changes in demographics within the boundaries of the City, as well as unpredictable future hydrological conditions, it is possible for the demand for water and sewer services to decline over the term of the Obligations. In addition, major economic disruptions and recession may adversely affect the economic activity of the region in general, resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction all of which could cause a decline in the demand for water and wastewater services. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in customers or usage. This could reduce the City’s ability to make the Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the Obligations as and when due.

## **Water Supply and Drought Conditions**

The ability of the System to operate effectively can be affected by the water supply available to the City, which is situated in a desert environment. If the water supply decreases significantly, whether by operation or mandatory supply restrictions, prohibitively high water costs or otherwise, System sales may diminish and Net Revenues available to pay the Purchase Payments may be adversely affected. The City has planned and managed reserve supplies to account for normal occurrences of drought conditions.

The Colorado River System has experienced over-allocation and extensive drought conditions have persisted for several years. To address the ongoing drought the State of Arizona developed the 2007 Drought Contingency Plan (DCP), which is administered by the Bureau of Reclamation. The DCP regulates water shortages for surface water entitlement users of the Colorado River. The DCP uses Arizona's water priority system to identify and regulate those users that will be subject to water restrictions and shortages. Colorado River water priorities are determined by type and length of historic use. Arizona's Colorado River surface water priority system is divided into six tiers, with each tier (beginning with Tier 1) being senior and prioritized over the other. As drought conditions persist the DCP will regulate water shortages to tiers 4, 5, and 6 water entitlement holders. Arizona's Colorado River surface water entitlement holders' tiers 1, 2, and 3 are not subject to any water shortages or restrictions as outlined by Arizona's DCP. The City holds 1,478 acre-feet of Priority 1 – Present Perfected Water Rights, and 48,522 acre-feet of Third Priority Colorado River water. These are some of the oldest and best water rights on the lower Colorado River and the City's water portfolio is expected to remain at 100%. See APPENDIX A – "CITY OF YUMA, ARIZONA – THE SYSTEM." [REDACTED]

## **Security of the System**

To ensure water quality and delivery service are maintained, the City continually plans and prepares for emergency situations such as fire, power failure, or possible terrorist activities. There can be no assurance that any existing or additional safety and security measures will prove adequate in the event of an emergency situation affecting the System, or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the System could require the City to increase expenditures for repairs to the System significantly enough to adversely impact the City's ability to make the Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the Obligations.

## **Factors Adversely Affecting Development**

The allocable portion of any development, impact, connection or related fee or charge available as a result of the existence of the System are paid to the City as building permits are pulled for the construction of new homes and other structures. The pace at which building permits are pulled will be affected by changes in general economic conditions, fluctuations in land prices both locally and nationally, availability of water, water treatment, wastewater treatment and power necessary for development, changes in the income tax treatment of land and ownership, changes in the availability and cost of borrowed funds and numerous other factors. In addition, land development operations are subject to comprehensive federal, State and local regulation. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, the availability of an assured water supply, construction activity, land use, zoning, school and health requirements and many other matters.

In areas of substantial growth, such as the City, public and or political attitudes toward growth are subject to shifts from support for growth to opposition to growth. Although growth cannot be prevented, no assurance can be given that the City Council as now constituted or a future City Council will not delay or defer action required for continued growth. Such action by the City Council as now constituted or a future City Council could have a material adverse effect on future collections of any development, impact, connection or related fee or charge available as a result of the existence of the System.



## **Limitations on Remedies**

Any remedies available to the owners of the Obligations upon the occurrence of an Indenture Event of Default or a Purchase Event of Default will be in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the owners of the Obligations, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, receivership, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the I exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against political subdivisions in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Obligations to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the Obligations that the Obligations constitute valid and binding limited obligations of the City and the Indenture constitutes a valid and binding obligation of the City will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the Obligations will be similarly qualified. See APPENDIX D – "FORM OF OPINION OF SPECIAL COUNSEL."

If the City fails to comply with its covenants under the Purchase Agreement to pay the Purchase Payments, there can be no assurance of the availability, or timeliness, of remedies adequate to protect the interests of the Holders of the Obligations.

## **Statutory and Regulatory Compliance; Future Legislation**

The System is subject to a variety of federal and State statutory and regulatory requirements. Laws and regulations governing water and wastewater treatment and the delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly and, as more stringent standards are developed to ensure safe drinking water standards and the provision of water for other purposes, such costs will likely increase.

The City's failure to comply with applicable laws and regulations could result in significant fines and penalties. Such claims are payable from assets of the System or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency water and sewer systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. The City is unable to predict the adoption or amendment of any such laws, rules or regulations, or their effect on the operations of the System or financial condition of the City. Future compliance with such orders can also impose substantial additional costs on the System.

No assurance can be given that the cost of compliance with such laws, regulations, and orders would not adversely affect the ability of the System to generate Net Revenues sufficient to pay the debt service on any Obligations, outstanding Parity Obligations or additional Parity Obligations, including, without limitation, the Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the Obligations.

## **Limited Secondary Market for the Obligations**

There can be no guarantee that there will ever be a secondary market for purchase or sale of the Obligations or, if a secondary market exists, that the Obligations can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues

for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Loss of Tax Exemption on the Obligations**

As discussed under heading “TAX EXEMPTION,” the Interest Portion (as defined herein) received by Holders of the Obligations could become included in gross income for purposes of federal income taxation, retroactive to the date the Obligations were executed and delivered, as a result of future acts or omissions of the City in violation of its covenants in the Indenture and the Purchase Agreement.

### **Economic, Political, Social, and Environmental Conditions**

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, imposition of tariffs or other trade restrictions, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters. The City cannot guarantee that prices for electricity will not increase, which could adversely affect the System’s financial condition.

### **Cybersecurity; Other Safety and Security Risks**

Cybersecurity breaches could damage the City’s information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the System or the finances of the City. The City maintains active security (including information security) and emergency preparedness programs and has a number of security measures and safeguards in place. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities, including cyber terrorism, or acts of malfeasance are directed against the assets of the System or the information technology systems of the City. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

## **LITIGATION**

To the knowledge of appropriate representatives of the City, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin: the execution or delivery of the Purchase Agreement, the Indenture or the Obligations, the application of the proceeds of the Obligations or the pledge and/or collection of Net Revenues to pay the principal of, and interest on, the Obligations; contesting or questioning the proceedings and authority under which the Purchase Agreement, the Indenture or the Obligations have been authorized and are to be sold, executed or delivered, or the validity of the Obligations.

The City is party to various lawsuits and other claims incidental to the ordinary course of its operations. The City’s management believes, based on the advice of the City Attorney, that the resolution of such matters will not have a materially adverse effect on the City’s financial position. Certificates of appropriate representatives of the City to that effect will be delivered at the time of the original delivery of the Obligations.

