COMBINED SPECIAL MEETING/WORK SESSION AGENDA

CITY COUNCIL COMBINED SPECIAL MEETING/WORK SESSION
TUESDAY, MAY 31, 2016

COUNCIL CHAMBERS
211 WEST ASPEN AVENUE
6:00 P.M.

SPECIAL MEETING

1. CALL TO ORDER

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life of its citizens.

3. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

MAYOR NABOURS
VICE MAYOR BAROTZ
COUNCILMEMBER BREWSTER
COUNCILMEMBER EVANS
COUNCILMEMBER ORAVITS
COUNCILMEMBER OVERTON
COUNCILMEMBER PUTZOVA

4. PUBLIC HEARING ITEMS

A. Public Hearing, Consideration and Possible Adoption of Resolution Nos. 2016-21 and 2016-13, and Ordinance No. 2016-22: Public hearing to consider proposed amendments to Flagstaff Zoning Code, Chapter 10-50 (Supplemental to Zones), Division 10-50.100 (Sign Standards), and other related amendments in Chapter 10-20 (Administration, Procedures and Enforcement), Chapter 10-80 (Definitions) and Chapter 10-90 (Maps); consideration of Resolution No. 2016-13 declaring the proposed amendments as a public record; and adoption of Ordinance No. 2016-22, adopting amendments to Flagstaff Zoning Code Chapter 10-50 (Supplemental to Zones), Division 10-50.100 (Sign Standards), and other related amendments in Chapter 10-20 (Administration, Procedures and Enforcement), Chapter 10-80 (Definitions) and Chapter 10-90 (Maps), by reference, and consideration of

Resolution No. 2016-21 to adopt the Flagstaff Sign Free Zone ***(Zoning Code Amendments - Sign Standards; adopting the Flagstaff Sign Free Zone)***

RECOMMENDED ACTION:

Postpone item to June 7, 2016 Council Meeting.

B. **Public Hearing, Consideration and Possible Adoption of Resolution No. 2016-19 and Ordinance No. 2016-26:** Declaring the "*2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service"* a public record and adopting said revisions to Chapter 7-04 "Municipal Solid Waste Collection Service" of the City Code by reference.

RECOMMENDED ACTION:

1) Adopt Resolution No. 2016-19
2) Read Ordinance No. 2016-26 by title only for the final time
3) City Clerk reads Ordinance No. 2016-26 by title only (if approved above)
4) Adopt Ordinance No. 2016-26

5. REGULAR AGENDA

A. **Consideration and Approval of Cooperative Contract:** Enter into a contract with RBC Capital Markets, LLC of Phoenix, Arizona to purchase Bond Underwriting Services.

RECOMMENDED ACTION:

Approve the purchase of Bond Underwriting Services through RBC Capital Markets, LLC of Phoenix, Arizona for a fee of $100,088 utilizing a cooperative purchase agreement through the State of Arizona, Contract #ADSP013-036403.

B. **Consideration and Adoption of Ordinance No. 2016-28:** An ordinance of the Council of the City of Flagstaff, Coconino County, Arizona, approving and authorizing the sale and issuance of City of Flagstaff, Arizona general obligation bonds, series 2016, in the total aggregate principal amount of not to exceed $18,200,000 and all matters related thereto; prescribing certain terms and conditions of such bonds including the delegation to the Management Services Director of the City to designate the final principal amount, maturities, interest rates and yields and other matters with respect to such bonds; awarding a contract for the purchase of such bonds; ratifying preparation of a preliminary official statement and approving the use and distribution thereof and approving the preparation of a final official statement and the execution, use and distribution thereof ***(General Obligation Debt Authorization - Open Space, Core Facility, and Watershed Protection)***

RECOMMENDED ACTION:

At the May 31, 2016 Council Meeting:

1) Read Ordinance No. 2016-28 by title for the first time
2) City Clerk reads Ordinance No. 2016-28 by title only (if approved above)

At the June 7, 2016 Council Meeting:

3) Read Ordinance No. 2016-28 by title only for the final time
4) City Clerk reads Ordinance no. 2016-28 by title only (if approved above)
5) Adopt Ordinance No. 2016-28

C. **Consideration and Adoption of Ordinance No. 2016-29:** An ordinance of the Council of City of Flagstaff, Coconino County, Arizona, approving the sale and execution and delivery of not to exceed $10,000,000 aggregate principal amount of pledged revenue obligations, evidencing proportionate interests of the owners thereof in a purchase agreement to acquire and construct street improvements and ongoing preservation of street conditions in and for the City; approving the form and authorizing the execution and delivery of such purchase agreement, a second trust agreement, a continuing disclosure undertaking, an obligation purchase contract and other necessary agreements, instruments and documents; delegating authority to the Management Services Director of the City to determine certain matters and terms with respect to the foregoing; authorizing a contract for the purchase of the obligations and ratifying preparation of a preliminary official statement and approving the use and distribution thereof and approving preparation of a final official statement and the execution, use and distribution thereof ***(Revenue Bond Debt Authorization - Road Repair and Street Safety)***

RECOMMENDED ACTION:

At the May 31, 2016 Council Meeting:

1) Read Ordinance No. 2016-29 by title for the first time
2) City Clerk reads Ordinance No. 2016-29 by title only (if approved above)

At the June 7, 2016 Council Meeting:

3) Read Ordinance No. 2016-29 by title only for the final time
4) City Clerk reads Ordinance no. 2016-29 by title only (if approved above)
5) Adopt Ordinance No. 2016-29

D. **Direction on Recommended 2017 League Resolutions**

6. **Adjournment**

WORK SESSION

1. **Call to Order**

2. **Preliminary Review of Draft Agenda for the June 7, 2016, City Council Meeting.***

** Public comment on draft agenda items may be taken under "Review of Draft Agenda Items" later in the meeting, at the discretion of the Mayor. Citizens wishing to speak on agenda items not specifically called out by the City Council for discussion under the second Review section may submit a speaker card for their items of interest to the recording clerk.*

3. **Public Participation**

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public

Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

4. Nestle-Purina PetCare Aroma Assessment and Mitigation

5. FY17 City Manager's Recommended Budget Recap

RECOMMENDED ACTION:

For Council information; no action required.

6. Review of Draft Agenda Items for the June 7, 2016,City Council Meeting.*

** Public comment on draft agenda items will be taken at this time, at the discretion of the Mayor.*

7. Public Participation

8. Informational Items To/From Mayor, Council, and City Manager; future agenda item requests.

9. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____ , at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2016.

_____
Elizabeth A. Burke, MMC, City Clerk

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	John Saltonstall, Business Retention & Expansion Manager
Date:	05/25/2016
Meeting Date:	05/31/2016

TITLE

Nestle-Purina PetCare Aroma Assessment and Mitigation

RECOMMENDED ACTION:

No action.

EXECUTIVE SUMMARY:

Nestle-Purina PetCare (NPPC) has been one of the largest employers and manufacturers in the region since 1975. Similar to the City of Flagstaff, NPPC has grown over the years. NPPC is currently so productive that the company is in a continuous production cycle, which means NPPC is baking its product more regularly, and subsequently creating more aromas. NPPC and City staff recognize that the aromas of production may be unpleasant to segments of the community and are therefore interested in partnering to mitigate the aromas, above and beyond regulatory requirements. NPPC and the City are exploring the option of helping fund a technical solution through extension of the current development agreement and lease (property tax savings). The presentation summarizes a possible project approach as created by a nationally recognized expert environmental consultant, Brown and Caldwell, to assess and to provide strategies to mitigate the aromas.

INFORMATION:

COUNCIL GOALS:

9) Foster relationships and maintain economic development commitment to partners

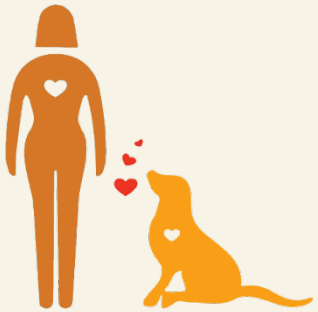
Attachments: NPPC Aroma Mitigation

Purina in Flagstaff

Amy Kerr, Factory Manager

May 31, 2016

Meet Purina



PETS ARE OUR PASSION.

We advance the world and communities to be better with and for all of our pets

SAFETY IS OUR PROMISE

We continuously and consistently deliver the highest quality and safety standards in the industry

PROGRESS IS OUR PLEDGE

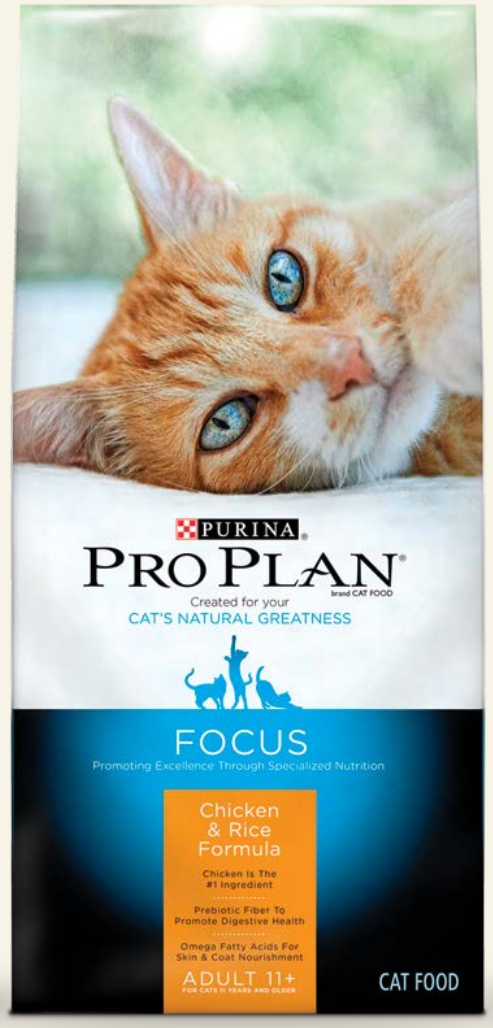
Never-ending pursuit in breakthrough nutrition and innovation to advance pets lives with a portfolio of best-in-class products for all pets

Nestlé PURINA.

Purina in Flagstaff

40+ Years in this Community

300+ Associates



Make Popular Pet Foods

Nestlé PURINA.

Active in the Community

Aroma Assessment/ Mitigation

Overview of Factory Aromas

Nestlé PURINA.

4
5
6
7
8
9
0
Timer
set/off
Settings/
Clock
Self
Clean
PYREX

Overview of Factory Aromas

Nestlé PURINA.

Assessment/Mitigation Project

Brown AND Caldwell

- Fall 2015: Retained nationally-recognized Environmental Expert
- Cost – Approx $120k spent by NPPC in 2015
- 2016: Feasibility analysis, pilot testing, preliminary engineering (est'd $100k)

Nestlé PURINA.

Assessment/Mitigation Project

- Reviewed historic information
- Reviewed product portfolio and ingredient lists
- Developed and implemented a sampling plan

Nestlé PURINA.

Assessment/Mitigation Project

- Developed and implemented a sampling plan

Nestlé PURINA.

Assessment/Mitigation Project

- Reviewed computer models to predict off-site affects
- Plugged in all data from “Sampling” phase
- Populated with real Meteorological Data from NWS
- Looked at Buildings and Terrain

Nestlé PURINA.

Assessment/Mitigation Project

- Identified which processes had significantly higher aromas

Nestlé PURINA.

I.D. Sources
Nestlé PURINA.

Assessment/Mitigation Project

Collect Data → Sampling → Dispersion model → I.D. Sources → Evaluate Solutions → Proposed solution

- Evaluated various technologies to determine best approach
- Economic and Non-Monetary Evaluation

Nestlé PURINA.

Assessment/Mitigation Project

- **Four-phase approach**
  - Year one: Reduce by 35%
  - Year two: Reduce by 50%
  - Year three: Reduce by 60%
  - Year four: Reduce by 70%

Nestlé PURINA.

Questions?

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Roger Eastman, Zoning Code Administrator

Date: 05/25/2016

Meeting Date: 05/31/2016

TITLE:

Public Hearing, Consideration and Possible Adoption of Resolution Nos. 2016-21 and 2016-13, and Ordinance No. 2016-22: Public hearing to consider proposed amendments to Flagstaff Zoning Code, Chapter 10-50 (Supplemental to Zones), Division 10-50.100 (Sign Standards), and other related amendments in Chapter 10-20 (Administration, Procedures and Enforcement), Chapter 10-80 (Definitions) and Chapter 10-90 (Maps); consideration of Resolution No. 2016-13 declaring the proposed amendments as a public record; and adoption of Ordinance No. 2016-22, adopting amendments to Flagstaff Zoning Code Chapter 10-50 (Supplemental to Zones), Division 10-50.100 (Sign Standards), and other related amendments in Chapter 10-20 (Administration, Procedures and Enforcement), Chapter 10-80 (Definitions) and Chapter 10-90 (Maps), by reference, and consideration of Resolution No. 2016-21 to adopt the Flagstaff Sign Free Zone ***(Zoning Code Amendments - Sign Standards; adopting the Flagstaff Sign Free Zone)***

RECOMMENDED ACTION:

Postpone item to June 7, 2016 Council Meeting.

Executive Summary:

Amendments to Flagstaff Zoning Code Division 10-50.100 (Sign Standards) are needed in response to the US Supreme Court's decision last year in the *Reed v. Town of Gilbert* sign case. At a work session with the Council on December 8, 2015 the reason for these amendments was discussed and an overview of them was presented by staff. Council provided direction to staff on these amendments which has been included in the amendments, which were reviewed and recommended for approval by the Planning and Zoning Commission on February 24, 2016, attached to Resolution 2016-13. Recent revisions proposed after further legal review have been inserted in Track Changes format. Resolution No. 2016-21 is also attached if the Council agrees to the adoption of the Flagstaff Sign Free Zone.

Financial Impact:

Council's possible adoption of the proposed amendments to the City's sign standards will not have a financial or budgetary impact on the Comprehensive Planning and Code Administration Program's budget.

Connection to Council Goal and/or Regional Plan:

COUNCIL GOALS:

7) Address key issues and processes related to the implementation of the Regional Plan.

REGIONAL PLAN:

The Flagstaff Regional Plan 2030 supports the amendments to Division 10-50.100 (Sign Standards) with the following goals and policies:

Goal CC.1. Reflect and respect the region's natural setting and dramatic views in the built environment. The proposed amendments support this goal by ensuring the aesthetic beauty of the City's natural and built environment is protected (Purpose statement B.5).

Policy ED.7.1. Support planning, design, and development that positively, creatively, and flexibly contribute to the community image."

Has There Been Previous Council Decision on This:

The Council held an executive session and work session on December 8, 2015 to discuss the proposed amendments to Division 10-50.100 (Sign Standards) and an additional executive session on April 12, 2016.

Options and Alternatives:

Please refer to the Expanded Options and Alternatives below.

Background/History:

In June this year the US Supreme Court rendered its decision in the *Reed v. Town of Gilbert* sign code case which clarified when government regulation of speech is content based. Content-based laws are presumptively unconstitutional. The Supreme Court's decision in the *Reed* case has wide-ranging implications for sign ordinances in cities across the nation.

1. The key takeaway from the *Reed case is that c*ities cannot categorize signs based on the topic or message being conveyed and then impose restrictions within each content-based category. For example, the current sign code provides different standards for different types of temporary signs such as real estate signs, new development construction signs, political signs, and commercial advertising signs. Subjecting each category of signs to different restrictions is no longer permissible under *Reed*.

2. As a result of the *Reed* decision, every sign code needs to be carefully scrutinized to ensure that it does not contain content-based regulations. Planning staff has worked closely with the City's Attorney's office to understand the implications of the *Reed* decision on the City's sign code and over the past few months has developed many ideas for amendments to the sign regulations. Staff also participated in a professional development workshop hosted by the Arizona Planning Association in August 2015 on the implications of the *Reed* case, and was a presenter at professional conferences in October and November (Quad States Conference in Kansas City in October and the Arizona Planning Association annual conference in November), and most recently the New Jersey Planning Association conference in January 2016, in which the principles behind the City's draft amendments were presented to the attendees. Staff took advantage of being at these conferences to talk with planners and attorneys familiar with the Reed case to solicit their input and ideas on the City's ideas. The response was very supportive and favorable.

   A summary of this important case is provided in the first attachment, "An Overview of *Reed v. Town of Gilbert*, US Supreme Court No. 135 S.CT. 2218, 2015."

Key Considerations:

The proposed amendments to Division 10-50.100 (Sign Standards) are intended to ensure consistency with the US Supreme Court's decision, and to streamline, simplify, and improve the standards to provide flexibility and maintain a positive community image, while supporting the needs of business owners.

Resolution 2016-13 (2016 *Amendments to City Code Title 10, Zoning Code, Division 10-50.100 (Sign Standards) and Other Related Divisions*) is attached. This is a "Clean" version of the amendments to the sign standards and other related Sections of the Zoning Code with all changes accepted to assist in the Council's review, except that recent revisions proposed after further legal review have been inserted in Track Changes format. This version has been reorganized into a more logical structure, cross references and formatting are completed, and it is a final version. A "Track Changes" version of the draft amendments that shows new text in underline and text to be deleted in ~~strikeout~~ is also attached, as is Ordinance 2016-22.

The majority of the amendments included within this Division, especially in the Portable Signs Section (formerly Temporary Signs), are proposed in response to the US Supreme Court's decision in the *Reed v. Town of Gilbert* sign code case to ensure that the City's sign provisions are content neutral. The Planning and Zoning Commission as part of their review of the entire Zoning Code in June 2015 recommended approval of a few minor amendments within the Permanent Sign Section of the Code (Section 10-50.100.060), and these, together with additional amendments, especially in the Portable Signs Section (10-50.100.090) are included in the attached amendments documents. The narrative below provides an overview of the more substantive amendments organized by Section and Subsection.

10-50.100.010 Purpose

- B. Includes minor amendments to remove redundant language and improve readability.
- C. Table 10-50.100.010.A (Sign Types) has been deleted as it provided information of little value to readers and users of the Code.

10-50.100.020 Applicability

- A.4 The text describing how the sign standards are applied for permanent signs across the whole City and within the Flagstaff Central District and Historic Downtown District has been moved to the permanent sign Section (10-50.100.060). The provision allowing for speech in a traditional public forum has been moved from Section 10-50.100.040.A (Location Restrictions) to this Section where it is more appropriately placed.
- B. Interpretations. Includes additional language to provide that non-commercial speech may be substituted for commercial speech on a sign without the need for a permit.
- C. Exemptions.
  - The following Subsections have been deleted or removed from this Subsection:
    - Display Board for Daily Specials
    - Political Signs
    - Neighborhood or District Signs (now included within Section 10-50.100.100.A (Flagstaff Central District)
    - Non-Structural Modifications and Maintenance (moved to the Section 10-50.100.030 (Sign Permit Requirements)
    - Real Estate Signs
    - Signs Required by Law (now included within governmental signs)
    - Vehicle Signs (Moved to Table 10-50.100.060.P (Standards for Other Sign Types))
    - Yard and Garage Sale Signs
  - The following Subsections have been updated to clarify standards and improve readability:
    - Flags: The former text concerning flags has been deleted to ensure consistency with the Reed case.
    - Governmental Signs (includes property address signs)
    - Internal Signs and Signs within City Recreation Facilities.

10-50.100.030 Sign Permit Requirements

- A. The requirement for Temporary Sign Permits for all temporary signs has been modified to only require a permit for Temporary Wall Banner Signs. The draft amendments contemplate that all other temporary signs (i.e. Portable Signs) will not be subject to a permitting requirement.
- C. The standards for Non-Structural Modifications and Maintenance have been moved from Subsection C. (Exemptions) to this Section where they more appropriately should be placed.

10-50.100.040 General Restrictions for All Signs

- A. Location Restrictions ~~Prohibited Signs~~. Includes minor amendments to remove redundant language and improve readability. *Former section name accepted so that a new Prohibited Sign Section can be added – see B. below.*

  Included in the proposed amendments (Page 50.100-11 of the attachment to Resolution 2016-13) is an alternative to the prohibition of all signs (other than government signs for public safety purposes) in the current Sign Code. This alternative would allow for the following:
  1. Prohibit permanent signs within, on or projecting into the City right-of-way;
  2. Prohibit the placement of signs containing a commercial message within City rights-of-way; and
  3. Prohibit portable signs within the Flagstaff Sign Free Zone.

The provision allowing for speech in a traditional public forum has been moved to Section 10-50.100.020.A (Applicability), and the standards for signs on vehicles have been moved to Table 10-50.100.060.P (Standards for Other Sign Types). The standards prohibiting a vehicle from being used as an advertising sign have been deleted from this Subsection as they are included in Table P. Also, an amendment to this Section clarifies that no signs may be placed on the roof of a building except as permitted in the Roof Sign Subsection (10-50.100.060.C.4.b.(11).

- B. Prohibited Signs. This is a new section to include billboards, bandit signs and stuffed or inflated animal signs.
- C. Display Restrictions. Includes minor amendments to remove redundant language and improve readability.

10-50.100.050 General Requirements for All Signs

- No significant amendments are proposed in this Section except to include an additional photograph to better illustrate how to calculate sign area.

10-50.100.060 Permanent Signs

- C.4.b.(2) Building Mounted Signs. Includes minor amendments and an illustration to clarify and better explain the standards for sign placement.
- C.4.b.(5) Driveway Signs (formerly Directional Signs). Includes minor amendments to remove the requirement that these signs may only be approved as part of a Comprehensive Sign Program.
- C.4.b.(7) Freestanding Signs. Includes a new standard to allow for a freestanding sign to be mounted on two or more posts. A new standard specific to the post signs typically used to advertise a property or building for sale, rent or lease is also included.
- C.4.b.(14) Window Signs. Includes an amendment to accommodate open signs. Also, the combined area of permanent and temporary window signs has been increased from 25 to 40 percent of the window area.
- C.4.b.(15) Vehicle Signs (formerly Other Sign Types). This Subsection now only applies to vehicle signs. The standards for fuel pump topper signs have been deleted as these are portable signs not permanent signs; the standards for open signs have been removed (inserted into Window Signs – see above); the standards for vehicle signs have been moved from the Exemptions Subsection into this table and a statement regarding the intent of the regulations has been inserted; and, the standards for vending machines have been deleted as they were hard to apply and enforce.

10-50.100.070 Comprehensive Sign Programs

- C. Review. Includes a minor amendment to also allow this Section to also apply to building mounted signs.

10-50.100.080 Sign Design Performance Standards

- B. Cumulative Adjustments. Includes a minor amendment to correct an error to ensure consistency with other applicable standards.

10-50.100.090 Portable Signs

- In order to ensure that the City's temporary sign regulations are consistent with the US Supreme Court's decision in the Reed v Town of Gilbert sign case, numerous and significant amendments are proposed in this Section to ensure that the City's sign provisions are content neutral.
- The Council directed staff to draft revisions to the Temporary Sign Section to allow temporary signs to be displayed for an indefinite period of time without the need for a permit, subject to various standards that, for example, limited the total area of the signs, their placement on private property, etc. This means that the signs are hardly "temporary", and staff has suggested instead that they be called "portable signs".

Key decision points – Portable Signs:

- No portable signs will be permitted in public right-of-way (both City and ADOT).
- No permit will be required for portable signs, except temporary wall banner signs.
- It was agreed that all portable signs may be displayed for an unlimited period of time and will not be required to be removed at the close of business as originally proposed by staff. An exception is that temporary wall banner signs may only be displayed for 30 days. For this reason as these signs could be in place for extended periods of time and, therefore, are not really "temporary", they have been called "portable signs".
- An area limitation will be established to determine the maximum area of portable signs permitted in residential zones (16 sq. ft.) and non-residential zones (originally proposed as 32 sq. ft. and reduced to 24 sq. ft.). Staff has proposed that the area of temporary wall banners (max. 24 sq. ft.) should not be included in this area limitation
- Temporary window signs will also not be included in the area allowance for portable signs.
- The Flagstaff Sign Free Zone as authorized under ARS § 16.1019 is included in the proposed amendments.

- A. Purpose. A minor amendment is proposed to eliminate redundant language.
- B. General to All.
  - Clarifies that a temporary sign permit is only required for a temporary wall banner sign. It has been renamed as a Temporary Wall Banner Sign Permit.
  - The redundant provisions stating that portable signs may not be illuminated (this standard may be found in Table 10-50.100.090.A) and the sign standard for events on City property approved under a Special Event Permit have been eliminated (See Section 10-50.100.090.B.3).
  - The provision allowing for speech in a traditional public forum has been moved to Section 10-50.100.020.A.4 (Applicability) where it is more appropriately placed.
  - The provision that allows the removal of portable signs in public right-of-way and in clear view zones by City code enforcement staff when a hazard to pedestrian or vehicle traffic is present has been moved to Section 10-50.100.120 (Enforcement).
  - A new standard is proposed that establishes no limitations on the length of time that portable signs may be displayed except for temporary wall banners.
- C. Standards for Portable Signs. This Subsection has been significantly shortened and most of the former standards have been eliminated because they were content-based. This includes for example, the standards for various signs (e.g. temporary construction signs, signs for temporary uses, new occupancy or use signs, grand opening signs, directional signs, promotional signs, going-out-of-business signs, etc.). Furthermore, the standards for different sign types (e.g. A-frame or upright signs, feather or vertical banners, and wall banners) have been consolidated into one

table (Table 10-50.100.090.B) to eliminate redundancy and to simplify the Code. This Section has also been reorganized as summarized below:

- 1. Time, Place and Manner Restrictions for Portable Signs.
  A new Table 10-50.100.090.A provides all the standards applicable to the placement of portable signs. It is divided into three sections: Applicable to All Zones (e.g. includes standards on what elements are prohibited on a portable sign and design and construction standards); Commercial, Industrial and Other Non-Residential Zones; and All Residential Zones (each of these subsections includes standards on period of use, hours of use, allowable sign area and number of signs). A content neutral standard is assured because the sign message is not regulated. However, the total area of portable signs in commercial zones is limited to 24 sq. ft. per business while the total area of portable signs in residential zones is limited to 16 sq. ft. per lot or parcel. This maximum sign area limitation allows for multiple portable signs to be displayed with a variety of messages (may be political, business advertising, or ideological) provided they do not exceed the area limitation. Consistent with Council's direction provided in the October 8th work session, the area of temporary window signs and temporary wall banners is not included in the total sign area for portable signs.
- 2. Standards for Specific Portable Sign types.
  Table 10-50.100.090.B consolidates the area, height, width, and number of signs, etc. standards for various portable sign types, including A-frame or upright signs, feather or vertical banner signs, wall banner signs, and a new sign type, yard signs. End Note #1 allows for various other types of portable signs such as fuel pump topper signs or balloon bobbers. Balloon bobbers are preformed into the shape of a balloon but are not inflated with pressurized air and are typically attached to a short pole or stick. End Note 2 is also proposed to be deleted.
- 3. Civic and Non-Profit Events Signs on City Approved Sign Support Structures.
  The standards in this Subsection are unchanged except that a purpose statement has been added that clarifies that signs advertising a community event may be placed on these sign structures rather than the current standard which requires them to be located on the sign structures.
- 4. Sign Walkers.
  The existing standards have been simplified to make them easier to apply, and updated to be consistent with Arizona law.

In the alternative, the following options may be considered by the Council (Note that after discussing these options the Planning and Zoning Commission agreed to recommend approval of the approach to sign regulation presented in the attached amendments):

- ***OPTION 1:*** *Require a permit for all temporary signs and limit the display time that temporary signs may be displayed (may be anywhere from 60 days to 5 months). Under this option there would be no need for the proposed "portable sign" amendments as the length of time that they would be displayed will be limited. Enforcement and permitting of this option will be challenging and may be burdensome on staff. All temporary signs (except wall banners) could be required to be removed at the close of business (current code standard) or permitted to remain in place overnight (staff's preferred approach). Note that as all temporary signs would require a permit, this would include political, ideological, real estate, commercial advertising signs, etc.*

- ***OPTION 2:*** *Do not require a permit for all temporary signs and limit the display time that temporary signs may be displayed (may be anywhere from 60 days to 5 months), Under this option there would also be no need for the proposed "portable sign" amendments. However, it would rely on an honor system with business owners and others placing signs on their property, similar to the approach used for civic/non-profit event banner signs on the City's sign structures to inform the City when a temporary sign would be displayed and removed within the time frame determined by the Council. Enforcement and management of this option will be challenging and may be burdensome on staff. All temporary signs (except wall banners) could be required to be removed at the close of business (current code standard) or permitted to remain in place overnight (staff's preferred approach).*

10-50.100.100 Sign Districts of Special Designation

- A. Flagstaff Central District. The standards for Neighborhood or District Signs have been moved into the freestanding sign section.
- B. Downtown Historic District. The standards for stanchion signs in former Table 10-50.100.090.E (Standards for Temporary Stanchion Signs) have been deleted consistent with the principle of prohibiting all temporary (portable) signs in the public right-of-way. Also, the former prohibition on A-frame and Upright Signs in this Downtown District has been removed, and only feather vertical banners are now proposed to be prohibited in this District.
- E. Flagstaff Sign Free Zone. This is a new Subsection included into the Zoning Code pursuant to A.R.S. §16-1019 which enables a municipality to establish a zone based on City rights-of-way in which no portable signs are permitted. Additional amendments have been added to this Subsection to clarify its purpose. This statutory provision further requires that should the Council agree to the establishment of a Flagstaff Sign Free Zone it must be adopted by resolution, in this case, Resolution No. 2016-21, attached.

10-50.100.110 Nonconforming Signs

- No amendments proposed.

10-50.100.120 Enforcement

- The provisions allowing for the removal of portable signs in public right-of-way and in clear view zones by City code enforcement staff when a hazard to pedestrian or vehicle traffic is present has been moved from the Portable Signs Section.

10-50.100.130 Appeals

- No amendments proposed.

10-50.100.140 Severability

- No amendments proposed.

Needed Amendments to Other Related Chapters of the Zoning Code

Chapter 10-20 Administration, Procedures, and Enforcement:
Division 10-20.40 Permits and Approvals
Section 10-20.40.130 Sign Permits – Temporary Wall Banner Sign Permits

- B. Sign Permit Requirement. Includes minor amendments to state that a sign permit is only required for a temporary wall banner.

Chapter 10-80 Definitions:
Division 10-80.20 Definition of Specialized Terms, Phrases, and Building Functions

- Includes minor amendments to the following definitions:
  - Sign – includes signs for ideological and political purposes
  - Sign, Balloon Bobber – includes a new definition for this sign type
  - Sign, Portable – includes a new definition for this sign type
  - Sign, Post – includes a new definition for this sign type
  - Sign, Temporary – clarifies and simplifies the definition
  - Sign, Temporary A-frame – clarifies and simplifies the definition
  - Sign, Temporary Upright – clarifies and simplifies the definition
  - Sign, Temporary Feather or Vertical Banner – clarifies and simplifies the definition
  - Sign, Temporary Wall Banner – clarifies and simplifies the definition
  - Sign, Temporary Yard – includes a new definition for this sign type.
  - Sign Walker - expands the definition to also allow non-commercial messages.

- The following definitions are proposed to be deleted:

- Sign, Menu Display Board
- Sign, Real Estate
- Sign, Real Estate Directional
- Sign, Stanchion
- Sign Temporary
- Sign, Temporary Directional
- Sign, Temporary Event
- Sign, Temporary New Development/Construction

Section 10-20.50.100.F of the Zoning Code establishes findings for the approval of text amendments. It is staff's recommendation that the Council may find that the proposed amendments to Division 10-50.100 (Sign Standards) and other related Divisions meets the following findings:

Findings for Text Amendments:

1. The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;
2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City; and
3. The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.

Expanded Financial Considerations:

None.

Community Benefits and Considerations:

Flagstaff residents and business owners, users of the City's sign standards, and City staff will benefit from the adoption of these proposed amendments as they will fix known deficiencies and redundancies in the standards, simplify the permitting processes for temporary (portable) signs, clarify and simplify standards and procedures, and importantly, provide consistency with the US Supreme Court's decision in the *Reed v. Town of Gilbert* sign case by ensuring that the sign standards do no contain content-based regulations.

Community Involvement:

INFORM, CONSULT, and **INVOLVE**

Once a preliminary draft of the proposed amendments to the Sign Standards was completed, staff has engaged with members of such local organizations as Friends of Flagstaff's Future, Northern Arizona Builders Association, Northern Arizona Association of Realtors, and the Flagstaff Chamber of Commerce Economic Development Committee to solicit their comments and reaction to the amendments. Also, a number of articles were published in the Flagstaff Business News and Cityscape, and staff has participated in frequent interviews on KAFF Radio.

Consistent with state law and the requirements of the Zoning Code the Planning and Zoning Commission held a work session on the proposed sign code amendments on February 10, 2016. No residents were in attendance and no comments were provided to the Commission. The Council also held a work session on December 8, 2015 on the proposed amendments at which time general policy direction was provided to staff. No residents spoke to the Council at that work session.

In advance of all Council and Planning and Zoning Commission work sessions as well as the Commission's February 24th public hearing, staff has sent out an email to local stakeholder organizations such as Friends of Flagstaff's Future, Northern Arizona Builders Association, Northern Arizona Association of Realtors, and the Flagstaff Chamber of Commerce Economic Development Committee. These groups were requested to forward the email to their members. Interviews with KAFF

radio have also been scheduled regularly, and posts to the City's Facebook accounts have been posted. Further, in compliance with state law and the Zoning Code's noticing requirements, a ¼ page display advertisement (larger than the minimum required 1/8 page ad) was printed in the Arizona Daily Sun in advance of all public meetings and public hearings of the Planning and Zoning Commission and the City Council.

About six members of the public attended the Planning Commission's February 24th public hearing, but none chose to speak to the Commission. At this meeting the Commission unanimously recommended that the Council approve the amendments to Division 10-50.100 (Sign Standards) attached to Resolution 2016-13.

Expanded Options and Alternatives:

1. Adopt Resolution 2016-21 designating a sign free zone within the City pursuant to A.R.S. § 16-1019(F).
2. Do not adopt Resolution 2016-21, and therefore, do not designate a sign free zone within the City pursuant to A.R.S. § 16-1019(F).
3. Adopt Resolution 2016-13 declaring that document entitled "*2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100 (Sign Standards) and Other Related Amendments"* to be a public record.
4. Do not adopt Resolution 2016-13 and, therefore, do not declare that document entitled "*2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100 (Sign Standards) and Other Related Amendments"* to be a public record.
5. Adopt Ordinance 2016-22 to amend the Zoning Code's sign standards (Division 10-50.100 (Signs Standards)) and other related chapters of the Zoning Code.
6. Modify and adopt Ordinance 2016-22 to amend the Zoning Code's sign standards (Division 10-50.100 (Signs Standards)) and other related chapters of the Zoning Code.
7. Do not adopt Ordinance 2016-22 and, therefore, do not amend the Zoning Code's sign standards (Division 10-50.100 (Signs Standards)) and other related chapters of the Zoning Code.

Attachments: Overview - Reed v. Town of Gilbert
Res. 2016-21
Res. 2016-13
Sign Standards Amendments TrackChanges Version
Ord. 2016-22
PowerPoint Presentation

An Overview of *Reed v. Town of Gilbert*, US Supreme Court No. 135 S.CT. 2218, 2015

The US Supreme Court, in a landmark decision rendered in June 2015, fundamentally changed the way cities and towns should approach sign regulation.

Mr. Reed is the pastor of a small church, the Good News Community Church, whose Sunday services are held at various temporary locations within the Town of Gilbert, Arizona. As they do not have a fixed location, on Saturday mornings Pastor Reed posted signs bearing the name of the church and the time (typically 9:00 am) and location of the next day's service. The signs were removed shortly after the church service.