## **TAX EXEMPTION**

### **General**

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Holders of the Obligations (the “Interest Portion”) be and remain excludable

from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

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

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

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

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

### **Original Issue Discount and Original Issue Premium**

Certain of the Obligations ("Discount Obligations") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public

offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

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

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

### **Changes in Federal and State Tax Law**

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

### **Information Reporting and Backup Withholding**

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

Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **LEGAL MATTERS**

Legal matters incident to the execution and delivery of the Obligations and with regard to the tax-exempt status of the Interest Portion are subject to the legal opinion of Greenberg Traurig, LLP, Special Counsel (“Special Counsel”), whose services have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect as of the date of the Obligations, will be delivered to the Underwriter at the time of original delivery of the Obligations. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr LLP, counsel to the Underwriter.

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

While Special Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Obligations that may be prepared or made available by the City or others to holders of the Obligations or others.

The legal opinions to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Obligations. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **RATINGS**

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and Fitch Ratings, Inc. (“Fitch”) have assigned the ratings of “\_\_\_” and “\_\_\_,” respectively, to the Obligations. The significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, One California Street, 31st Floor, San Francisco, California 94111 and Fitch, One State Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or the marketability of the Obligations. The City will covenant in its continuing disclosure undertaking with respect to the Obligations that it will file notice of any formal change in any rating relating to the Obligations. See “CONTINUING DISCLOSURE” and APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

## **CONTINUING DISCLOSURE**

The City will covenant for the benefit of the Holders of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2026 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”). The Annual Reports and the Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s

Electronic Municipal Market Access system as described in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices is set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

*[To be updated/confirmed upon receipt of the City’s third-party continuing disclosure report]*

## FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2024, and for its Fiscal Year then ended, included as APPENDIX E – “CITY OF YUMA, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024” to this Official Statement, have been audited by Baker Tilly US, LLP, as stated in its opinion included therein. **The City has not requested the consent of Baker Tilly US, LLP to include its report and Baker Tilly US, LLP has performed no procedures subsequent to rendering its report on the financial statements.**

**THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX E OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.**

## UNDERWRITING

The Obligations will be purchased by the Underwriter at an aggregate purchase price of \$ \_\_\_\_\_, pursuant to an obligation purchase agreement (the “Purchase Contract”) entered into by and between the City and the Underwriter. If the Obligations are sold to produce the yields shown on the inside front cover pages hereof, the Underwriter’s compensation will be \$ \_\_\_\_\_. The Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered if any are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover pages hereof. The initial offering prices or yields set forth on the inside front cover pages may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

**RELATIONSHIP AMONG PARTIES**

Special Counsel has previously represented the Underwriter and is currently representing the Underwriter with respect to other financings and has acted or is acting as special counsel with respect to other obligations underwritten by the Underwriter and may do so in the future. Special Counsel also serves and has served as special counsel for one or more of the political subdivisions that the City territorially overlaps. Counsel to the Underwriter has previously acted as special counsel with respect to other obligations underwritten by the Underwriter and may continue to do so in the future if requested. Counsel to the Underwriter currently represents the City on other unrelated matters and may continue to do so in the future.

**CONCLUDING STATEMENT**

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the Obligations.

CITY OF YUMA, ARIZONA

By: \_\_\_\_\_  
John D. Simonton, Interim City Administrator

## CITY OF YUMA, ARIZONA – THE SYSTEM

**General Background**

The “System” consists of the City’s water treatment plants and distribution systems (the “Water System”) and the City’s wastewater treatment plants and collection system (the “Wastewater System”). The System is the primary municipal and industrial utility service provider within the corporate limits of the City.

The System is self-sufficient in terms of operation and maintenance. The City’s Finance Department, which has the responsibility for all financial administration in the City, performs general accounting duties for the System. The System is managed by the City’s Utilities Department (the “Department”). The Department currently employs [144] fulltime employees, of which more than half possess an Arizona Department of Environmental Quality (“ADEQ”) issued license. The System is currently in compliance with all United States Environmental Protection Agency regulations (“EPA”).

ADEQ has notified the City by letter dated November 9, 2021 (the “ADEQ Notice”) that a pre-existing waiver from the enhanced coagulation requirements of the Disinfection Byproducts (DBP) rule under the Safe Drinking Water Act is no longer warranted. The ADEQ Notice includes a recommendation that the City demonstrate compliance with the applicable regulations or improve and optimize processes on a going forward basis. The ADEQ Notice also describes a public notice that may need to be issued by the Water System to all customers under the circumstances and in the manner described in the ADEQ Notice. Lastly, the ADEQ Notice confers a right to an administrative appeal or to request an administrative hearing regarding ADEQ’s determination. The deadline for an appeal or request for a hearing is December 9, 2021. The City expects to exercise its appeal right prior to such deadline. The expected costs of compliance with the regulations and recommendations included in the ADEQ Notice (regardless of the outcome of any appeal) will not have a material adverse effect on the finances or operations of the System, or the security and source of payment of the Obligations.

The City’s Engineering Department is responsible for engineering activities involving administration, planning and directing the System design, mapping and records, system information and construction contract compliance, long and short-range system planning.

The System is operated in a manner similar to a private business enterprise in that the costs of providing goods and services to the general public on a continuing basis are financed primarily by user charges and fees. The System’s accounting records are kept separate from City general government accounting records. Although a separate audit of the System’s records is not conducted, they are subject to audit procedures in conjunction with the annual audit of the City’s combined financial statements. The System’s authority and responsibility are derived from the City’s Charter and ordinances and resolutions of the Mayor and Council. The Mayor and Council also adopt the System’s annual budget, which in accordance with State laws governing municipal water systems, establishes water rates and fee structures and provides overall policy direction.

**Water and Wastewater Systems**

With an annual production of 8.8 billion gallons, the City provides drinking water to a static population of more than 110,000 customers in a service area that encompasses over 106 square miles. The City’s primary water source is provided by the Colorado River, which is administered by the U.S. Bureau of Reclamation. The City has a 50,000 acre-foot consumptive use entitlement of Colorado River Water. The City has also secured the delivery rights to an additional 17,000 acre-feet of Yuma Diversion Colorado River water through conversion agreements with Yuma County Water Users Association. The City has three groundwater wells to augment the surface water supplies. Using both surface and groundwater, the water treatment system includes two treatment plants, three major booster pump stations, and eight storage facilities with a combined storage capacity of 17.5 million gallons. The water treatment plants include the Main Street Facility with a capacity of 40 million gallons per day and the Agua Viva Facility at 29 million gallons per day. Water transmission/distribution system infrastructure includes two pressure zones with approximately 550 miles of pipe, over 17,200 valves, more than 3,900 fire hydrants and over 33,000 water meters.



Wastewater services are provided to more than 90,000 customers by the System with annual processed wastewater exceeding 3.6 billion gallons. Regulated through EPA and ADEQ permits, the wastewater treatment system includes three wastewater treatment and water reclamation facilities, two major pumping station and twenty-five lift stations. Current treatment capacity of 15.56 million gallons per day includes the Figueroa Facility at 12 million gallons, the Desert Dunes Water Reclamation Facility at 3.3 million gallons and the Jackrabbit Mesa Facility at .26 million gallons per day. Wastewater infrastructure of the System includes 370 miles of sanitary sewer collection lines and force mains with over 5,700 sanitary sewer manholes. The Projects consist of expansion of the Desert Dunes Water Reclamation Facility to a treatment capacity of 6.6 million gallons per day.

**Billing Procedures**

The City’s Financial Services Department also performs all accounting services for the System, and the bills for water and wastewater services are billed together on a monthly customer statement.

If a water bill has not been paid before the next monthly bill is generated, a \$20 delinquency fee is charged. If the delinquent portion is not paid by the due date of the second bill, the water service is discontinued, as noticed on the second bill, until such time as the account is fully paid. In addition, the customer is charged a fee of \$50 in order to have service restored.

The City also requires a security deposit for new utility customers.

**Utility Accounts**

The following tables illustrate the number and type of customer accounts.

**TABLE A-1  
Number of Utility Accounts  
City of Yuma, Arizona**

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2025*		
2024		
2023		
2022		
2021		

\* 2025 account data current through \_\_\_\_\_ 2025.

**TABLE A-2  
Customer Classes - Water  
City of Yuma, Arizona**

<u>Year</u>	<u>Residential</u>		<u>Industrial</u>		<u>Commercial</u>		<u>Total</u>
	<u>Inside (a)</u>	<u>Outside (a)</u>	<u>Inside</u>	<u>Outside</u>	<u>Inside</u>	<u>Outside</u>	
2025*							
2024	32,265	4,546	622	253	3,522	969	42,177
2023	26,991	2,655	445	165	3,737	591	34,584
2022	26,699	2,430	441	163	3,567	509	33,809
2021	25,789	2,421	438	192	3,855	525	33,220

\* 2025 account data current through \_\_\_\_\_ 2025.

(a) “Inside” and “Outside” in TABLES A-2, A-3 and A-4 refers to inside City limits and outside City limits.

**TABLE A-3  
Customer Classes - Wastewater  
City of Yuma, Arizona**

Year	Residential		Industrial		Commercial		Total
	Inside	Outside	Inside	Outside	Inside	Outside	
2025*							
2024	31,103	2,121	963	81	1,732	274	36,275
2023	26,019	1,239	689	53	1,838	167	30,005
2022	24,967	1,208	676	51	532	152	27,586
2021	23,571	1,151	429	53	1,685	153	27,042

\* 2025 account data current through \_\_\_\_\_ 2025.

**TABLE A-4  
Number of Accounts by Meter Size - 2024  
City of Yuma, Arizona**

Meter Size	Residential		Industrial		Commercial		Total
	Inside	Outside	Inside	Outside	Inside	Outside	
5/8"	23,054	4,060	94	155	1,022	307	28,691
3/4"	5,922	259	31	15	493	175	6,895
1"	3,236	137	231	48	1,063	159	4,873
1 1/2"	38	91	52	5	270	15	471
2"	14	-	208	31	648	82	984
3"	-	-	6	-	19	228	252
4"	-	-	-	-	-	-	-
6"	-	-	1	-	7	3	11
8"	-	-	-	-	-	-	-
Total	32,265	4,546	622	253	3,522	969	42,177

**Water and Wastewater Rates**

Water Rates

In January 2015, the City adopted a resolution implementing a series of rate increases for five years, impacting Fiscal Year 2015 through Fiscal Year 2019. The total cumulative rate increase of the five-year period equated to a total increase of 13%. The current water capacity fees were last adjusted in 2016. The water usage rates vary by several factors. The base charge is determined by whether the customer is located inside or outside city limits, and by meter size. Rates for accounts outside city limits are approximately 33% greater than those inside the City. Volumetric charges vary according to the type of account, i.e., single-family residential, multifamily residential or commercial. Irrigation accounts are charged commercial rates with a single unit volumetric rate.

Wastewater Rates

Wastewater rates received the same incremental adjustments as described above in January 2015. The City currently charges residential (single and double family) customers a flat monthly charge, while commercial customers are charged a monthly service charge and a volume charge. A dual meter rate classification denotes users with separately metered water, which is not returned to the City wastewater collection system. Rates for industrial users are based on wastewater volume, biochemical oxygen demand, suspended solids, and other pollutants in accordance with Pretreatment Regulations. The City has approximately 20-24 industrial customers who are subject to biological

oxygen demand (BOD) and total suspended solids (TSS) surcharges. Rates for accounts outside city limits are approximately 33% greater than those inside the City.

**Current Water Rates**

**TABLE A-5  
Current Water Rates  
City of Yuma, Arizona**

		Inside the City <u>\$/mo</u>	Outside the City <u>\$/mo</u>
Base Charge	5/8" meter	17.82	23.70
Base Charge	3/4" meter	17.82	23.70
Base Charge	1" meter	21.56	28.67
Base Charge	1½" meter	27.93	37.15
Base Charge	2" meter	34.26	45.57
Base Charge	3" meter	62.09	82.58
Base Charge	4" meter	93.72	124.65
Base Charge	6" meter	172.79	229.81
Base Charge	8" meter	251.83	334.93

**TABLE A-6  
Current Water Usage Charges  
City of Yuma, Arizona**

	<b>Residential Usage <u>Charge</u></b>		<b>Industrial Usage <u>Charge</u></b>		<b>Commercial and Irrigation <u>Usage Charge</u></b>	
	Inside the City <u>\$/100cuft</u>	Outside the City <u>\$/100cuft</u>	Inside the City <u>\$/100cuft</u>	Outside the City <u>\$/100cuft</u>	Inside the City <u>\$/100cuft</u>	Outside the City <u>\$/100cuft</u>
0-10 hcf	1.56	2.07	1.56	2.07	1.75	2.29
11-30 hcf	1.83	2.43	1.83	2.43	1.75	2.29
31+ hcf	2.10	2.79	2.10	2.79	1.75	2.29

**Current Capacity and Usage Charges**

**TABLE A-7A  
Base Capacity Charges by Meter Size – Residential  
City of Yuma, Arizona**

*[TO COME]*

**TABLE A-7B**  
**Base Capacity Charges by Meter Size – Commercial**  
**City of Yuma, Arizona**

*[TO COME]*

**TABLE A-8**  
**Current Wastewater Usage Charges**  
**City of Yuma, Arizona**

	Residential Usage Charge		Multifamily Usage Charge		Commercial Usage Charge		Industrial Usage Charge	
	Inside the City	Outside the City	Inside the City \$/100cuft	Outside the City \$/100cuft	Inside the City \$/100cuft	Outside the City \$/100cuft	Inside the City \$/100cuft	Outside the City \$/100cuft
Base Charge	\$36.91	\$49.12	\$4.74	\$6.30	\$4.74	\$6.30	\$2.10	\$2.77
Per HCF	--	--	2.10	2.77	2.10	2.77	--	--
BOD per LB	--	--	--	--	--	--	0.30	0.40
TSS per LB	--	--	--	--	--	--	0.30	0.40

*[Remainder of page left intentionally blank.]*

TABLE A-9 shows the System Usage Charges for the past ten fiscal years broken down between residential and commercial/industrial users.