Typical Sign used by the Church: "Temporary Directional Sign Relating to a Qualifying Event"
Source: http://www.nytimes.com/2015/06/19/us/justices-side-with-arizona-church-in-dispute-over-sign-limits.html

The Town of Gilbert's sign code prohibited the display of outdoor signs without a permit, except that 23 categories of signs were exempted. These included ideological signs, political signs and "temporary directional signs to direct the public to a church or other qualifying event". In addition, each of these sign types had specific area limitations and time and placement restrictions as summarized below:

Sign Type	Example Message	Area (Max.)	Where?	How long?
Ideological Signs	"Save the Whales"	20 sq.ft.	Anywhere	No limit
Political Signs	"Vote for Bob"	Res. 16 sq.ft. Com. 32 sq.ft.	Private property; not town ROW	60 days before primary election 15 days after general
Temp. Directional Sign Relating to a Qualifying Event	"Church Meeting at 9:00 am"	6 sq.ft	Public or private land; max. 4 on a property at one time	12 hours before 1 hour after

The church was cited by the Town of Gilbert for placing temporary directional signs in violation of the Town's sign code standards. Specifically, the church was cited for exceeding the time limits for displaying its temporary directional signs and for failing to include an event date on the signs. Unable to reach an accommodation with the Town, the church filed suit claiming that the sign code abridged their freedom of speech. After losing his case in front of the Arizona District Court, and the Ninth Circuit Court of Appeals, Pastor Reed sought review by the U.S. Supreme Court. The case was argued in front of the Supreme Court on January 12, 2015, and decided on June 18, 2015.

The Supreme Court's decision in this case has far reaching implications for the day-to-day regulation of signs. The key takeaways from the *Reed* decision may be summarized as follows:

- The *Reed* case clarified when a government regulation of speech is content based.
- Content-based sign regulations are presumptively unconstitutional.
- Time, place, and manner regulations are acceptable provided they are content neutral, narrowly tailored, and serve a legitimate government interest.

- All signs are affected by the outcome of the *Reed* decision, i.e. temporary signs and permanent signs.
- It appears that commercial signs may still be regulated differently than noncommercial signs (e.g., a municipality can likely still prohibit off-premise commercial signs).
- A municipality cannot exempt certain categories of signs to avoid review. Exempting a category of signs, such as political signs or real estate, is the same as allowing them without regulation. Assuming other categories of signs containing noncommercial speech are regulated, those regulations will be deemed content based and presumptively unconstitutional.
- Careful scrutiny of a sign code is essential to ensure content neutrality.

Three Practical Considerations to Improve a Sign Code

1. Every city and town should carefully review their sign regulations to ensure the Code is content neutral.

2. Remove all references to the content of a sign. For example, regulations for different sign types, such as "real estate signs," "garage sale signs," "political signs," or "grand opening signs," are content based and need to be removed from the sign code. A better approach is to simply call them "temporary signs" and regulate the number, size, and location of the signs in a content-neutral manner.

3. The sign code should include a severability clause and a substitution clause. The severability clause states that if a specific provision of the Code is found to be unconstitutional, it is the intent of the legislative body that the rest of the Code remains valid. A substitution clause allows noncommercial speech to be substituted wherever commercial speech is allowed, which is intended to avoid arguments that the Code favors commercial speech over noncommercial speech.

RESOLUTION NO. 2016-21

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA DESIGNATING A SIGN FREE ZONE WITHIN THE CITY PURSUANT TO A.R.S. § 16-1019(F) AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, Arizona Revised Statutes (A.R.S.) section 16-1019(C) prohibits cities from removing, altering, defacing, or covering political signs placed in public right-of-way if certain conditions outlined in the statute are met;

WHEREAS, despite that general prohibition, pursuant A.R.S. section 16-1019(F), cities are authorized to designate areas of the city as sign free zones, thereby allowing cities to remove political signs that are placed in city right-of-way within the designated sign free zones;

WHEREAS, the City Council has determined that it is in the best interest of the City to designate a sign free zone within the City in order to protect the scenic and aesthetic appeal of the area within the zone and maintain its appeal to tourists;

WHEREAS, the City Council desires to identify by this resolution the location and extent of the rights-of-way areas to be designated as the Flagstaff Sign Free Zone.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The City Council has determined that based on a predominance of commercial tourism, resort, and hotel uses within the area to be designated as a sign free zone, the placement of political signs within the City rights-of-way in the designated zone will detract from the scenic and aesthetic appeal of the area within the zone and deter its appeal to tourists.

SECTION 2. The City Council, pursuant to A.R.S. section 16-1019(F), hereby designates the area identified in Exhibit A, attached hereto and incorporated herein by reference, the Flagstaff Sign Free Zone.

SECTION 3. This resolution shall become effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 17th day of May, 2016.

_____

MAYOR

ATTEST:

_____

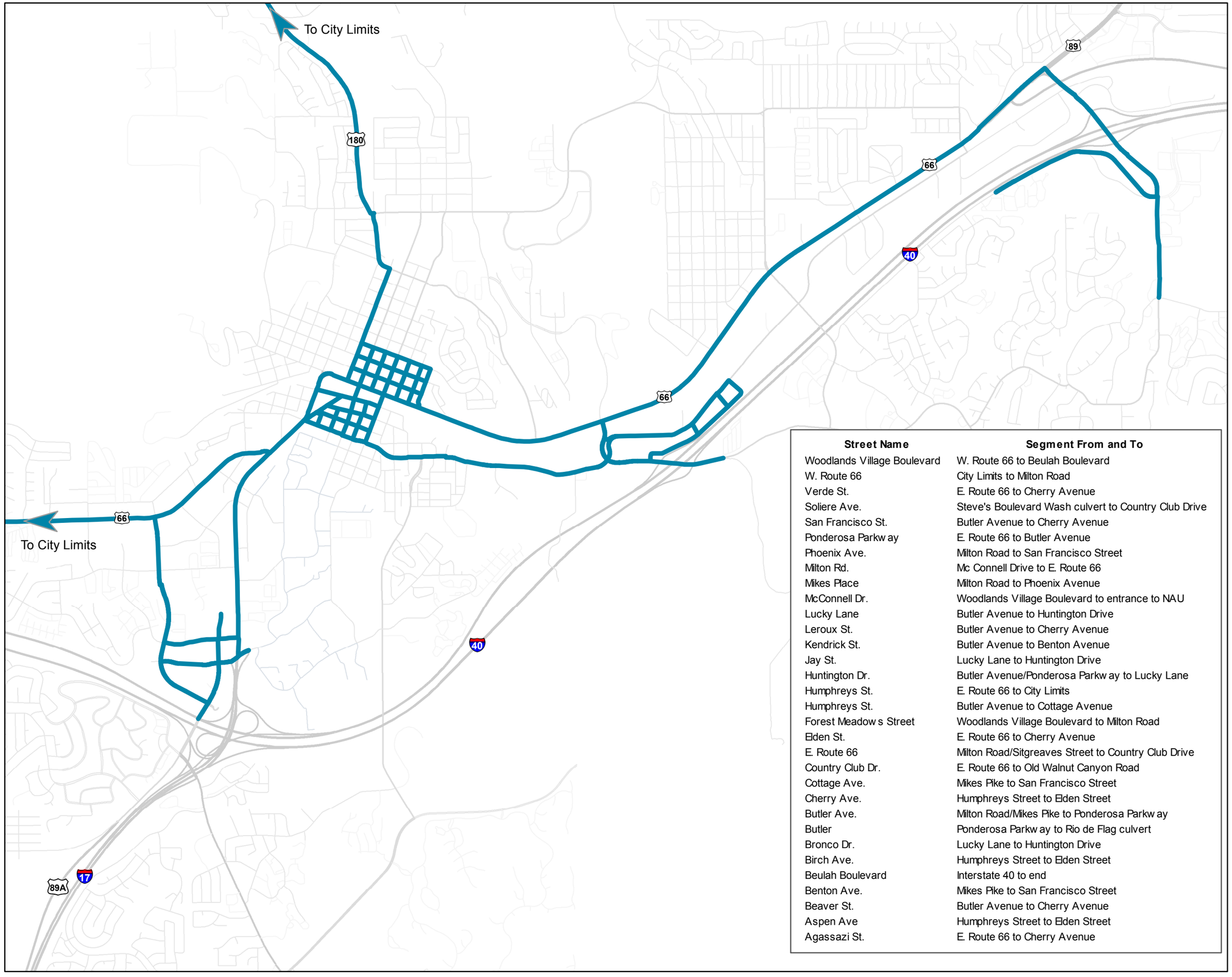
CITY CLERK

APPROVED AS TO FORM:

_____

CITY ATTORNEY

Exhibit A



Street Name	Segment From and To
Woodlands Village Boulevard	W. Route 66 to Beulah Boulevard
W. Route 66	City Limits to Milton Road
Verde St.	E. Route 66 to Cherry Avenue
Soliere Ave.	Steve's Boulevard Wash culvert to Country Club Drive
San Francisco St.	Butler Avenue to Cherry Avenue
Ponderosa Parkway	E. Route 66 to Butler Avenue
Phoenix Ave.	Milton Road to San Francisco Street
Milton Rd.	Mc Connell Drive to E. Route 66
Mikes Place	Milton Road to Phoenix Avenue
McConnell Dr.	Woodlands Village Boulevard to entrance to NAU
Lucky Lane	Butler Avenue to Huntington Drive
Leroux St.	Butler Avenue to Cherry Avenue
Kendrick St.	Butler Avenue to Benton Avenue
Jay St.	Lucky Lane to Huntington Drive
Huntington Dr.	Butler Avenue/Ponderosa Parkway to Lucky Lane
Humphreys St.	E. Route 66 to City Limits
Humphreys St.	Butler Avenue to Cottage Avenue
Forest Meadows Street	Woodlands Village Boulevard to Milton Road
Elden St.	E. Route 66 to Cherry Avenue
E. Route 66	Milton Road/Sitgreaves Street to Country Club Drive
Country Club Dr.	E. Route 66 to Old Walnut Canyon Road
Cottage Ave.	Mikes Pike to San Francisco Street
Cherry Ave.	Humphreys Street to Elden Street
Butler Ave.	Milton Road/Mikes Pike to Ponderosa Parkway
Butler	Ponderosa Parkway to Rio de Flag culvert
Bronco Dr.	Lucky Lane to Huntington Drive
Birch Ave.	Humphreys Street to Elden Street
Beulah Boulevard	Interstate 40 to end
Benton Ave.	Mikes Pike to San Francisco Street
Beaver St.	Butler Avenue to Cherry Avenue
Aspen Ave	Humphreys Street to Elden Street
Agassazi St.	E. Route 66 to Cherry Avenue

Section 10-90.40.010: Flagstaff Sign Free Zone Map

Sign Free Zone

Feet

0 1,100 2,200 3,300

N W E S

RESOLUTION NO. 2016-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "*2016 AMENDMENTS TO CITY CODE TITLE 10, ZONING CODE, DIVISION 10-50.100, SIGN STANDARDS, AND OTHER RELATED DIVISIONS*"

RECITALS:

WHEREAS, the City Council wishes to incorporate by reference amendments to the Flagstaff City Code, Title 10, The City of Flagstaff Zoning Code, Chapter 10-50, *Supplemental to Zones*, Division 10-50.100, *Sign Standards*, Chapter 10-20, *Administration, Procedures, and Enforcement*, Division 10-20.40, *Permits and Approvals*, and Chapter 10-80, *Definitions*, Division 10-80.20, *Definitions of Specialized Terms, Phrases, and Building Functions*, by first declaring said amendments to be a public record; and

WHEREAS, three copies of *"2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100, Sign Standards, and Other Related Divisions"* have been deposited in the office of the City Clerk and are available for public use and inspection.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

The "*2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100, Sign Standards, and Other Related Divisions,"* attached hereto, three complete copies of which are on file in the office of the City Clerk, is hereby declared to be a public record.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 7th day of June, 2016.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Attachment D: 2016 Redline Amendments to City Code Title 10, Zoning Code, Division 10-50.100 (Sign Standards) and Other Related Amendments

Division 10-50.100: Sign Standards

Sections:

10-50.100.010 Purpose
10-50.100.020 Applicability
10-50.100.030 Sign Permit Requirements
10-50.100.040 General Restrictions for All Signs
10-50.100.050 General Requirements for All Signs
10-50.100.060 Permanent Signs
10-50.100.070 Comprehensive Sign Programs
10-50.100.080 Sign Design Performance Standards
10-50.100.090 Temporary Signs
10-50.100.100 Sign Districts of Special Designation
10-50.100.110 Nonconforming Signs
10-50.100.120 Enforcement
10-50.100.130 Appeals
10-50.100.140 Severability

(Entire Division amended by Ord. 2014-27, adopted November 18, 2014)

10-50.100.010 Purpose

A. The Council finds that the natural surroundings, climate, history, and people of the City provide the Flagstaff community with its unique charm and beauty. This Division has been adopted to ensure that all signs installed in the City are compatible with the unique character and environment of the community, and in compliance with the General Plan.

B. The purpose of this Division is to promote public health, safety, and welfare through a comprehensive system of reasonable, effective, consistent, content-neutral, and nondiscriminatory sign standards and requirements, including the following specific purposes:

1. To promote and accomplish the goals, policies, and objectives of the General Plan;

2. To balance public and private objectives by allowing adequate avenues for both commercial and non-commercial messages;

~~3. To recognize free speech rights by regulating signs in a content-neutral manner;~~

This paragraph may be deleted as it is already stated above in Subsection B.

~~4.~~3. To improve pedestrian and traffic safety by promoting the free flow of traffic and the protection of pedestrians and motorists from injury and property damage caused by, or which may be fully or partially attributable to, cluttered, distracting, and/or illegible signage;

~~5.~~4. To protect the aesthetic beauty of the City's natural and built environment for the citizens of and visitors to the City, and to protect prominent view sheds within the community;

~~6.~~5. To prevent property damage, personal injury, and litter caused by ~~from~~ signs that ~~which~~ are improperly constructed or~~,~~ poorly maintained~~, or made of flimsy materials~~;

~~7.~~6. To protect property values, the local economy, and ~~the~~ quality of life by preserving and enhancing the appearance of the streetscape; and

~~8.~~7. To provide consistent sign design standards that enable~~s~~ the fair and consistent enforcement of these sign regulations.

~~C. A summary of sign types addressed within this Division are listed in Table A (Sign Types). Table A also identifies the permitted uses of each sign type and whether it may be located in a walkable urban environment (Urban) or drivable suburban environment (Suburban), or both, as further defined and explained in the Preamble to this Zoning Code.~~

~~Table 10-50.100.010.A: Sign Types~~						
~~Sign Type and Description~~	~~Urban~~	~~Sub-urban~~	~~Uses~~		~~Permit?~~	~~Zoning Code Section~~
~~Permanent Signs (See Table 10-50.100.060.A (Standards for Permanent Signs by Use))~~						
~~Awning Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(1)~~
~~Building Identification Sign~~	~~P~~	~~—~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.100.A.5.a.(3)~~
~~Building Mounted Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes/No[1]~~	~~10-50.100.060.C.4.b.(2)~~
~~Canopy Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(3)~~
~~Changeable Copy Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(4)~~
~~Directional Sign~~	~~—~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(5)~~
~~Directory Sign~~	~~P[2]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(6)~~
			~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~		~~10-50.100.060.C.4.b.(7)~~

~~Freestanding Sign~~	~~P[2]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(7)~~
			~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~		~~10-50.100.060.C.4.b.(7)~~
~~Interpretative Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(8)~~
~~Landscape Wall Sign~~	~~P[2]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(9)~~
			~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~		~~10-50.100.060.C.4.b.(7)~~
			~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~		~~10-50.100.060.C.4.b.(7)~~
~~Painted Wall Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~Table 10.50.100.060.C~~
~~Projecting Sign~~	~~P[2]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(10)~~
~~Roof Mounted Sign~~	~~--~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10.50.100.060.C.4.b.(11)~~
~~Service Island Canopy Sign~~	~~--~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(12)~~
~~Suspended Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(13)~~
~~Window Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes~~	~~10-50.100.060.C.4.b.(14)~~
~~**Temporary Signs (See Section 10-50.100.090. (Temporary Signs))**~~						
~~Sign Walker~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10.50.100.090.C.6~~
~~Temporary A-frame Sign~~	~~P[3]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes/No[4]~~	~~10.50.100.090.C.4.c.(1)~~
~~Temporary Civic or Non-Profit Event Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10.50.100.090.C.2~~
~~Temporary Directional Signs for Special Events, Recreation Events, and Approved Temporary Uses~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10.50.100.090.C.3~~
~~Temporary New Development/ Construction Sign~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10-50.100. 090.C.5~~
~~Temporary Sign for Approved Temporary Uses~~	~~P~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10.50.100.090.C.1~~
~~Temporary Stanchion Sign~~	~~P~~	~~--~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~No~~	~~10.50.100.100.B.5.b~~
~~Temporary Upright Sign:~~	~~P[3]~~	~~P~~	~~SFR~~ ~~MFR~~	~~COM~~ ~~IND~~	~~Yes/No[4]~~	~~10.50.100.090.C.4.c.(1)~~

			~~SFR~~ ~~COM~~ ~~MFR~~ ~~IND~~		
~~Temporary Vertical Banner~~	~~--~~	~~P~~	~~SFR~~ ~~COM~~ ~~MFR~~ ~~IND~~	~~Yes~~	~~10.50.100.090.C.4.c.(2)~~
~~Temporary Wall Banner~~	~~P~~	~~P~~	~~SFR~~ ~~COM~~ ~~MFR~~ ~~IND~~	~~Yes~~	~~10.50.100.090.C.4.c.(3)~~
~~Temporary Window Sign~~	~~P~~	~~P~~	~~SFR~~ ~~COM~~ ~~MFR~~ ~~IND~~	~~No~~	~~10.50.100.090.C.4.c.(4)~~

~~**End Notes**~~

~~[1] Except detached single-family dwellings and duplexes.~~

~~[2] This sign type is only allowed in accordance with the provisions of Section 10-50.100.100.A (Flagstaff Central District).~~

~~[3] Except, this sign type is not permitted in the Downtown Historic District (Section 10-50.100.100.B).~~

~~[4] See Section 10.50.100.090.C.4.c.(1)~~

~~Key~~			
~~XXX~~	~~Allowed~~	~~XXX~~	~~Not Allowed~~
~~P~~	~~Sign type is permitted within the area type identified in this table.~~		
~~-- ....~~	~~Sign type is not permitted within the area type identified in this table~~		
~~SFR = Single-family Residential; MFR = Multi-family Residential; COM = Commercial; and IND = Industrial~~			

Staff recommends that Paragraph C. and Table A should be deleted as this section is not used and it provides little information of value to readers of the Code.

10-50.100.020 Applicability

A. Applicability

1. This Division applies to all signs within the City, regardless of their nature or location, unless specifically exempted.

~~1.~~2. Three levels of review standards are established in this Division, some or all of which may be applied to the sign depending on where it is located ~~proposed location~~ within the City:

a. All signs within the City of Flagstaff shall be reviewed based on the standards established in this Division~~, with the exception of Sections 10-50.100.100.A (Flagstaff Central District) and 10-50.100.100.B (Downtown Historic District)~~;

b. Signs in the Flagstaff Central District are reviewed based on the standards established in Section 10-50.100.100.A (Flagstaff Central District) ~~in keeping with the urban character and scale of this district~~ as well as the standards and requirements otherwise established in this Division; and

c. Signs in the Downtown Historic District, which have the highest standards of review in keeping with the historic character and urban scale of this district, are reviewed based on. T the standards in Section 10-50.100.100.B (Downtown Historic District), shall be applied in addition to the standards established for the Flagstaff Central District, and as well as the standards and requirements otherwise established in this Division.

2.3. **Applicable to Transect Zones**

Signs proposed in the transect zones shall comply with the standards established in the following Sections:

a. Transect Zone T6: Section 10-50.100.100.A (Flagstaff Central District) and Section 10-50.100.100.B (Downtown Historic District).

b. Transect Zone T5 and T5-O: Section 10-50.100.100.A (Flagstaff Central District) and Section 10-50.100.100.B (Downtown Historic District), where applicable.

c. Transect Zone T4N.1 and T4N.1-O: Section 10-50.100.100.A (Flagstaff Central District).

d. Transect Zone T3N.1: Section 10-50.100.100.A (Flagstaff Central District).

3.4. Nothing in this Division shall be construed to prohibit a person from holding a sign while located on City property so long as the person holding the sign is located on public property determined to be a traditional public forum and does not block ingress and egress from buildings or create a safety hazard by impeding travel on sidewalks, bike and vehicle lanes, and trails.

The text in paragraph 4. has been moved from Section 10-50.100.040.A. (Location Restrictions) as it should more logically be included in the Applicability section of the Code.

BC. **Interpretations**

This Division is not intended to, and does not restrict speech on the basis of its content, viewpoint, or message. Any classification of signs in this Division that permits speech by reason of the type of sign, identity of the sign user, or otherwise, shall also be interpreted to allow non-commercial speech on the sign. No part of this Division shall be construed to favor commercial speech over non-commercial speech. A non-commercial message may be substituted for any commercial message displayed on a sign, or the content of any non-commercial message displayed on a sign may be changed to a different non-commercial message, without the need for any approval or permit, provided that the size of the sign is not altered. To the extent any provision of this Division is ambiguous, the term shall be interpreted not to regulate on the basis of the content of the message.

DRAFT

The purpose of this amendment is to clarify and prevent any inadvertent favoring of commercial speech, or favoring of any particular non-commercial message over any other non-commercial message. This provision would prevail over any more specific provision to the contrary

~~D.~~ **C. Exemptions**

~~Unless specifically provided within~~The provisions of this Division do not apply to~~,~~ the following signs ~~provisions of this Division do not apply to~~: [ARRANGE THIS SUBSECTION ALPHABETICALLY AND CHECK CROSS-REFERENCES]

~~1.~~5. **Building Identification Signs**

Building identification signs not exceeding one square feet in area ~~are permitted~~ for residential buildings and two square feet in area for nonresidential buildings.

~~2.~~6. **Business Name and Address on an Entry Door**

Name of a business, address information, and/or contact information displayed on an entry door, not ~~to~~ exceeding two square feet in area. Sign must~~shall~~ not include any commercial advertising.

~~3.~~7. **Community Bulletin Board Signs**

~~A maximum of one community bulletin board per property is allowed.~~Signs posted on a community bulletin board shall not exceed a dimension of 11 x 17 inches.~~If the~~ No more than one community bulletin board per property and per block with a maximum size of 32 square feet is allowed. A community bulletin board may be ~~is~~ erected in public right-of-way, ~~or~~ in a public space~~,~~ or on private property. ~~a maximum of one community bulletin board per block is allowed. The maximum size of a community bulletin board shall be 32 square feet. Signs posted on a community bulletin board shall not exceed a dimension of 11 x 17 inches.~~

~~**Display Board for Daily Specials**~~

~~Display board such as a white board, chalk board, or black board, on which daily specials are advertised. The display board may be mounted on an easel or similar support structure, or the wall of a building, and measure up to four square feet in area, provided it is not located within a public right-of-way and is not a hazard to pedestrians.~~

This paragraph should be deleted as it is unnecessary.

~~4.~~ ~~**Flags**~~

~~Official flags of national, state, or local governments, and any other flag adopted or sanctioned by an elected legislative body of competent jurisdiction. The length of the flag shall not exceed one-fourth the height of the flag pole. No more than three flags shall be displayed per lot or parcel. Flags shall be mounted on a single flagpole, or three separate flagpoles installed either on the building or adjacent to a building or use. No flag bearing an explicit commercial message shall be considered an exempt flag.~~

DRAFT

To ensure consistency with the US Supreme Court's decision in the Reed case, staff recommends that flags should not be included as exempt signs.

~~5. **Governmental Signs**~~
~~Signs installed by the City, County, or a Federal or State governmental agency for the protection of public health, safety, and general welfare, including, but not limited to, the following:~~

~~a. Emergency and warning signs necessary for public safety or civil defense;~~

~~b. Traffic signs erected and maintained by an authorized public agency;~~

~~c. Signs required to be displayed by law;~~

~~d. Signs showing the location of public facilities;~~

~~e. Signs advertising temporary events organized by the Flagstaff Unified School District and its schools, charter schools, Northern Arizona University, Coconino Community College, Coconino County, or the City, provided no more than one sign is displayed on any business premises. The signs shall be no larger than 24 square feet in area, mounted no more than six feet in height on a wall or similar surface (signs mounted on stakes are not permitted), installed a maximum of seven days before an event, and removed no more than one day after the event. Illuminated signs are not permitted. The location restrictions listed in Section 10-50.100.040.A below shall apply to all signs falling under this exemption, except for paragraphs 6 and 9; and~~

~~*f.* Any sign, posting, notice, or similar sign placed by or required by a governmental agency in carrying out its responsibility to protect the public health, safety, and general welfare.~~

This paragraph has been moved with minor revisions to Page 50.100-10 of this draft.

~~6.~~8. **Heritage Signs in Landmark Zones**
Heritage signs are~~shall be~~ governed by the ordinance designating the Landmark Overlay and its related guidelines (Refer to Division 10-30.30 (Heritage Preservation)).

~~7.~~9. **Historic and Architectural Features**
Historical plaques erected and maintained by non-profit organizations, ~~memorials,~~ building cornerstones, and date-constructed stones not exceeding~~; provided that none of these exceed~~ four square feet in area.

10. **Internal Signs and Signs within City Recreation Facilities**

a. Signs or displays located entirely inside of a building and not visible from the building's exterior~~,~~;

b. ~~s~~Signs intended to be readable from within a parking area but not readable ~~visible~~ beyond the boundaries of the lot or parcel upon which they are located or from any public right-of-way~~,~~;

c. Signs placed on the walkway directly in front of a store provided such sign does not interfere with pedestrian travel or encroach upon a required accessible path; and

~~8.~~d.T~~t~~emporary signs located within City Recreation Facilities.

This paragraph has been amended to provide clarification to these provisions and it has been expanded to include more signs as exempt signs when they are placed outside of a building or business and are not readable from off the property.

~~*a.*~~ ~~**Neighborhood or District Sign**~~
~~Signs used to identify a unique neighborhood or district. Such signs may be placed in a public right-of-way with approval of a Right-of-Way Encroachment Permit (See City Code Section 8-03-002-0005 (Other Permitted Encroachments)), provided such signs are not illuminated, and no larger than 20 square feet in area and eight feet in height.~~

This paragraph has been moved to the freestanding sign Section of the Flagstaff Central District (Section 10-50.100.100.A (Flagstaff Central District) as this is a more appropriate location for this sign type.

~~9.~~

~~10. **Nonstructural Modifications and Maintenance**~~

~~a. Changes to the face or copy of changeable copy signs;~~

~~b. Changes to the face or copy of an existing multi-tenant freestanding non-illuminated sign from one business to another with no structural or lighting modifications to the sign; and~~

~~c. The normal repair and maintenance of conforming or legal non-conforming signs, except as identified in Section 10-50.100.050.E.~~

This paragraph has been moved to the Applicability Section (10-50.100.020.A) where is should have been more appropriately placed.

~~11. **Political Signs**~~
~~Political signs are permitted in compliance with ARS § 16-1019.~~

This standard has been removed because it is a content-based regulation.

~~12. **Real Estate Signs**~~

~~a. **All Residential Zones.**~~

~~(1) One real estate sign per street frontage is permitted. Signs must be non-illuminated, constructed of durable materials, placed only on the property for sale, rent, or lease, be no more than six feet in height, and be no larger than eight square feet in area in single-family residential zones and no larger than 12 square feet in area in multi-family residential zones.~~

~~(2) Open house/auction directional signs are permitted within one mile of the residence as measured along the streets used to drive to it. Such signs must be no larger than four square feet in area, a maximum of three feet in height, and only one sign is allowed for each turning movement beginning at the residence for sale. Signs may be placed in a public right way or on off-site private property for the duration of the open house only while a sales person is present, provided such signs do not constitute a hazard to pedestrians or vehicular traffic, are not placed on medians, and they are removed no later than one hour after the conclusion of the open house.~~

~~b. **All Commercial, Industrial, and Non-residential Zones:** One real estate sign per street frontage is permitted. Signs must be non-illuminated, constructed of durable materials, placed only on the property for sale, rent, or lease, be no more than six feet in height, and be no larger than 24 square feet in area.~~

These standards have been removed because they are a content-based regulation.

~~13.~~11. **Seasonal Decorations**

Temporary, non-commercial decorations or displays that are incidental to and commonly associated with national, local, or religious celebration, provided that such decorations and displays are only displayed during the appropriate time of year, are maintained in an attractive condition, and do not constitute a fire hazard.

~~14. **Signs Required by Law**~~

~~15.~~12. **Street Light Banner Sign**

Street light banner signs as permitted by the City on light poles in certain areas within the City.

~~16. **Vehicle Signs**~~

~~Signs indicating the name of the owner or business that are permanently painted or wrapped on the surface of a vehicle, adhesive vinyl film affixed to the interior or exterior surface of a vehicle window, or signs magnetically attached to a vehicle or rolling stock, so long as the vehicle is being regularly and consistently used in the normal daily conduct of the business, e.g., when a company vehicle is being used for transporting~~

~~and delivering goods or providing services related to the business (see also Section 10-50.100.040.A.7).~~

The text referring to vehicle signs has been moved to Table 10-50.100.060.P (Standards for Other Sign Types).

~~17.~~13. **Vending Machine and Similar Facilities**
Signs that consitute an integral part of a vending machine or similar facilities located outside of a business. ~~Such signs are included in the total allowable building mounted sign area.~~

Staff recommends that the last sentence of this paragraph should be deleted as it is hard to apply, unnecessarily restrictive, and difficult to enforce.

~~**Yard or Garage Sale Signs**~~
~~Signs advertising a yard or garage sale, provided they are not displayed more than one day prior to the yard or garage sale and removed when the sale has concluded.~~

This standard has been removed because it is a content-based regulation.

14. **Governmental Signs**
Any sign, posting, notice or similar signs placed, installed or required by law by a city, county, or a federal or state governmental agency in carrying out its responsibility to protect the public health, safety, and welfare, including, but not limited to, the following:

(1) Emergency and warning signs necessary for public safety or civil defense;

(2) Traffic signs erected and maintained by an authorized public agency;

(3) Signs required to be displayed by law;

(4) Signs directing the public to points of interest; and

(5) Signs showing the location of public facilities.

This paragraph includes the "signs required by law" paragraph in the current code (#14) and would also include street address signs that are required by law for public safety purposes.

10-50.100.030 Sign Permit Requirements

A. The procedures for submittal, review and approval of Permanent Signs are provided in Section 10-20.40.120 (Sign Permit - Permanent Signs) and Temporary Wall Banner Sign Permits are provided in Section 10-20.40.130 (Sign Permit - Temporary Wall Banner Sign Permits), including any required

fees., are provided in Section 10-20.40.120 (Sign Permit - Permanent Signs) and Section 10-20.40.130 (Sign Permit - Temporary Signs), except that s Signs associated with and/or advertising a special event on City property shall be approved as part of the Special Event Permit from the City. All signs not approved in the Special Event Permit are prohibited.

This amendment establishes the correct citation for Temporary Wall Banner Sign Permits. These are the only type of temporary sign for which a permit is required.

B. No Sign Permit ishall be required for a sign on property used exclusively for a single-family residence or duplex that complies with this Division and is limited to one sign per street frontage.

C. **Nonstructural Modifications and Maintenance**

No Sign Permit is required for the following non-structural modifications to and maintenance of existing signs:

1. Changes to the face or copy of changeable copy signs;

2. Changes to the face or copy of an existing single-tenant or multi-tenant freestanding or building mounted non-illuminated sign from one business to another with no structural or lighting modifications to the sign; and

B.3. The normal repair and maintenance of conforming or legal non-conforming signs, except as identified in Section 10-50.100.050.E.

This text (C. Nonstructural Modifications and Maintenance) has been moved from Subsection D. (Exemptions) as it should more logically be included in the Permitting section of the Code. Two minor amendments to this standard were recommended by the Planning and Zoning Commission to include existing signs on single tenant buildings as well as building mounted signs.

10-50.100.040 General Restrictions for All Signs

A. **Prohibited Signs Location Restrictions**
Except where specifically authorized in this Division, the following signs are prohibited in the following locations:

1. No Any sign shall be placed located within, on, or projecting over a City right-of-way;

2. Any sign located within, on, or projecting over a property line which borders a public or private street, highway, alley, lane, avenue, road, sidewalk, or other right-of-way, except as specifically provided in this Division;

This paragraph may be deleted as it duplicates the standard in paragraph #1 above.

~~3.~~2. No ~~Any~~ sign shall be attached to or placed ~~any public utility pole, structure or street light, tree, fence, fire hydrant, bridge, curb, sidewalk, park bench, statue, memorial, or other location~~ on public property, except for government signs and those signs approved as part of a S~~s~~pecial E~~e~~vent ~~p~~Permit ~~on City property~~;~~. Nothing in this Section shall be construed to prohibit a person from holding a sign while located on City property so long as the person holding the sign is located on public property determined to be a traditional public forum and does not block ingress and egress from buildings or create a safety hazard by impeding travel on sidewalks, bike and vehicle lanes, and trails;~~

The text in paragraph 2. has been moved to the Applicability section of the Code.

3. No ~~Any~~ sign shall ~~, which by reason of its location, will~~ obstruct the view of any authorized traffic sign, signal, or other traffic control device;

4. No sign shall be constructed or placed in such a way as to ~~or which by reason of shape, color, or position interferes with or could~~ be confused with any authorized traffic signal or device;

5. No ~~Any~~ sign shall be ~~which is~~ constructed or placed in such as manner ~~so~~ as to prevent or interfere with ~~or inhibit~~ free ingress to or egress from any door, window, or any exit way required by the Building Code ~~currently in effect,~~ or ~~by~~ Fire Department regulations currently in effect;

6. No~~Any~~ commercial~~,~~ advertising~~,~~ or business sign shall be ~~that is not~~ located off~~on~~ the premises of the business to which it refers;

~~7.~~ Any sign mounted, attached, or painted on a trailer, boat, or motor vehicle parked to provide advertising visible from the public right-of-way or parked on public property to clearly provide advertising close to the public right-of-way~~when the principal use of the vehicle at the time of the display is for the display of the sign and the vehicle is parked, stored, or displayed conspicuously on public or private property for the purpose of exhibiting commercial advertising, advertising an on-site or off-site business, or supplying directional information to an off-site business or service~~. This provision excludes~~:~~ vehicles and equipment engaged in active construction projects, and the on-premise storage of equipment and vehicles offered to the general public for rent or lease.

~~a. Signs that are permanently painted or wrapped on the surface of a vehicle, adhesive vinyl film affixed to the interior or exterior surface of a vehicle window, or signs magnetically attached to a vehicle or rolling stock, so long as the vehicle is being regularly and consistently used in the normal daily conduct of the business, e.g., when a company vehicle is being used for transporting and delivering goods or providing services~~

~~related to the business. Such vehicles shall be operable, properly licensed, and when not being used to conduct daily business, parked or stored in a lawful and authorized manner on the business property so as not to be visible from the public right-of-way. Where parking limitations on the business property prevent the business owner from parking the vehicle in a manner not to be visible from the public right-of-way, the vehicle shall be parked as far from the public right-of-way as possible~~; and

~~b. Vehicles and equipment engaged in active construction projects, and the on-premise storage of equipment and vehicles offered to the general public for rent or lease.~~

~~**Permitted**~~	~~**OR**~~	~~**Permitted**~~
~~**NOT permitted**~~	~~**OR**~~	~~**NOT permitted**~~

~~Figure A. Signs on Vehicles Used for Business Purposes~~

The standards for vehicle signs have been simplified and consolidated. The text above ensures that a vehicle may not be parked to as a sign to provide advertising for a business, while the regulations governing signs on vehicles used in the daily conduct of the business have been moved to Table 10-50.100.060.P.

~~8.~~7. No ~~Any~~ sign shall be painted, attached or mounted on fuel tanks, storage containers and/or solid waste receptacles or their enclosures, except for a manufacturer's or installer's identification, appropriate warning signs and placards, and information required by law;

~~9. Any sign tacked, painted, burned, cut, pasted or otherwise affixed to the walls of any building, barn, shed, accessory structure, or other structures that are visible from a public way;~~

This paragraph may be deleted as it duplicates the standard in paragraph #9 below.

~~10.~~8. No ~~Any~~ sign shall be tacked, painted, burned, cut, pasted or otherwise affixed to trees, rocks, light and utility poles, posts, fences, ladders, benches, or similar supports that are~~is~~ visible from a public way;

9. No ~~Any~~ sign shall ~~that~~ cover~~s~~ the architectural features of a building, such as dormers, insignias, pilasters, soffits, transoms, trims, or other architectural feature;

~~11.~~10. No sign shall be placed on the roof of a building, except as permitted in Section 10-50.100.060.C.4.b.(11) (Roof Signs);

This amendment ensures that no signs, including portable signs, may be placed on the roof of a building.

~~12.~~11. Billboards; and

~~13.~~12. Bandit signs.

B. **Display Restrictions**

1. **Purpose**
The purpose of this Subsection is to regulate the manner in which signs convey their messages by specifying prohibited display features that create distractions to the traveling public and create visual clutter that mar the natural and architectural aesthetics of the City.

2. **Applicability**
Signs with ~~T~~the following display features are prohibited:

a. ~~Any sign or l~~Lighting devices~~, whether on the exterior of a building or on the inside of a window which is visible beyond the boundaries of the lot or parcel, or from any public right-of-way,~~ with intermittent, flashing, rotating, blinking or strobe light illumination, animation, motion picture, or laser or motion picture projection, or any lighting effect~~device~~ creating the illusion of motion, as well as laser or hologram lights;

The text from Paragraph c. below referring to laser or hologram lights has been moved into Paragraph a.

b. An~~y sign with an~~ exposed light source, except for neon that is incorporated into the design of the sign;

c. ~~Any sign which emits s~~Sound, odor~~,~~ or smoke~~, laser or hologram lights, or other visible matter, including any sign that uses motion picture projection~~;

d. ~~Any sign animated by any means, including fixed aerial displays, balloons, spinners, strings of flags and pennants, streamers, tubes, or other devices affected by the movement of the air or other atmospheric or mechanical means;~~ Inflatable balloons, spinners, strings of flags and pennants, fixed aerial displays, streamers, tubes, or other devices affected by the movement of the air or other atmospheric or mechanical means either attached to a sign or to vehicles, structures, poles, trees and other vegetation, or similar support structures;

This amendment clarifies this standard to eliminate the confusion with balloons being attached to vehicles and other structures, trees, vegetation, etc. This amendment also makes a distinction between "inflatable balloons" and rigid "balloon bobbers"- see Page 50.100-34.

e. Rotating or moving sign body~~Any sign~~ or any other portion of the sign ~~in which the sign body or any portion of the sign rotates, moves up and down, or any other type of action involving a change in position of the sign body or any portion of the sign,~~ whether by mechanical or any other means. Barber poles no larger than three feet high and 10 inches in diameter, and clocks, are excepted from this restriction;

f. Electronic ~~D~~displays ~~signs~~;

g. Any changeable copy LED ~~or similar~~ signs, except fixed illumination display signs used to indicate that a business is "open", display prices, or to confirm an order placed in a drive through lane;~~ and~~

h. ~~Animated signs or costumed character (except as permitted in Section 10-50.100.090.C.6 (Sign Walkers), s~~Stuffed or inflated animals~~, vehicle(s) used as a sign or sign structure (except as permitted in Sections 10-50.100.020.D.17 (Vehicle Signs) and 10-50.100.040.A.7), and s~~; and

The reference to the Sign Walker standards in Section 10-50.100.090.C is not necessary in this paragraph and is, therefore, proposed to be deleted.

~~h.~~i. Strings of lights arranged in the shape of a product, arrow, or any commercial message.

10-50.100.050 General Requirements for All Signs

[No amendments are proposed in this Section other than to include an additional graphic (see below) on Page 50.100-15 to better explain how sign area is calculated when a symbol is included within a sign.]

10-50.100.060 Permanent Signs

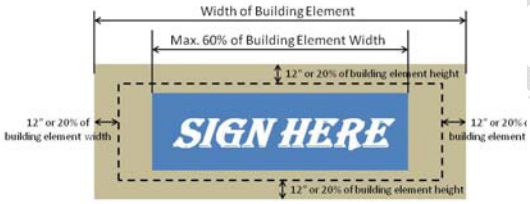
C. **Signs for All Non-residential Uses in All Zones**

4. **Standards for Specific Sign Types**

b. The following sign types are permitted, subject to the criteria listed under each sign type.

(2) **Building Mounted Signs**
The standards provided in Table C (Standards for Building Mounted Signs) shall apply to all building mounted sign in all zones where allowed by Table 10-50.100.060.A (Standards for Permanent Signs by Use).

Table 10-50.100.060.C: Standards for Building Mounted Signs

	Standard
Sign Placement 	The total sign area for signs on single-tenant or multi-tenant buildings may be placed on any building elevation, ~~except~~subject to the following standards: (1) At least 1 sign shall be associated with the building entry zone[1] (may be wall mounted, projecting, awning, etc.);~~.~~ (2) No sign shall face an adjoining residential zone;~~.~~ (3) Signs shall be placed at least ~~the lesser of~~ 12 inches or 20% of the width ~~and height~~ of the building element on which they are mounted, whichever is less, from the sides of the building element;~~.~~ (4) The width of the sign shall be no~~t be~~ greater than 60% of the width of the building element on which it is displayed;~~.~~ ~~(3)~~(5) Signs shall be placed at least 12 inches or 20% of the height of the building element on which they are mounted, whichever is less, from the top and bottom edge of the building element. ~~Individual tenants in multi-tenant buildings are permitted building mounted signs only on the primary entrance elevation of the space occupied by the business.~~ If vertically placed on a mansard roof, structural supports shall be minimized, and secondary supports (angle irons, guy wires, braces) shall be enclosed/ hidden from view.
Special Provisions	
Additional Increases in Sign Area ~~(Section 10-50.100.080 (Sign Design Performance Standards))~~	Additional sign area may be sought under Section 10-50.100.080 (Sign Design Performance Standards),~~, but is limited to a max. sign area of 100 sq. ft.~~

The Planning and Zoning Commission recommended the clarifying amendments in the "Sign Placement" row, paragraph (3) as there has been confusion on whether this means that the 12 inches or 20% of the width and height of the building element is applied to both the top and the bottom of the building element, or if it means that half of these dimensions is applied to the top and the bottom of the building element to give a total of 12 inches or 20%. As originally conceived, this rule was intended to apply the 12 inches or 20% standard to both the top and the bottom of the sign, and to each of the two sides of the sign on the building element. Also, insert the illustration and renumber all following illustrations throughout the Code.

This standard in the "Sign Placement" row was included in this table in error and may be deleted because the intent of the amendments to the Sign Standards adopted last year was to allow business owners to place their signs on the building where they desired.

The text shown in the bottom row under "Special Provisions" may be deleted as it is unnecessary and it conflicts with the standard for allowable building mounted sign area in Table 10-50.100.060.A which already establishes a cap of 100 sq. ft. for building mounted sign area. No additional limit to the additional sign area permitted if the sign design performance standards of Table 10-50.100.060.A are applied is necessary, as these are already in place in Table 10-50.100.080.B (Cumulative Adjustments).

(5) **Driveway~~Directional~~ Sign**

(a) Driveway~~Directional~~ signs are ~~only permitted as part of a Comprehensive Sign Program, and are~~ exempted from the total allowable sign area permitted for each use.

(b) The standards provided in Table F (Standards for Driveway~~Directional~~ Signs) shall apply.

Table 10-50.100.060F: Standards for Driveway ~~Directional~~ Signs

	Standard	Other Requirements
Sign Area	3 sq. ft. per face.	May be double-sided. ~~Included in the total allowable sign area for building mounted signs.~~
Mounting Height – Building Mounted Sign	Max. 8 feet from grade.	Flat against a wall of the building.
Mounting Height – Freestanding Sign	Max. 3 feet from grade.	
Number of Signs	Max. 1 at each driveway or drive through lane.	
Illumination	Internal illumination only.	May also be non-illuminated.
Permitting	Sign Permit is required.	

The term "directional sign" has been changed to "driveway sign" to better describe the sign's function. Staff recommends that the requirement for a driveway sign to be included only as part of a Comprehensive Sign Program should be removed as it is overly limiting. There are many dozens of directory signs installed in the City either with or without a permit and many were not approved as

part of a Comprehensive Sign Program (except perhaps for some recent examples such as The Trax or The Village at Aspen Place). Staff also recommends that directional signs (a freestanding sign type) should not be included in the total allowable sign area standards for building mounted signs. Staff further recommends that directional signs should also not count against total freestanding sign area.

(7) Freestanding Signs

Table 10-50.100.060.H: Standards for Freestanding Signs	
~~Non-Residential Use in Commercial or Industrial Zone – Live/Work, Single Tenant Building, Multi-Tenant Buildings, Development Sites, Shopping Centers, and Detached Buildings within a Multi-Tenant Development or Shopping Center~~	
Standard	
Sign Height	See this Section and Table A (Standards for Permanent Signs by Use). Elements to enhance the design of a sign structure may extend above the sign to a max. of 20% of the sign's allowed height, or 12 inches whichever is greater.

This amendment, suggested by a local sign contractor and recommended by the Planning and Zoning Commission, allows for meaningful embellishments to a low freestanding sign, i.e. one that is less than 5 feet in height. For example, if a 4-foot high sign is proposed, 20% of 4' or 48" = 9.6 inches for sign embellishments. This amendment would allow a slight increase in the height of an embellishment.

Special Provisions	Standard
Sign Width	The sign base must be~~shall have~~ a min. ~~aggregate width~~ of 60% of the width of the sign cabinet or face. A freestanding sign may be mounted on 2 or more posts with a min. diameter/dimension of 8" if the sign complies with the standards of Section 10-50.100.080 (Sign Design Performance Standards).

This amendment allows for the installation of a freestanding sign on two or more poles or posts provided that compliance with the enhanced design standards of Section 10-50.100.080 is achieved.

Insert a new row between "Additional Increases in Sign Area" and "Landscaping".

Post Sign	Max. 1 post sign per frontage. Sign Permit is required unless the post sign advertises property or a portion of the property for sale, rent or lease, in which case no Sign Permit is required and the sign area will be included in the allowable area for portable signs. See Table 10-50.100.090.A.

This amendment provides for real estate signs which do not cleanly fall into the definition of a temporary sign. Under Reed v. Town of Gilbert it is best not to describe this type of sign as a "realtor sign" because this description would no longer allow this sign type to be content neutral. Staff recommends that these signs be included in the freestanding sign section as they are a type of freestanding sign, except that if they are only used to advertise the sale, lease or rent of property or a

portion of the property then no sign permit is required and the sign area is counted against the total allowed sign area for all temporary signs for the property. By setting up this provision in this manner, a business may elect to use a post sign as their permanent freestanding sign (this is already allowed in the Flagstaff Central District), but then it would be subject to a Sign Permit and the sign's area would count toward the total available freestanding sign area for the property.

(14) **Window Sign**

The standards provided in Table O (Standards for Permanent Window Signs) shall apply.

Table 10-50.100.060.O: Standards for Permanent Window Signs

	Standard	Other Requirements
Sign Area	Combined ~~A~~area of temporary and permanent window signs ~~combined~~ shall not exceed ~~25~~40% of the area of the window on or within which they are displayed.	~~Combined window coverage shall not exceed 25% of the area of any 1 window.~~ Signs constructed of perforated vinyl or painted on the window shall be included as part of the 40~~25~~% area calculation. Permanent window signs are included in the total allowable sign area for building mounted signs.
Sign Placement	No higher than 1st story windows.	Inside mounting required~~preferred~~.
Illumination	Neon illumination only.	Fixed copy or display only – no flashing, blinking, or moving text or images are permitted.
Permitting	Sign Permit is required.	
Open Signs	Max. 2 sq. ft. Max. 1 per business.	Excluded from the total allowable building mounted sign area. No Sign Permit required.

The amendments in the first row of this table increase the allowed sign area for temporary and permanent window signs combined from 25 percent to 40 percent. This recommendation is based on the acknowledgement that there are already many businesses in the City with window sign area meeting or exceeding this standard, and given there have been no complaints about them, they do not appear to be a concern to City residents.
Sign placement row – the change to making window signs required on the inside of a window is based on typical practice in the City for these signs.
The standards for open signs have been moved from Table 10-50.100.060.P (below) and added to this table because open signs are typically mounted in windows.

(15) **Vehicle ~~Other~~ Signs ~~Types~~**

The standards provided in Table P (Standards for Vehicle ~~Other~~ Signs ~~Types~~) shall apply.

Table 10-50.100.060.P: Standards for Vehicle ~~Other~~ Signs ~~Types~~		
	Standard	**Other Requirements**
~~Drive Through Menu Board and Confirmation Signs~~		
~~Sign Area~~	~~Menu Board = Max. 40 sq. ft.~~ ~~Order Confirmation Board = Max. 2 sq. ft.~~	~~If the sign area for both signs combined is greater than 42 sq. ft., the sign area is included in the total allowable building mounted sign area.~~
~~Sign Placement~~	~~One each per drive though lane~~	
~~Illumination~~	~~Internally illuminated only.~~	
~~Permitting~~	~~No Sign Permit required.~~	
~~Fuel Pump Signs~~		
~~Sign Dimensions~~	~~Max. 1.5 ft. high and ≤ the width of the fuel pump.~~	~~Sign area is excluded from the total allowable building sign area.~~
~~Sign Placement~~	~~Max one fuel pump sign per fuel pump.~~	~~1 fuel pump topper sign, max. 2 sq. ft., per fuel pump also permitted.~~
~~Illumination~~	~~Internally illuminated only.~~	
~~Permitting~~	~~No Sign Permit required.~~	
~~Menu Display Box~~		
~~Sign Area~~	~~4 sq. ft.~~	~~If > 4 sq. ft., area is included in the total allowable building mounted sign area.~~
~~Sign Placement~~	~~On a wall or within a window of the bar or restaurant it serves.~~	~~Designed to be architecturally compatible with the building.~~
~~Illumination~~	~~Non-illuminated or externally illuminated with down-directed, fully shielded fixtures only.~~	
~~Permitting~~	~~No Sign Permit required for menu display box ≤ 4 sq. ft.~~	~~Sign Permit required for menu display box > 4 sq. ft.~~
~~Open Sign~~		
~~Sign Area~~	~~Max. 2 sq. ft.~~	~~Not included in the total allowable building mounted sign area.~~
~~Sign Placement~~	~~Max. 1 sign per business.~~	
~~Illumination and Display~~	~~Fixed copy or display only – no flashing, scrolling, blinking, or moving text or images.~~	
~~Permitting~~	~~No Sign Permit required.~~	
Vehicle Signs		
Vehicle Sign	May be:	May only indicate the name of the

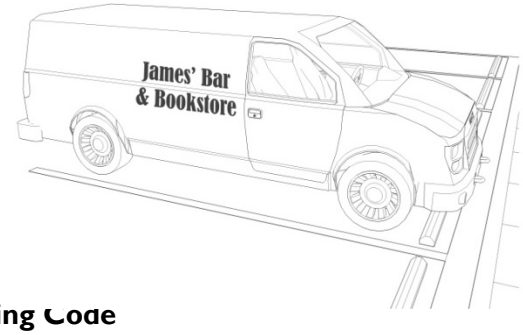
	(1) Permanently painted or wrapped on the surface of a vehicle; (2) Adhesive vinyl film affixed to a window; or (3) Magnetically attached to a vehicle.	business and owner.
Vehicle Use	The vehicle must be regularly and consistently used in the normal daily conduct of the business, e.g. used for delivering or transporting goods or providing services related to the business. Vehicle must be operable and properly licensed. When not in use the vehicle must be parked in a lawful manner on the business property so as not to be visible from the public right-of-way, or if this is not possible, as far from the public right-of-way as possible.	
~~**Vending Machine and Similar Facilities**~~		
~~Sign Area~~	~~When placed outside of a business, signs that are an integral part of such machines shall be included in total allowable building mounted sign area.~~	
~~Permitting~~	~~No Sign Permit required.~~	

After careful consideration staff proposes that the standards added to the Sign Code with the 2011 Zoning Code update proposed for deleted in this table should be removed from the Code. Since 2011 these standards have not had to be applied or enforced, and staff recommends that it is better to allow these sign types to be regulated by market forces than to include them in the Code where they are really unnecessary. Further, removal of these sign types helps to ensure that the City's sign standards are in better alignment with the Reed sign code case.

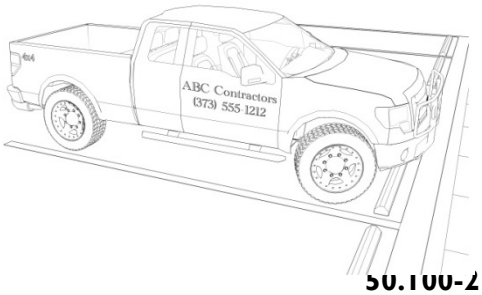
The text referring to vehicle signs has been moved without amendment from Section 10-50.100.020.D (Exemptions) as it more appropriately fits in this Section of the Code. Insert illustrations for each of these signs.

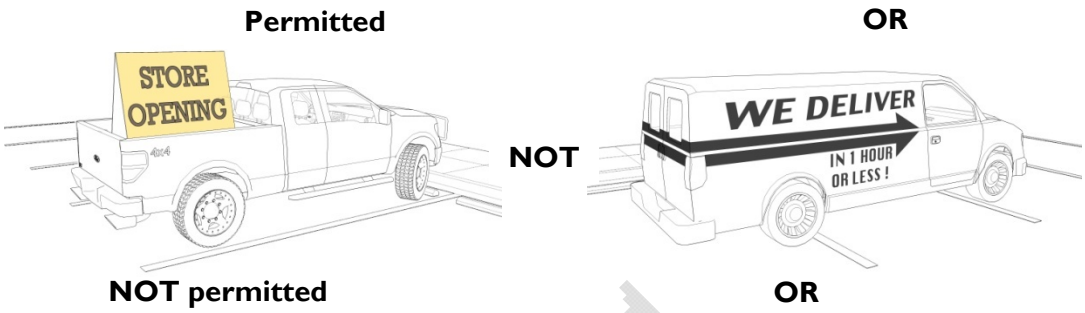
"Vending machines and Similar Facilities" – this standard was recommended for deletion by the Planning and Zoning Commission because they are not necessary, add an overly restrictive level of sign control, and are very difficult to enforce.

Figure X. Signs on Vehicles Used for Business Purposes



Figure





10-50.100.070 Comprehensive Sign Programs

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C. **Review**

3. The Planning Commission shall review all Comprehensive Sign Programs that request an increase in allowable sign height and area beyond the limits established in Section 10-50.100.080 (Sign Design Performance Standards) for freestanding and building mounted signs for multi-tenant buildings and~~or~~ shopping centers.

This amendment allows the Planning Commission to also consider increasing the area of building mounted signs as part of a Comprehensive Sign Program.

10-50.100.080 Sign Design Performance Standards

B. **Cumulative Adjustments**

Table 10-50.100.080.B: Cumulative Adjustments

# of Features Used	Freestanding Signs		Building Mounted Sign	
	Area	Height	Area	Height
2	30%	20-30%[1]	20%	10%
3	45%	35-40%[1]	30%	15%
4	60%	50%	40%	20%
Standard #5 w/ Standards 1-4	Not to exceed 75% of original max. permitted sign area	N/A	N/A	N/A
Cumulative Maximum Sign Area Increase Allowed	~~7~~50%	50%	50%	20%

End Notes

[1] This percentage varies depending on which design features listed in Table A are utilized.

The amendment in the last row of this table changing 75% to 50% is necessary because the 75% value is incorrect. This amendment ensures consistency with the standards in Table 10-50.100.060.H (Standards for Freestanding Signs) and the standards in the former Land Development Code.

10-50.100.090 Portable~~Temporary~~ Signs

A. **Purpose**

The Council finds that the proliferation of portable~~temporary~~ signs is a distraction to the traveling public and creates aesthetic blight and litter that threatens the public's health, safety, and welfare. The purpose of these regulations is to ensure that portable~~temporary~~ signs do~~are~~ not ~~used to continuously advertise goods, services, or other events, and to limit~~ create a ~~the~~ distraction~~s~~ to the traveling public by eliminating the aesthetic blight and litter caused by portable~~temporary~~ signs ~~by allowing them only in the time, place, and manner specified in this Section~~.

In the October 8th work session a majority of Council members agreed that temporary signs should be allowed without a permit and without a time limitation. Ass this means temporary signs may be in place for extended period times, they become in a manner, permanent signs and the term "temporary" no longer is meaningful. For this reason throughout this Section "temporary sign" has been changed to "portable sign". Also, unnecessary language is eliminated in this Subsection.

B. **General to All**

Portable~~Temporary~~ signs are allowed only in compliance with the provisions of this Section;

1. A Permit is only required for temporary wall banner signs. ~~Unless specifically indicated, a Temporary Sign Permit is required for all temporary signs in accordance with Section 10-20.40.130 (Temporary Sign Permits). The applicable fee for a Temporary Sign Permit is established in Appendix 2 (Planning Fee Schedule).~~ See Section 10-20.40.130 (Temporary Wall Banner Sign Permits).

   This amendment establishes that a Sign Permit is only required for wall banners and no Sign Permit is needed all other temporary signs. Refer also to the policy discussion on the following page.

~~2. Temporary signs shall not be illuminated;~~

   This standard has been moved to Table 10-50.100.090.A (Standards for Temporary Signs on Private Property).

~~3. Temporary signs associated with events restricted to a City park or other City-owned or operated public property, including streets, vacant land, and parking lots, shall be reviewed and approved by the Recreation Services Section in compliance with the Special Event Permit Policy;~~

This paragraph may be deleted because a cross reference to the Special Event section of City Code has been added to paragraphs #5. below.

~~4. The following elements shall be prohibited on temporary signs:~~

~~a. Any form of illumination, including flashing, blinking, or rotating lights;~~

~~b. Animation;~~

~~c. Reflective materials; and~~

~~d. Attachments, including, but not limited to, balloons, ribbons, loud speakers, etc.~~

These standards have been moved into Table 10-50.100.090.A (Standards for Temporary Signs).

~~5.~~2. There is no limitation on the length of time that a portable sign may be displayed except for temporary wall banners (See Table 10-50.100.090.B (Standards for Portable Signs).

This amendment is based on Council direction provided at the December 8th Council work session with specific reference to Section 10-50.100.090 (Portable Signs – formerly called Temporary Signs) including the following key decision points:

- *No portable signs will be permitted in public right-of-way (both City and ADOT).*
- *No permit will be required for portable signs, except temporary wall banner signs.*
- *It was agreed that all portable signs may be displayed for an unlimited period of time and will not be required to be removed at the close of business as originally proposed by staff. An exception is that temporary wall banner signs may only be displayed for 30 days. For this reason as these signs could be in place for extended periods of time and, therefore, are not really "temporary", they have been called "portable signs".*
- *An area limitation will be established to determine the maximum area of portable signs permitted in residential zones (16 sq. ft.) and non-residential zones (originally proposed as 32 sq. ft. and reduced to 24 sq. ft.). Staff has proposed that the area of temporary wall banners (max. 24 sq. ft.) should not be included in this area limitation.*
- *Temporary window signs will not be included in the area allowance for portable signs.*
- *The Flagstaff Sign Free Zone as authorized under ARS § 16.1019 is included in the proposed amendments.*

The following options may be considered by the Council:

OPTION 1: *Require a permit for all temporary signs and limit the display time that temporary signs may be displayed (may be anywhere from 60 days to 5 months). Under this option there would be no need for the proposed "portable sign" amendments as the length of time that they would be displayed will be limited. Enforcement and permitting of this option will be challenging and may be burdensome on staff. All temporary signs (except wall banners) could be required to be removed at the*

close of business (current code standard) or permitted to remain in place overnight (staff's preferred approach). Note that as all temporary signs would require a permit, this would include political, ideological, real estate, commercial advertising signs, etc.
OPTION 2: *Do not require a permit for all temporary signs and limit the display time that temporary signs may be displayed (may be anywhere from 60 days to 5 months), Under this option there would also be no need for the proposed "portable sign" amendments. However, it would rely on an honor system with business owners and others placing signs on their property, similar to the approach used for civic/non-profit event banner signs on the City's sign structures to inform the City when a temporary sign would be displayed and removed within the time frame determined by the Council. Enforcement and management of this option will be challenging and may be burdensome on staff. All temporary signs (except wall banners) could be required to be removed at the close of business (current code standard) or permitted to remain in place overnight (staff's preferred approach).*

~~6.~~3. Portable~~Temporary~~ signs must ~~are~~ not~~-~~ be placed on or affixed to ~~allowed on~~ any City property, including City rights-of-way, except as specifically authorized in connection with a special event permitted under City Code Chapter 8-12 (Special Events)~~and permitted by the City~~. ~~This prohibition does not apply to temporary signs held by individuals and not affixed to or placed on City property, so long as the individual holding the sign is on property determined to be a traditional public forum and the individual is not blocking ingress or egress from buildings or creating a safety hazard by impeding travel on sidewalks, bicycle and vehicle lanes, or trails;~~

~~7.~~ *The last sentence of this paragraph has been moved to a new Paragraph 4. in Section 10-50.100.020.A (Applicability) where it is more logically and correctly placed.*

4. Portable~~Temporary~~ signs shall not be placed in the clear view zone~~s~~ at street intersections or driveways (Refer to Section 10-50.100.050.F (Sign Placement at Intersection)).

~~8. and are not allowed within the public right-of-way, including, but not limited to, travel lanes, bicycle lanes, street shoulders, parkway strips, medians, curbs, sidewalks, and trails; and~~

This standard may be deleted because it duplicates an existing standard in Section 10-50.100.040.A (Prohibited Signs).

~~9. The Director may remove or cause to be removed any temporary or portable sign erected or displayed upon, or projecting into public property.~~

This standard has been moved to Section 10-50.100.120 (Enforcement).

C. **Standards for Portable Signs** ~~**Specific to Commercial and Industrial Zones, Transect Zones T5 and T6, and Multi-family Residential Zones**~~
~~A summary of permitted temporary sign types permitted in this Section are listed in Table A (Summary of Permitted Temporary Sign Types) below.~~

~~Table A also identifies whether temporary directional off-premise signs, temporary off-premise signs, or temporary on-premise signs are permitted.~~

~~Table 10-50.100.090.A: Summary of Permitted Temporary Sign Types~~				
~~Temporary Sign Type~~	~~Off-premise Directional Sign~~	~~Off-premise Sign~~	~~On-site Sign~~	~~Section 10-50.100.090~~
~~Approved Temporary Uses~~	~~P~~	~~P[1]~~	~~P~~	~~C.1~~
~~Civic or Non-Profit Events~~	~~P~~	~~P[1]~~	~~P~~	~~C.2~~
~~City Special Event or Recreation Event~~	~~P~~	~~P[1]~~	~~P[2]~~	~~C.3~~
~~On-Premises Business Signs~~	~~--~~	~~--~~	~~P~~	~~C.4~~
~~Temporary Development/ Construction Signs~~	~~--~~	~~--~~	~~P~~	~~C.5~~
~~Sign Walkers~~	~~--~~	~~P[3]~~	~~P~~	~~C.6~~
~~**End Notes**~~				
~~[1] Permitted only on the City's approved sign support structures.~~				
~~[2] Such signs are permitted subject to the standards applicable to City Special Events.~~				
~~[3] Only allowed on private property or on a public sidewalk immediately adjacent to the business or use being advertised.~~				
~~**Key**~~				
~~P Permitted Sign~~				
~~-- Sign Not Allowed~~				

This table may be removed because it is not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert are now being proposed.

Portable ~~Temporary~~ signs placed on the exterior of a structure or on private property are allowed i~~o~~n all Zones ~~property zoned commercial, industrial, or transect zones T5 and T6~~ in compliance with the following standards:

The amendments to the Temporary Sign Section include standards for all zones within the City. Refer to Table 10-50.100.090.A (Standards for Temporary Signs).

~~**Signs for Approved Temporary Uses**~~

~~1. Signs displayed in connection with an approved temporary use as established in Section 10-20.40.150 (Temporary Use Permits) shall comply with the standards provided in Table B (Standards for Approved Temporary Uses at the Location of the Event).~~

~~Table 10-50.100.090.B: Standards for Approved Temporary Uses at the Location of the Event~~		
	~~Standard~~	~~Other Requirements~~
~~Sign Area~~	~~Max. 24 sq. ft.~~	
~~Placement~~	~~Only on the site for which the temporary use is authorized.~~ ~~Securely attached to a stationary structure, canopy, fence or vehicle associated with the temporary use.~~	~~Not in public right-of-way or on public property. Shall not create a hazard for pedestrian or vehicular traffic. See Section 10-50.100.090.B.~~
~~Period of Use~~	~~Max. 7 days before an event.~~	
~~Removal~~	~~Within 1 day after event.~~	
~~Number of Signs~~	~~Max. 1 per street frontage for the approved temporary use.~~ ~~If the temporary use has multiple vendors, each vendor may have 1 sign, max. 12 sq. ft., and it must be located at the vendor's booth.~~	
~~Directional Signs~~	~~See Table 10-50.100.090.E~~	
~~Material~~	~~Rigid materials only.~~	~~Banners, balloons and pennants prohibited.~~
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~No Sign Permit required - reviewed as a part of the Temporary Use Permit for the use.~~	

The standards in this table have been removed because they were not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert *are now being proposed.*

1. **Time, Place, and Manner Restrictions for Portable Signs**
   Portable signs shall comply with the standards provided in Table A (Standards for All Portable Signs).

Table 10-50.100.090.A: Standards for All Portable Signs	
	Standard
Applicable to All Zones	
Placement	Shall not create a hazard for pedestrian or vehicular traffic.
Height and width	Refer to Table 10-50.100.90.B. for height and width standards for individual portable signs.
Prohibited elements	Any form of illumination, including flashing, blinking, or rotating lights. Animation. Reflective materials. Attachments, including, but not limited to, any balloons, ribbons, loudspeakers, etc.

Design and construction	Professionally crafted. Of sufficient weight and durability to withstand wind gusts, storms, etc.
Commercial, Industrial, and Other Non-Residential Zones	
Period of use	No limitation, except for wall banners. Refer to Table 10-50.100.090.B.
Area of all portable signs at any one time	Max. 24 sq. ft. per business; excludes the area of temporary window signs and wall banner signs. Exception: In the Flagstaff Central District, max. 12 sq. ft. per business; excludes the area of temporary window signs and wall banner signs. Refer to Section 10-50.100.100.A.
Number of Signs	Unlimited except that the total sign area of all portable signs not exceed 24 sq. ft. per business. Exception: Multi-tenant shopping centers or offices – Max. 2 portable signs per 150 linear feet of property frontage not to exceed 24 sq. ft. combined.
Permitting	No Sign Permit required, except for temporary wall banner signs.
All Residential Zones	
Period of use	No limitation.
A-rea of all portable signs at any one time	Max. 16 sq. ft. per lot or parcel.
Number of Signs	Unlimited except that the total sign area of all portable signs shall not exceed 16 sq. ft.
Permitting	No Sign Permit required.

This new table provides the general standards for any type of temporary sign placed on private property. It is organized to provide standards applicable generally to all zones, standards for commercial, industrial and other non-residential zones, and all residential zones. Most of the standards are consistent with those in the current code (e.g. the standards for prohibited elements, illumination and design and construction), but new standards have also been added. These include a new approach to establishing a limit on the area and number of temporary signs permitted on a property or for a business (e.g. in commercial zones a max. of 32 sq. ft. of temporary sign area is allowed regardless of the content of the sign, i.e. ideological, commercial, or political).The new highlighted amendment ensures that portable signs may only be mounted on or in the ground or on the wall of a building.

~~2.~~ **Civic and Non-Profit Event Signs on City Approved Sign Support Structures [Move this section after Types of Temporary Signs – to become new Subsection 3.]**

a. **Purpose**
The City has installed banner sign support structures at certain locations within the community where temporary banners used to advertise civic and non-profit organizations and events for which a Special Event Permit has been approved may be placed. The purpose of these banner sign support structures, therefore, is to provide a convenient, highly visible and safe location for the display of these temporary banners to minimize their proliferation within the community which causes visual blight.

b. ~~All s~~Signs advertising events organized and implemented by civic and non-profit organizations, or events for which a Special Event Permit has been approved by the Recreation Services Section, may be installed on City approved sign support structures in compliance ~~shall comply~~ with the standards provided in ~~Table C (Standards for Temporary Civic or Non-Profit Event Signs at the Location of the Event) and~~ Table C~~D~~ (Standards for Temporary Off-Premise Signs on City Approved Sign Support Structures ~~for City Special and Recreation Events, and Civic or Non-Profit Events~~).

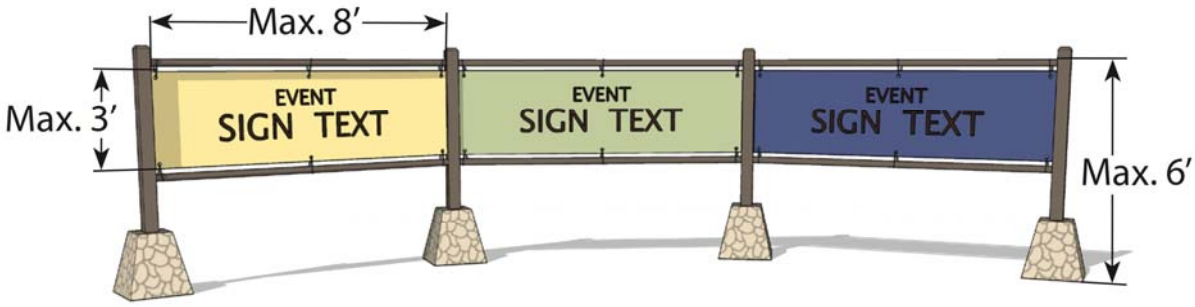
The current code required all temporary banner signs used to advertise civic and non-profit events to be placed on the City's sign structures. However, following the decision in the Reed case, while it is preferred that these banners should only be placed on the sign structures, the City may no longer make this a requirement. Note that any such banner would count against the temporary sign area limitation proposed in Table A which may be enough of an incentive for a business owner to not grant permission for the display of the event banner on their property. Staff expects, therefore, that most banners will continue to be displayed on the City sign support structures.

~~Table 10-50.100.090.C: Standards for Temporary Civic or Non-Profit Event Signs at the Location of the Event~~	
	~~Standard~~
~~Period of Use~~	~~Max. 7 days before an event.~~
~~Removal~~	~~Shall be removed within 1 day after an event.~~
~~Sign Placement~~	~~Only on the property where the event will be held.~~ ~~Not in public right-of-way, street medians, or FUTS trails.~~ ~~Shall not create a hazard for pedestrian or vehicular traffic. See Section 10-50.100.090.B.~~
~~Mounting Height~~	~~Max. 6 feet.~~
~~Sign Area~~	~~Max. 24 sq. ft.~~
~~Number of Signs~~	~~Max. 1 per frontage.~~

~~Illumination~~	~~Not permitted.~~
~~Permitting~~	~~No Sign Permit required.~~
Table 10-50.100.090.C~~D~~: Standards for Temporary Off-Premise Signs on City-Approved Sign Support Structures ~~for City Special or Recreation Events, and Civic and Non-Profit Events~~	
Number of Events	No more than 3 events per organization per year may be advertised on City-approved sign support structures.
Period of Use	Max. 7 days before an event.
Sign Placement	Only at approved locations (See b. below).
~~Mounting Height~~	~~Max. 6 ft.~~
Sign Size and Area	Max. 3' by 8'; Max. 24 sq. ft.
Banner Details	Grommets shall be placed at each of the corners of the banner for secure attachment to the support structure. Banners shall not have brand identification, such as "Sponsored by XYZ Corporation", or a product brand across the face of the banner as a background. Logos for sponsors of the event or the banner shall be limited to max. 20% of the area of the banner.
Number of Signs	1 sign for each event per support structure, to a max. of 3 sign support structures.
Removal	Within 1 day after the~~an~~ event.
Illumination	Not permitted.
Permitting	No Sign Permit required – a reservation is needed for placement of a banner on a support structure. See Section 10-50.100.090.C.3~~2~~.b.