**TABLE A-9**  
**Summary of Usage Charges**

*[TO COME]*

TABLE A-10 summarizes capacity fee revenues for the past ten fiscal years.

**TABLE A-10**  
**Capacity Fee Revenues**

*[TO COME]*

*[Remainder of page left intentionally blank.]*

**Other Fees and Charges**

The System receives additional revenue from various other fees and charges. These fees and charges include fire hydrant fees, delinquent fees, service establishment fees, water transfer fees, water system development fees, interest earnings and miscellaneous other income. A summary of the revenues received by the System from these sources in recent fiscal years follows:

**TABLE A-11  
Revenues from Other Fees and Charges**

*[TO COME]*

**TABLE A-12  
Actual and Projected Water Usage (1,000 gallons)  
Fiscal Year Ending June 30**

	Actual			Projected		
	<u>2023</u>	<u>2024</u>	<u>2025*</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Water</u>						
Residential						
Commercial						
Industrial						
Total						

\* 2025 account data current through \_\_\_\_\_ 2025.

**TABLE A-13**  
**Top Ten Customers of the System**

*[TO COME]*

---

(a) Comprised of 4 accounts.

(b) Comprised of 2 accounts.

**TABLE A-14**  
**Changes in Number of Customers**

Since Fiscal Year 2015/16, the average number of customers served by the System has been:

Fiscal Year	Average # of Customers	% Increase
2016	30,312	1.5%
2017	30,830	1.7%
2018	31,421	1.9%
2019	31,993	1.8%
2020	32,502	1.6%
2021	33,159	2.0%
2022		
2023		
2024		
2025		

**Capital Improvements**

The City’s Capital Improvement Program (“CIP”) is revised each year to reflect changes in anticipated needs and project priority. CIP projects include System expansions that are determined by the City to be necessary to meet the needs of the System. For Fiscal Year 2025/26, the City is estimating for the System approximately \$\_\_\_\_,\_\_\_\_,000 for CIP projects (of which approximately \$44,000,000 is being financed with the proceeds of the Obligations) and has a five year plan for Fiscal Years 2025/26 through 2030/31 totaling approximately \$\_\_\_\_,\_\_\_\_,000 (of which approximately \$44,000,000 is being financed with the proceeds of the Obligations).

**CITY OF YUMA, ARIZONA – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

*The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Purchase Payments to be paid by the City under the Purchase Agreement which are secured by the Net Revenues as described under the heading “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS.”*

**General**

The City is located in the southwestern corner of Arizona at the confluence of the Colorado and Gila Rivers. Historically, the City has been the crossing site between states and territories East and West of the Colorado River. Known originally as Colorado City, then Arizona City, and finally as Yuma City, this community was first established in 1854. Incorporated under the name Arizona City in 1871, it was reincorporated as Yuma in 1873 in the Arizona Territory. After Arizona became a state, the City was incorporated under the laws of the State in 1914. The City serves as the county seat of Yuma County, Arizona (the “County”) and encompasses approximately 120 square miles. The City is located equidistant between the City of Phoenix, Arizona (“Phoenix”) and the City of San Diego, California (“San Diego”), with travel times of approximately 2.5 hours from the City to either Phoenix or San Diego. Today, the City remains a crossroads for air and land transportation. The City’s major air transportation is provided by Yuma International Airport and major land transportation is comprised of Interstate 8, U.S. Route 95 and Union Pacific Railroad. The following table illustrates population statistics for the City, the County and the State.

**Population Statistics**

	<u>City of Yuma</u>	<u>Yuma County</u>	<u>State of Arizona</u>
2024 Estimate (a)	102,726	217,978	7,621,703
2020 Census	95,548	203,881	7,151,502
2010 Census	93,064	195,751	6,392,017
2000 Census	77,515	160,026	5,130,632
1990 Census	56,966	106,895	3,665,339
1980 Census	42,481	76,205	2,716,546

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(a) Data as of July 2024.

Source: Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

**Municipal Government and Organization**

The City operates under a Council-Administrator form of government, as provided by its Charter. The City was incorporated in 1914 and adopted a City Charter in 1914 and is also subject to the general laws of the State applicable to all cities. In addition, under the Arizona Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws.

Legislative authority is vested in a seven-member City Council. The six City Council members are elected at large on a nonpartisan ballot for staggered four-year terms. The Mayor is elected at large and is a voting member of the City Council. The City Council fixes the duties and compensation of City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing moneys, licensing and regulating businesses and trades and other municipal purposes. The City Council appoints the City Administrator who has full responsibility for executing City Council policies and administering City operations. City employees are hired under personnel rules specified by the City Council.



## **Key City Administrative Staff**

### ***John D. Simonton, Acting City Administrator***

Mr. John D. Simonton has over 25 years of public service experience. Mr. Simonton started his career at the City as Project Manager, specializing in Water and Wastewater Infrastructure Projects. Mr. Simonton was promoted to Director of Utilities in 2010 and led the department for almost a decade. Mr. Simonton now serves as the Acting City Administrator. In his current role, he oversees the Public Works, Engineering, Utilities, and Parks and Recreation departments. Mr. Simonton has an extensive background in the areas of municipal infrastructure, water and wastewater utilities, and engineering. Mr. Simonton holds a Bachelor of Science Degree in Mechanical Engineering Technology and a Master of Public Administration from Northern Arizona University.

### ***Douglas Allen, Director of Financial Services***

Mr. Douglas Allen is the Director of Finance for the City of Yuma. Mr. Allen joined the City in July of 2021 and oversees a full service Finance Department, which has an approved staff of 33 individuals and a service area of over 110,000 customers.

Mr. Allen brings more than 25 years of progressive management experience in government finance and administration. He began serving in Arizona in the early 2000s as Director of Finance and Deputy County Administrator with Yuma County.

Most recently, Mr. Allen served as the Chief Financial Officer (CFO) for the Town of Paradise Valley, Arizona; the CFO for the Salt River Pima-Maricopa Indian Community's Education Division; and the Director of Administrative Services for the City of Buckeye, Arizona.

Before moving to Arizona, Mr. Allen held financial management positions in Wisconsin and Illinois with Kenosha County's Department of Human Services and the City of North Chicago. He is a Certified Public Accountant (CPA) and has a Bachelor of Arts degree in Accounting.

### ***Jeremiah McCall, Utilities Department Director***

Mr. Jeremiah McCall is the Director of Utilities for the City of Yuma. Mr. McCall oversees a comprehensive Water/Wastewater utility, which has an approved staff of 144 individuals and a service area of over 110,000 customers. Mr. McCall has over 20 years of experience in the water utility industry, including experience in both Water and Wastewater Treatment and Hazardous Waste Management. Mr. McCall received his Bachelor of Science degree from Northern Arizona University, is a Certified Public Manager and a graduate of the Arizona State University Water Management Program.