The standards in the upper portion of this table have been removed because they are not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert are now being proposed.

b. An application may be submitted to the Director for the placement of up to three banners on City-approved sign support structures (illustrated in Figure A) for the purpose of promoting a forthcoming civic or non-profit event, a City Recreation Services event, or an event for which a Special Event Permit has been approved by the Recreation Services Section. Placement on these structures is reserved on a first come, first serve basis up to three-months in advance of the event. The locations of the City's approved sign support structures are available on a map on file with the Planning Section.



Permitted

~~3.~~ ~~**Temporary Directional Signs for City Special Events, Parks and Recreation Events, and Approved Temporary Uses**~~
~~The standards provided in Table E (Standards for Temporary Directional Signs for City Special Events, Recreation Events, Civic and Non-Profit Events, and Approved Temporary Uses) shall apply.~~

~~Table 10-50.100.090.E: Standards for Temporary Directional Signs for City Special Events, Recreation Events, Civic and Non-Profit Events, and Approved Temporary Uses~~		
	~~Standard~~	~~Other Requirements~~
~~Area~~	~~Max. 6 sq. ft.~~	
~~Height~~	~~Max. 4 feet.~~	
~~Placement~~	~~Private property only.~~ ~~Only allowed 1 day prior to an event.~~	~~Not in public right-of-way or on public property. Shall not create a hazard for pedestrian or vehicular traffic. See Section 10-50.100.090.B.~~
~~Removal~~	~~Within 1 day after an event.~~	
~~Number of Signs~~	~~No limit.~~	
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~No Sign Permit required - reviewed as part of Special Event Permit.~~	

The standards in this table have been removed because they are not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert are now being proposed.

~~4.~~ ~~**Temporary On-Premises Business Signs**~~
~~Temporary signs related to an on-premises business use shall be allowed, subject to the following requirements and limitations:~~

~~a.~~ ~~**Applicability**~~
~~Temporary business signs shall not be used to continually advertise goods, services, or events on a site. Temporary signs shall only be used~~

~~for short term advertising of promotional or seasonal sales events, and for a new occupancy or use, grand opening, going-out-of-business, or a temporary event such as a farmers market or flea market.~~

~~b. **Standards for Specific Temporary Business Signs**~~

~~Standards for specific types of temporary business signs are established in Table F (Standards for Specific Temporary Business Signs). Only one of the following temporary business signs may be displayed per 150 linear feet of property frontage or part thereof at any one time, and for no longer than the maximum time allowed for temporary business signs.~~

~~Table 10-50.100.090.F: Standards for Specific Temporary Business Signs (Includes Temporary A-Frame, Wall Banner, Vertical Banner, and Temporary Window Signs)~~		
	~~Maximum Duration~~	~~Other Requirements~~
~~New Occupancy or Use Sign~~	~~45 consecutive days within the first 6 months of establishment of a new occupancy or use.~~	~~Max. 1 sign per business.~~ ~~May not be combined with a grand opening sign.~~ ~~Sign to be removed when permanent sign is installed.~~
~~Grand Opening Sign~~	~~30 consecutive days.~~	~~Max. 1 sign per business.~~ ~~May not be displayed at the same time as a new occupancy or use sign.~~
~~Promotional or Seasonal Sales Sign+~~	~~Max. of 1 sign for no more than 10 consecutive days, max. 6 times per calendar year.~~	~~Only 1 permit is required per calendar year.~~
~~Going-Out-of-Business Sign~~	~~30 consecutive days.~~	~~Max. 1 sign per business.~~ ~~Sign to be removed when business finally closes.~~
~~A-Frame Sign used as Secondary Signage in a Multi-Tenant Shopping Center~~	~~No limitation on the number of days they may be used~~	~~Only on the walkway directly in front of the store.~~ ~~Shall not interfere with pedestrian travel or encroach upon a required accessible path.~~ ~~Not in public right-of-way, sidewalks, parking areas, driveways, or landscape areas.~~ ~~No Temporary Sign Permit required.~~

The standards in this table and the text above it have been deleted because they are not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert are now being proposed.

D. Types of Portable~~Temporary~~ Signs (Becomes new #2 – renumber subparagraphs)

1. Portable signs shall comply with the standards provided in Table B (Standards for Specific Portable Sign Types).

~~c. Wall banners are preferred as the best option for business owners desiring to place temporary business signs. Where the placement of a wall banner is not practical due to limited visibility from a public right-of-way or other constraints a vertical banner may be permitted as an alternative to the wall banner~~.

Staff recommends that wall banners should only be installed for a maximum of 30 days and that they should be subject to a permit. They are, therefore, not the most desired temporary sign type, and as a result this paragraph may be deleted.

~~**Temporary A-Frame or Upright Signs**~~
~~Temporary A-frame signs including upright signs shall comply with the standards provided in Table G (Standards for Temporary A-Frame or Upright Signs).~~

~~Figure A. Civic or Non-Profit Event Sign Structure~~

~~Figure B. Upright Sign~~

Table 10-50.100.090.B: Standards for Specific Portable Sign Types				
	Standard			Other Requirements
Portable Sign Type[1]	Height (Max.)	Width (Max.)	Area (Max.)	
A-Frame or Upright Sign	4' from grade	3'	12 sq. ft.	Only permitted in non-residential zones.
Feather or Vertical Banner	8' from grade	2'	12 sq. ft.	Secure attachment to mounting pole required. Only permitted in non-residential zones.
Yard Sign	3'	2'	4 sq. ft.	Installed securely in the ground.
Number of Signs	See Table 10-50.100.090.A.			
Portable Sign Type[1]	Height (Max.)	Width (Max.)	Area (Max.)	
Wall Banner	--	--	24 sq. ft.	May only be mounted on a building wall or on T-posts or stakes installed ≤ 6" from a wall on which the temporary wall banner sign would be hung. Mounting height – max. 25 feet to the top of the temporary wall banner sign. Only permitted in non-residential zones. May only be displayed for 30 days per

				calendar year and shall not be used as permanent signs. Not included in the total sign area for all portable signs. Temporary Wall Banner Sign Permit required.
Window Sign	--	--	Refer to End Note[3]	Placed no higher than 1st story windows. Inside mounting required. Not included in the total sign area for all portable signs.
Number of Signs	See Table 10-50.100.090.A.			

End Notes

[1] Other portable sign types may be allowed (e.g. fuel pump topper signs wraps around waste receptacles, or balloon bobbers) provided the max area limitation for all portable signs is not exceeded.

[2] The area of temporary and permanent window signs combined (including signs constructed of perforated vinyl or painted on the window) shall not exceed 40% of the area of the window on or within which they are displayed.

This table consolidates all the standards for temporary signs in one place which, therefore, eliminates the redundancy in standards and tables found in the current Code. These standards also apply to temporary signs regardless of the message displayed on them to ensuring consistency with the content neutral standard for temporary signs resulting from with Reed v. Town of Gilbert *decision. For this reason the standards on the following pages that were specific to various temporary sign types are proposed to be deleted. The row regarding flags has been removed consistent with the US Supreme Court's decision in the* Reed *case. Finally, a new type of temporary sign (balloon bobbers) has been added as an alternative to inflatable balloons, used frequently by car dealerships, as an example.*

~~(1) **Vertical Banners**~~

~~Temporary vertical banners shall comply with the standards provided in Table H (Standards for Temporary Vertical Banners).~~

~~Table 10-50.100.090.H: Standards for Temporary Vertical Banners~~		
	~~Standard~~	~~Other Requirements~~
~~Placement~~	~~Private property only at the business location.~~ ~~Securely fastened to the ground.~~	~~Not in public right-of-way or on public property. Shall not create a hazard for pedestrian or vehicular traffic. See Section 10-~~

		~~50.100.090.B.~~
~~Mounting~~	~~Secure attachment to mounting pole required.~~	
~~Hours of use~~	~~Business hours only.~~	~~Removal at the close of business required.~~
~~Duration of use~~	~~See Table 10-50.100.090.F.~~	
~~Height~~	~~Max. 10 feet.~~	~~Measured from grade to the top of the vertical banner.~~
~~Width~~	~~Max. 2 feet.~~	
~~Number of Signs~~	~~Max. 1 per business.~~	
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~Temporary Sign Permit required.~~	
~~Design and construction~~	~~Professionally crafted.~~	

~~Figure C. A-Frame Sign~~

~~(2) **Temporary Wall Banners**~~

~~Temporary wall banners are permitted in all commercial and industrial zones in compliance with the standards provided in Table I (Standards for Temporary Wall Banners).~~

~~Table 10-50.100.090.I: Standards for Temporary Wall Banners~~		
	~~**Standard**~~	~~**Other Requirements**~~
~~Placement~~	~~Private property only.~~	~~Not in public right-of-way.~~ ~~Not attached to a vehicle.~~
~~Mounting~~	~~Attached to a primary structure only, and not to any part of a roof or the supports for the roof.~~	~~Secure attachment to building required.~~
~~Duration of use~~	~~See Table 10-50.100.090.F.~~	
~~Mounting Height~~	~~Max. 25 feet to top of sign.~~	
~~Area~~	~~Max. 24 sq. ft.~~	
~~Number of Signs~~	~~Max. 1 per business.~~	
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~Temporary Sign Permit required.~~	~~Wall banners shall not be used as permanent signs.~~
~~Design and construction~~	~~Professionally crafted.~~	

~~Figure D. Temporary Vertical Banner~~

~~(4) **Window Signs**~~

~~Temporary window signs shall comply with the standards provided in Table J (Standards for Temporary Window Signs).~~

~~Table 10-50.100.090.J: Standards for Temporary Window Signs~~		
	~~**Standard**~~	~~**Other Requirements**~~
~~Sign Area~~	~~Area of temporary and permanent window signs combined (including signs constructed of perforated vinyl or painted on the window) shall not exceed 25% of the area of the window on or within which they are displayed.~~	~~Not included in the total allowable sign area.~~
~~Sign Placement~~	~~No higher than 1st story windows.~~	~~Inside mounting preferred.~~
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~No Sign Permit required.~~	

~~**Temporary New Development/Construction Signs**~~

~~Temporary signs announcing new development or construction shall comply with the standards provided in Table K (Standards for Temporary New Development/Construction Signs).~~

~~Table 10-50.100.090.K: Standards for Temporary New Development/Construction Signs~~		
~~Sign Area~~	~~Max. 32 sq. ft.~~	
~~Sign Placement~~	~~Max. 1 sign per street frontage.~~ ~~Only on the site where the new development is proposed.~~	~~Only after Site Plan Approval has been granted.~~
~~Sign Removal~~	~~Prior to issuance of a Certificate of Occupancy.~~	
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~No Sign Permit required.~~	

~~5.~~3. **Sign Walkers** (Becomes a new Subsection #4)

This Subsection provides time, place and manner restrictions pertaining to sign walkers, i.e. a person who holds a sign to convey a commercial message, ~~are allowed,~~ subject to the following standards:

a. Sign walkers shall only be allowed in commercial and industrial zones, and Transect Zones T5 and T6;

b. Sign walkers shall only be located on the premises of the business they are advertising ~~private property~~ with the property owner's or property manager's written approval~~,~~ or only on a public sidewalk, ~~or~~ walkway or pedestrian thoroughfare immediately adjacent to the ~~property for which the use, activity,~~ business premises~~, sale, or advertising is being conducted~~;

c. Sign walkers shall not be located within ~~a minimum of~~ 30 feet from a street or driveway intersection measured from the back of the curb or edge of pavement if no curb exists, and are ~~shall~~ not permitted~~be located~~ in any of the following locations:

(1) ~~On any public property or within any public right-of-way except as specified in paragraph b.;~~In parking aisles or stalls;

(2) In driving lanes; or

(3) On fences, walls, boulders, planters, other signs, vehicles, utility facilities or any other structure.

~~(4) Within 30 feet from any other sign walker; or,~~

~~(5) In a manner that results in sign walkers physically interacting with motorists, pedestrians, or bicyclists~~;

d. Sign walkers may not interfere with traffic or block pedestrians or bicyclists.

~~d.~~e. Sign walkers are only permitted to advertise during ~~shall be limited to~~ the hours of operation of the business they are advertising;

~~e.~~f. Sign walker signs shall not exceed eight square feet in area;~~,~~ shall not exceed eight feet in height when held; ~~or in place,~~ and shall be professionally crafted;

~~f.~~g. Sign walker signs that include any of the following are prohibited:

(1) Any form of illumination, including flashing, blinking or rotating lights;

(2) Animation on the sign itself; or

(3) Spinning, waving, throwing the sign in the air or any other such erratic movement intended to attract attention.

~~g.~~h. No Sign Permit is required for a sign walker~~s~~.

The amendments proposed in this Subsection are intended to clarify and improve the former standards. No new standards are proposed.

10-50.100.100 Sign Districts of Special Designation

A. **Flagstaff Central District**

5. **Standards**

b. **Freestanding Signs**
Two styles of freestanding signs are permitted within the Flagstaff Central District: either a low profile freestanding sign, or a freestanding suspended sign, either of which may also be used as a Neighborhood or District Sign. The standards provided in Table D (Standards for Freestanding Signs in Flagstaff Central District) shall apply.

Table 10-50.100.100.D: Standards for Freestanding Signs in Flagstaff Central District

	Standard		Other Requirements
	Area[1]	Height	
Low Profile Freestanding Sign – Single Tenant Use	24 sq. ft.	6 feet	Shall be mounted on 2 poles placed at the outermost sides of the sign face, or on a low profile sign base.
Low Profile Freestanding Sign – Multiple Tenant Use	32 sq. ft.	8 feet	Shall be mounted on 2 poles placed at the outermost sides of the sign face, or on a low profile sign base.
Freestanding Suspended Sign	18 sq. ft.	10 feet to top of sign pole	Sign structure shall consist of a vertical pole and horizontal decorative sign support, and shall be constructed of wood or metal.
Number of Signs	1 sign permitted per business.		
Illumination	See Section 10-50.100.050.C.		Externally illuminated with down-directed and shielded fixtures only. Neighborhood or District Sign shall not be illuminated.
Permitting	Sign Permit is required.		

End Note:
[1] The area of a Neighborhood or District Sign shall not be counted against the permitted sign area applicable to the use(s) existing on the property where the Neighborhood or District Sign will be erected.

The Neighborhood or District Signs standards formerly located within Section 10-50.100.020.D (Exemptions) have been moved to this table. The reasons for this are to reduce the number of exempt signs as much as possible and because a Neighborhood or District Sign would only be installed within the Flagstaff Central District where the historic districts in the City are located. Furthermore, the standards for freestanding signs in this district match those for a Neighborhood or District Sign. Under the current code these signs were permitted in the public right-of-way. As they are not considered government signs, and the amendments are set up to prohibit

any signs except government signs or those required by law in a public right-of-way, they must be placed on private property. The new End Note is intended to ensure that the property owner where the Neighborhood or District Sign will be placed may also have freestanding signage to advertise their business.

B. **Downtown Historic District**

5. **Portable~~Temporary~~ Signs**
Portable~~Temporary~~ signs proposed within the Downtown Historic District shall comply with the standards established in Section 10-50.100.090 (Portable~~Temporary~~ Signs), except as provided below:

a. No ~~A-frame, upright signs, or~~ feather vertical banners shall be permitted in the Downtown Historic District.

This amendment would allow A-frame and Upright Signs in the Downtown Historic District but would continue to preclude the use of feather vertical banners which are more appropriate in suburban areas of the City with greater traffic speed and volume.

~~b. Temporary stanchion signs shall comply with the standards provided in Table 10.50.100.100.E (Standards for Temporary Stanchion Signs).~~

~~Table 10-50.100.100.E: Standards for Temporary Stanchion Signs~~		
	~~Standard~~	~~Other Requirements~~
~~Placement~~	~~Only within the Downtown Historic District.~~	~~Only within the amenity zone on the sidewalk directly in front of the store.~~
~~Hours of use~~	~~Business hours only.~~	~~Removal at the close of business required.~~
~~Height~~	~~Max. 4 feet.~~	
~~Width~~	~~Max. 12 inches.~~	
~~Number of Signs~~	~~Max. 1 per business.~~	
~~Illumination~~	~~Not permitted.~~	
~~Permitting~~	~~No Sign Permit required.~~	
~~Design and construction~~	~~Professionally crafted.~~ ~~Shall be compatible with the architectural character of the Downtown District.~~	

~~Figure E. Temporary Wall Banner~~

The standards in this table have been deleted because they are not content neutral and new standards for temporary signs consistent with Reed v. Town of Gilbert are

now being proposed. These amendments explicitly state that no temporary signs may be placed in City right-of-way regardless of what message they may be conveying.

F. **Flagstaff Sign Free Zone**

1. **Purpose**
This Section establishes a commercial tourism, commercial resort and hotel sign-free zone pursuant to A.R.S. §16-1019.

2. **Applicability**
The Flagstaff Sign Free Zone illustrated on Map 10-90.40.010 (Flagstaff Sign Free Zone) has been determined based on the location of a predominance of commercial tourism, resort and hotel uses within the Zone.

3. **Standards**

a. Within the Flagstaff Sign Free Zone all portable signs, including political signs, are prohibited within the public rights-of-way as they detract from the scenic and aesthetic appeal of the area adjacent to the Zone and deter its appeal to tourists. However, portable signs are permitted on private property adjacent to the Flagstaff Sign Free Zone.

b. The Director may remove or cause to be removed any portable sign erected or displayed in the public right-of-way in the Flagstaff Sign Free Zone.

~~C.~~ *Arizona Revised Statutes (A.R.S. §6-1019) allow municipalities to establish up to two sign free zones the total area of which is limited to a maximum of three square miles. These sign free zones must however, be based on a determination that "the municipality has determined that based on a predominance of commercial tourism, resort and hotel uses within the zone the placement of political signs within the rights-of-way in the zone will detract from the scenic and aesthetic appeal of the area within the zone and deter its appeal to tourists". Staff has created a Flagstaff Sign Free Zone Map (attached) to be inserted in Chapter 10-90 (Maps). The sign free zone includes City and state rights-of-way (note that no temporary signs may be placed within ADOT right-of-way) in areas of the City where there are a predominance of hotels and resorts. This includes parts of West Route 66 and Woodlands Village Boulevard, S. Milton Road, East Route 66, parts of the downtown and Southside, and portions of Soliere Avenue and Country Club Drive. Within this sign free zone no temporary signs, regardless of the message conveyed, will be permitted.*

10-50.100.110 Nonconforming Signs

[No amendments are proposed in this Section.]

10-50.100.120 Enforcement

A. It shall be unlawful for any person, firm or corporation to erect, construct, enlarge, alter, repair, display, ~~maintain~~ or use a sign within the City contrary

to, or in violation of, any provision of this Division. The requirements of this Division shall be enforced in compliance with the enforcement provisions of Division 10-20.110 (Enforcement).

B. The Director may remove or cause to be removed any portable sign erected or displayed upon a public sidewalk, walkway or pedestrian thoroughfare within public right-of-way or within a clear view zone that creates a hazard to pedestrian or vehicular traffic.

This text has been moved from the former Location Restrictions standards (Section 10-50.100.040.A) to the Enforcement Section where it is more appropriately located.

10-50.100.130 Appeals

[No amendments are proposed in this Section.]

10-50.100.140 Severability

[No amendments are proposed in this Section.]

DRAFT

Needed Amendments to Other Chapters of the Zoning Code:

Chapter 10-20 Administration, Procedures, and Enforcement:

Division 10-20.40 Permits and Approvals

Section 10-20.40.130 Sign Permits – Temporary Signs

A. **Purpose**

This Section establishes the permitting requirements for temporary wall banner signs as described in Section 10-50.100.09~~7~~0 (Portable~~Temporary~~ Signs) to ensure compliance with the applicable provisions of this Zoning Code.

B. **Sign Permit Requirement**

~~1. Except as provided in Section 10-50.100.020 (Applicability), i~~It shall be unlawful for any person to erect, place, display, alter, ~~repair, maintain~~ or relocate a temporary wall banner sign without first obtaining ~~approval for~~ a Temporary Wall Banner Sign Permit from the Director.

~~2. A Temporary Sign Permit is not required to place a civic or non-profit event sign on the City's approved civic or non-profit event support structures as described in Section 10-50.100.090.C.1. However, a reservation for the use of these support structures may be submitted to the Director up to three months in advance of an event, approval of which shall be granted on a first come, first served basis~~.

The amendment in paragraph #1. explicitly requires a Temporary Sign Permit for wall banners. The text in paragraph #2. has been deleted as it is redundant and is already included in Table 10-50.100.090.C (Standards for Temporary Off-Premise Signs on Civic and Non-Profit Event Signs on City Approved Sign Support Structures).

C. **Duration of Temporary Wall Banner Sign Permit**

The Temporary Wall Banner Sign Permit will be valid for 30 days ~~the use for which it has been issued and for the duration established for each temporary sign type in Table 10-50.100.090.C (Standards for Specific Temporary Business Signs)~~ beginning with the date of issuance.

D. **Review and Approval**

1. **Application**

a. An application for a Temporary Wall Banner Sign Permit for a business located in a multi-tenant development or shopping center shall be made by the property manager or property owner as the applicant on behalf of a business(s) requesting a Temporary Wall Banner Sign Permit for temporary wall banner sign~~a seasonal or promotional sales event~~. A business owner who is also the property owner (e.g. in a single-tenant building) is considered the applicant for the purposes of this Section~~,~~ and may submit an application for a Temporary Wall Banner Sign Permit for the business.

b. No more than one temporary wall banner sign per 150 linear feet of property frontage or part thereof shall be permitted at any one time. The property manager or

property owner shall be responsible for determining which of the tenants in a multi-tenant development or shopping center will~~ould~~ be entitled to a temporary wall banner sign in accordance with this Section.

2. **Review**
The Director shall review the Temporary Wall Banner Sign Permit application and supporting documentation required by Section 10-20.30.020 (Application Process) for compliance with the standards of Section 10-50.100.09~~7~~0 (Portable ~~Temporary~~ Signs).

3. **Determination**
The Director in compliance with the Review Schedule on file with the Planning Section shall determine whether the Temporary Wall Banner Sign Permit may be issued or if additional information is required from the applicant to complete the permit application. If the Temporary Wall Banner Sign Permit application is denied, the reason will ~~shall~~ be stated in writing.

4. **Authorization**
Issuance of a Temporary Wall Banner Sign Permit authorizes the holder to install a temporary wall banner ~~sign(s)~~ in compliance with the terms of the permit. At any time after a Temporary Wall Banner Sign Permit is issued, a new owner, tenant or lessee of record, may be substituted for the original applicant, if a record of the new interest is made with the City and the new interest assumes all obligations he or she would have had in compliance with the original permit. The change of interest shall not imply that any fees paid for the permit will be returned to either the interest which has been replaced or the substitute.

E. **Inspections**

1. All wall banners~~signs~~ for which a Temporary Wall Banner Sign Permit is required are subject to inspection to establish compliance with the provisions of Section 10-50.100.09~~7~~0 (Portable ~~Temporary~~ Signs)~~,~~ and any other applicable City codes.

2. A re-inspection fee (See Appendix 2 (Planning Fee Schedule)) will~~shall~~ be charged if more than one inspection is made to determine compliance after issuance of a correction notice for an improperly displayed portable~~temporary~~ sign, or after issuance of any notice of violation. No fees will ~~shall~~ be charged for an inspection establishing that a violation exists, or for the first inspection following the issuance of a notice of violation. The re-inspection charge will~~shall~~ be imposed if any subsequent inspection is required to determine compliance.

F. **Violations**

Any temporary wall banner signs installed or displayed without a Temporary Wall Banner Sign Permit are in violation of this Division and will be~~is~~ grounds for the Director to issue a correction notice and/or to cause removal of the portable~~temporary~~ sign until appropriate permits are obtained.

(Section 10-20.40.130 amended by Ord. 2014-27, adopted Nov. 18, 2014)

Renumber all following Sections and check cross-references.

Chapter 10-80 Definitions:
Division 10-80.20 Definition of Specialized Terms, Phrases, and Building Functions

Section 10-80.20.010. Definitions, "A."

ADOT: Arizona Department of Transportation.

Section 10-80.20.160. Definitions, "P."

Parkway: The area between the back of a curb and a sidewalk that is usually landscaped.

This term is used in the Zoning Code, and thus a definition to clarify its meaning is proposed.

Section 10-80.20.190 Definitions, "S."

Sign: A structure, device, figure, display, message placard or other contrivance, or any part thereof, situated outdoors or indoors, which is designed, constructed, intended or used to advertise, provide information in the nature of advertising, provide historical, cultural, archeological, ideological, political, or social information, or direct or attract attention to an object, person, institution, business, product, service, message, event, or location by any means, including words, letters, figures, designs, symbols, fixtures, colors, or illumination~~, or projected images~~.

This amendment clarifies and expands the definition of a sign.

Sign, Balloon Bobber: A reusable pre-formed balloon filled with regular air made of a durable PVC vinyl that does not need to be inflated, and typically attached to a short pole.

This amendment ensures that the new term "balloon bobber" is defined.

~~**Sign, Temporary Directional:** A temporary sign which is designed and erected to serve as a public convenience in directing pedestrian and vehicular traffic to approved temporary uses, City Special Events, or City Recreation Events, and not used for the purpose of advertising goods, uses, and activities on site.~~

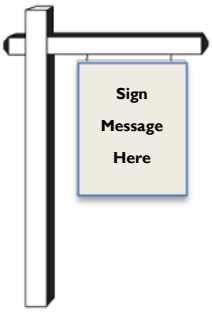
~~**Sign, Menu Display Board:** A sign advertising the menus for a restaurant, bar, or lounge.~~

Sign, Permanent: A sign constructed of durable materials and intended to exist for the duration of time that the use or occupant is located on the premises.

Sign, Portable: A sign that is capable of being moved and not designed to be permanently attached to a building or permanently anchored to the ground that is constructed of paper, cloth, canvas, light fabric, cardboard, plywood, light plastic or other similar materials.

Sign, Post: A sign mounted on either a single post or two or more posts as illustrated below.

This term is used in the Zoning Code, and thus a definition to clarify its meaning is proposed.



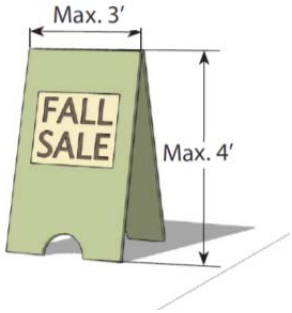
~~**Sign, Real Estate:** A sign pertaining to the sale, or lease of the premises, or a portion of the premises, on which the sign is located.~~

~~**Sign, Real Estate Directional:** A temporary sign used to direct traffic to a real estate sale such as an open house or auction.~~

~~**Sign, Stanchion:** A temporary narrow upright sign that is easily moved used for advertising purposes.~~

~~**Sign, Temporary:** Any sign advertising an event, special promotion, or sale for a limited period of time that is constructed of paper, cloth, canvas, light fabric, wallboard, light plastic or other light, non-rigid, flimsy material.~~

Sign, Temporary A-Frame: A ~~temporary~~ portable, and self-supporting ~~"sandwich board"~~ sign used for advertising purposes, constructed in such a manner as to form an "A" or a tent-like shape, hinged or not hinged at the top~~.~~ (Syn. Sandwich Board Sign).



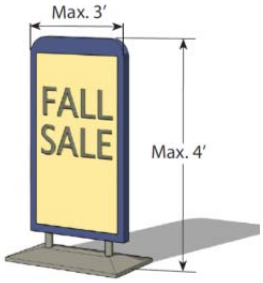
These amendments clarify the definitions of a temporary signs and an A-Frame sign.

~~**Sign, Temporary Directional:** A temporary sign which is designed and erected to serve as a public convenience in directing pedestrian and vehicular traffic to approved temporary uses, City Special Events, or City Recreation Events, and not used for the purpose of advertising goods, uses, and activities on site.~~

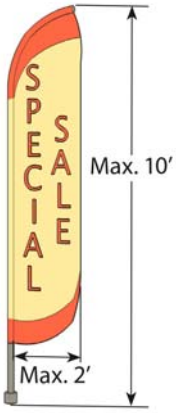
~~**Sign, Temporary Events:** A sign associated with a temporary use authorized by a Temporary Use Permit.~~

~~**Sign, Temporary New Development/Construction:** A temporary sign used to identify a future development that is, or will be, under construction.~~

Sign, Temporary Upright: A portable~~temporary~~ sign ~~that may be used in lieu of an A-frame sign for advertising purposes,~~ constructed to be taller than it is wide, which may be~~and~~ mounted on a weighted base or similar support.

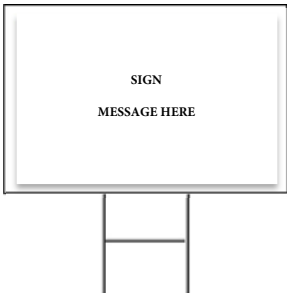


Sign, Temporary Feather or Vertical Banner: A portable~~temporary~~ sign ~~type~~ typically constructed of cloth, bunting, plastic, paper or similar non-rigid material~~, used for advertising purposes~~, and attached to a vertically mounted pole that is securely fastened to the ground.



Sign, Temporary Wall Banner: A portable ~~temporary~~ sign ~~type~~ constructed of cloth, bunting, plastic, paper or similar non-rigid material~~, used for advertising purposes~~, and securely attached to the wall or support ~~primary~~ structure for which it is advertising.~~, not including official flags~~ Flags are not considered temporary wall banners~~of the United States, the state of Arizona, and other states of the nation, counties, municipalities and official flags of foreign nations~~.

Sign, Temporary Yard: A small portable sign used for advertising by local businesses that are also popular in election campaigns, typically constructed of corrugated plastic and supported on an H-shaped wire frame (Syn: Lawn Sign).



This term is used in the Zoning Code, and thus a definition to clarify its meaning is proposed.

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Chapter 10-90 Maps:
Division 10-90.40 Subject Specific Maps

Section 10-90.40.010 Flagstaff Sign Free Zone Map

Insert this new map on new Page 90.50-1.

DRAFT

ORDINANCE NO. 2016-22

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, *THE CITY OF FLAGSTAFF ZONING CODE*, CHAPTER 10-50, *SUPPLEMENTAL TO ZONES*, DIVISION 10-50.100 *SIGN STANDARDS*, CHAPTER 10-20, *ADMINISTRATION, PROCEDURES, AND ENFORCEMENT,* DIVISION 10-20.40, *PERMITS AND APPROVALS, AND CHAPTER 10-80, DEFINITIONS, DIVISION 10-80.20, DEFINITIONS OF SPECIALIZED TERMS, PHRASES, AND BUILDING FUNCTIONS,* BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "*2016 AMENDMENTS TO CITY CODE TITLE 10, ZONING CODE, DIVISION 10-50.100 SIGN STANDARDS, AND OTHER RELATED DIVISIONS"*; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City Council has determined that amendments to the Zoning Code, Title 10 of the Flagstaff City Code, Chapter 10-50, *Supplemental to Zones*, Division 10-50.100, *Sign Standards*, Chapter 10-20, *Administration, Procedures, and Enforcement*, Division 10-20.40, *Permits and Approvals*, and Chapter 10-80, *Definitions*, Division 10-80.20, *Definitions of Specialized Terms, Phrases, and Building Functions,* are necessary in order to ensure, among other things, that the City's sign standards have been clarified to ensure they are consistent with the US Supreme Court's decision in *Reed v. Town of Gilbert*, 135 S. Ct. 2218 (2015); and

WHEREAS, the Mayor and Council have, by resolution, previously declared the *"2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100, Sign Standards, and Other Related Divisions,"* (referred to hereinafter as the "Proposed Amendments") to be a public record; and

WHEREAS, in a work session held on December 8, 2015, the City Council considered public comment, discussed various options and alternatives, and, after deliberation, directed staff to return with those changes that now comprise the Proposed Amendments; and

WHEREAS, the Planning and Zoning Commission at their public meeting on February 24, 2016, recommended that the City Council adopt the Proposed Amendments; and

WHEREAS, the City Council finds that the City has complied with the statutory notice and meeting requirements.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan (Regional Plan).

SECTION 2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City.

SECTION 3. The proposed amendment is internally consistent with other applicable provisions of the Flagstaff Zoning Code.

SECTION 4. In General.
That the document entitled "*2016 Amendments to City Code Title 10, Zoning Code, Division 10-50.100 (Sign Standards) and Other Related Divisions,"* three copies of which are on file in the office of the City Clerk of the City of Flagstaff, Arizona and previously declared by Resolution No. 2016-13 to be a public record, is hereby adopted and made a part hereof as if fully set out in this ordinance and its provisions declared to be inserted into the Zoning Code and to replace and supersede the existing relevant provisions of the Zoning Code.

SECTION 5: Penalties.
Whenever the Flagstaff Zoning Code prohibits an act or makes or declares an act to be unlawful or an offense, or whenever in the Code the doing of any act is required, or the failure to do any act is declared to be unlawful, the violation of any such provision shall be punished as follows:

> Civil Penalty: Any person found responsible for violating the Flagstaff Zoning Code shall be sentenced to a fine of not less than $100. Any person found responsible of a second violation committed within 36 months of a prior violation shall be subject to a fine of not less than $250. Any person found responsible of a third or subsequent violation within 36 months of a prior violation shall be subject to a fine of not less than $500.
>
> Criminal Penalty: Any person found responsible by the Flagstaff Municipal Court for three or more civil violations of the Flagstaff Zoning Code within a 24-month period shall be deemed a habitual offender. A habitual offender who subsequently violates the Flagstaff Zoning Code shall be guilty of a class 1 misdemeanor.

SECTION 6. Repeal of Conflicting Ordinances.
All ordinances and parts of ordinances in conflict with the provisions of this ordinance or any part of the code adopted herein by reference are hereby repealed.

SECTION 7: Severability.
That, if any section, subsection, sentence, clause, phrase or portion of this ordinance or any of the amendments adopted in this ordinance is for any reason held to be invalid, unconstitutional, or unenforceable by a decision of any court of competent jurisdiction, such decision shall not affect any of the remaining portions thereof.

SECTION 8: Effective Date.
This ordinance shall be effective (30) thirty days after adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 17th day of May, 2016.

_____
MAYOR

ATTEST:

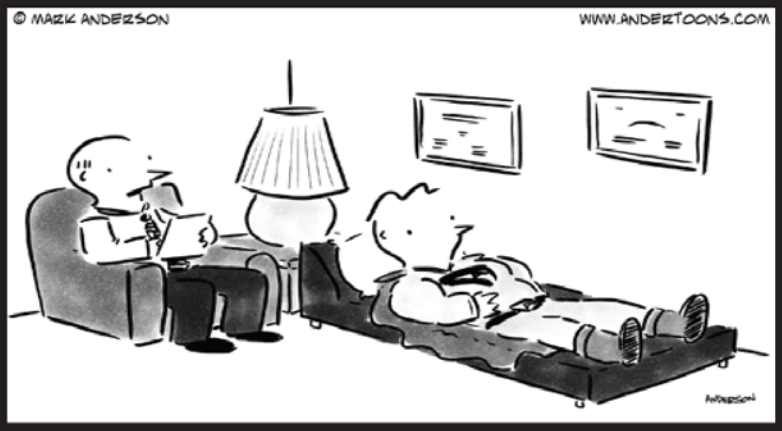
_____
CITY CLERK

APPROVED AS TO FORM:

_____

CITY ATTORNEY

"Really? You've been rewriting the sign code *again*?!"



City Council Public Hearing 5.3.16
Division 10-50.100 Sign Standards

Overview

CITY of FLAGSTAFF
2015 Zoning Code Amendment

- Why are we here?
  - US Supreme Court decision in *Reed v. Town of Gilbert,* No. 135 S.Ct. 2218, 2015
- Revisions to the Current Sign Standards
  - Generally
  - Permanent Signs – relatively minor
  - Temporary Signs – substantial revisions
- Public Hearing – discussion/questions

Reed v. Town of Gilbert, Az.

CITY of FLAGSTAFF
2015 Zoning Code Amendment

- *Reed v. Town of Gilbert, Ariz.*, 587 F.3d 966 (9th Cir. 2009), *on remand*, 832 F. Supp.2d 1070 (D. Ariz. 2011), *affirmed*, 707 F.3d 1057 (9th Cir. 2013), *reversed and remanded*, 135 S.Ct. 2218 (2015)

Source: http://www.nytimes.com/2015/06/19/us/justices-side-with-arizona-church-in-dispute-over-sign-limits.html

"Temporary Directional Signs Relating to a Qualifying Event"

Reed v. Town of Gilbert, Az.

CITY of FLAGSTAFF
2015 Zoning Code Amendment

- ***Reed* Takeaways**
  - The *Reed* case is about determining when a government regulation of speech is content based
  - Content-based laws are presumptively unconstitutional
  - Time, place, and manner restrictions are OK provided they are content neutral, narrowly tailored, and serve a legitimate governmental interest
  - Reed is not just about temporary signs
  - Careful scrutiny of the Sign Code is essential to ensure content neutrality

Flagstaff's Sign Standards

- Flagstaff Sign Standards:
  - Permanent signs generally not an issue – only a few minor tweaks
  - Temporary signs – there were some issues
  - Comprehensive rewrite was needed

Sign Standards Outline – Div. 10-50.100

Sections:

10-50.100.010	Purpose
10-50.100.020	Applicability
10-50.100.030	Sign Permit Requirements
10-50.100.040	General Restrictions for All Signs
10-50.100.050	General Requirements for All Signs
10-50.100.060	Permanent Signs
10-50.100.070	Comprehensive Sign Programs
10-50.100.080	Sign Design Performance Standards
10-50.100.090	Temporary Signs – Portable Signs
10-50.100.100	Sign Districts of Special Designation
10-50.100.110	Nonconforming Signs
10-50.100.120	Enforcement
10-50.100.140	Appeals
10-50.100.150	Severability

10-50.100.010

Purpose

- Minor language amendments for clarity, unrelated to *Reed*
- Table A (Sign Types) deleted – unnecessary

10-50.100.020

Applicability

- Various minor amendments for clarity/simplicity, unrelated to *Reed*
- 2.d Substitution Clause
  - Provides that any non-commercial message may be substituted for a commercial message or any non-commercial message changed to a different non-commercial message on a sign without the need for a permit
- C. Exemptions
  - Comprehensive review – many removed

10-50.100.020

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Applicability

- C. Exemptions
  - Comprehensive review – many removed

Exempt Signs:

Building identification signs	unchanged
Business name on an entry door	unchanged
Community bulletin board signs	minor edits
Governmental signs	minor edits
Heritage signs in Landmark Zones	unchanged
Historic and architectural features	unchanged
Internal signs	amended
Seasonal decorations	unchanged
Street light banner sign	unchanged
Vending machine and similar facilities	moved to here

Removed:

Display board daily specials
Neighborhood/district sign
Nonstructural modifications/ maintenance
Political signs
Real estate signs
Signs required by law
Vehicle signs
Yard or garage sale signs
Flags

10-50.100.030

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Sign Permit Requirements

- C. Nonstructural Modifications and Maintenance
  - Moved from Exemptions
  - Expanded to include:
    - Existing signs on single-tenant buildings
    - Building mounted signs
    - Amendments unrelated to *Reed*

10-50.100.040

General Restrictions for All Signs

- A. Location Restrictions
  - Numerous minor amendments for clarity/simplicity, unrelated to *Reed*
  - Redundancies eliminated
  - Vehicle signs – moved to Table P (Standards for Vehicle Signs)

10-50.100.040

General Restrictions for All Signs

- B. Prohibited Signs (new)
  - Billboards, bandit signs, stuffed animals
- C. Display Restrictions
  - Numerous minor amendments for clarity/ simplicity, unrelated to *Reed*
  - Redundancies eliminated
  - Balloons, spinners, strings of flags, etc. clarified

10-50.100.050

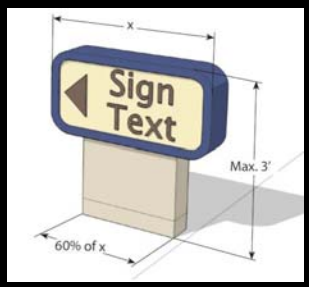
General Requirements for All Signs

- No amendments are required post-Reed
- One minor amendment – include a new illustration to clarify an irregular sign area

10-50.100.060

Permanent Signs

- (2) Building Mounted Signs
  - Minor revisions, e.g. to clarify sign placement on a building element, unrelated to *Reed*
- (5) Driveway Sign (formerly Directional Sign)
  - Only the name of this sign type has changed



10-50.100.060

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Permanent Signs

- (7) Freestanding Signs
  - Minor revisions:
    - More flexibility for sign height regarding embellishments, unrelated to *Reed*
    - Allows a sign to be mounted on 2 posts/poles, unrelated to *Reed*
    - Adds a new freestanding sign type – Post Sign; no permit if sign advertises property for sale or lease. Sign area included in total temporary sign area allowance.

10-50.100.060

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Permanent Signs

- (14) Window Signs
  - Minor revisions unrelated to *Reed*
  - Sign area increased from 25% to 40%
  - Inside mounting required rather than preferred
  - Open Signs moved here – no permit required

- (15) (formerly Other Sign Types)
  - Deleted:
    - Drive-through menu board and confirmation signs
    - Fuel pump signs
    - Menu display box
    - Open sign

10-50.100.060

Permanent Signs

- (15) Vehicle Signs (formerly Other Sign Types)
  - Maintains the same standards as the current code – moved to a more logical location
  - Simplified and an intent statement added

10-50.100.070

Comprehensive Sign Programs

- No amendments are required post-Reed
- One amendment proposed - also include building mounted signs

10-50.100.080

CITY of FLAGSTAFF
2015 Zoning Code Amendments

Sign Design Performance Standards

- No amendments are required post-Reed
- Only a minor clarifying amendment is proposed to correct a standard

10-50.100.090

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Temporary Signs (Current Code)

- A. Purpose
- B. General to All
- C. Specific to Commercial and Industrial Zones …

Temporary Signs:
Approved Temporary Uses
Civic and Non-Profit Events
City Special Recreation Events
Temp. Directional Signs
On-Premises Business Signs
Temp. Construction Signs
Real Estate Signs
Sign Walkers

Temporary Signs:
New Occupancy or Use
Grand Opening
Promotional or Seasonal Sale
Going-Out-of-Business
A-Frame as Secondary Signage

Temporary Signs:
A-frame or Upright Sign
Vertical Banner Sign
Wall Banner Sign
Window Sign

OK

But these standards are not content neutral!

10-50.100.090

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Temporary Signs (Now – "Portable Signs")

- A. Purpose
  - Minor revisions only, unrelated to *Reed*
- B. General to All
  - Numerous amendments for clarity/simplicity
- C. Standards for Temporary Signs
  - Extensive rewrite and simplification post-*Reed*
    - Time, Place and Manner Restrictions for Temporary Signs
    - Types of Temporary Signs
    - Civic and Non-Profit Event Signs on Sign Structures
    - Sign Walkers

10-50.100.090

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Portable Signs (Proposed)

- B. General to All
  - Numerous amendments for clarity/simplicity
- C. Standards for Portable Signs

Portable signs are allowed only in compliance with the provisions of this Section;

1. A Permit is only required for temporary wall banner signs. See Section 10-20.40.130 (Temporary Wall Banner Sign Permits).
2. There is no limitation on the length of time that a portable sign may be displayed, except for temporary wall banner signs (See Table 10-50.100.090.B (Standards for Portable Signs).
3. Portable signs must not be placed on or affixed to any City property, including City rights-of-way, except as specifically authorized in connection with a special event permitted under City Code Chapter 8-12 (Special Events).
4. Portable signs shall not be placed in the clear view zone at street intersections or driveways (Refer to Section 10-50.100.050.F (Sign Placement at Intersection)).

10-50.100.090

CITY of FLAGSTAFF
2015 Zoning Code Amendment

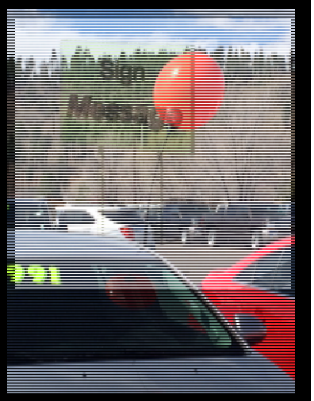
Portable Signs (Proposed)

- C. Standards for All Portable Signs
  - Time, Place and Manner Restrictions for Portable Signs
    - Placement – not a hazard
    - Prohibited elements – illumination, animation, attachments
    - Design and construction – professionally crafted
    - Period of use – only wall banners limited to 30 days
    - Hours of use – no limitation
    - Area limitation – 24 sq. ft. and 16 sq. ft.
    - Multi-tenant shopping centers – 2 signs per 150' of frontage, 24 sq. ft. combined.
    - Area limitation excludes wall banners and window signs

10-50.100.090

Portable Signs (Proposed)

- C. Standards for All Portable Signs
  - Types of Portable Signs
    - A-frame or Upright Sign
    - Vertical Banner Sign
    - Wall Banner Sign
    - Window Sign
    - Yard Sign
    - Each has area, height, and width limitations
    - Balloon Bobbers



Section 10-50.100.090

Portable Signs (Proposed)

- C. Standards for Portable Signs
  - Civic and Non-Profit Event Signs on City Approved Sign Support Structures
    - No amendments proposed in this section
    - Now cannot require placement on them …

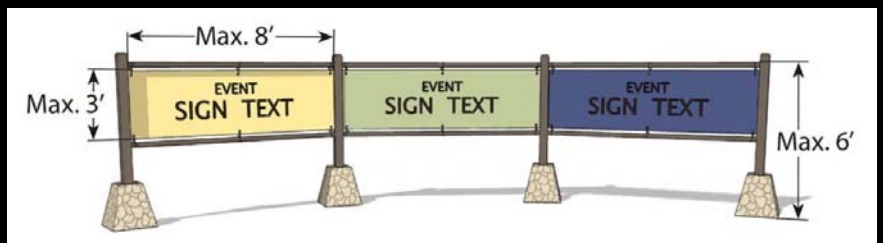


Figure A. Civic or Non-Profit Event Sign Structure

10-50.100.090

Temporary Signs (Proposed)

- C. Standards for Temporary Signs
  - Sign Walkers
    - Clarifying amendments consistent with State law – also neutral on the message

10-50.100.100

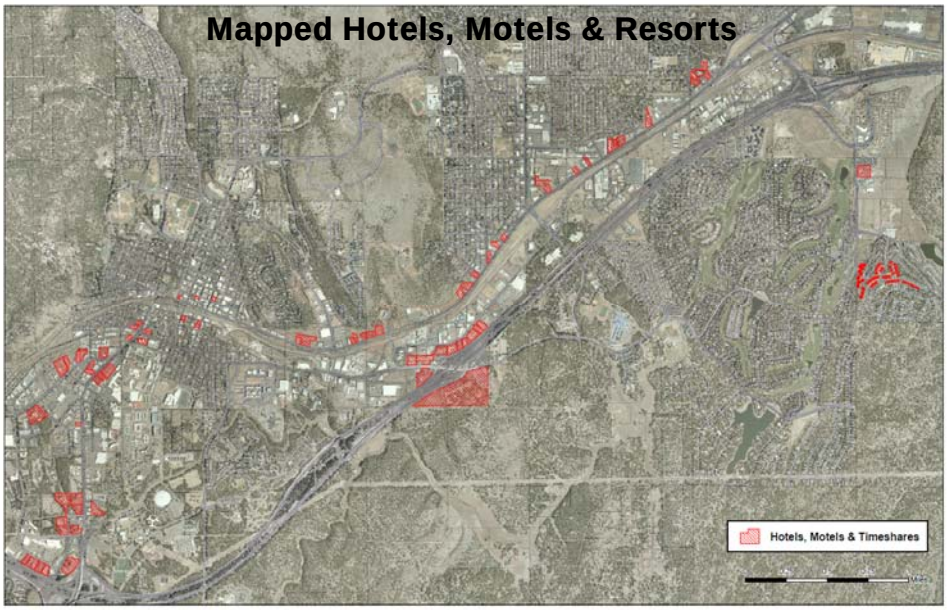
Sign Districts of Special Designation

- A. Flagstaff Central District
  - 5.b. Includes Neighborhood or District Sign
  - Excluded from the permitted sign area for the property on which it is located
- B. Downtown Historic District
  - Stanchion signs no longer permitted
- F. Flagstaff Sign Free Zone

10-50.100.090

- A.R.S. §16-1019 Political Signs
  - City may not remove political signs within a city ROW if …
  - 45 days before primary & 10 days after general election
  - City may remove if a hazard/interferes with ADA or "constitutes an emergency"
  - Max 16 sq. ft. residential zones / 32 sq. ft. elsewhere
  - May establish up to 2 "**sign free zones**", max. total area of 3 square miles; "*commercial tourism, commercial resort and hotel sign free zones*"
  - Not permitted in ADOT ROW

10-50.100.100

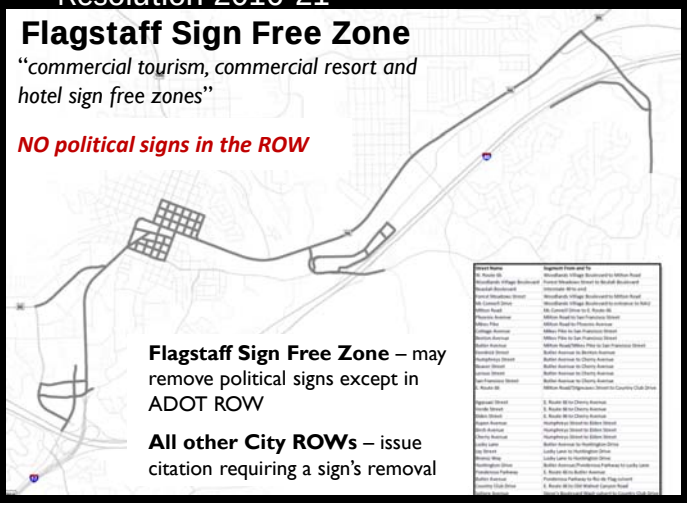


10-50.100.100

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Sign Districts of Special Designation

- Resolution 2016-21



10-50.100.110, -120, & -130

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Nonconforming Signs

- No amendments are required post-Reed
- No other amendments are needed

Enforcement

- No amendments are required post-Reed
- Only minor clarifying amendments for clarity

Appeals

- No amendments are required post-Reed
- No other amendments are needed

10-50.100.140

Severability

- Already included in the Sign Standards
- No amendments are required post-Reed
- No other amendments are needed

Needed Other Amendments

Chapter 10-20 (Administration, Procedures, and Enforcement

- Temporary Sign Permits – wall banners only

Chapter 10-80 (Definitions)

- Delete various content-based definitions
  - Sign, Real Estate Directional
  - Sign, Temporary Directional
  - Sign, Temporary New Development/Construction,
  - Etc.
- Add new sign types
  - Sign, Temporary Yard
  - Balloon Bobber
  - Other minor updates

Decision Points

CITY of FLAGSTAFF
2015 Zoning Code Amendment

- Sign Free Zone

Decision Points

CITY of FLAGSTAFF
2015 Zoning Code Amendment

- Location Restrictions

10-50.100.040 General Restrictions for All Signs

A. Location Restrictions~~Prohibited Signs~~
The following signs are prohibited, except where specifically authorized.

1. No sign shall be placed within, on, or projecting over City rights-of-way;

   ALTERNATIVE:
   1. No permanent sign shall be placed within, on, or projecting over City rights-of-way.
   2. No portable signs containing a commercial message shall be placed within City rights-of-way.
   3. No portable signs shall be placed within City rights-of-way within the Flagstaff Sign Free Zone established in Section 10-50.100.100.F.

2. No sign shall be attached to or placed on City property, except for government signs and those approved as part of a Special Event Permit;

3. No sign shall obstruct the view of any authorized traffic sign, signal, or other traffic control device;

Decision Points – Portable Signs

CITY of FLAGSTAFF
2015 Zoning Code Amendment

B. **General to All**

Portable signs are allowed only in compliance with the provisions of this Section;

1. A Permit is only required for temporary wall banner signs. See Section 10-20.40.130 (Temporary Wall Banner Sign Permits).

2. There is no limitation on the length of time that a portable sign may be displayed, except for temporary wall banner signs (See Table 10-50.100.090.B (Standards for Portable Signs).

3. Portable signs must not be placed on or affixed to any City property.

4. ~~, including City rights-of-way, except~~*If the alternative in Section 10-50.100.040 on Page 50.100-11 is chosen, the following amendments are also required.*
Portable signs that contain a non-commercial message are permitted in City rights-of-way except in the Flagstaff Sign Free Zone (See Section 10-50.100.100.F) subject to the standards provided in the Applicable to All Zones Section in Table A (Standards for All Portable Signs) and the following limitations:

   (1) Maximum sign area in residential zones is 16 sq. ft.;

   (2) Maximum sign area in commercial, industrial, and all other zones is 32 sq. ft.; and

   (3) No period of use limitation.

Decision Points

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Portable Signs (Proposed)

- C. Standards for All Portable Signs
  - Time, Place and Manner Restrictions for Portable Signs
    - Placement – not a hazard
    - Prohibited elements – illumination, animation, attachments
    - Design and construction – professionally crafted

    - Period of use – only wall banners limited to 30 days
    - Hours of use – no limitation
    - Area limitation – 24 sq. ft. and 16 sq. ft.
    - Multi-tenant shopping centers – 2 signs per 150' of frontage, 24 sq. ft. combined.
    - Area limitation excludes wall banners and window signs

Decision Points

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Portable Signs (OPTION 1)

- C. Standards for All Portable Signs
  - Time, Place and Manner Restrictions for Portable Signs
    - Placement, prohibited elements, professionally crafted, etc.
    - No change to "portable" signs – temporary signs remain
    - Permit required for ALL temporary signs
    - Period of use - 60 days to 5 months?
    - Hours of use – business hours, except wall banners, or allowed overnight?
    - Area limitation still applies
    - Administration and enforcement challenges

Decision Points

CITY of FLAGSTAFF
2015 Zoning Code Amendment

Portable Signs (OPTION 2)

- C. Standards for All Portable Signs
  - Time, Place and Manner Restrictions for Portable Signs
    - Placement, prohibited elements, professionally crafted, etc.
    - No change to "portable" signs – temporary signs remain
    - NO permit required for any temporary signs
    - Period of use - 60 days to 5 months? Honor system.
    - Hours of use – business hours, except wall banners, or allowed overnight?
    - Area limitation still applies
    - Administration and enforcement challenges

Tonight's meeting

- Public Hearing
- Resolution 2016-21 (Flagstaff Sign Free Zone)
- Resolution 2016-13 (declaring a public record)
- Ordinance 2016-22 (read for first time)

Thank you!

Roger E. Eastman, AICP
Comprehensive Planning and Code Administrator
(928) 213-2640 reastman@flagstaffaz.gov

4. B.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Patrick Bourque, Public Works Section Director

Date: 05/23/2016

Meeting Date: 05/31/2016

TITLE:

Public Hearing, Consideration and Possible Adoption of Resolution No. 2016-19 and Ordinance No. 2016-26: Declaring the "*2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service"* a public record and adopting said revisions to Chapter 7-04 "Municipal Solid Waste Collection Service" of the City Code by reference.

RECOMMENDED ACTION:

1) Adopt Resolution No. 2016-19
2) Read Ordinance No. 2016-26 by title only for the final time
3) City Clerk reads Ordinance No. 2016-26 by title only (if approved above)
4) Adopt Ordinance No. 2016-26

Executive Summary:

A revision to Chapter 7-04 "Municipal Solid Waste Collection Service Ordinance of the City of Flagstaff, Arizona." (amended, Ord. 2007-40, 09/18/2007) of the City Code is brought about by the passage of SB 1079 during the legislative session of 2015, which amended A.R.S. 49-746. The law was signed into effect by the Governor on April 1, 2015 with an effective date of July 1, 2016. The legislation created a new class of solid waste collections customer, Multifamily Residential Properties, and directed municipalities to prescribe rules for the delivery of recycling and solid waste management services to Multifamily Residential Properties that promote the availability of these services and competition in the delivery of these services.

Historically, Multifamily Residential Properties have been considered residential properties that were serviced by the City. The rates for service have been the same as commercial customers because of the type of containers used to service them. Those rates were established using a flat, across the board calculation for a per yard cost recovery. Solid Waste performed an evaluation of our routes, comparing the service time of standard commercial accounts to the service time of multifamily residential accounts. We discovered that, due to the efficiencies created by having multiple containers at one service address, we gain efficiencies in service time for multifamily residential properties, allowing for consideration of a rate structure that better accounts for collection density and waste volume.

In addition there are a number of proposed general revisions to the Solid Waste Code proposed that will update antiquated language, such as the rate escalator provision, improve and include definitions related to current operations, and include the residential glass collection guidelines, which are currently practiced but not addressed in the current code.

Financial Impact:

Solid Waste's multifamily residential customers comprise 24 percent of its commercial collection revenue, or an estimated $700,000 per year. If we lose multifamily residential accounts to competition, we would need to adjust routes, staffing and landfill revenue collection expectations.

Solid Waste is recommending that we adjust our rates to allow for this efficiency and to remain competitive. As we adjust multifamily residential rates to remain competitive with collections, the estimated collection revenue reduction is approximately $66,000/year, if all accounts are retained and no new accounts are obtained. Competition created by Legislation may also create some account loss.

Under the current collections structure, Multifamily Residential customers comprise 46 percent of its total commercial tonnage taken into the landfill, generating an estimated tipping fee of $560,000 per year. Losing all multifamily residential collections runs the risk of dropping our waste tonnage collected at the landfill below our break-even tonnage target.

Connection to Council Goal and/or Regional Plan:

Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics.

Has There Been Previous Council Decision on This:

The Public Hearing and first read of this Ordinance was held on May 17, 2016.

Options and Alternatives:

Continue to use current Commercial Rate Sheet and working with our existing clients to maintain our collection relationship for Multifamily Residential Properties.

Background/History:

Historically, the City has been responsible for solid waste collection to all residential properties in the city. On April 1st, 2015 the Governor signed into law legislation amending Arizona Revised Statutes Section 49-746 establishing Multifamily Residential Properties as its own class of customer similar to commercial accounts. The amendment allows private waste haulers the opportunity to compete for solid waste collection services to Multifamily Residential Properties. This law goes into effect June 30, 2016.

Here is the complete legislation:

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 49-746, Arizona Revised Statutes, is amended to

3 read:

4 49-746. Private enterprise recycling and solid waste

5 management; definitions

6 A. A municipality of this state shall not prohibit or unreasonably

7 restrain a private enterprise from delivering RECYCLING OR SOLID WASTE

8 MANAGEMENT SERVICES TO THE MUNICIPALITY OR TO commercial~~, or~~ industrial

9 ~~recycling services or commercial or industrial solid waste management~~

10 ~~services~~ OR MULTIFAMILY RESIDENTIAL PROPERTIES within ~~or to~~ the municipality.

11 B. The municipality shall prescribe rules for the delivery of

12 recycling AND SOLID WASTE MANAGEMENT services ~~and~~ FOR commercial, ~~or~~

13 industrial ~~solid waste management services~~ AND MULTIFAMILY RESIDENTIAL

14 PROPERTIES that promote availability of these services and ~~promote~~

15 competition in the delivery of these services.

16 C. FOR THE PURPOSES OF THIS SECTION:

17 1. "DWELLING UNIT" HAS THE SAME MEANING PRESCRIBED IN SECTION 33-1310.

18 2. "MULTIFAMILY RESIDENTIAL PROPERTIES" MEANS ANY REAL PROPERTY THAT

19 HAS ONE OR MORE STRUCTURES AND THAT CONTAINS FIVE OR MORE DWELLING UNITS FOR

20 RENT OR LEASE THAT ARE SUBJECT TO TITLE 33, CHAPTER 10.

21 Sec. 2. Effective date

22 Section 49-746, Arizona Revised Statutes, as amended by this act, is 23 effective from and after December 31, 2015.

Key Considerations:

Key Considerations for Collections:

Solid Waste's multifamily residential customers comprise 24 percent of its commercial collection revenue, or an estimated $700,000 per year. If we lose multifamily residential accounts to competition, we would need to adjust routes, staffing and landfill revenue collection expectations.

Solid Waste performed an evaluation of our routes. We compared the service time of standard commercial accounts to the service time of multifamily residential accounts. We discovered that, due to the efficiencies created by having multiple containers at one service address, the service time for multifamily residential properties is more efficient.

Solid Waste is recommending that we adjust our rates to allow for this efficiency and to remain competitive. As we adjust multifamily residential rates to remain competitive with collections, the estimated collection revenue reduction is approximately $66,000/year, if all accounts are retained and no new accounts are obtained. Competition created by Legislation may also create some account loss.

Key Considerations For Landfill:

Under current collections structure, Multifamily Residential customers comprise 46 percent of its total commercial tonnage taken into the landfill, generating an estimated tipping fee of $560,000 per year. Losing Multifamily Residential collections runs the risk of dropping the City's daily tonnage below the landfill operation's break-even point.

Expanded Financial Considerations:

While competition in the Multifamily Residential market may result in account loss, in order to remain competitive, the proposed rate structure accounts for efficiencies realized from customers with high volume in a small geographic area. While revised collection rates may decrease collection revenues, the rate structure may help avoid greater losses from customer loss.

Community Involvement:

Inform

Attachments: Solid Waste Presentation
Res. 2016-19
Ord. 2016-26

Solid Waste Code

Proposed Revisions

May 10, 2016

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

Discussion

Proposed Revisions to the Code

1. Multifamily residential
2. General revisions
   - Antiquated language
   - Definitions

Solid Waste Operations Research

1. Hauler licensing/truck fees

Proposed Revisions
Multifamily Residential

TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

Background on Multifamily Residential

- Historically, the City has been responsible for solid waste collection at all residential properties in the city, including multifamily developments
- In April 2015, ARS 49-746 was amended, establishing Multifamily Residential Properties as its own class of customer
- The amendment allows private waste haulers to compete for multifamily residential collection services
- ARS 49-746 goes into effect July 1, 2016

Multifamily Residential Collections Considerations

Multifamily residential customers comprise 24% of the city's commercial collection revenue, generating an estimated $696,816/year

- Competition created by ARS 49-746 will likely result in account losses
- In order to remain competitive, the proposed rate structure accounts for efficiencies realized from customers with high volume in a small geographic area, such as some multifamily properties
- The new rates will decrease collection revenues by approximately $66,000/year, if all accounts are retained
- However, we believe the new rates will help solid waste avoid greater losses from losing customers

Multifamily Residential Landfill Considerations

Multifamily Residential customers comprise 46% of the commercial tonnage taken to the landfill, generating an estimated $560,356/year

- The landfill needs to collect a certain amount of tonnage to coverage overhead costs.
- If the City were to lose multiple multifamily residential customers, the daily tonnage collected could fall below the amount need to cover landfill overhead costs.

Multifamily Residential Definition

7-04-001-0002 DEFINITIONS

MULTIFAMILY RESIDENTIAL PROPERTIES: Means any real property that has one or more structures and that contains five or more dwelling units for rent or lease that are subject to Title 33, Chapter 10 of the Arizona Revised Statutes

Multifamily Residential Rate Considerations

Recommended rate adjustments allow the City to remain competitive in the collections market and to secure appropriate waste tonnage at the landfill

- Competitive rates coincide with existing commercial rate structure
- Current commercial rate structure based on container size and level of service

New rate structure will allow for collection density and waste volume pricing

Current Commercial, Industrial, and Multifamily Residential Rate Structure

The current rate structure does not incorporate volume and density efficiencies

Container Size	1X/Week	2X/Week	3X/Week	4X/Week	5X/Week	6X/Week	7X/Week
6 Cu. Yd 1 Bin	94.26	166.53	239.05	311.39	383.49	479.89	581.11
2 Bins	150.15	264.34	378.91	493.22	607.14	759.45	919.37
3 Bins	206.49	362.93	519.89	676.48	832.56	1041.22	1260.32
4 Bins	262.80	461.48	660.82	859.70	1057.91	1322.92	1601.17
5 Bins	319.23	560.23	802.03	1043.26	1283.70	1605.15	1942.67
6 Bins	377.07	661.44	946.77	1231.43	1515.14	1894.45	2292.73
7 Bins	433.94	760.98	1089.10	1416.46	1742.73	2178.93	2636.95
8 Bins	490.63	860.18	1230.95	1600.87	1969.55	2462.47	2980.03

Proposed Commercial, Industrial, and Multifamily Residential Rate Structure

The proposed rate structure incorporates volume and density efficiencies

Container Size	1X/Week	2X/Week	3X/Week	4X/Week	5X/Week	6X/Week	7X/Week
6 Cu. Yd 1 Bin	94.26	166.53	239.05	311.39	383.49	479.89	581.11
2 Bins	150.15	264.34	378.91	493.22	607.14	759.45	919.37
3 Bins	206.49	362.93	519.89	676.48	832.56	1041.22	1260.32
4 Bins	231.27	406.10	581.52	756.54	930.96	1164.17	1409.03
5 Bins	271.34	476.19	681.72	886.77	1091.14	1364.37	1651.27
6 Bins	309.20	542.38	776.35	1009.77	1242.42	1553.45	1880.04
7 Bins	338.48	593.56	849.50	1104.84	1359.33	1699.57	2056.82
8 Bins	367.97	645.13	923.22	1200.65	1477.17	1846.85	2235.02

Proposed Revisions
General

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General Revisions

Throughout the code general revisions are needed including:

- Improve definitions
- Remove rate escalator
- Include residential glass collection guidelines

Examples General Revisions

7-04-001-0002 DEFINITIONS

RESIDENTIAL SOLID WASTE/RECYCLING COLLECTIONS: The collection or removal of residential solid waste/recycling from one or more residences

- This term is not used in the code

7-04-001-0011 BURNING SOLID WASTE

It shall be unlawful to attempt to burn solid wastes within the corporate limits of the City ~~without written permission of the Fire Department.~~

- Burning of solid waste is not allowed within City limits

Examples General Revisions

7-04-001-0009 FEES

Rate Escalator: ~~A 5% rate increase escalator shall apply to the rates for the following services: commercial trash and recycling collection, residential collection, hoist and haul, and the posted landfill tipping fee~~…

- Adopted as part of the 2007 code revisions, the intent was to gradually bring fees for collections up to true costs over five years, the terms for the revision have been executed and have expired

Examples General Revisions

7-04-001-0007 COLLECTION PRACTICES

Residential Glass Recycling

- $3.55/ month
- Glass Collection occurs on the Wednesday of your section's Bulk Pickup Week
- All colors of glass are accepted
- Glass should not be placed in the 90 gallon curb-side recycle container

  - Glass collection is not addressed in the current version of the Solid Waste Code

Research on Solid Waste Operations

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Operations Research License/Truck Fees

Hauler License/Truck Fees could cover Solid Waste operational costs

- The City's private waste hauler license fee is $50
- Fees throughout the state range from $250-$2,000

Community	Annual	Fee
City of Scottsdale	License Fee	$250.00
	Per Truck	$750.00
City of Glendale	Permit Surety	$2,000.00
	Per Truck	$1,000.00
Town of Gilbert	Application	$500.00

Thank you

Questions?

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RESOLUTION NO. 2016-19

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "*2016 AMENDMENTS TO CITY CODE TITLE 7, HEALTH AND SANITATION, CHAPTER 7-04, MUNICIPAL SOLID WASTE COLLECTION SERVICE"*

RECITALS:

WHEREAS, the City Council is considering amendments to Chapter 7-04 (Municipal Solid Waste Collection Service) of the Flagstaff City Code; and

WHEREAS, the proposed amendments have been consolidated into a document that bears the title *"2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service"* (referred to hereinafter as the "Proposed Amendments"), attached as Exhibit A; and

WHEREAS, the City Council finds that the document entitled *"2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service"* should be declared a public record and that three copies of the document should be deposited in the office of the City Clerk and made available for public use and inspection.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

The document *"2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service,"* Exhibit A attached hereto, three complete copies of which are on file in the office of the City Clerk, is hereby declared to be a public record.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 31st day of May, 2016.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

EXHIBIT 'A'

CHAPTER 7-04
MUNICIPAL SOLID WASTE COLLECTION SERVICE

SECTIONS:

7-04-001-0001 SHORT TITLE
7-04-001-0002 PURPOSE
7-04-001-0003~~2~~ DEFINITIONS
7-04-001-0004~~3~~ COMPLIANCE WITH REGULATIONS
7-04-001-0005~~4~~ COLLECTION SUPERVISED BY DIRECTOR OF PUBLIC WORKS
7-04-001-0006~~5~~ REGULATIONS
7-04-001-0007~~6~~ STORING OR PLACEMENT OF SOLID WASTES
7-04-001-0008~~7~~ COLLECTION PRACTICES
7-04-001-0009~~8~~ DISPOSAL PRACTICES
7-04-001-0010~~09~~ FEES
7-04-001-0011~~0~~ DELINQUENT ACCOUNTS
7-04-001-0012~~1~~ BURNING SOLID WASTES
7-04-001-0013~~2~~ SOLID WASTES COLLECTION CONTRACTORS
7-04-001-0014~~3~~ PENALTIES
7-04-001-0015~~4~~ NOTICE OF VIOLATION
7-04-001-0016~~5~~ SERVICE OF NOTICE
7-04-001-0017~~6~~ APPOINTMENT OF HEARING OFFICER
7-04-001-0018~~7~~ CIVIL VIOLATION AND ADMINISTRATIVE HEARING
7-04-001-0019~~8~~ APPEAL OF DECISION AND COST OF REMOVAL
7-04-001-0020~~19~~ SCOPE OF REVIEW
7-04-001-0021~~0~~ VOLUNTARY ABATEMENT; REMOVAL BY CITY
7-04-001-0022~~1~~ LIEN FOR REMOVAL
7-04-001-0023~~2~~ CRIMINAL PENALTIES
7-04-001-0024~~3~~ SEVERABILITY

7-04-001-0001 SHORT TITLE

This Chapter shall be known and may be cited as the "Municipal Solid Waste Collection Service Ordinance of the City of Flagstaff, Arizona." (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0002 PURPOSE

The purpose of this Chapter is to protect public health and the environment by establishing standards for the safe and sanitary collection, transportation, and recovery of solid waste, green waste, and recyclable material. This Chapter also establishes rates charged by the City for residential, multi-family, and commercial waste collection to recover the city's costs to provide safe and efficient collection of waste within the City.

7-04-001-0003~~2~~ DEFINITIONS

For the purposes of this Chapter, the following terms, phrases, words and their derivations shall have the meaning given herein. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and words in the singular number include the plural number. The word "shall" is always mandatory and not merely directory.

ASHES: The residue from the burning of wood, coal, or other combustible materials.