## **Economy**

The principal economic activities of the City and the County are government, agriculture, education and healthcare. The City and the County are responsible for supplying the United States with approximately 90 percent of its winter, leafy vegetables. The City is the center of the 4FrontED Region, which encompasses four states in two nations, 1.65 million people, and total GDP of \$20 billion. Commercial Border crossings between the United States and Mexico are available in the City of San Luis, Arizona and Mexicali, Baja California, Mexico. Due to the central location of the City in the 4FrontED Region and close proximity to the United States-Mexico border, there are regional economic and social ties between the City, San Diego and the Mexican states of Sonora and Baja California.

Due to the methodology used to calculate unemployment rates and large seasonal employment in the agriculture and tourism industries, the unemployment rates for the City and the County have been consistently high. Such rates do not accurately reflect the actual unemployment within the City and County.

The following table illustrates the unemployment averages for the United States, the State, the County and the City.

**UNEMPLOYMENT AVERAGES (a)**

<u>Calendar Year</u>	<u>City of Yuma</u>	<u>Yuma County</u>	<u>State of Arizona</u>	<u>United States of America</u>
2025 (b)	9.0%	11.5%	3.8%	4.2%
2024	8.9	12.4	3.6	4.0
2023	9.6	13.2	3.9	3.7
2022	9.5	12.5	3.8	3.6
2021	8.2	13.1	5.1	5.4
2020	12.9	17.1	7.8	8.1

(a) Each year, historical estimates from the Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and re-estimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, re-estimation, and controlling to new statewide totals.

(b) Data through \_\_\_\_\_ 2025.

Source: Arizona Office of Economic Opportunity, in collaboration with the U.S. Census Bureau.

See the following table for a list of the major employers located in and within close proximity to the City.

**MAJOR EMPLOYERS  
City of Yuma, Arizona**

<u>Employer</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Yuma Regional Medical Center	Healthcare	3,763
Yuma Proving Ground	Military	2,520
Yuma County	Government	1,355
City of Yuma	Government	1,270
Yuma Elementary School District #1	Education	1,259
Yuma Union High School District	Education	1,059
Department of Corrections R&R	Government	1,022
Advanced Call Center	Business services	346
Department of Economic Security	Government	325
City of Somerton	Government	219

Source: The City’s Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

**Sales Tax Collections**

The following table illustrates sales tax collections for the City.

**TABLE B-4**

**Sales Tax Collections**

<u>Fiscal Year</u>	<u>Collections</u>
2024	34,573,426
2023	32,890,150
2022	31,368,329
2021	28,160,761
2020	24,312,176

CITY OF YUMA, ARIZONA – FINANCIAL INFORMATION

The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Purchase Payments to be paid by the City under the Purchase Agreement which are secured by the Net Revenues as described under the heading “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS.”

OUTSTANDING INDEBTEDNESS

**Total Senior Lien Utility Revenue Bonds/Obligations Outstanding and to be Outstanding (a)  
City of Yuma, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding*
2015	\$89,675,000	Advance refunding	2032	\$ 44,360,000
2021	71,040,000	Water and wastewater system improvements	2024	64,755,000
Total Utility System Revenue Indebtedness Outstanding				\$ 109,115,000
Plus: The 2025A Obligations				20,880,000
Plus: The 2025B Obligations				\$21,480,000
Total Utility System Revenue Indebtedness Outstanding and to be Outstanding				<u>\$ 151,475,000</u>

\* Subject to change.

(a) The payments are secured, or to be secured, by a first lien pledge of the Net Revenues.

**Excise Tax Revenue Pledged Revenue Obligations Outstanding and to be Outstanding (a)(b)  
City of Yuma, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date	Balance Outstanding
2015	\$48,105,000	Current refunding, advance refunding, land acquisition & construction	7/1/2035	\$ 28,385,000
2021 TX	159,475,000	Funding PSPRS & CORP unfunded liabilities	7/15/2038	121,445,000
Total Excise Tax Revenue Indebtedness Outstanding				<u>\$ 149,830,000</u>

(a) The payments with respect to such indebtedness are secured by a first lien pledge of revenues from City excise taxes and State shared revenues.

(b) The City Council has adopted an ordinance authorizing the execution and delivery of not to exceed \$72,000,000 aggregate principal amount of the City’s pledged revenue obligations, in one or more series (the “2025 Pledged Revenue Obligations”). The 2025 Pledged Revenue Obligations will be offered pursuant to a separate official statement and will not be secured by the Net Revenues. It is expected that the 2025 Pledged Revenue Obligations will be executed and delivered in [November] 2025. This table does not reflect the planned execution and delivery of the 2025 Pledged Revenue Obligations.

**Senior Lien Road Tax and Subordinate Lien Excise Revenue Bonds Outstanding (a)  
City of Yuma, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2015	\$40,280,000	Advance refunding	2027	\$ 22,630,000
Total Senior Lien Road Tax and Subordinate Lien Excise Revenue Indebtedness Outstanding				\$ 22,630,000

(a) *The payments with respect to such bonds are secured by a first lien pledge of revenues from a dedicated road tax and a second lien pledge of revenues from City excise taxes and State shared revenues.*

**PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS**

**Retirement Benefits**

The City contributes to the retirement plans described below: the cost-sharing Arizona State Retirement System (“ASRS”) and the multiple-employer Public Safety Personnel Retirement System (“PSPRS”). Benefits are established by State statute and, depending on the plan, provide retirement, death, long-term disability, survivor and health insurance premium benefits. Both the City and each covered employee contribute in the case of each.

**Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the City and its employees; however the specific impact on the City’s and its employees’ future contributions cannot be determined at this time.**

The Governmental Accounting Standards Board (“GASB”) adopted Statement No. 68, Accounting and Financial Reporting for Pensions, which requires that cost-sharing employers report their “proportionate share” of a plan’s net pension liability in their government-wide financial statements and that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. GASB’s Statement No. 67, Financial Reporting for Pensions, is designed to improve financial reporting by state and local governmental pension plans.

Starting on page 90 in APPENDIX C – “CITY OF YUMA, ARIZONA AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024” is information about the plans based on GASB’s Statements Nos. 67 and 68. Please refer to APPENDIX C for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX C, the latter supersedes the former.

**The Arizona State Retirement System**

ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 600,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. As of June 30, 2024, the unfunded liability for ASRS was \$18.73 billion with a funding ratio of 74.0% and an assumed earning rate of 7.0%. As of June 30, 2024, the City reported a liability of \$47,880,896 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the City) and active members of ASRS are equal. For Fiscal Year 2025/26, the actuarially determined contribution rate for the City and active members of ASRS is 12.00% (11.86% for retirement and health insurance and 0.14% for long-term disability).

The table below shows recent actuarially determined contribution rates that the active ASRS members and the City are/were required to contribute, the plan's funded status and the pension contributions under ASRS for the current and past four Fiscal Years.