AUTOMATED COLLECTION SYSTEM: That service which requires a City of Flagstaff sanitation employee to operate an automatic collection vehicle, which lifts and deposits solid waste~~,~~ located in a City supplied automated collection ~~'cart'~~ ~~(~~container~~)~~ (bins and carts)~~,~~ into said vehicle. (Ord. 1609, 2/21/89)

BIN SYSTEM: A contained solid waste collection system that utilizes large metal bins (containers) varying in size from two (2) to ten~~eight~~ (10~~8~~) cubic yards ~~used~~ to provide commercial solid waste collection service to City customers. (Ord. 1609, 2/21/89)

BIO-HAZARDOUS MEDICAL WASTE: Any waste that is composed of, or has as a constituent of, one of the following:

1. Cultures and stocks: Discarded cultures and stocks generated in the diagnosis, treatment, or immunization of a human being or animal or in any research relating to that diagnosis, treatment, immunization, or in the production or testing of bacteria.

2. Human blood and blood products: Discarded products and materials containing free-flowing blood or free-flowing blood components.

3. Human pathological wastes: Discarded organs and body parts removed during surgery.

4. Medical sharps: Discarded sharps used in animal or human patient care, medical research, or clinical laboratories. This includes hypodermic needles, syringes, pipettes, scalpel blades, blood vials, needles attached to tubing, broken and unbroken glassware and slides and cover slips.

5. Research animal wastes: Animal carcasses, body parts, and bedding of animals that have been infected with agents that produce, or may produce, human infection.

BULK WASTE: Wood, ~~timber,~~ household discards such as furniture, rugs, ~~carpet,~~ and other large items, ~~white goods,~~ large pieces of metal, tree limbs, bagged yard rakings or

trimmings, or other similar material except putrescible food items and dead animals. Reference 7-04-001-0008.

BUSINESS ESTABLISHMENT: Any structure or premises not used as a residence, including but not limited to retail, wholesale, warehouse, store, factory, production, processing, manufacturing, restaurant, construction, hospitals, governmental entities, public authorities (schools) or office uses, but not including any residence.

CART SYSTEM: A contained solid waste collection system that utilizes various size carts (containers) for providing commercial solid waste/recycling collection service to City customers.

CITY: The City of Flagstaff.

~~CITY HEALTH OFFICIAL or HEALTH OFFICIAL: The Health Official or designated representative of the City of Flagstaff. (Ord 1609, 2/21/89)~~

COMMERCIAL SOLID WASTE: Solid waste generated by a business establishment, except construction and demolition debris, recyclables, and hazardous wastes. The definition includes other solid waste deposited, collected and transported in roll-offs.

COMMERCIAL SOLID WASTE/RECYCLING BIN SERVICE FEE (MONTHLY RATE): The actual monthly fee for the level of service provided to a customer based on the calculated cost incurred by lifting, dumping, and disposing of solid waste deposited by the customer at the customer location in a commercial solid waste/recycling bin as part of the commercial solid waste/recycling bin system.

COMMERCIAL SOLID WASTE/RECYCLING COLLECTION: The collection or removal of commercial solid waste or recycling from one or more business establishments.

CONDITIONALLY EXEMPT SMALL QUANTITY GENERATOR (CESQG): According to federal regulations (40 CFR 261.5), a CESQG is a generator (business owner) that meets the following three criteria:

1. Generates less than 220 pounds of hazardous waste (as defined by the Resource Conservation and Recovery Act (RCRA)) in a calendar month; and

2. Accumulates at any time or generates less than 2.2 pounds of acute hazardous waste in a calendar month (acute hazardous waste begins with an EPA waste code of "P" or the following "F" codes: F020, F021, F022, F026, and F027); and

3. Accumulates no more than 2,200 pounds of hazardous waste (as defined by RCRA) at any one time.

CONSTRUCTION AND DEMOLITION WASTE: Solid waste derived from the construction or demolition, repair, or remodeling of buildings or other structures.

CONTAGIOUS or INFECTIOUS WASTE: Waste capable of producing an infectious disease in humans or animals when they are exposed to it. (Ord. 1609, 2/21/89)

CONTAINERS: Receptacles (bins, carts, etc.) used by the City to hold solid waste or recyclables for residential and commercial solid waste and recycling collection.

DIRECTOR OF PUBLIC WORKS or DIRECTOR: The Director of Public Works of the City of Flagstaff, Arizona.

DWELLING UNIT: Means a structure or the part of a structure that is used as a home, residence, or sleeping place by one person who maintains a household or by two or more persons who maintain a common household.

ELECTRONIC WASTE: Items including but not limited to computers, computer monitors, printers, televisions, and cellular phones.

EXCEPTIONAL WASTE: Any waste that has to be approved through the City's Exceptional Waste Acceptance Program such as non-friable asbestos, contaminated soils, and other materials that require additional handling at the City's landfill.

FRIABLE ASBESTOS: Any material containing more than 1 percent of asbestos that, when dry, can be crumbled, pulverized, or reduced to powder by hand pressure and become airborne.

GARBAGE: The putrescible solid wastes (excluding ashes), consisting of both combustible and noncombustible solid wastes such as food waste, yard clippings, trimmings, bulk waste and similar material. (See definition for Solid Waste) (Ord. 1162, 7-7-81)

GREASE BIN: A container specifically designed and maintained for the purpose of the storage and collection of grease or animal and vegetable wastes resulting from the processing, handling, preparation, cooking, and serving of food or food materials.

GREEN WASTE: Generally yard waste including leaves, grass clippings, tree trimmings, brush and other plant growth of no more than four (4) feet in length and less than one-half (1/2) inch in diameter.

HAZARDOUS PRODUCTS CENTER (HPC): A city facility located at the landfill for the disposal of household hazardous waste including but not limited to: household cleaners and chemicals~~any liquid chemical product~~, all battery types including automotive batteries, electronic waste, used oil, antifreeze, liquid paint, flammable products, aerosol cans, and universal wastes.

HAZARDOUS WASTE: Waste with properties making it dangerous or potentially harmful to human health or the environment when improperly handled or released to the

environment. As defined by the Resource Conservation and Recovery Act (RCRA), hazardous wastes are wastes that meet a particular listing description or that exhibit a characteristic of hazardous waste (ignitability, corrosivity, reactivity, or toxicity).

HOIST AND HAUL SYSTEM: A contained solid waste collection system that uses ten (10) to forty (40) cubic yard compactor bins or open top roll-off boxes. The compactor bins or open top roll-off boxes are removable and can be loaded onto a truck equipped with a tilt frame and hoist mechanism. The compactor bins or open top roll-off boxes are emptied at the disposal site. (Ord. 1609, 2/21/89)

INDUSTRIAL WASTES~~.~~: Solid or liquid wastes resulting from industrial processes and manufacturing operations and including food, boiler, house ashes, wood, plastic, metal scraps and other processing wastes. (Ord. 1225, 10-19-82)

INERT MATERIAL: Material that is not flammable and will not decompose including but not limited to brick, rock, gravel, sand, soil and reinforced concrete.

FLAMMABLE or EXPLOSIVE WASTE: Any liquid, solid or gas with an ignition or flash point of less than two hundred (200) degrees Fahrenheit, including but not limited to gasoline, benzene, naphtha, alcohol, or other flammables or explosives. (Ord. 1609, 2/21/89)

LANDFILL: The Cinder Lake Landfill located at 6770 E. Landfill Road, Flagstaff, Arizona 86004.

LICENSED SOLID WASTE COLLECTION COMPANY: Any company or person engaged in the removal of solid wastes from hotels, restaurants, cafes, and other places not otherwise provided with service by the City.

LIQUID WASTE: Any waste that is determined to contain ‘free liquids’ as defined by Method 9095 (paint filter liquids test), as described in the ‘Test Methods for evaluating solid waste, physical/chemical methods’ (EPA Pub. No. SW-846).

MEDICAL WASTE: Any solid waste that is generated in the diagnosis, treatment or immunization of a human being or animal, in any research relating to that diagnosis, treatment or immunization, or in the production or testing of biologicals, ~~and~~ including discarded drugs. ~~but does not include hazardous waste.~~ This includes tattoo sharps or any other tattooing waste that has been in contact with human blood. Medical waste does not include hazardous waste.

MULTIFAMILY RESIDENTIAL PROPERTIES: M~~m~~eans any real property that has one or more structures and that contains five or more dwelling units for rent or lease that are subject to Title 33, Chapter 10 of the Arizona Revised Statutes.

NON-FRIABLE ASBESTOS: Any material containing more than 1 percent asbestos that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure and become airborne.

ORGANIC WASTE: Waste that can be broken down by a natural process of decomposition by bacteria and other micro-organisms. This includes but is not limited to food scraps, paper, paperboard, cardboard, green waste, lumber, and timber.

~~ORGANIZATION: Any body of persons organized for some end or work, including but not limited to public agencies, nonprofit institutions, fraternal organizations, service clubs and religious groups.~~

PERSON or COMPANY: Includes individual, firm, partnership, joint venture, association, corporation, municipal corporation, estate, trust or any other group or combination acting as a unit, and the plural as well as the singular number.

~~OTHER LANDFILL FEES: Fees associated with extra handle, processing, or circumstances.~~

POSTED LANDFILL TIPPING FEE: Price per ton charge for solid waste disposal at Cinder Lake Landfill ~~for solid waste disposal~~.

RADIOACTIVE WASTE: Solid waste that contains radioactive materials that are subject to a permit or regulation under the atomic energy act of 1954 (42 United States Code section 2011; 68 Stat. 919), as amended, or Title 30, Chapter 4.

RECYCLABLES: Post-consumer materials which may be collected, separated, cleansed, treated or reconstituted and returned to the economic stream in the form of raw materials or products including but not limited to newspapers (including inserts); residential mixed paper (including window envelopes), cardboard, office paper (including white, colored and computer paper, and window envelopes), aluminum cans and scrap; steel and bi-metal food and beverage cans and lids; plastic bottles and hard plastic containers labeled #1 ~~(PET or PETE) and #2 (HDPE)~~ through #7; and glass.

REFUSE: All putrescible and non-putrescible solid wastes (except septic, industrial, medical, contagious or infectious wastes, hazardous wastes, and flammable or explosive wastes), including garbage, ashes, street cleanings, dead animals, and solid waste and industrial waste. (See solid waste definition.) (Ord. 1609, 2/21/89).

RESIDENTIAL PROPERTY: Any structure or premises used as a domicile, dwelling, or habitation, including but not limited to single family dwellings, ~~multifamily dwelling units,~~ duplexes, triplexes and fourplexes, patio homes, mobile homes, mobile home parks, trailers, trailer courts, boarding houses, apartments, condominiums, townhouses, or any complex of the foregoing.

RESIDENTIAL SOLID WASTE: Solid waste generated by a residential property, other than construction and demolition debris, recyclables, and hazardous wastes.

~~RESIDENTIAL SOLID WASTE/RECYCLING COLLECTION: The collection or removal of residential solid waste/recycling from one or more residences.~~

ROLL-OFF: A transportable container commonly known as a "roll-off" or "hoist and haul" container, used for the deposit, collection, and transport of construction and demolition debris and other solid waste generated by large projects or business establishments.

SALVAGING: The removal of solid waste from the landfill with permission and in accordance with rules and ordinances of the management agency for purposes of productive re-use.

SCAVENGING: The unauthorized removal of solid waste from the landfill.

SECURELY ANCHORED LOAD: Material being transported over a City street by a vehicle which does not provide a tight cover but is securely anchored against possible loss from the vehicle as per Arizona Revised Statutes, Section 28-1098. (Ord. 1162, 7-7-81)

SEPTIC WASTES: Those liquid and solid materials resulting from drainage of cesspools, septic tanks and other storage facilities. (Ord. 1225, 10-19-82)

SINGLE FAMILY RESIDENTIAL PROPERTIES: All residential properties that are not multifamily residential properties, as defined in this Chapter.

SOLID WASTE: Garbage, trash, rubbish, or refuse and sewage, septic, or water treatment sludge that has been dewatered.

~~SOLID WASTE COLLECTION COMPANY: Any company or person engaged in the removal of solid wastes from hotels, restaurants, cafes, and other places not otherwise provided with service by the City.~~

SPECIAL WASTES: Solid wastes that are not considered hazardous wastes but require special handling and management to protect public health or the environment. There are two special wastes listed for Arizona: petroleum contaminated soil and shredded motor vehicles.

TREATED BIO-HAZARDOUS MEDICAL WASTE: Bio-hazardous medical waste that has been treated and that meets the treatment standards of Arizona Administrative Code R18-13-1415.

~~TRIMMINGS: Shrubs or tree growth of no more than four (4) feet in length and less than one-half (1/2") inch in diameter. (Ord. 1162, 7-7-81)~~

UNCOVERED LOAD: A load of solid waste in which loose material might fall or be blown from the transporting vehicle because the material is not completely contained within closed containers or completely enclosed within the transporting vehicle by means of a tarpaulin or other equivalent covering or packaging designed to prevent the loss of any and all material from the transporting vehicle. (Ord 1535, 11-17-87)

UNIVERSAL WASTE: Several widely generated hazardous wastes identified by EPA that are subject to streamlined requirements for collection, storage and processing if they are recycled under the Universal Waste Rule, including but not limited to batteries, certain pesticides, thermostats and mercury-containing lamps. This rule is intended to encourage recycling of these universal wastes rather than disposal.

WHITE GOODS: Large household appliances, such as washers, dryers, water heaters, refrigerators and air conditioners.

~~YARD CLIPPINGS: Grass, sod and plant growth of no more than four (4) feet in length and less than one-half (1/2") inch in diameter.~~
(Ord. 1986, 12-01-98) (Ord. No. 1609, Amended, 2/21/89; Ord. No. 1764, Amended, 07-21-92; Ord. No. 1986, Amended, 12/01/98) (Ord. 2000-09, Amended, 05/02/2000)

7-04-001-0004~~3~~ COMPLIANCE WITH REGULATIONS

Any person or business collecting, conveying over any of the streets or alleys of the City, or disposing of any solid waste accumulated in the City, shall comply with the provisions of this Chapter and with any other governing law or ordinance. It shall be unlawful for any person or business to cause, facilitate, or aid or abet any violation of any provision of this Chapter or to fail to perform any act or duty required by this Chapter. A violation of a provision of this Chapter may be enforced by an administrative proceeding or by a complaint for criminal penalties. (Ord. 1162, 7-7-81); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0005~~4~~ COLLECTION SUPERVISED BY DIRECTOR OF PUBLIC WORKS

All solid waste generated or accumulated in the City shall be collected under the supervision of the Director or designee. Except as otherwise expressly provided in this chapter, all such solid waste shall be removed, collected and/or disposed of only by the City or companies licensed by the City for such purpose. (Ord. 1986, 12-01-98) (Ord. No. 1986, Amended, 12/01/98); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0006~~5~~ REGULATIONS

The Director or designee shall propose regulations concerning the days of collection, type and location of solid waste containers, handling of solid waste, and such other matters pertaining to the collection, conveyance and disposal as determined necessary, and propose modifications to the same after notice as required by law, provided that such regulations are not contrary to the provisions hereof. Regulations and modifications to

regulations shall become effective after approval by the City Manager and authorization by City resolution.

A. Annual Budget-: The Director or designee shall provide, in the annual budget for the City, the following information:

1. Projected costs for the current fiscal year;

2. Proposed revenue from the current fiscal year;

3. Estimated costs for the following fiscal year;

4. Proposed fee structure for the following fiscal year;

5. Estimated income for the following fiscal year, based upon the proposed fee structure.

(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0007~~6~~ STORING OR PLACEMENT OF SOLID WASTE AND RECYCLABLES

A. Public Places: No person shall store or place any solid waste in any street, alley, sidewalk, utility corridor or other public place within the City, or upon any private property within the City, whether owned by such person or not, except if placed in containers authorized for collection. Bulk waste may be placed curbside for collection. Nor shall any person throw or deposit any solid waste in any stream or other body of water.

B. Unauthorized Accumulation: Any unauthorized accumulation of solid waste on any premises is hereby declared to be a nuisance and is prohibited. Failure to remove any existing accumulation of solid waste within thirty (30) days after the effective date thereof shall be deemed a violation of this Chapter.

C. Scattering of Solid Waste: No person shall cast or cause to be cast, place, sweep or deposit anywhere within the City any solid waste in such a manner that it may be carried or deposited by the elements or animals upon any street, sidewalk, alley, sewer, parkway or other public place, or into any occupied premises within the City.

D. Disturbance of Containers: It shall be unlawful for any person to uncover or cause to be uncovered, tip or cause to be tipped over, or disturb or cause to be disturbed in any manner any container of solid waste or recyclables placed upon any street, curb, sidewalk or alley for removal by an authorized collector.

E. The City shall provide automated collection ~~carts~~ containers for all customers serviced by the automated collection system.

F. Automated collection ~~carts~~ containers provided by the City shall be maintained by the City or replaced when determined necessary by the Director or designee. (Ord. 2002-19, 11/19/02)

G. City-owned automated collection ~~carts~~ containers and commercial bins shall be assigned to the property and not to the occupant of the property. No person who occupies any property to which ~~carts~~ containers have been assigned may remove the ~~carts~~ containers from the assigned property for any reason.

H. The occupant of a residential property or business establishment is responsible for the solid waste container(s) provided by the City. The container(s) shall be kept in a clean and sanitary condition. The occupant of the property is responsible for the cost of replacing the container(s) when replacement is necessitated by loss of the container or damage due to the occupant's misuse.

I. The City will provide appropriate bins for hotels, restaurants, businesses, or institutions requesting City bin service. Such bins shall be maintained by the City and replaced when determined no longer serviceable by the Director or designee. (Ord. 2002-19, 11/19/02)

J. Vandalism to City-owned containers shall be reported to the Solid Waste Division and the City Police Department by the solid waste customer. (Ord. 1821, 10/05/93)

K. Scavenging:

1. No person, other than the City, the property owner, or a company licensed for collection shall disturb, collect, or remove any solid waste set out for collection.

2. No person, unless authorized by the City, may remove, collect or disturb recyclable materials deposited for collection in City containers.

L. No solid waste or materials other than recyclables shall be placed or stored in any container provided by the City for the storage and collection of recyclables. (Ord. 1986, 12-01-98)

(Ord. No. 1609, Amended, 02/21/89; Ord. No. 1764, Amended, 07/21/92; Ord. No. 1821, Amended, 10/05/93; Ord. No. 1986, Amended, 12/01/98) (Ord. 2002-19, Amended, 12/23/2002; Ord. 2000-09, Amended, 05/02/2000); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-000~~7~~8 COLLECTION PRACTICES

A. ~~Frequency of~~ Collection From Residential Properties:

~~1. Residential: The Director or designee shall collect or direct the collection of solid waste and recyclable material from all residences in the City. Solid waste and recyclable material accumulated by residences shall be collected at least once each week for~~

~~household solid waste and recyclable material and once every four weeks for bulky waste or as required by State of Arizona regulations.~~

1~~a~~. Single Family ~~Residences~~Residential Properties: Solid waste and recyclable material (except glass) accumulated by single family ~~residences~~ residential properties shall be collected using the City's automated collection system. A minimum of one automated solid waste container and one automated recycling container is required for each ~~housing~~ dwelling unit ~~unless, in the case of the recycling container, the Director or designee decides to not provide recycling service~~. Collection will be provided at least once each week or as required by State of Arizona regulations. Special container roll-out service will be provided for those residents with a handicap or those who are otherwise determined by the Director or designee to be unable to place the automated containers out for collection. In these cases, the containers will be rolled out by Environmental Services employees and returned after collection. (Ord. 2002-19, 11/19/02)

2~~b~~. Multi~~f-F~~amily Residential~~ces~~ Properties: Solid waste and recyclable material (except glass) accumulated by multifamily residential~~ces~~ properties shall be collected using either the City's automated or bin collection system ~~or the City's bin collection system~~, or the services of a licensed solid waste collection company. For multifamily residential properties serviced by the City, ~~T~~the Director or designee shall determine the appropriate collection system based on the number of dwelling units and volume of solid waste generated. Collection will be provided at least once each week~~, with up to seven days per week collection available~~. Multiple bin service ~~is~~ may also be provided. (Ord. 2002-19, 11/19/02)

3~~c~~. Residential Bulk W~~w~~aste Collection: Bulk waste will be collected from single family residential properties on a once every four week rotating schedule. A pile up to five feet by five feet by ten feet of combined yard waste and bulk waste shall be collected on a scheduled bulk waste collection. A special collection for larger quantities requiring additional fees is available. All brush, tree limbs and cuttings shall not exceed five feet in length and 12 inches in diameter. Bulk waste shall be placed on private property within plain view as seen from the public right-of-way for pick up no earlier than the Monday immediately preceding the designated collection week and no later than Monday at 5:00 a.m. of the designated collection week. Items must be placed parallel to the street adjacent to the owner's property line for collection. Bulk waste may not be placed on sidewalks, curbing, or public right-of-way in any manner as to interfere with or be hazardous to pedestrians or vehicles, or with any mechanized collection container in such a manner as to interfere with its being emptied. Bulk waste may not be placed within four (4) feet of any structure. Appliances, air conditioners and other items that contain refrigerants are not accepted as part of normal bulk waste service. A special collection requiring prior scheduling is available. The customer must take off the locking mechanism or remove the door from any container or appliance, including freezers, refrigerators, stoves or chests, before setting them out for special collection. A refrigerant evacuation fee or certificate of refrigerant extraction may be required. Items not accepted for collection will be left. The following are unacceptable materials: disposable or unwanted material resulting from construction, repair, or demolition of the premises; large auto parts

such as engines, transmissions, axles; tires; used oil; and rocks, soil, soil-like and concrete materials. (Ord. 1821, 10/05/93; Ord. 2002-19, 11/19/02)

4. Residential Glass Recyclables Collection: The City will collect glass recyclables from residential properties for a monthly fee of $3.55. If glass recyclables collection is requested through the Solid Waste Program, the City will provide the property owner with a separate collection container for glass recyclables. Glass recyclables collection will occur on a monthly basis on the Wednesday of the property's bulk waste collection week (refer to the current bulk waste collection schedule to identify collection week).

B~~2~~. Collection From Commercial and Industrial Properties: Solid waste and recyclable material (except glass) accumulated by commercial properties shall be collected using either the City's automated or bin collection system, or the services of a licensed solid waste collection company. For commercial properties serviced by the City, the Director or designee shall collect or direct the collection of solid waste ~~from all City commercial accounts during the collection period~~ according to a schedule agreed to by the City and the commercial property owner for the applicable fee described in Section 7-04-001-0010(C) below.~~the current regulations.~~ The Director or designee may refuse to collect unreasonable amounts of solid waste and/or may refuse to collect when poor conditions of handling exist, and may make an additional charge for such amounts or conditions as outlined in the current regulations. (Ord. 1609, 2/21/89)

C~~B~~. Collection Procedures for Certain Types of Waste:

1. Special Wastes: All special wastes shall be disposed of as directed by the Director or designee at the expense of the owner or possessor thereof. ~~Other special wastes not identified below shall be determined and addressed by the Director or designee:~~ Soil with petroleum contamination below 4,100 mg/kg and waste from shredding of motor vehicles are the two special wastes recognized in the State of Arizona and must be disposed of in accordance with the following procedures:~~.~~

~~1.~~ a. Petroleum Contaminated Soils: Petroleum contaminated soil acceptance at the landfill is determined by the Arizona Department of Environmental Quality Residential Remediation level of 4,100 mg/kg. Soils with adequate sampling verifying petroleum contamination is below 4,100 mg/kg can be accepted at the landfill following approval by the Director using an Exceptional Waste Application form. Accepted petroleum contaminated soil will be directed to a separate area of the active landfill area for burial.

~~2.~~ b. Waste from shredding of motor vehicles is ~~(~~not accepted~~)~~ at the landfill.

2~~C~~. Industrial Solid Waste: Industrial solid wastes will be accepted ~~in~~ at the landfill in quantities regulated by the Director or designee. The cost of handling industrial wastes will be determined by the Director or designee.

3~~D~~. Asbestos Waste: Friable asbestos is not accepted at the landfill. Non-friable asbestos is accepted. Advance notification is required for non-friable asbestos disposal along with approval by the Director or designee using a non-friable asbestos waste acceptance application~~n Exceptional Waste Application~~ form. Accepted non-friable asbestos will be directed to a separate area of the active landfill area for burial.

4~~E~~. Septic and Liquid Wastes: Disposal of septic or liquid wastes ~~are~~ is not allowed at the landfill. (Ord. 1764, 07-21-92)

5~~F~~. Hazardous Wastes: Hazardous wastes are accepted at the City's Hazardous Products Center (HPC) located at the landfill. Collected hazardous waste is properly recycled or disposed of through a licensed hazardous waste disposal contractor. Universal wastes such as used batteries and mercury containing light bulbs are also accepted at the HPC. Small businesses can use the HPC to dispose of hazardous waste by appointment only. Businesses will pay costs incurred by the city for disposal of the waste through a licensed hazardous waste disposal contractor plus administrative fees. Businesses must qualify as a Conditionally Exempt Small Quantity Generator (CESQG) according to the Environmental Protection Agency. Any refuse deemed hazardous by the Director or designee will not be collected or disposed of in the landfill. Anyone knowingly or unknowingly depositing hazardous or prohibited waste in the landfill must remove said waste within three (3) hours at their own expense. If the City or City designee has to remove said waste, the cost of removal and disposal plus an administrative fee shall be charged to the person placing said waste in the landfill. Failure to pay this fee will result in loss of use of the landfill. (Ord. 1609, 2/21/89)

6~~G~~. Medical Wastes: Untreated medical waste, with the exception of household medical sharps disposed of with homeowner waste, is not accepted at the landfill or HPC. Unused medical sharps are accepted at the landfill but are not accepted at the HPC. Landfill operators should be notified so that any sharps can be buried immediately.

D. General Provisions For Waste and Recyclables Collection:

1~~H~~. Ownership of Solid Waste. All solid waste set out for collection in the City will remain the property and responsibility of the property owner or generator until collected by the City or licensed company, whereupon it shall become the property of the collector.

2~~I~~. Solid waste, before being placed into containers for collection, shall be drained of any liquids and shall be wrapped in paper or plastic and sealed.

3~~J~~. Ashes shall be placed in separate containers and thoroughly doused with water and extinguished before collection.

4~~K~~. The occupant of the property from which solid waste material is being collected shall not place hot ashes, bricks, concrete, hazardous wastes, or any other material or solid waste harmful to the public or destructive to the container or collection vehicle in the container being set out for City pickup.

5~~L~~. ~~Residential or commercial a~~Automated collection containers shall be placed at curbside by 6:00 a.m. on the day of collection. Automated collection containers shall be removed from the curbside on the same day the container is serviced. (Ord. 1764, 07-21-92)

6~~M~~. ~~Residential or commercial C~~containers ~~shall~~ must not be ~~allowed to be~~ blocked by vehicles or other objects that may hinder their pickup by City sanitation vehicles or employees. Automated collection ~~carts~~ containers shall not be placed within four (4) feet of objects that can be damaged by the City's automated equipment. (Ord. 1609, 2/21/89)

7~~N~~. Unattended Containers: No person shall place, display, or maintain any unattended container for soliciting deposit of recyclable materials or donated items in any exterior location within the City limits, except in conformance with all of the following provisions:

a~~1~~. Such unattended containers may be located only within the parking lot of private property lawfully zoned, developed and used for commercial or industrial purposes or at schools, churches, or charitable organizations which have similar parking facilities.

b~~2~~. Such unattended containers may be located only with the permission of the property owner, their agent, or the person in possession of the property, and the owner's name and current telephone number shall be displayed on the container in a conspicuous location.

c~~3~~. The owner of such unattended container and the property owner shall jointly or severally maintain all exterior areas within twenty-five feet (25') of the container free from litter.

~~O~~8. Nothing in this ~~section~~ Chapter shall be construed to prevent individual property owners from hauling their own solid waste from their own premises to a legal point of disposal or recycling, in accordance with Section 0004~~3~~ of this ~~Division~~Chapter.

(Ord. 1986, 12-01-98) (Ord. No. 1609, Amended, 02/21/89; Ord. No. 1764, Amended, 07/22/92; Ord. No. 1764, Amended, 07/21/92; Ord. No. 1821, Amended, 10/05/93; Ord. No. 1986, Amended, 12/01/98; Ord. 2002-19, Amended, 11/19/02)(Ord. 2002-19, Amended, 12/23/2002; 2002-19, Amended, 11/19/2002); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0009~~8~~ LANDFILL DISPOSAL PRACTICES

A. Landfill Rules and Regulations~~user practices~~:

1. Traffic signs must be obeyed and vehicles must stay on designated roadways at all times.

2. Landfill users must ~~F~~follow all instructions given by City solid waste landfill personnel (i.e. attendants, operators).

3. Alcoholic beverages ~~shall not be allowed~~are prohibited.

4. Commercial haulers must be dressed in proper attire, including hardhat, safety reflective vest, and steel toed boots.

5. Landfill ~~staff~~ personnel ~~has~~ have the right to inspect any load and may, at their discretion, require a load to be dumped in a segregated area to facilitate inspection.

6. Children and animals must remain in vehicles at all times.

7. Smoking is prohibited.

8. No person shall~~, by threat or use of violence or physical force, or by threatening to do or doing any other act that can be reasonably anticipated to cause physical harm to any person including the perpetrator,~~ intentionally obstruct, impede or interfere with any employee, contractor or authorized representative of the City who is lawfully and constitutionally engaged in the enforcement or execution of the provisions of this chapter.

9. Scavenging, including but not limited to the unauthorized pilfering, removal, buying, selling, trading or using of material disposed of at the landfill is prohibited.

10. Haulers shall not deliver wastes to a solid waste landfill that are prohibited under these regulations.

11. All disposal fees must be paid at time of disposal. Failure to pay disposal fees may result in a suspension of disposal privileges.

12~~10~~. ~~Violating~~ Failure to abide by the aforementioned landfill user ~~requirements~~ rules and regulations may result in refusal of service.

B. ~~Disposal of infectious, radioactive and hazardous waste~~Prohibited Materials. The following materials will not be accepted at the solid waste landfill:

1. Hazardous waste.

2. Untreated bio-hazardous waste.

3. Radioactive waste.

4. Regulated liquid waste.

5. Any other regulated waste without prior approval of the Director or designee.

6. Auto batteries.

7. Sewage, septic, or water treatment sludge that has not been dewatered.

8. Transformers, capacitors, and large electrical equipment containing liquids or polychlorinated biphenyls.

9. Universal waste.

10. Motor driven equipment. Some vehicle parts are accepted as long as they do not contain fluids.

11. Friable asbestos.

12. Petroleum contaminated soil with concentrations over 4,100 milligrams/kilogram.

13. Lead-based paint debris unless accompanied by an Exceptional Waste Acceptance Form signed by the Director or designee.

14. Any material originating from an environmental remediation unless accompanied by an Exceptional Waste Acceptance Form signed by the Director or designee.

15. Compressed gas bottles unless punctured.

16. Drums, plastic or metal, unless rinsed with tops and bottoms cut out.

17. Pesticide containers unless triple rinsed, with tops and bottoms cut out.

18. Any industrial or commercial process waste.

19. Tires.

C. Disposal of infectious, radioactive and hazardous waste: The ~~requirements of these~~following regulations shall apply to any generator of bio-hazardous medical waste as defined under Arizona Administrative Code R18-13-1401, as it may be amended from time to time, with the exception of a household generator residing in a private, public, or semi-public residence who generates bio-hazardous medical waste in the administration of self care or the agent of the household generator who administers the medical care. This exemption does not apply to the facility in which a person resides if that facility is licensed by the Arizona Department of Health Services. Treated bio-hazardous medical waste is considered to be bio-hazardous medical waste that has been treated and that meets the treatment standards of Arizona Administrative Code R18-13-1415. These wastes may be acceptable at solid waste disposal facilities under the following conditions:

1. Prior approval for disposal, including approval of the treatment methodology, packaging and labeling must be obtained from the Director or designee.

2. Treatment methods and waste transportation must comply with all applicable standards set forth in Arizona Revised Statutes Title 18, Article 14.

3. If an alternative treatment method is used, the method must be registered with the Arizona Department of Environmental Quality pursuant to Arizona Administrative Code R18-13-1414 and the registration number provided prior to disposal.

~~D. Haulers shall not deliver wastes to a solid waste landfill that are prohibited under these regulations.~~
~~E. Failure to pay disposal fees may result in a suspension of disposal privileges.~~
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-001~~09~~0 FEES
~~The Director or designee may establish special rates or charges when required by unusual, unique or special needs.~~ The rates and charges for ~~such~~ solid waste and recycling collection services outlined below are ~~will be~~ based ~~up~~on the cost of the services provided. The Director or designee may establish special rates or charges when required by unusual, unique or special needs, or to provide discounts for high-volume customers when collection efficiencies are realized.

A. Deposit:

1. Landfill account customers shall provide a deposit of two hundred fifty dollars ($250.00) per account.

2. The deposit shall be refunded when:

a. The account has been paid in a current manner for one (1) year, or

b. The account is closed out and paid in full, or

c. There has been no activity ~~i~~on the account for ninety (90) days.

3. If an inactive or closed account is reactivated, a new deposit shall be collected or a new credit application will be required.

4. If a customer's service is terminated due to non-payment after the City refunds a customer's deposit, payment of existing balance plus an additional $500.00 deposit will be required before service is resumed.

5. Specific exemptions from deposit provisions shall apply to churches, non-profit community organizations, and other utilities.

6. No interest shall be paid by the City upon any deposit refund. (Ord. 1845, 11/01/94)

B. Residential Collection Fees:

1. Automated Collection: $~~16.89~~17.73/month for one time a week collection of the solid waste and recycling containers, once every four week bulk waste collection, weekly white goods collection access to the landfill (except construction and demolition waste), and access to the Hazardous Products Center. Billing will apply to each residential property continuously. (Ord. 1887, 08/29/95; Amended Ord. 2002-19, 11/19/02; Ord. 2012-07, Amended, 05/29/2012)

2. Additional Automated Containers: Cost of the container to the City plus $10.00 service fee with an additional monthly service fee equaling fifty percent (50%) of the normal monthly fee.

3. Replacing Automated Containers: Actual cost of container to the City plus $10.00 service fee. (Ord. 1887, 08/29/95)

4. Special Collection Service: Special bulky waste collection will be provided upon request to residential and business customers for a fee equal to the cost for equipment, manpower, and landfill disposal, at a one-half hour minimum rate. (Ord. 1821, 10/05/93)

5. Residential collection fees apply whether the residence is occupied or unoccupied. The monthly service charge is based on the fixed cost of operating and maintaining the residential collection system so that the system is available to provide residential collection to the parcel when residential collection service is activated. Unoccupied parcels will continue to pay monthly service charges because residential collection service is available and may be activated and used by the property owner at any time.

(Ord. 2012-07, Amended, 05/29/2012)

C. Commercial,~~-~~ Industrial, and Multifamily Residential Collection Fees:

1. ~~Commercial Solid Waste Bin Service:~~ The monthly fee per service address for commercial,~~-~~ industrial, and multifamily residential ~~solid waste~~refuse collection ~~bin~~ service shall be as follows: (Ord. 1845, 11/01/94)

~~SOLID WASTE~~REFUSE COLLECTION

LEVEL OF SERVICE

~~Container Size~~	~~1X/Week~~	~~2X/Week~~	~~3X/Week~~	~~4X/Week~~	~~5X/Week~~	~~6X/Week~~	~~7X/Week~~

~~90 Gal. 1 Barrel~~	~~30.82~~	~~55.44~~	~~80.14~~	~~104.78~~			
~~2 Barrels~~	~~49.85~~	~~88.76~~	~~127.78~~	~~166.71~~			
~~3 Barrels~~	~~69.05~~	~~122.34~~	~~175.80~~	~~229.14~~			
~~4 Barrels~~	~~88.23~~	~~155.91~~	~~223.81~~	~~291.55~~			
~~160 Gal. 1 Barrel~~	~~36.66~~	~~65.55~~	~~94.74~~	~~123.77~~			
~~2 Barrels~~	~~59.08~~	~~104.89~~	~~150.86~~	~~196.71~~			
~~3 Barrels~~	~~81.68~~	~~144.44~~	~~207.41~~	~~270.24~~			
~~4 Barrels~~	~~104.28~~	~~183.98~~	~~263.95~~	~~343.74~~			
~~195 Gal. 1 Barrel~~	~~37.94~~	~~67.89~~	~~97.94~~	~~127.92~~			
~~2 Barrels~~	~~61.10~~	~~108.42~~	~~155.90~~	~~203.28~~			
~~3 Barrels~~	~~84.44~~	~~149.28~~	~~214.33~~	~~279.23~~			
~~4 Barrels~~	~~107.79~~	~~190.12~~	~~272.71~~	~~355.16~~			
~~300 Gal. 1 Barrel~~	~~40.67~~	~~72.67~~	~~104.78~~	~~136.82~~			
~~2 Barrels~~	~~65.41~~	~~115.98~~	~~166.71~~	~~217.33~~			
~~3 Barrels~~	~~90.36~~	~~159.64~~	~~229.14~~	~~298.48~~			
~~4 Barrels~~	~~115.30~~	~~203.28~~	~~291.55~~	~~379.61~~			
~~2 Cu. Yd. 1 Bin~~	~~50.48~~	~~90.39~~	~~129.32~~	~~168.72~~	~~207.98~~	~~260.48~~	~~315.65~~
~~2 Bins~~	~~80.92~~	~~143.12~~	~~205.52~~	~~267.77~~	~~329.82~~	~~412.78~~	~~499.88~~
~~3 Bins~~	~~111.61~~	~~196.81~~	~~282.30~~	~~367.59~~	~~452.60~~	~~566.25~~	~~685.58~~
~~4 Bins~~	~~142.28~~	~~250.49~~	~~359.06~~	~~467.38~~	~~575.34~~	~~719.67~~	~~871.22~~
~~3 Cu. Yd. 1 Bin~~	~~60.29~~	~~107.00~~	~~153.88~~	~~200.65~~	~~247.25~~	~~309.57~~	~~375.05~~
~~2 Bins~~	~~96.42~~	~~170.23~~	~~244.29~~	~~318.18~~	~~391.82~~	~~490.28~~	~~593.73~~
~~3 Bins~~	~~132.85~~	~~233.99~~	~~335.42~~	~~436.70~~	~~537.61~~	~~672.51~~	~~814.16~~
~~4 Bins~~	~~169.26~~	~~297.71~~	~~426.52~~	~~555.16~~	~~683.30~~	~~854.63~~	~~1034.52~~
~~4 Cu. Yd. 1 Bin~~	~~70.26~~	~~124.45~~	~~178.82~~	~~233.06~~	~~287.13~~	~~359.42~~	~~435.32~~
~~2 Bins~~	~~112.16~~	~~197.80~~	~~283.70~~	~~369.41~~	~~454.83~~	~~569.04~~	~~688.96~~
~~3 Bins~~	~~154.41~~	~~271.71~~	~~389.41~~	~~506.83~~	~~623.86~~	~~780.32~~	~~944.74~~
~~4 Bins~~	~~196.64~~	~~345.62~~	~~495.08~~	~~644.22~~	~~792.85~~	~~991.55~~	~~1200.20~~
~~5 Bins~~	~~238.95~~	~~419.65~~	~~600.97~~	~~781.86~~	~~962.15~~	~~1203.19~~	~~1456.27~~
~~6 Bins~~	~~282.31~~	~~495.56~~	~~709.50~~	~~922.95~~	~~1135.69~~	~~1420.11~~	~~1718.76~~

~~7 Bins~~	~~324.97~~	~~570.19~~	~~816.23~~	~~1061.69~~	~~1306.35~~	~~1633.44~~	~~1976.88~~
~~8 Bins~~	~~367.47~~	~~644.57~~	~~922.60~~	~~1199.98~~	~~1476.43~~	~~1846.04~~	~~2234.13~~
~~9 Bins~~	~~410.02~~	~~717.51~~	~~1025.93~~	~~1333.69~~	~~1635.58~~	~~2058.66~~	~~2491.39~~
~~6 Cu. Yd. 1 Bin~~	~~89.76~~	~~158.59~~	~~227.64~~	~~296.53~~	~~365.20~~	~~457.00~~	~~553.40~~
~~2 Bins~~	~~142.99~~	~~251.73~~	~~360.83~~	~~469.69~~	~~578.18~~	~~723.22~~	~~875.52~~
~~3 Bins~~	~~196.64~~	~~345.62~~	~~495.08~~	~~644.21~~	~~792.85~~	~~991.55~~	~~1200.20~~
~~4 Bins~~	~~250.27~~	~~439.47~~	~~629.30~~	~~818.70~~	~~1007.45~~	~~1259.81~~	~~1524.80~~
~~5 Bins~~	~~304.01~~	~~533.51~~	~~763.77~~	~~993.50~~	~~1222.47~~	~~1528.58~~	~~1850.00~~
~~6 Bins~~	~~359.08~~	~~629.90~~	~~901.61~~	~~1172.85~~	~~1442.87~~	~~1804.09~~	~~2183.36~~
~~7 Bins~~	~~413.25~~	~~724.68~~	~~1037.15~~	~~1348.89~~	~~1659.60~~	~~2075.00~~	~~2511.17~~
~~8 Bins~~	~~467.22~~	~~819.14~~	~~1172.27~~	~~1524.51~~	~~1875.61~~	~~2345.01~~	~~2837.89~~
~~9 Bins~~	~~521.21~~	~~913.63~~	~~1226.23~~	~~1542.03~~	~~1941.74~~	~~2396.57~~	~~2891.88~~
~~8 Cu. Yd. 1 Bin~~	~~109.50~~	~~193.12~~	~~277.02~~	~~360.72~~	~~444.15~~	~~555.76~~	~~672.81~~
~~2 Bins~~	~~174.17~~	~~306.28~~	~~438.85~~	~~571.10~~	~~703.01~~	~~879.26~~	~~1064.33~~
~~3 Bins~~	~~196.66~~	~~420.41~~	~~602.04~~	~~783.15~~	~~963.86~~	~~1205.33~~	~~1458.87~~
~~4 Bins~~	~~250.30~~	~~532.38~~	~~765.13~~	~~995.27~~	~~1224.65~~	~~1531.31~~	~~1853.30~~
~~5 Bins~~	~~304.04~~	~~648.72~~	~~928.53~~	~~1207.69~~	~~1485.92~~	~~1857.90~~	~~2248.48~~
~~6 Bins~~	~~359.13~~	~~765.85~~	~~1096.03~~	~~1425.44~~	~~1753.75~~	~~2192.68~~	~~2653.57~~
~~7 Bins~~	~~413.30~~	~~881.03~~	~~1260.73~~	~~1639.55~~	~~2017.11~~	~~2521.89~~	~~3051.90~~
~~8 Bins~~	~~467.29~~	~~995.82~~	~~1424.89~~	~~1852.95~~	~~2279.59~~	~~2849.99~~	~~3448.91~~

Container Size	1X/Week	2X/Week	3X/Week	4X/Week	5X/Week	6X/Week	7X/Week
90 Gal. 1 Barrel	32.36	58.21	84.14	110.02	135.80	-	-
2 Barrels	52.35	93.19	134.16	175.04	215.78	-	-
3 Barrels	72.50	128.45	184.58	240.58	296.40	-	-
4 Barrels	92.64	163.69	234.98	306.11	377.00	-	-
195 Gal. 1 Barrel	38.49	68.83	99.48	129.96	159.85	-	-
2 Barrels	62.03	110.13	158.40	206.55	254.05	-	-
3 Barrels	85.76	151.66	217.78	283.75	349.01	-	-
4 Barrels	109.49	193.18	277.15	360.93	443.94	-	-
300 Gal. 1 Barrel	42.70	76.30	110.02	143.65	177.17	-	-
2 Barrels	68.69	121.78	175.04	228.18	281.15	-	-
3 Barrels	94.88	167.61	240.58	313.39	385.95	-	-
4 Barrels	121.06	213.43	306.11	398.57	490.73	-	-
2 Cu. Yd. 1 Bin	53.01	94.33	135.80	177.17	218.40	273.53	331.41
2 Bins	84.97	150.27	215.78	281.15	346.30	433.40	524.85
3 Bins	117.18	206.64	296.40	385.95	475.20	594.53	719.82
4 Bins	131.46	231.44	331.76	431.84	531.59	664.95	804.97
3 Cu. Yd. 1 Bin	63.31	112.37	161.59	210.70	259.64	325.07	393.78

2 Bins	101.25	178.76	256.53	334.12	411.45	514.83	623.39
3 Bins	139.49	245.68	352.22	458.52	564.46	706.10	854.82
4 Bins	156.39	275.07	394.14	512.94	631.34	789.64	955.85
4 Cu. Yd. 1 Bin	73.78	130.68	187.78	244.74	301.52	377.42	457.12
2 Bins	117.78	207.70	297.91	387.91	477.62	597.54	723.47
3 Bins	162.14	285.32	408.91	532.22	655.11	819.41	991.93
4 Bins	181.71	319.37	457.50	595.30	732.65	916.27	1109.08
5 Bins	213.28	374.57	536.41	697.87	858.79	1073.93	1299.83
6 Bins	243.10	426.71	610.93	794.73	977.91	1222.82	1479.98
7 Bins	266.17	467.02	668.55	869.60	1069.99	1337.89	1619.20
8 Bins	289.41	507.64	726.61	945.06	1162.79	1453.88	1759.52
6 Cu. Yd. 1 Bin	94.26	166.53	239.05	311.39	383.49	479.89	581.11
2 Bins	150.15	264.34	378.91	493.22	607.14	759.45	919.37
3 Bins	206.49	362.93	519.89	676.48	832.56	1041.22	1260.32
4 Bins	231.27	406.10	581.52	756.54	930.96	1164.17	1409.03
5 Bins	271.34	476.19	681.72	886.77	1091.14	1364.37	1651.27
6 Bins	309.20	542.38	776.35	1009.77	1242.42	1553.45	1880.04
7 Bins	338.48	593.56	849.50	1104.84	1359.33	1699.57	2056.82
8 Bins	367.97	645.13	923.22	1200.65	1477.17	1846.85	2235.02
8 Cu. Yd. 1 Bin	114.98	202.79	290.89	378.79	466.40	583.52	706.50
2 Bins	182.89	321.63	460.83	599.71	738.12	923.18	1117.49
3 Bins	251.33	441.41	632.11	822.38	1012.01	1265.53	1531.74
4 Bins	281.39	493.81	706.95	919.59	1131.52	1414.86	1712.37
5 Bins	330.07	578.96	828.68	1077.81	1326.12	1658.10	2006.67
6 Bins	376.04	659.37	943.64	1227.24	1509.90	1887.81	2284.61
7 Bins	411.60	814.03	1164.86	1514.87	1863.72	2330.11	2819.82
8 Bins	447.42	784.17	1122.05	1459.13	1795.09	2244.26	2715.89

(Ord. 2012-07, Amended, 05/29/2012)

2. ~~Commercial Recycling Bin Service:~~ The monthly fee per service address for commercial, industrial, and multifamily residential recycling collection ~~bin~~ service shall be as follows:

RECYCLING

LEVEL OF SERVICE

~~Container Size~~	~~1X/Week~~	~~2X/Week~~	~~3X/Week~~	~~4X/Week~~	~~5X/Week~~	~~6X/Week~~
~~90 Gal. 1 Barrel~~	~~21.17~~	~~27.52~~	~~33.85~~	~~40.28~~	~~46.72~~	
~~2 Barrels~~	~~25.40~~	~~33.02~~	~~40.62~~	~~48.33~~	~~56.07~~	
~~3 Barrels~~	~~29.72~~	~~38.64~~	~~47.52~~	~~56.55~~	~~65.60~~	
~~4 Barrels~~	~~33.88~~	~~44.04~~	~~54.18~~	~~64.47~~	~~74.78~~	
~~160 Gal. 1 Barrel~~	~~24.93~~	~~32.41~~	~~39.87~~	~~47.44~~	~~55.03~~	

~~2 Barrels~~	~~29.92~~	~~38.89~~	~~47.84~~	~~56.93~~	~~66.04~~	
~~3 Barrels~~	~~35.00~~	~~45.51~~	~~55.97~~	~~66.61~~	~~77.26~~	
~~4 Barrels~~	~~39.90~~	~~51.88~~	~~63.81~~	~~75.93~~	~~88.08~~	
~~195 Gal. 1 Barrel~~	~~25.76~~	~~33.48~~	~~41.18~~	~~49.01~~	~~56.85~~	
~~2 Barrels~~	~~30.91~~	~~40.18~~	~~49.42~~	~~58.81~~	~~68.22~~	
~~3 Barrels~~	~~36.16~~	~~47.01~~	~~57.82~~	~~68.81~~	~~79.81~~	
~~4 Barrels~~	~~41.22~~	~~53.59~~	~~65.91~~	~~78.44~~	~~90.99~~	
~~300 Gal. 1 Barrel~~	~~25.40~~	~~33.02~~	~~40.62~~	~~48.33~~	~~56.07~~	
~~2 Barrels~~	~~30.48~~	~~39.63~~	~~48.74~~	~~58.00~~	~~67.28~~	
~~3 Barrels~~	~~35.66~~	~~46.36~~	~~57.03~~	~~67.86~~	~~78.72~~	
~~4 Barrels~~	~~40.66~~	~~52.85~~	~~65.01~~	~~77.36~~	~~89.74~~	
~~2 Cu. Yd. 1 Bin~~	~~30.48~~	~~39.63~~	~~48.74~~	~~58.00~~	~~67.28~~	~~76.70~~
~~2 Bins~~	~~36.58~~	~~47.55~~	~~58.49~~	~~69.60~~	~~80.74~~	~~92.04~~
~~3 Bins~~	~~42.80~~	~~55.64~~	~~68.43~~	~~81.43~~	~~94.46~~	~~107.69~~
~~4 Bins~~	~~48.79~~	~~63.42~~	~~78.01~~	~~92.83~~	~~107.69~~	~~122.76~~
~~3 Cu. Yd. 1 Bin~~	~~36.58~~	~~47.55~~	~~58.49~~	~~69.60~~	~~80.74~~	~~92.04~~
~~2 Bins~~	~~43.89~~	~~57.06~~	~~70.19~~	~~83.52~~	~~96.89~~	~~110.45~~
~~3 Bins~~	~~51.36~~	~~66.76~~	~~82.12~~	~~97.72~~	~~113.36~~	~~129.23~~
~~4 Bins~~	~~58.55~~	~~76.11~~	~~93.61~~	~~111.40~~	~~129.23~~	~~147.32~~
~~4 Cu. Yd. 1 Bin~~	~~43.89~~	~~57.06~~	~~70.19~~	~~83.52~~	~~96.89~~	~~110.45~~
~~2 Bins~~	~~52.67~~	~~68.47~~	~~84.22~~	~~100.23~~	~~116.26~~	~~132.54~~
~~3 Bins~~	~~61.63~~	~~80.12~~	~~98.54~~	~~117.26~~	~~136.03~~	~~155.07~~
~~4 Bins~~	~~70.25~~	~~91.33~~	~~112.34~~	~~133.68~~	~~155.07~~	~~176.78~~
~~6 Cu. Yd. 1 Bin~~	~~52.67~~	~~68.47~~	~~84.22~~	~~100.23~~	~~116.26~~	~~132.54~~
~~2 Bins~~	~~71.11~~	~~92.44~~	~~113.70~~	~~135.31~~	~~156.95~~	~~178.93~~
~~3 Bins~~	~~89.60~~	~~116.48~~	~~143.26~~	~~170.48~~	~~197.76~~	~~225.45~~
~~4 Bins~~	~~107.96~~	~~140.35~~	~~172.63~~	~~205.43~~	~~238.30~~	~~271.67~~
~~8 Cu. Yd. 1 Bin~~	~~63.21~~	~~82.17~~	~~101.07~~	~~120.27~~	~~139.51~~	~~159.05~~
~~2 Bins~~	~~73.95~~	~~96.14~~	~~118.25~~	~~140.72~~	~~163.23~~	~~186.09~~
~~3 Bins~~	~~90.96~~	~~118.25~~	~~145.45~~	~~173.08~~	~~200.78~~	~~228.88~~
~~4 Bins~~	~~86.52~~	~~112.48~~	~~138.35~~	~~164.64~~	~~190.98~~	~~217.72~~

Container Size	1X/Week	2X/Week	3X/Week	4X/Week	5X/Week

90 Gal. 1 Barrel	22.23	28.89	35.54	42.29	49.06
2 Barrels	26.67	34.67	42.65	50.75	58.87
3 Barrels	31.21	40.57	49.90	59.38	68.88
4 Barrels	35.57	46.25	56.88	67.69	78.52
195 Gal. 1 Barrel	27.04	35.15	43.24	51.45	59.68
2 Barrels	32.45	42.18	51.88	61.74	71.62
3 Barrels	37.96	49.35	60.70	72.24	83.80
4 Barrels	43.28	56.26	69.20	82.35	95.53
300 Gal. 1 Barrel	26.67	34.67	42.65	50.75	58.87
2 Barrels	32.01	41.61	51.18	60.90	70.65
3 Barrels	37.45	48.68	59.88	71.25	82.66
4 Barrels	42.69	55.50	68.26	81.23	94.23
2 Cu. Yd. 1 Bin	32.01	41.61	51.18	60.90	70.65
2 Bins	38.41	49.93	61.41	73.08	84.77
3 Bins	44.94	58.42	71.85	85.51	99.19
4 Bins	51.23	66.60	81.91	97.48	113.07
3 Cu. Yd. 1 Bin	38.41	49.93	61.41	73.08	84.77
2 Bins	46.09	59.92	73.70	87.70	101.73
3 Bins	53.92	70.10	86.22	102.61	119.02
4 Bins	61.47	79.91	98.30	116.97	135.69
4 Cu. Yd. 1 Bin	46.09	59.92	73.70	87.70	101.73
2 Bins	55.31	71.90	88.43	105.24	122.08
3 Bins	64.71	84.12	103.47	123.13	142.83
4 Bins	73.77	95.90	117.95	140.37	162.82
6 Cu. Yd. 1 Bin	55.31	71.90	88.43	105.24	122.08
2 Bins	74.66	97.06	119.39	142.07	164.80
3 Bins	94.08	122.30	150.43	179.01	207.65
4 Bins	113.36	147.37	181.27	215.71	250.22
8 Cu. Yd. 1 Bin	66.37	86.28	106.12	126.29	146.49
2 Bins	89.60	116.48	143.26	170.48	197.76
3 Bins	112.89	146.76	180.51	214.81	249.18
4 Bins	136.03	176.84	217.52	258.85	300.26

3. Exceptional Services:

   a. Return to blocked bin: $~~14.58~~15.31

   b. Extra Pick-up (scheduled): $~~9.72~~ 10.21 x cubic yard size of container

   c. Extra Pick-up (unscheduled): $~~14.58~~15.31 x cubic yard size of container

   d. Other: Actual cost of service

D. White Goods Collection: White goods will be collected ~~from business establishments~~ for a fee of $33.63 per unit for appliances and freezers/refrigerators with the refrigerant, oil and compressors removed with proper documentation, and $55.07 per unit for appliances with refrigerant, oil and compressors in place.

E. Hoist and Haul:

1. Minimum charge of one pull per month, for City owned containers. From May through October the City may charge a minimum of two pulls per month.

2. Customer Owned Container: The cost shall be $120.75 per pull for overhead costs plus the posted landfill tipping fee per ton for landfill disposal costs. (Ord. 1954, 09/02/97; Ord. 2002-19, 11/19/02)

3. Recycling Compactor: $~~110~~115.75 per pull for overhead costs plus the current Norton Environmental recycling fee. (Ord. 2002-19, 11/19/02)
4. City Owned Container: The cost shall be $141.75 per pull for 40 yard containers and $126 per pull for 20 and 30 yard containers~~ for overhead costs~~, plus the posted landfill tipping fee per ton for landfill disposal costs. (Ord. 1954, 09/02/97; Ord. 2002-19, 11/19/02)

5~~3~~. Exceptional Services: Actual cost.

F. Any service required that does not fit into the above fee schedules must have an alternative payment schedule approved by the Director or designee. Such schedule will be in writing and signed by both parties.

G. Replacement Fees:
Should a bin or roll-off (hoist and haul) container need replacement as per Section 7-04-001-0007~~6~~, the replacement costs shall be equal to the actual replacement cost to the City plus a $50.00 service fee.

H. Landfill Fees: Landfill fees shall be calculated at the actual cost per ton plus an additional amount to be determined by City Council to establish a capital account to fund future projects and equipment purchases. The City shall establish a legal reserve within the Environmental Services Fund for the purpose of funding costs of closing the landfill as required by the EPA or its designee. Monies shall be appropriated and set aside monthly in an amount to meet the estimated capital costs, to include liner system, methane collection and cover material. Interest shall accrue to this account to be used for all the same purposes mentioned above.

1. Environmental Maintenance Facility Fee. In addition to the landfill tipping fees outlined below, ~~T~~the City shall collect a fee of two dollars fifty cents ($2.50) per ton to fund the facilities that support the activities associated with municipal solid waste collection. Monies shall be allocated annually in the amount of two dollars fifty cents ($2.50) of the per-ton tipping fee on scaled tonnage based on the posted landfill tipping fee. Environmental maintenance facility fee funds shall be used, in part, to service the debt associated with construction of the core services maintenance facility. The City shall establish a legal reserve fund for this purpose. Interest shall accrue to this account to be used for all of the same purposes mentioned above.

The two dollars fifty cents ($2.50) per ton fee referenced in this subsection shall remain in effect until retirement of the debt associated with construction of the core services maintenance facility. (Ord. No. 2003-01; Ord No. 2007-40, Amended; Res. No. 2008, 10/07/08; Res. No. 2009-51, 11/03/09 Amended; Res. 2010-27, 05/03/10 Amended; Ord. 2014-19, Amended, 07/15/2014)

2. The landfill dumping rates for each user category shall be as follows, plus all applicable State and federal taxes:

~~**Posted Landfill Tipping Fee:**~~	~~**$39.69 per ton**~~	
~~Commercial Haulers~~	~~Commercial Solid Waste~~	~~Posted Landfill Tipping Fee~~
~~Commercial Haulers~~	~~Uncovered Load Fee~~	~~Double Posted Landfill Tipping Fee~~
~~City Residents~~	~~Residential Solid Waste~~	~~Posted Landfill Tipping Fee for more than one ton~~
~~City Residents~~	~~Construction and Demolition~~	~~Posted Landfill Tipping Fee for more than one pickup load~~
~~City Residents~~	~~Uncovered Load Fee~~	~~Posted Landfill Tipping Fee~~
~~County/Non-City Residents~~	~~Residential Solid Waste~~	~~Posted Landfill Tipping Fee for more than one ton.~~
~~County/Non-City Residents~~	~~Construction and Demolition~~	~~Posted Landfill Tipping Fee for more than one pickup load~~
~~**Other Landfill Fees:**~~		
~~Commercial Haulers~~	~~Exceptional Waste~~	~~Posted Landfill Tipping Fee Plus $20 handle Fee~~
~~Commercial Haulers~~	~~White Goods~~	~~$8.49 Per Unit~~
~~Commercial Haulers~~	~~Refrigerant Evacuation Fee~~	~~$27.90 Per Unit~~
~~Commercial Haulers~~	~~Metal Only (Recycle Fee)~~	~~Current Norton Environmental recycling fee.~~
~~City Residents~~	~~Residential Solid Waste~~	~~No Charge for up to one pickup truck load.~~
~~City Residents~~	~~Green Waste~~	~~No Charge~~
~~City Residents~~	~~Construction and Demolition~~	~~$20.00 per pickup truck load~~
~~City Residents~~	~~White Goods~~	~~No Charge~~

~~City Residents~~	~~Refrigerant Evacuation Fee~~	~~No Charge~~
~~County/Non-City Residents~~	~~Residential Solid Waste~~	~~1 to 3 Bags: $2.00 per Bag (up to three bags)~~
~~County/Non-City Residents~~	~~Residential Solid Waste~~	~~1 pickup truck load $20.00 per load~~
~~County/Non-City Residents~~	~~Construction and Demolition~~	~~$20.00 per pickup truck load~~
~~County/Non-City Residents~~	~~White Goods~~	~~$8.49 per unit~~
~~County/Non-City Residents~~	~~Refrigerant Evacuation Fee~~	~~$27.90 per unit~~
~~County/Non-City Residents~~	~~Green Waste~~	~~No Charge~~
~~All applicable Haulers~~	~~ADEQ Recycle Tax~~	~~$.25 per ton~~
~~Outside Coconino County~~	~~Commercial Solid Waste~~	~~$20.00 per ton surcharge unless hauler participates in City's recycling program~~

Category 1: City residents who pay for City of Flagstaff water and refuse services will be charged the following fees to use the landfill.

Type of Refuse	Cost
Residential solid waste	$44.42 per ton (if less than one ton there is no charge)
Construction and demolition material (less than one ton)	$20 per pickup truck, additional $20 per trailer
Construction and demolition material (greater than one ton)	$44.42 per ton
Green waste (tree limbs, logs/stumps and xmas trees)	Free, *Note: pine needles and leaves are **NOT** green waste
White goods	Free
Electronics	Free (must be disposed at HPC)
Freon evacuation for household units[2]	Free
Unsecured load charge (i.e., load not covered or tied down)	$20.00 additional charge per unsecured load.

Category 2: Non-City Residents who live in Coconino County and City residents who do not pay for City of Flagstaff water and refuse services will be charged the following fees to use the landfill.

Type of Refuse	Cost
Residential solid waste (bagged)	$2 per bag

Residential solid waste (less than one ton)	$20 per pickup truck, additional $20 per trailer
Residential solid waste (greater than one ton)	$44.42 per ton
Construction and demolition material (less than one ton)	$20 per pickup truck, additional $20 per trailer
Construction and demolition material (greater than one ton)	$44.42 per ton
Green Waste (tree limbs, logs / stumps and xmas trees)	Free, *Note: pine needles and leaves are **NOT** green waste
White goods	$8.49 per item (refrigerant must be evacuated prior to disposal[1,5])
Electronics	Must be disposed at HPC
Unsecured load charge (i.e., load not covered or tied down)	$20.00 additional charge per unsecured load.

[1] Hazardous Products Center (HPC) staff will evacuate refrigerant for a fee of $27.90 per unit. Please call (928) 213-2159 for more information.
[2] If you have a unit evacuated elsewhere (not at the landfill), you must submit an Appliance disposal form if you intend on disposing of the unit at the landfill.

- Per unit appliance fees are still applicable when an appliance disposal form is submitted to landfill staff.
- If an appliance disposal form is not submitted to landfill staff, evacuation fees will apply.

Category 3: Commercial Hauled Refuse (Including Refuse Hauled by Licensed Solid Waste Collection Companies) From Within City.

Notice: It is required that all commercial haulers wear reflective vests, safety shoes, and hard hats upon crossing the administration and scale house boundary.

Type of Refuse	Cost
Commercial solid waste	$44.42 per ton (minimum charge of one ton)
Green Waste (tree limbs, logs / stumps and xmas trees)	$44.42 per ton, *Note: pine needles and leaves are **NOT** green waste
White goods	$8.49 per item (refrigerant must be evacuated prior to disposal[1,5])
Metal only (recycle fee)	Current Norton Recycling fee $32.25 per ton
Electronics	Must be disposed at HPC
Exceptional Waste (e.g., asbestos)	$44.42 per ton plus $20 one time handling fee
Unsecured load charge (i.e., load not covered or tied down)	$20.00 additional charge per unsecured load.

[1] Hazardous Products Center (HPC) staff will evacuate refrigerant for a fee of $27.90 per unit. Please call (928) 213-2159 for more information.
[2] If you have a unit evacuated elsewhere (not at the landfill), you must submit an Appliance disposal form if you intend on disposing of the unit at the landfill.

- Per unit appliance fees are still applicable when an appliance disposal form is submitted to landfill staff.
- If an appliance disposal form is not submitted to landfill staff, evacuation fees will apply.

Category 4: Refuse hauled from outside the County.

Type of Refuse	Cost
For all items accepted at landfill	$86.59 per ton

a. Fees may be waived or reduced for clean soil, rubble and other inert material that can be used as alternative daily cover, provided material is approved by the Director or designee and is beneficial to the City.

b. Inert Material Landfill: The rate for haulers disposing of inert material (dirt, rock and clean concrete) will be as follows:

Varying Fee Schedule Based on Job Size: Rate

(1) One cCubic yYard (C.Y.) to 5,000 C.Y.: $2.25 per C.Y.
(2) Over 5,000 C.Y. to be negotiated by the Director or designee.

c. White Goods Disposal: Disposal of white goods/appliances and freezers/refrigerators from business establishments with the refrigerant, oil and compressors removed with proper documentation is $8.49 per unit or $27.90 per unit with refrigerant, oil and compressors still in place. Landfill customers paying the City residential solid waste service charge may dispose of refrigerators/freezers with refrigerants free of charge. Landfill customers not paying the City residential solid waste service charge may dispose of refrigerators/freezers with refrigerant for a fee of $27.90 per unit. (Ord. 1920, 09/03/96; Ord. 1986, 12-01-09; Ord. No. 1986, Amended, 12/01/98; Ord. 2002-19, 11/19/02)

I. Environmental Management Fee: An Environmental Management Fee of $4.00 per month per City utility bill shall be charged to fund citywide environmental programs, including, but not limited to, Environmental Management, Brownfield Land Recycling, Sustainability, Environmental Code Enforcement, and Conservation Education Programs.

The environmental management fee applies to all utility bills calculated and sent to customers on a monthly basis.

~~J. Rate Escalator. A 5% rate increase escalator shall apply to the rates for the following services: commercial trash and recycling collection, residential collection, hoist and haul, and the posted landfill tipping fee. Beginning on the one year anniversary of the date on which such rates become effective, the rates shall automatically increase 5% each year~~

~~for a period of 5 years, at which time the 5% increase shall sunset, unless reauthorized by the City Council.~~
(Ord. 2000-09, Amended, 05/02/2000; Ord. 2002-19, Amended, 11/19/2002; Ord. 2002-19, Amended, 12/23/2002; Ord. 2003-01, Amended, 01/07/2003; Amended, Ord. 2007-40, 09/18/2007; Ord. 2012-07, Amended, 05/29/2012)

7-04-001-0011~~0~~ DELINQUENT ACCOUNTS

A. All payments shall be due by the due date on the statement.

B. An account shall be considered to be delinquent on the tenth (10th) day of the month following the month in which service was provided by the City.

C. An account that is not paid by the due date shall be charged a penalty of ten percent (10%) of the accumulated delinquent fees per month.

D. If a solid waste collection account is not paid by the due date, the Director or designee may cease all collection for that account unless otherwise directed by the City Manager. Service shall be resumed thereafter only on payment of the accumulated delinquent fees for the period of collection plus accrued penalties, unless the City Manager specifically directs otherwise.

E. If a landfill account is not paid by the due date, the Director or designee may discontinue charging privileges until such time as the account is paid in full. Upon payment in full of the delinquent balance the landfill customer may re-establish charging privileges at the landfill, upon payment of a one thousand dollar ($1,000.00) deposit, unless the City Manager specifically directs otherwise.

F. Legal Remedy: The stoppage of services hereinbefore authorized for nonpayment of collection charges shall be in addition to the right of the City to proceed for the collection of such unpaid charges in a manner provided by law for the collection of a municipal claim. (Ord. 1845, 11/01/94) (Ord. 1986, 12/01/98) (Ord. No. 1764, Amended, 07/22/92; Ord. No. 1764, Amended, 07/21/92; Ord. No. 1845, Amended, 11/01/94; Ord. No. 1986, Amended, 12/01/98); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0012~~1~~ BURNING SOLID WASTES
It shall be unlawful to attempt to burn solid wastes within the corporate limits of the City ~~without written permission from the Fire Department.~~ (Ord. 1609, 2/21/89) (Ord. No. 1609, Amended, 02/21/89 and Fire Protection Regulation FPR-001) (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0013~~2~~ LICENSED SOLID WASTE COLLECTION COMPANY ~~OLLECTION CONTRACTORS~~

A. General: No person, except as otherwise expressly provided in this chapter, shall collect or remove any recyclables or other solid waste of any kind from the premises of

any person, firm or company within the City, unless such person ~~shall have~~has first obtained from the City's tax, licensing and revenue section a license to conduct such collection or removal, as hereinafter provided.

B. Exceptions to License Requirements: Notwithstanding the foregoing, no license shall be required of:

1. An actual producer or property owner who personally removes and disposes of solid waste in accordance with Section 0004~~3.A~~ of this Chapter~~Division~~;

2. An arborist or gardening, landscaping or similar contractor who removes and disposes of solid waste incident to the conduct of such business.

C. Application: An application for a solid wastes collection license shall be made in conformity with the general requirements of City Code Section 3-01-001-0005 relating to applications for licenses. The applicant shall also state the number of vehicles intended for operation or use in said business and what method of disposal and the place thereof are proposed by the applicant. Applications for new licenses shall be approved by the Director or designee with respect to health, sanitation and safety provisions of the Code. Applications for renewal of licenses shall be accompanied by an inspection approval certificate for each piece of equipment from the Sustainability and Environmental Management Section, dated not earlier than sixty (60) days preceding the date of application.

D. License Fee: The annual fee for each solid waste collection company ~~SOLID WASTE COLLECTION COMPANY solid wastes collection~~ license shall be fifty dollars ($50.00) ~~for each vehicle used by the licensee in this service, and each license shall expire twelve (12) months after its date of issue~~.

E. No Representation by Unlicensed Haulers: ~~No person who is~~Haulers not licensed in accordance with the provisions of this section shall not represent ~~himself~~ themselves to the public as ~~one~~ a hauler that~~who~~ collects or disposes of solid waste within the City.

F. License Plate or Tag: The City's Tax, Licensing and Revenue Section shall issue each person licensed in accordance with the provisions of this section a plate or tag for each collection vehicle used by such person in the activities licensed. Each such plate or tag shall be securely fastened and displayed at all times in a conspicuous place on each such vehicle.

G. Term of License; License Nontransferable: Each license issued pursuant to the provisions of this section shall be valid for ~~the calendar year for which it is issued~~(12) months after its date of issue and may be renewed upon application to the City's Tax, Licensing and Revenue Section and payment of the required fees, provided that the licensee has complied with all of the requirements of this chapter and all such other requirements as may apply to a new license application at that time. Licenses issued pursuant to the provisions of this section shall be nontransferable, and no permission or

authority granted pursuant to any such license shall be delegated, subcontracted, assigned or otherwise transferred, whether for a consideration or not, although a licensee may transfer an identification plate or tag issued by the City's Tax, Licensing and Revenue Section to a replacement vehicle or the licensee upon five (5) days' prior written notice to the City's Tax, Licensing and Revenue Section.

H. Revocation of License: the Tax Collector shall be authorized to revoke the solid waste~~s~~ collection company license if the licensee violates the conditions under which the license was issued, the provisions of this chapter, or the regulations authorized in connection with this chapter. From the time of revocation the license shall be void, and the amount paid for the license shall be forfeited to the City. (Ord. 1986, 12/01/98)(Ord. No. 1986, Amended, 12/01/98); (Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0014~~3~~ PENALTIES

A. Any person or company engaging in the business of solid waste collection or disposal for which a license is required under this chapter without first having obtained such license shall be subject to the provisions of 3-01-001-0011 regarding criminal penalties and fines. (Ord. 1986, 12/01/98)(Ord. No. 1609, Ren&Amd, 2/21/89, 7-04-001-0013; Ord. No. 1642, Repealed, 11/07/89; Ord. No. 1986, Amended, 12/01/98)

B. Any person or business with contamination in a recycling container may be fined $40.00 for each occurrence. Multiple violations may result in removal of the recycling container. Upon request, recycling containers may be returned and service resumed for an additional $40.00 fee.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0015~~4~~ NOTICE OF VIOLATION

A. The Director or designee may cause to be issued a Notice of Violation to any person alleged to be in violation of this Chapter.