<u>Fiscal Year ended</u>	<u>Retirement and Health Insurance Premiums</u>	<u>Long-term Disability</u>	<u>Total Contribution Rate</u>	<u>Funded Status</u>	<u>Pension Contributions</u>
June 30, 2026	11.86%	0.14%	12.00%	unavailable	unavailable
June 30, 2025	12.12	0.15	12.27	unavailable	unavailable
June 30, 2024	12.14	0.15	12.29	74.0%	\$5,418,412
June 30, 2023	12.03	0.14	12.17	73.1	4,744,398
June 30, 2022	12.22	0.19	12.41	72.7	3,999,644

### **The Public Safety Personnel Retirement System**

PSPRS is an agent multiple-employer defined benefit pension plan and an agent multiple employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned to hazardous duties for which the Arizona State Legislature establishes active plan members' contribution rates and member benefits. This is not a "pooled" system – a separate account exists for the police and fire employees of each participating political subdivision. In total, there are 258 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system.

A 2016 amendment to the State constitution ("Prop 124") created an exception to the prohibition in the Constitution against diminishing or impairing public retirement system benefits by allowing for certain adjustments to PSPRS and preserved the State's legislature ability to modify public retirement benefits. Prop 124 allowed for, among other things, the replacement of permanent benefit increases then required by law with COLA (defined below) provisions tied to the regional consumer price indexes.

PSPRS active membership is comprised of three separate "tiers" based on date of hire which are shown in the following table.

<u>"Tier 1" Members</u>	<u>"Tier 2" Members</u>	<u>"Tier 3" Members</u>
Hired into PSPRS position before January 1, 2012	Hired into PSPRS position on or after January 1, 2012 and before July 1, 2017	Hired into PSPRS position on or after July 1, 2017

The different tiers have different types of plans. Tier 1 members have a defined benefit plan, Tier 2 members have a defined benefit or defined benefit hybrid plan and Tier 3 members have a defined contribution, defined benefit or defined benefit hybrid plan. (The hybrid plan is a pension with an additional defined contribution tax-deferred retirement savings account for Tier 2 and Tier 3 members who do not contribute to Social Security). For Tier 1 and Tier 2 members, the type of plan is determined automatically. For Tier 3 members the type of plan is an irrevocable career choice with a default to a defined benefit plan after 90 days. The actuarially determined employer contribution rate varies among the different tiers and the different types of plans as shown in the tables below.

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS.

**Police**

	Fiscal Year Ended				
	6/30/2026	6/30/2025	6/30/2024	6/30/2023	6/30/2022
<u>Actuarially Determined Contribution Rates</u>					
Tier 1/2 Defined Benefit Employer (a)	16.66%	14.59%	10.22%	57.73%	71.09%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 3 Defined Benefit Employer (a)(c)	15.49%	13.18%	9.63%	57.67%	70.77%
Tier 3 Defined Benefit Employee (a)	8.69%	8.89%	9.56%	9.94%	9.94%
Tier 3 Defined Contribution Employer (a)	17.54%	15.02%	10.67%	58.58%	70.71%
Tier 3 Defined Contribution Employee	10.74%	10.73%	10.60%	10.85%	9.88%
Pension Funded Status	N/A	N/A	94.7%	96.8%	100.1%
Health Funded Status	N/A	N/A	218.1%	217.2%	203.4%
Total City (Employer) Pension and Contribution	N/A	N/A	\$9,177,720	\$10,099,360	\$12,031,813

- 
- (a) Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
  - (a) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
  - (c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

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	<b>Fire</b>				
	Fiscal Year Ended				
	6/30/2026	6/30/2025	6/30/2024	6/30/2023	6/30/2022
<b>Actuarially Determined Contribution Rates</b>					
Tier 1/2 Defined Benefit Employer (a)	19.00%	19.16%	14.21%	58.91%	74.23%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 3 Defined Benefit Employer (a)(c)	13.60%	14.28%	9.76%	55.82%	70.72%
Tier 3 Defined Benefit Employee (a)	8.69%	8.89%	9.56%	9.94%	9.94%
Tier 3 Defined Contribution Employer (a)	15.65%	16.12%	10.80%	10.85%	70.66%
Tier 3 Defined Contribution Employee	10.74%	10.73%	10.60%	56.73%	9.88%
Pension Funded Status	N/A	N/A	100.1%	58.5%	41.2%
Health Funded Status	N/A	N/A	120.1%	127.0%	115.9%
Total City (Employer) Pension and Contribution	N/A	N/A	\$8,963,751	\$9,366,002	\$9,818,616

- (a) Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
- (b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

**Statutory Changes and Court Decisions Regarding the PSPRS.** PSPRS is operated under the umbrella of the Public Safety Personnel Retirement System and the Public Safety Personnel Retirement System Board of Trustees. Since 2011 there have been various retirement program modifications designed to mitigate the increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature and other changes (like Prop 124) were implemented by voter approved amendments to the State Constitution. Additionally, in some instances, modifications enacted by the Arizona Legislature were reversed based on the outcome of successful court challenges. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

**Potential Future State Legislation Affecting ASRS and PSPRS.** Bills are frequently introduced at sessions of the State Legislature that, if enacted, could impact the administration of the ASRS and PSPRS and the eligibility, timing and payment of benefits from such plans. The City is unable to determine whether any such bills will be enacted into legislation or in what form such legislation may be enacted and what the impact of any such legislation may be.

#### **Other Post-Employment Retirement Benefits**

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The City is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB Statement No. 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan.



The City currently does not offer any OPEB. The City's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State's health care program. The City does not currently make payments for OPEB costs for such retirees.

### **Governmental Accounting Standards ("GASB")**

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the system's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. The pension liability was measured as of June 30, 2023. See Note 9 in APPENDIX C – "CITY OF YUMA, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024." for further discussion of the City and its pension liability including the net pension liability associated with PSPRS.

*New Reporting Requirements* - Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25, is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

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FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

[TRUSTEE]  
Phoenix, Arizona

Re: Utility System Revenue Obligations, Series 2025A and Utility System Revenue Obligations, Series 2025B, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by the City of Yuma, Arizona, Pursuant to a Series 2025 Purchase Agreement, Dated as of November 1, 2025\*

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the Utility System Revenue Obligations, Series 2025A (the “2025A Obligations”) in the aggregate principal amount of \$20,880,000\* and the Utility System Revenue Obligations, Series 2025B (collectively with the 2025A Obligations, the “Obligations”) in the aggregate principal amount of \$21,480,000\* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance the costs of certain improvements to the waterworks and sewer plant and system (the “System”) serving the City of Yuma, Arizona (the “City”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such 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 Obligations. Reference is made to certifications of, and opinions of counsel to, parties 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 Obligations are being executed and delivered pursuant to the Series 2025 Obligation Indenture, dated as of November 1, 2025\* (the “Indenture”), by and between the City and [TRUSTEE], in its capacity as trustee (the “Trustee”). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the City pursuant to the Series 2025 Purchase Agreement, dated as of November 1, 2025\* (the “Purchase Agreement”), by and between the Trustee, in its separate capacity as seller (the “Seller”), and the City, as purchaser, pursuant to which the City has agreed to make certain installment purchase payments to the Seller. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the City pursuant to the Purchase Agreement. The City and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

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

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the owners of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights, and the enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

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\* Subject to change.

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

3. (a) Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each payment made by the City pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "*Interest Portion*"), is excludable from the gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "*Code*"), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. The Code includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the receipt or accrual of the Interest Portion on, or disposition or ownership of, the Obligations.)

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,

**CITY OF YUMA, ARIZONA –  
AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**OBLIGATIONS DOCUMENTS SUMMARIES**

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

**Definitions**

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

“Administrative Expenses” means the reasonable cost or value of all services rendered by the City and its various departments with respect to the System.

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

“Business Day” means a day on which banks located in the City of Phoenix, Arizona, and in the city or cities in which the principal office of the Trustee and the Paying Agents are not required or authorized by law or executive order to remain closed.

“City Representative” means the City Administrator, the Director of Financial Services of the City or any other person at any time designated to act on behalf of the City by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the City Administrator or his or her designee. Such certificate may designate one or more alternates.

“Consultant” means an independent utility consultant or firm of such consultants having a favorable reputation with respect to the matters in question.

“Corporation” means City of Yuma Municipal Property Corporation, a corporation organized under the laws of the State of Arizona.

“Defeasance Obligations” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), or (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

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

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

“Holder” means the registered owner of any Obligation.

“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.

“Independent Engineer” means an independent engineer or firm of such engineers having a favorable reputation with respect to the matters in question.

“Interest Requirement” means (i) with respect to the Obligations, as of any date of calculation, the interest amount on the Obligations due during the applicable Fiscal Year, and (ii) with respect to Parity Obligations, as of any date of calculation, the amount required to be paid by the City during the applicable Fiscal Year with respect to interest on Parity Obligations.

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

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

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

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

“Obligation Payment Date” means each January 1 and July 1, commencing, January 1, 2026\*, so long as any Obligations are Outstanding.

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

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

- (i) Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Obligations that are deemed paid and no longer Outstanding as provided in the Indenture;
- (iii) Obligations in lieu of which other Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Obligation is held by a bona fide purchaser; and
- (iv) For purposes of any consent or other action to be taken under the Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Obligations, Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with any of them.

“Parity Obligation Documents” means any ordinance, indenture, contract or agreement of the City constituting or authorizing Parity Obligations.

“Parity Obligations” means the Series 2015 Bonds, the Series 2021 Obligations and Senior Obligations having a lien payable from Net Revenues of the System on a parity with the Series 2015 Bonds, the Series 2021 Obligations and the Obligations which may hereafter be issued by the City (or any financing conduit acting on behalf of the City) in compliance with the terms of Article IV of the Purchase Agreement.

“Parity Lien Test Debt Service” means an amount of money equal to the highest aggregate Interest Requirement and Principal Requirement of all outstanding Senior Obligations to fall due and payable in the current or any future Fiscal Year. For purposes of determining Parity Lien Test Debt Service for any Fiscal Year, the interest requirement on the Senior Obligations shall be determined based on interest on all outstanding Senior Obligations to

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\* *Subject to change.*

their stated maturity dates unless the City shall have given irrevocable instructions to redeem some or all outstanding Senior Obligations pursuant to the Indenture or the Parity Obligation Documents, in which case the interest requirement on the Senior Obligations shall be determined based on interest on all outstanding Senior Obligations to their stated maturity or, with respect to Senior Obligations for which such irrevocable redemption instructions have been given, prior redemption dates. In case any Parity Obligations outstanding or proposed to be issued shall bear interest at a variable rate, the interest requirement of such Parity Obligations in each Fiscal Year during which such variable rate applies shall be computed at the lesser of (i) the maximum rate which such Parity 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 Director of Financial Services of the City after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

“Principal Requirement” means (i) with respect to the Obligations, as of any date of calculation, the principal amount of the Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the applicable Fiscal Year, and (ii) with respect to Parity Obligations, as of any date of calculation, the amount required to be paid by the City during the applicable Fiscal Year with respect to principal of Parity Obligations. In computing the Principal Requirement for Parity Obligations, an amount of Parity 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 Parity Obligations maturing on the scheduled maturity date.

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

“Permitted Investments” has the meaning provided in the Indenture.

“Person” shall include an individual, an association, unincorporated organization, a corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Principal Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

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

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

“Purchase Price” means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Indenture from amounts to be paid by or on behalf of the City as the purchase price for the Projects.

“Series 2015 Bonds” means the Senior Lien Utility System Revenue Refunding Bonds, Series 2015 of the Corporation, dated October 21, 2015.

“Series 2021 Obligations” means the Utility System Revenue Obligations, Series 2021 of the City, dated December 28, 2021.

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

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

**The Purchase Agreement**

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**Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds.** In order to provide funds for payment of the costs of the acquisition, construction and improvement of the Projects, the Obligations shall be executed and delivered under the Indenture.

**Section 2.2. Improvements Fund.**

(a) The City shall establish and maintain a separate fund known as the “*Improvements Fund*,” which shall be funded from amounts transferred to the City by the Trustee pursuant to the Indenture. Moneys in the Improvements Fund shall be disbursed by the City for the following purposes and for no other purposes:

(i) to the extent not paid by the Trustee from the Costs of Issuance Fund established under the Indenture, the costs described in the Indenture;

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

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

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

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

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

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

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**Section 3.3. Amounts Payable After Execution and Delivery of Obligations.** After providing for any amounts due pursuant to Section 2.4(c) of the Purchase Agreement, the Net Revenues received pursuant to Section 4.1 of the Purchase Agreement shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, during the preceding month in the account to which such payment is to be deposited:

(i) Fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.



(ii) The payments on the dates and in the amounts set forth in the Schedules attached to the Purchase Agreement for deposit to the Interest Account and/or the Principal Account, as applicable.

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

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**Section 4.1. Limitation of Source of City Payments.**

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

(b) The Net Revenues are pledged by the City to the payment of all amounts due with respect to the Obligations, and such amounts shall be secured by a prior and paramount lien on and pledge of the Net Revenues on parity of lien with the pledge and lien granted by the City for the payment and security of the Parity Obligations. The amounts due with respect to the Obligations, the Parity Obligations and any additional Parity Obligations (exclusive of the City's repayment obligations with respect to reserve fund credit instruments, if any, in connection with the Parity Obligations, and any similar obligations with respect to reserve fund credit instruments to be entered into by the City with respect to additional obligations which shall be secured by Net Revenues on a subordinate basis), shall be equally and ratably secured by said pledge and lien without one having priority over the other. The City intends that this pledge shall be a prior and paramount lien on and a first pledge of such Net Revenues, as will be sufficient to make all payments with respect to the Obligations, and the City covenants to make the payments with respect to the Obligations from Net Revenues, except to the extent that it chooses to make such payments from other legally available funds at its sole option. In no event shall the City be required to make the payments with respect to the Obligations from any revenues, receipts or sources not derived from the Net Revenues of the System.

(c) Amounts payable by the City under the Purchase Agreement shall never constitute a general obligation of the City or a pledge of *ad valorem* property taxes by the City. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere herein to incur this Purchase Agreement or Parity Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder or under the Indenture. After the application of the Net Revenues for the purposes herein, they may be used for any lawful purpose.

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**Section 4.3. Prior Lien Obligations.** The City shall not incur any obligations payable from the Net Revenues ranking prior to the obligations of the City under the Purchase Agreement.

\* \* \* \* \*

**Section 5.1. Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund.** All maintenance and repair of the Projects and utilities therefor shall be the responsibility of the City. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Projects.) The City shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost, and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

**Section 5.2. Insurance.** The City shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operation and Maintenance Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, including repairing the System. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City annually reviews and reports to the City in writing that any such program is adequate and actuarially sound. All proceeds of any condemnation awards with respect to the System shall be deposited with the Trustee and applied to the *pro rata* payment of the Obligations.

**Section 5.3. No Sale; Lease or Encumbrance Exceptions.**

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

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

(c) The City may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the City Clerk, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the City Clerk (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Obligations (which opinion may be based on the Consultant's report described in clause (2), below), and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee, and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Net Revenues to the extent that in the full Fiscal Year next succeeding such transfer the Net Revenues will be less than 125% of Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

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

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

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

(b) No free service shall be furnished by the System to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the City and its various departments by the System shall be charged against the City and will be paid for as the service occurs from the City's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the System.

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

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**Section 5.9. Conflicts with Outstanding Parity Obligations.** To the extent of any conflict between the provisions of this Article and those of the Parity Obligation Documents for the Series 2015 Bonds, the provisions of such Parity Obligation Documents shall prevail so long as amounts remain unpaid or unprovided for pursuant to the Series 2015 Bonds.

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

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

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

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

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

**Section 7.2. Remedies on Default by City.** Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if 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, however under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the City with power to

charge and collect fees sufficient to pay all of the Operation and Maintenance Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

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**Section 8.12. Certain Statutory Notices.**

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

**The Indenture**

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

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

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

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

\* \* \* \* \*

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

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

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Interest Account.)

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

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

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

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

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**Section 5.6. Investment of Moneys Held by Trustee.**

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

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

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**Section 7.1. Events of Default.** Each of the following is declared an “Indenture Event of Default” under the Indenture:

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

(b) If payment of the principal of any Obligation is not made in full when the same becomes due and payable;

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

(d) If the City defaults in the due and punctual performance of any other covenants, conditions, agreements or provisions on its part to be performed as provided in the Indenture or in the Obligations and such default

continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action, and certify as such to the Trustee and such failure does not continue for a period of more than 60 days; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Obligations then Outstanding; or

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

**Section 7.2. Remedies and Enforcement of Remedies.**

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

(b) Regardless of the happening of an Indenture 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 Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

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

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

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

- First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Obligations); and
- Second: To the payment of the unpaid Principal Installments or redemption price that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Obligations to be paid

on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

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

\* \* \* \* \*

**Section 7.7. Individual Holder Action Restricted.**

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

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

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

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

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

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

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

\* \* \* \* \*

**Section 7.9. Waiver of Indenture Event of Default.**

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

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

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

\* \* \* \* \*

**Section 8.1. Certain Duties and Responsibilities of Trustee.**

(a) Except during the continuance of an Indenture Event of Default:

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

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

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

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

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

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

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

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



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

**Section 8.2. Certain Rights of Trustee.** Except as otherwise provided in Section 8.1 of the Indenture:

\* \* \* \* \*

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

\* \* \* \* \*

**Section 8.6. Removal and Resignation of Trustee.**

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

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

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

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

\* \* \* \* \*

**Section 8.8. Trustee's Fees and Expenses.**

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

\* \* \* \* \*

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

- (i) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel, which may be counsel to the City, delivered to the Trustee, not materially adversely affect the interests of the Holders;
- (ii) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (iii) to secure additional revenues or provide additional security or reserves for payment of the Obligations and necessary, related provisions therefor;
- (iv) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;
- (v) to provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;
- (vi) to permit Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;
- (vii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to the Obligations) the interest on which is likewise exempt from federal and State income taxes; and
- (viii) to adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the City.

**Section 9.2. Supplements Requiring Consent of Holders.**

(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 the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; 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 that would:

- (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or rate of interest payable on any Obligation without the consent of the Holder of such Obligation;
- (ii) prefer or give a priority to any Obligation over any other Obligation without the consent of the Holder of such Obligation;

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

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

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

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

\* \* \* \* \*

**Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders.** The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; and (iii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel, which may be counsel to the City, stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement and, if applicable, will not materially adversely affect the interests of the Holders.

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

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

\* \* \* \* \*

**Section 10.1. Discharge of Indenture.**

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

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

**Section 10.2. Providing for Payment of Obligations.**

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

\* \* \* \* \*

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

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

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

\* \* \* \* \*

**Section 11.10 Certain Statutory Notices.**

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Indenture and which provides that the City may within three years after its execution cancel any contract (including the Indenture) without penalty or further obligation made by the City if any person significantly involved in initiating,

negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

\* \* \* \* \*

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CITY OF YUMA, ARIZONA \$20,880,000* UTILITY SYSTEM REVENUE OBLIGATIONS, SERIES 2025A	\$21,480,000* UTILITY SYSTEM REVENUE OBLIGATIONS, SERIES 2025B
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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Yuma, Arizona (the “*City*”), in connection with the execution and delivery of \$20,880,000\* principal amount of Utility System Revenue Obligations, Series 2025A (the “*2025A Obligations*”) and \$21,480,000\* principal amount of Utility System Revenue Obligations, Series 2025B (the “*2025B Obligations*” and, collectively, the “*Obligations*”). The Obligations are being executed and delivered pursuant to the Series 2025 Obligation Indenture, dated as of November 1, 2025\* (the “*Indenture*”), by and between the City and [TRUSTEE], as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. Definitions. In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated \_\_\_\_\_, 2025.

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

\* *Subject to change.*

“GAAP” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“Listed Event” means the occurrence of events set forth in Exhibit II.

“Listed Events Disclosure” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

“Purchase Agreement” means the Series 2025 Purchase Agreement, dated as of November 1, 2025\*, by and between the City and the Trustee, in its separate capacity as “Seller.”

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. CUSIP Number. The CUSIP Numbers of the Obligations are as follows:

CUSIP (Base No. 988522)	Maturity Date (July 1)
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2025A Obligations

2025B Obligations

4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

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

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

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\* *Subject to change.*

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Indenture, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the 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 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.

8. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Indenture.

9. 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.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the



Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. 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.

13. Assignment. The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

CITY OF YUMA, ARIZONA

By.....  
John D. Simonton, Acting City Administrator

ATTEST:

.....  
Lynda L. Bushong, City Clerk

APPROVED AS TO FORM:

.....  
Richard W. Files, 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 in TABLES A-1 through and including A-6, TABLES A-8 through and including A-11, TABLE A-13, TABLE A-14 and “HISTORICAL, UNAUDITED ACTUAL AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE” (in each case, actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2026. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

## EXHIBIT II

### EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

**BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect 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 or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee

holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue 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 Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Underwriter or their agents and counsel take responsibility for the accuracy thereof.