B. If a Notice of Violation is issued, such notice shall contain the following:

1. Date of the violation, a legal description of the property, the Chapter(s) and Section(s) which is/are being violated, and a description of the unlawful condition.

2. Notification of possible criminal proceedings being brought against the person by the City if the unlawful condition is not abated within thirty (30) days from receipt of the Notice for any violation other than for an automated collection container left curbside. For an automated collection container left curbside, the person or business must comply with the requirements of this Chapter within 24 hours of receipt of a Notice.

3. Notice to the alleged violator that, in addition to any fine or penalty which may be imposed for a violation of this ordinance, the alleged violator shall be liable for all costs

which may be assessed pursuant to this ordinance for removing, abating, or enjoining the rubbish, trash, filth, or debris constituting the violation. The notice of violation shall contain an estimated statement of the cost of removal or abatement of the violation, including labor, disposal fees, and equipment rental. The Notice shall state that, unless the person has brought the unlawful condition into compliance with this ordinance within the period stated above from the receipt of the Notice, the City may, at the expense of the person or business, perform the necessary work at a cost not to exceed the estimate given in the Notice, plus a five (5) percent surcharge for an additional inspection and other administrative and incidental costs in connection therewith.

C. If the unlawful condition is not abated, the Director or designee may cause to be issued a criminal complaint or a Notice of Civil Violation. Each day that the alleged violator fails or refuses to comply with the requirements of this Chapter after expiration of the period for compliance from receipt of the Notice shall constitute a separate violation and shall not require further notice to the owner, occupant, or lessee of the property upon which the violation exists.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0016~~5~~ SERVICE OF NOTICE
The Notice of Violation shall be personally served on the alleged violator by any duly authorized official, in the manner provided in Rule 4(d) of the Arizona Rules of Civil Procedure, or mailed to the alleged violator at the last known address by certified or registered mail.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0017~~6~~ APPOINTMENT OF HEARING OFFICER
The hearing officer for administrative hearings under this ordinance shall be a judge of the Municipal Court of the City of Flagstaff.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0018~~7~~ CIVIL VIOLATION AND ADMINISTRATIVE HEARING
A. If the City chooses to proceed on a civil violation of the ordinance, the City shall serve or mail a Notice of Civil Violation and Administrative Hearing to the alleged violator upon which an unlawful condition exists upon expiration of the initial period for compliance as set forth in 7-04-001-0015~~4~~. A hearing shall be held no sooner than five (5) days after the date the Notice of Civil Violation and Administrative Hearing is mailed or served. The date of mailing shall be excluded in computing the time period for a hearing under this rule. Neither the City nor the party served is required to be represented by counsel at the administrative hearing, but may be if they so choose. No pre-trial discovery shall be permitted absent extraordinary circumstances. Immediately before the hearing, both parties shall produce for inspection any exhibits and written or recorded statements of any witness which are to be offered at the hearing. Failure to produce exhibits or statements may result in the hearing officer denying admission of the evidence not produced. The hearing officer may call and examine witnesses, including the party served. All testimony shall be given under oath or affirmation. No person may be

examined or cross-examined at a hearing except by the hearing officer, an attorney for a party, or the party served with the Notice of Civil Violation and Administrative Hearing. The Arizona Rules of Evidence shall not apply in the hearing; any evidence offered may be admitted subject to a determination by the hearing officer that the offered evidence is relevant, material, and has some probative value to a fact at issue. The hearing officer may enter a finding for the City if the party served fails to appear for the hearing.

B. If the hearing officer determines, after hearing the parties and considering their evidence, that the City's notice to the party served was accurate, delivered to the proper party or parties, and that the estimated assessment for the actual cost of removal is supported by the City's evidence, then the hearing officer shall make a finding for the City.

C. The hearing officer shall issue a decision within five (5) days of the hearing. Intermediate Saturdays, Sundays and legal holidays shall be excluded in computing the time period for issuing a decision under this rule. The decision shall be in writing, set forth the factual basis for the decision, and be served in accordance with the provisions of 7-04-001-0016~~5~~.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0019~~8~~ APPEAL OF DECISION AND COST OF REMOVAL
A. The City Council shall hear and determine all appeals from a civil violation. A Notice of Appeal must be in writing and filed in the office of the City Clerk within five (5) days of receipt of the hearing officer's decision. The date of receipt, and intermediate Saturdays, Sundays and legal holidays shall be excluded in computing the time period for timely appeal.
B. The Notice of Appeal shall specify the grounds for reversal of the hearing officer's decision or cost of removal. The Council shall, at its next regular meeting after receiving the appeal, hear and determine the same by motion and resolution. The decision of the Council shall be final and may be appealed to Superior Court.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0020~~19~~ SCOPE OF REVIEW
The City Council shall have authority to affirm, reverse, amend or remand the matter to the Hearing Officer if it finds that the Hearing Officer's decision or the cost of removal is not supported by substantial evidence, is arbitrary and capricious or is not in conformance with the law.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0021~~20~~ VOLUNTARY ABATEMENT; REMOVAL BY CITY
A. When a person alleged to be in violation of this Chapter elects to voluntarily abate the unlawful condition within the compliance period as stated in the Notice of Violation, the person shall notify the Director or designee after the condition has been abated. The Director or designee shall thereafter inspect the property to determine whether the condition has been brought into compliance with this Chapter.

B. If the Director or designee determines that the person is no longer in violation of this Chapter, the Director or designee shall issue a Notice of Voluntary Abatement and Compliance to the person alleged to be in violation and the administrative proceeding shall be deemed closed.

C. When any such person on whom a Hearing Officer's finding of violation has been served fails, neglects or refuses to bring the unlawful condition into compliance within three (3) days from receipt of the Hearing Officer's finding of violation, the Director or designee is authorized and directed to correct the violation.

D. In the event an appeal has been filed pursuant to 7-04-001-0019~~8~~, no action shall be taken by the City until the Council has heard and determined all matters contained in the Notice of Appeal.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0022~~21~~ LIEN FOR REMOVAL
If no appeal is taken from the amount assessed for removal, or if an appeal is taken and the Council has affirmed or modified the amount of the assessment, the assessment shall be recorded in the office of the County Recorder of Coconino County, Arizona, including the date and amount of the assessment and the legal description of the property. From the date of its recording, the assessment shall be a lien on said private property and the several amounts assessed against such private property until paid.

A. Any assessment recorded under this Chapter is prior and superior to all other liens, obligations, mortgages or other encumbrances, except liens for general taxes. A sale of the property to satisfy a lien obtained under the provisions of this Section shall be made upon judgment of foreclosure or order of sale. The City shall have the right to bring an action to enforce the lien in the Superior Court of Coconino County at any time after the recording of the assessment, but failure to enforce the lien by such action shall not affect its validity. The recorded assessment shall be prima facie evidence of the truth of all matters recited therein, and of the regularity of all proceedings prior to the recording thereof. A prior assessment for the purposes provided in this Section shall not be a bar to subsequent assessment or assessments for such purposes, and any number of liens on the same private property may be enforced in the same action.
B. Assessments that are imposed under this section run against the property until paid and are due and payable in equal annual installments as follows:

1. Assessments of less than five hundred dollars shall be paid within one year after the assessment is recorded.

2. Assessments of five hundred dollars or more but less than one thousand dollars shall be paid within two years after the assessment is recorded.

3. Assessments of one thousand dollars or more but less than five thousand dollars shall be paid within three years after the assessment is recorded.

4. Assessments of five thousand dollars or more but less than ten thousand dollars shall be paid within six years after the assessment is recorded.

5. Assessments of ten thousand dollars or more shall be paid within ten years after the assessment is recorded.

C. An assessment that is past due accrues interest at the rate prescribed by Arizona Revised Statutes, Section 44-1201.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0023~~22~~ CRIMINAL PENALTIES
A. A person who is convicted of a violation of this Ordinance is guilty of a Class 1 misdemeanor and shall be sentenced as follows:

1. First offense: not less than twenty-five dollars ($25.00), nor more than one-hundred dollars ($100.00);

2. Second offense: not less than one hundred dollars ($100.00), nor more than five hundred dollars ($500.00);

3. Third offense: not less than five-hundred dollars ($500.00), nor more than two thousand, five hundred dollars ($2,500.00).

B. A judge shall not suspend any or all of the impositions of the sentence required by this Section.

C. Notwithstanding Subsection B of this Section, if a judge finds at the time of sentencing that by a preponderance of the evidence the violations for which the defendant has been convicted have been corrected by the defendant, and that now the defendant is in compliance with the Code, the Court may suspend all or part of the fine.
(Amended, Ord. 2007-40, 09/18/2007)

7-04-001-0024~~23~~ SEVERABILITY
Each section and each provision of any section of this Chapter shall be deemed severable and the invalidity of any portion of this Chapter shall not affect the validity or enforceability of any other portion.

ORDINANCE NO. 2016-26

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 7, HEALTH AND SANITATION, CHAPTER 7-04, MUNICIPAL SOLID WASTE COLLECTION SERVICE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED *"2016 AMENDMENTS TO CITY CODE TITLE 7, HEALTH AND SANITATION, CHAPTER 7-04, MUNICIPAL SOLID WASTE COLLECTION SERVICE."*; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, AUTHORITY FOR CLERICAL CORRECTIONS, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City Council has determined that amendments to the Flagstaff City Code, Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service, are necessary in order to ensure, among other things, that the Flagstaff City Code is consistent with state law governing the collection of solid waste; and

WHEREAS, the City Council has, by resolution, previously declared the *"2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service"* (referred to hereinafter as the "Proposed Amendments") to be a public record; and

WHEREAS, the City Council wishes to amend Chapter 7-04 of the Flagstaff City Code by adopting the Proposed Amendments.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General.

That the Proposed Amendments contained in the document entitled *"2016 Amendments to City Code Title 7, Health and Sanitation, Chapter 7-04, Municipal Solid Waste Collection Service,"* three copies of which are on file in the office of the City Clerk of the City of Flagstaff, Arizona and previously declared by Resolution No. 2016-19 to be a public record, are hereby adopted and made a part hereof as if fully set out in this ordinance and are declared to be inserted into Chapter 7-04 of the Flagstaff City Code to replace and supersede the existing relevant provisions of Chapter 7-04.

SECTION 2. Repeal of Conflicting Ordinances.

All ordinances and parts of ordinances in conflict with the provisions of this ordinance or any part of the code adopted herein by reference are hereby repealed.

SECTION 3. Clerical Corrections.

The City Clerk is hereby authorized to correct typographical and grammatical errors, as well as errors of wording and punctuation, as necessary related to this ordinance as amended herein, and to make formatting changes needed for purposes of clarity and form, or consistency, within thirty (30) days following adoption by the City Council.

SECTION 4. Severability.

That, if any section, subsection, sentence, clause, phrase or portion of this ordinance or any of the amendments adopted in this ordinance is for any reason held to be invalid, unconstitutional, or unenforceable by a decision of any court of competent jurisdiction, such decision shall not affect any of the remaining portions thereof.

SECTION 5. Effective Date.

This ordinance shall be effective (30) thirty days after adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 31st day of May, 2016.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Josh Copley, City Manager
Date:	05/26/2016
Meeting Date:	05/31/2016

TITLE:
FY17 City Manager's Recommended Budget Recap

RECOMMENDED ACTION:

For Council information; no action required.

Executive Summary:

The City Manager's FY17 Recommended Budget in April presented a fiscally sound plan to carry out Council goals while assuring the responsible administration of the City. The annual adoption of the budget for the new fiscal year is a culmination of six months of collaboration between Council, City Staff, and the community.
In the broad sense of things we experienced a fairly good year in terms of increases in general fund revenues which came in at around $2.5 million dollars. Our corresponding general fund operations budget for FY17 reflects an approximate $2.3 million dollar increase or 4.3% over last year's budget.

This year's budget reflects a commitment to continue to prioritize and preserve city services and service levels. Since the host of city services and their quality are primarily accomplished through people, our emphasis has been to offer competitive wages and benefits that result in the retention of current employees while bolstering our efforts to recruit highly competent professionals. On July 1, 2016 we begin the 3 year process of moving all of our positions into a market based pay structure. This helps to fulfill Council's goal to "Invest in our employees and implement retention and attraction strategies." While some positions will receive a higher amount to bring them into the new market based pay structure, all employees who are eligible, including temporary personnel, will receive at least a 2% increase over the next two fiscal years.

This year we have been able provide some additional staffing the help us be more responsive in the delivery of city services to our community. This will not only allow us to better serve our customers but also to build capacity within our staff in order to reduce burnout and improve moral. The downsizing of our organization in response to the fiscal realities of the recession has created the need for many employees to take on extra work and responsibilities in order to maintain service levels. While this is a commendable response to tough budgetary challenges, it is not a healthy long term strategy. The following positions were determined to have the highest priority for meeting current needs across the organization and have been funded in this year's budget with either recurring or one-time dollars:

- Building Inspector
- Fire Inspector
- GIS Administrator
- Payroll Specialist
- Animal Control Officer

- Stormwater Project Manager
- Water Conservation Specialist
- Parking Manager
- Parking Compliance Officers
- Volunteer Coordinator
- Library Clerk
- Courts Collection Specialist
- Contract Specialist
- Administrative Assistant – Courts
- Administrative Assistant – Housing
- Civilian Paramedic – CART/Fire Department
- Community & Neighborhood Liaison with NAU

During our April budget retreat Council considered and funded the following items which were not previously included in the Manager's Recommended Budget for FY17. The funding source for these additional items came from some additional general fund capacity of approximately $1 million created by cost allocation between funds, accelerator debt not spent, and changes in grants funding. This amount was mostly one-time dollars and includes about $380,000 in new recurring dollars.

- Police & Fire uniform allowance of $80K in ongoing
- Southside Neighborhood Plan, $50K in 1x
- Boy's & Girls Club funding, $50K in 1x
- FACTS, $25K in 1x
- NACASA, $3K in 1x
- Library Sunday hours, $61K in 1x
- Humane Shelter contract, $88K in 1x
- STEM funding, via FAC, of $60 in 1x
- Arizona-Mexico Commission Membership of $3K in 1x
- Metal detector for public facilities, $30K in 1x
- Metal detector staffing, $100K in ongoing
- 2% pay increase for temporary, non-benefit eligible city employees, $34K in ongoing
- Siler Homes after school program, $59K in 1x

It should be noted that Council added the funding for the metal detectors in public facilities in anticipation of some pending legislation at the state level. Since this legislation did not pass, I am recommending that the $100K in recurring dollars set aside for metal detector staffing be reallocated to partially restore, on an ongoing basis, some of the police and fire overtime that was cut during the recession. This would free up $100K in one-time dollars that could then be used for other funding opportunities. Both the police and fire departments have worked diligently to manage their overtime budgets but the impacts of increased call volume to operations and staffing requirements has created difficulty in meeting current demand. I recognize that the long term solution to this challenge will be to review staffing levels and operational deployment and that will certainly be among the priorities I would like to discuss with Council as we prepare for the FY18 budget.

If Council should agree with the aforementioned proposal, that would leave approximately $475,000 in unallocated one time dollars available for use in FY17. After consulting with the Budget Team my recommendation is to use these dollars to create a Facilities Contingency Fund that could be added to and rolled over each fiscal year. Council would have the discretion to utilize a portion or all of this fund balance to finance municipal building projects. We have been challenged in recent years to provide adequate municipal facilities to meet the present and future demand for city services with the resources that have typically been available. We anticipate that this trend will only continue and having an additional funding source would certainly help to provide additional options for Council to consider.

Since the Council Retreat, staff has reviewed capital projects and operational costs adopted in FY16 to be considered for carryover to the FY17 final budget. These items will be discussed at the June 7th

Council meeting for tentative budget adoption. The final City Manager's FY17 Proposed Budget to be presented to council on June 7th and 21st for adoption is $63.5 million for a $2.6 million increase to the General Fund budget over the FY16 budget. The operational budget for the general fund will see a $4.0 million increase while capital, debt, and contingencies decreased by $1.4 million. Revenues in the general fund are projected to see a $2.2 million increase over FY16 adopted budget. In all other funds we are proposing a budget of $201.5 million which is a $20.7 million increase over FY16 budget. The biggest impact is related to capital with an increase of $17.1 million.

Some notable highlights from the FY17 Operating Capital budget include:

HURF:
Street Sweeper replacement, $250,000
Paint Striper replacement, $487,000
General Fund:
Quantum Pumper Type 1 Fire Truck, $587,700
Thermal Imaging Cameras, $24,000
Airport:
Rapid Response Fire Suppression Truck, $152,550
Library Fund:
Radio Frequency Identification System/Phase 1 Library Remodel, $554,735
ADA Compliance Remodel/front ramp & restrooms, $77,000

Some notable highlights from the FY17 Capital Improvements Program include:

Brannen Homes sidewalk improvement project for bike/pedestrian safety, $500,000
4th Street Bridge/I-40 design, $350,000
Clay Ave. traffic calming, $350,000
Southside curbs, $300,000
Sunnyside phased streets improvements, $869,000
Franklin Ave. safety improvements, $437,626

Financial Impact:

The annual budget has significant impact to all city service levels and operations. These impacts will be more specifically detailed in the adoption of the tentative budget on June 7th and the final budget that will be submitted for adoption by Council on June 21, 2016.

Connection to Council Goal and/or Regional Plan:

COUNCIL GOALS:

1) Invest in our employees and implement retention and attraction strategies
2) Ensure Flagstaff has a long-term water supply for current and future needs
3) Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics
4) Develop and implement guiding principles that address public safety service levels through appropriate staff levels
5) Explore and adopt policies to lower the costs associated with housing to the end user
6) Provide a well-managed transportation system
7) Continue to implement the Flagstaff Regional Plan and focus efforts on specific plans
8) Improve effectiveness of notification, communication, and engagement with residents, neighborhoods and businesses and about City services, programs, policies, projects and developments
9) Improve the economic quality of life for Flagstaff through economic diversification, and by fostering jobs and programs that grow wages and revenues
10) Support and assist the most vulnerable
11) Ensure that we are as prepared as possible for extreme weather events

Previous Council Decision on This:

No. Council has provided direction in the development of the FY17 budget and will consider its final adoption at its regular meeting on June 21, 2016. The Resolution for the adoption of the Tentative Budget will occur on June 7th, 2016.

Options and Alternatives:

Community Involvement:

Inform

Attachments:

No file(s) attached.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Rick Compau, Purchasing Director
Co-Submitter:	Rick Tadder
Date:	05/01/2016
Meeting Date:	05/31/2016

TITLE:

Consideration and Approval of Cooperative Contract: Enter into a contract with RBC Capital Markets, LLC of Phoenix, Arizona to purchase Bond Underwriting Services.

RECOMMENDED ACTION:

Approve the purchase of Bond Underwriting Services through RBC Capital Markets, LLC of Phoenix, Arizona for a fee of $100,088 utilizing a cooperative purchase agreement through the State of Arizona, Contract #ADSP013-036403.

Executive Summary:

The City of Flagstaff is anticipating issuing approximately $18.2 million in General Obligation Bonds, series 2016 and approximately $10 million in Pledged Revenue Obligations, series 2016 in July of 2016. When issuing bonds of this type, it is not only considered customary, but in the best interest of the agency issuing the bonds to contract with an Underwriting firm.

The scope of services to be rendered to the City, by a managing underwriter firm typically includes, but not limited to, the following:

1. Review and comment on the projected financing schedule as it relates to the proposed transaction;
2. Develop financing alternative structures, couponing and call features;
3. Assist, as directed, in the review of preliminary and final official statements and appropriate legal documents for the financing;
4. Prepare a marketing plan for selling the bonds and act as a principal in the underwriting or distribution of such bonds; and
5. Provide such other related services as may be necessary or deemed desirable by the City and assist the City, the Financial Advisor and Bond Counsel in other matters as necessary to ensure the successful marketing of the debt obligations.

Financial Impact:

Fees paid to an underwriter firm for services rendered are based on the value of each bond issuance. These fees are allocated to the specific projects that the bonds are issued for. Given the anticipated bond issuance of approximately $18.2 million, in General Obligation Bonds and approximately $10 million in Pledged Revenue Obligations, the total fee paid to RBC is projected to be approximately $100,088.

Connection to Council Goal and/or Regional Plan:

COUNCIL GOALS

2) Ensure Flagstaff has a long-term water supply for current and future needs
3) Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics
6) Provide a well-managed transportation system
11) Ensure that we are as prepared as possible for extreme weather events

REGIONAL PLAN:

Goal OS.1. The region has a system of open lands, such as undeveloped natural areas, wildlife corridors and habitat areas, trails, access to public lands, and greenways to support the natural environment that sustains our quality of life, cultural heritage, and ecosystem health.
Goal WR.6. Protect, preserve, and improve the quality of surface water, groundwater, and reclaimed water in the region.
Goal LU.7. Provide for public services and infrastructure.
Goal T.4. Promote transportation infrastructure and services that enhance the quality of life of the communities within the region.
Goal REC.1. Maintain and grow the region's healthy system of convenient and accessible parks, recreation facilities, and trails.

Has There Been Previous Council Decision on This:

No.

Options and Alternatives:

1. Approve contract as recommended;
2. Conduct our own competitive City RFP process; or
3. Not approve this contract and not purchase Underwriting Services.

Background/History:

The City currently has outstanding authorization of voter approved debt. As the City projects incur expenses that are debt eligible, the City will have a need to issue bonds for this authorized debt. The City will need to issue revenue bonds for the Road Repair and Street Safety projects and general obligation bonds for the Core Facility, Open Space, and Watershed Protection projects.

When issuing debt, the City will contract with an Underwriting firm to provide services such as developing financing structures, timing of issuance, marketing plans, and distribution of the bonds. With the assistance of our Financial Advisor, Stifel, Nicolaus & Company, we reviewed the State Contract cooperative purchase agreement options and due to the multiple firms on State Contract, we developed a formal Request for Information (RFI) process in an effort to make more of an informed decision on our selection. We delivered the RFI to all eleven (11) firms on State Contract and received a total of five (5) responses back. The review team consisted of our Financial Advisors, Rick Compau, Purchasing Director, and Rick Tadder, Management Services Director. RBC Capital Markets (RBC) provided the highest ranking responses for all three reviewers. The City has contracted with RBC for several past transactions in the Underwriter role. RBC has consistently provided an excellent level of service.

Expanded Financial Considerations:

The City will be considering the issuance of $10,000,000 in Revenue Bonds for the Road Repair and Street Safety projects and $18,200,200 in General Obligation Bonds for the Core Facility, Open Space and Watershed Protection projects. Firms responding to the RFI were asked to provide quotes for services that could include services for each bond offering individually or if the firm is selected to provide services for both bond offerings. Costs are reduced when a firm assists with multiple offerings. RBC's offer to issue individually was $49,370 for the Revenue Bonds and $71,053 for the General Obligation

Bonds for a total cost of $120,423. By issuing both bonds, RBC's offer was discounted to $100,088 for a savings of $20,335. The cost to issue bonds are allocated to the specific projects that the bonds are issued for.

Community Involvement:

Involve - Bonded debt is a result of prior voter approval.

Attachments: Cooperative Purchase Contract
RFI Document
RBC Response

COOPERATIVE PURCHASE CONTRACT
State of Arizona Contract No. ADSPO13-036403

This Cooperative Purchase Contract is made and entered into this _____ day of _____, 20_____by and between the City of Flagstaff, Arizona, a political subdivision of the State of Arizona ("City") and _____, ("Contractor").

RECITALS:

A. Contractor has a contract with to supply materials and/or services ("Agency Contract"), which was awarded through a competitive and open procurement process;

B. the City has authority to enter into a cooperative purchase contract with Contractor utilizing the Agency Contract;

AGREEMENT:

NOW THEREFORE, in consideration for the mutual promises contained herein, the parties agree as follows:

1. Materials and or Services Purchased. Contractor shall provide to City the materials and or services, as specified in the Purchase Order(s) submitted by the City in accordance with the State of Arizona Contract No. ADSPO13-36403. The general description of materials and or services being purchased:

   Bond Underwriting Services

2. Specific Requirements of City. Contractor shall comply with all specific purchase and delivery requirements and/or options of City, as specified in the Purchase Order(s) submitted to Contractor or *Exhibit A* attached hereto and incorporated by reference.

3. Payment. Payment to the Contractor for the materials and or services provided shall be made in accordance with the price list and terms set forth in the Agency Contract.

4. Terms and Conditions of Agency Contract Apply. All provisions of the Agency Contract documents, including any amendments, are incorporated in and shall apply to this Contract as though fully set forth herein. The Agency Contract documents may be located at the following website: www.azdoa.gov or may be set forth in *Exhibit B* attached hereto and incorporated by reference. Contractor is responsible for promptly notifying City in writing of any changes to the Agency Contract.

5. Certificates of Insurance. All insurance provisions of the Agency Contract shall apply, including any requirement to name the City as an additional insured. Prior to commencing performance under this Contract, Contractor shall furnish City with a copy of the current Certificate of Insurance required by the Agency Contract.

6. Term. This Cooperative Purchase Contract shall commence upon execution by the parties and shall continue until expiration or termination of the underlying Agency Contract, unless sooner terminated by City in writing.

7. Renewal. This Cooperative Purchase Contract shall be automatically renewed if the underlying Agency Contract is renewed, for the same renewal period, unless City provides advance written notice to Contractor of its intention to non-renew.

CONTRACTOR:

By:_____

Title:_____

CITY OF FLAGSTAFF

By:_____

Title:_____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney's Office

EXHIBIT A – RBC's Fee Structure

$18,200,000
City of Flagstaff, Arizona
General Obligation Bonds, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$2.99
Management Fee	0.00
Expenses	$0.25
Total Underwriting Expense	**$3.23**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.033
DTC	0.044
Bookrunning/Wire Service	0.062
Day Loan	0.028
Ideal	0.020
DAC Bond	0.022
Out of Pocket Expenses	0.041
Total Underwriting Expenses	**$0.250**

Maturity	Takedown
2017-2018	1.25
2019-2024	2.00
2025-2036	3.50
Total	**2.99**

$10,000,000
City of Flagstaff, Arizona
Pledged Revenue Obligations, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$3.75
Management Fee	0.00
Expenses	$0.36
Total Underwriting Expense	**$4.11**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.056
DTC	0.080
Bookrunning/Wire Service	0.063
Day Loan	0.028
Ideal	0.020
DAC Bond	0.040
Out of Pocket Expenses	0.075
Total Underwriting Expenses	**$0.362**

Maturity	Takedown
2017-2020	2.25
2021-2029	3.50
2030-2034	5.00
Total	**3.75**

RBC Capital Markets

STIFEL

2325 E. Camelback Road, Suite 750 - Phoenix, AZ 85016 - Tel: (602) 794-4000

CITY OF FLAGSTAFF, ARIZONA
REQUEST FOR INFORMATION FOR UNDERWRITING SERVICES

The City of Flagstaff, Arizona (the "City") is anticipating issuing General Obligation Bonds and Pledged Revenue Obligations in July 2016. As Financial Advisor to the City, Stifel, Nicolaus & Company, Incorporated ("Stifel") is assisting in the selection of underwriters for the transactions. The firms being solicited as potential underwriters are those previously included in the State of Arizona underwriting pool through the Managing Underwriting Services contract.

The City currently anticipates issuing approximately $18.2 million in General Obligation Bonds, Series 2016 and approximately $10 million in Pledged Revenue Obligations, Series 2016. Both transactions will be fixed rate.

The General Obligation Bonds, Series 2016 are expected to carry long-term ratings of "Aa2" from Moody's and "AA" from S&P with a final maturity of July 1, 2036. Proceeds from the general obligation bonds will be used for Core Services Maintenance Facility, Open Space and Forest Health & Water Protection.

The Pledged Revenue Obligations, Series 2016 are expected to carry long-term rating of and "A+" from S&P with a final maturity of July 1, 2034. Revenues from the restricted transaction privilege tax of 0.33% ($0.0033) for road repair and safety approved at an election held in and for the City on November 4, 2014 will be pledged. The Road Repair/Street Safety transportation component commenced on January 1, 2015 and will expire on December 31, 2034.

If your firm is interested in providing underwriting services for the financings please submit the information requested in person or electronically by 4:00 p.m., Mountain Standard Time (AZ), on Thursday, April 28, 2016. Please limit your response to this request to a total of **20 pages** excluding the cover letter and information requested to be included an appendix.

One electronic copy should be delivered to rtadder@flagstaffaz.gov and rcompau@flagstaffaz.gov or two hard copies to the City of Flagstaff, Attn: Rick Compau, Purchasing Director, 211 W. Aspen Avenue, Flagstaff, AZ 86001, and one electronic copy to mreader@stifel.com, rstein@stifel.com and ecoombs@stifel.com or two hard copies to Stifel, Attn: Erika Coombs, 2325 E. Camelback Road, Suite 750, Phoenix, AZ 85016.

Scope of Services

The scope of services to be rendered to the City by the managing underwriter shall include, but not be limited to, the following:

- Review and comment on the projected financing schedule as it relates to the proposed transaction;
- Develop financing alternative structures, couponing and call features;
- Assist, as directed, in the review of preliminary and final official statements and appropriate legal documents for the financing;
- Prepare a marketing plan for selling the bonds and act as a principal in the underwriting or distribution of such bonds; and
- Provide such other related services as may be necessary or deemed desirable by the City and assist the City, the Financial Advisor and Bond Counsel in other matters as necessary to ensure the successful marketing of the debt obligations.

Questionnaire

In your response please provide the following information in the order presented:

1. Brief biographies for the individuals from your firm assigned to work with the City, including office location. Clearly set forth the primary, day-to-day banker and the lead underwriter if your firm is selected as managing underwriter. Resumes for each project team banker may be included separately in an appendix.

2. A statement of why you believe your firm should be selected as the managing underwriter for this transaction. Your response should include a discussion of your firm's ability and willingness to take unsold balances into inventory. Provide five sole or senior managed comparable transactions in the past year with the par amount and percent of bonds your firm has taken into inventory.

3. Include a three year history of your firm's excess net capital.

4. A description of your firm's method of approach for marketing the City general obligation bonds. Include a summary of your firm's method of approach for marketing the securities including likely buyers, suggested marketing strategies and timing considerations.

   A description of your firm's method of approach for marketing the City pledged revenue obligations. Include a summary of your firm's method of approach for marketing the securities including likely buyers, suggested marketing strategies and timing considerations. Describe your firm's ability to market and make the bonds available to local residences.

5. Describe what distinguishes the ability of your firm to effectively price and market the bonds based on the proposed maturity schedule shown in the Exhibits, and how your firm will ensure that the City receives the best price for the proposed financings. Describe your firm's ability to market and make the bonds available to local residences.

6. Provide an expected spread to the "AAA" Interpolated July-municipal market data scale (as of April 26) assuming the City's underlying ratings and based on the preliminary maturity schedule in the Exhibit for each series.

7. Complete the tables in the attached Exhibit. Separately provide a summary by type of credit, and list of the financings of $30 million or less in par amount that your firm has underwritten as sole or senior manager for issuers in Arizona in the current and past three years. These lists may be included in the appendix.

8. Briefly detail any organizational changes your firm is contemplating in the next year. Specifically discuss how any of these organizational changes could impact the ability of your firm to provide the type of services requested under this Request for Information.

9. Identify your firm's number of retail sales offices nationally, number of retail salespeople nationally, number of retail sales offices in Arizona, number of retail salespeople in Arizona and number of municipal bond institutional salespeople nationally. Provide the approximate split between retail and institutional sales of your last five relevant transactions (sole or senior manager with a par amount of $30 million or smaller).

10. Provide three relevant references with contact information and transaction descriptions, closing dates, par amounts and roles.

11. Describe any litigation, investigations or actions pending or threatened against your firm or individuals associated with the firm by any local, state or federal agency, regulatory body or court since January 1, 2015. Discuss the impact of these issues on your firm's ability to perform as managing underwriter.

12. Based on the fixed rate financing contemplated and current market conditions, provide your firm's proposed takedown (by maturity and average), management fee, underwriting fee, estimated out-of-pocket expenses and detailed clearance related expenses for the proposed transaction. (Use the amortization schedule and underlying ratings shown in the Exhibit for purposes of calculating your fee proposal.) Do not include underwriters' counsel fees in your underwriting fee proposal. Greenberg Traurig, LLP will serve as Bond Counsel and Squire Patton Boggs (US) LLP (Timothy Pickrell and Jennifer Cosper) as Underwriters' Counsel.

13. If applicable, please share how your proposed pricing might change if your firm was selected to serve as Senior Manager on both transactions.

Thank you for your interest in working with the City and we look forward to receiving your response. Questions regarding this RFI shall be directed to the City's Financial Advisor. As a reminder, communication regarding this Request for Information and underwriter selection with members of the City Board, City Staff/Consultants or the City's Financial Advisor outside of the mechanism prescribed above is inappropriate during the solicitation process. The process begins at the time of distribution of this document and is complete once the underwriting team is announced.

Sincerely,
Stifel, Nicolaus & Company, Incorporated

Mark Reader
Managing Director
mreader@stifel.com
(602) 794-4011

Erika Coombs
Vice President
ecoombs@stifel.com
(602) 794-4030

Randie Stein
Director
rstein@stifel.com
(602) 794-4002

Cc: Rick Compau, Purchasing Director - City of Flagstaff
Rick Tadder, Management Services Director - City of Flagstaff

EXHIBIT

Arizona **Sole and Senior Managed** **Long-Term Fixed Rate Negotiated General Obligation Bond Underwriting Experience**				
	All GO Bonds		**All Tax-Exempt Bonds**	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date				
2015				
2014				

National **Sole and Senior Managed** **Long-Term Fixed Rate Negotiated General Obligation Bond Underwriting Experience**				
	All GO Bonds		**All Tax-Exempt Bonds**	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date				
2015				
2014				

Arizona **Sole and Senior Managed** **Long-Term Fixed Rate Negotiated Pledged Revenue Obligation Underwriting Experience**				
	All Excise Tax Revenue Obligations		**All Tax-Exempt Bonds**	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date				
2015				
2014				

National **Sole and Senior Managed** **Long-Term Fixed Rate Negotiated Pledged Tax Revenue Obligation Underwriting Experience**				
	All Excise Tax Revenue Obligations		**All Tax-Exempt Bonds**	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date				
2015				
2014				

EXHIBIT

PRELIMINARY AMORTIZATION SCHEDULES*

General Obligation Bonds, Series 2016

Assume Underlying Ratings: "Aa2" Moody's & "AA" S&P

Maturity	Principal
7/1/2017	$610,000
7/1/2018	630,000
7/1/2019	660,000
7/1/2020	675,000
7/1/2021	725,000
7/1/2022	750,000
7/1/2023	775,000
7/1/2024	800,000
7/1/2025	825,000
7/1/2026	875,000
7/1/2027	900,000
7/1/2028	950,000
7/1/2029	975,000
7/1/2030	1,025,000
7/1/2031	1,050,000
7/1/2032	1,100,000
7/1/2033	1,150,000
7/1/2034	1,200,000
7/1/2035	1,250,000
7/1/2036	1,275,000
TOTAL	**$18,200,000**

Pledged Revenue Obligations, Series 2016

Assume Underlying Rating: "A+" S&P

Maturity	Principal
7/1/2017	$470,000
7/1/2018	475,000
7/1/2019	480,000
7/1/2020	485,000
7/1/2021	495,000
7/1/2022	500,000
7/1/2023	510,000
7/1/2024	520,000
7/1/2025	535,000
7/1/2026	545,000
7/1/2027	560,000
7/1/2028	575,000
7/1/2029	590,000
7/1/2030	610,000
7/1/2031	630,000
7/1/2032	650,000
7/1/2033	675,000
7/1/2034	695,000
TOTAL	**$10,000,000**

* Subject to change.

City of Flagstaff, Arizona

Request for Information for Bond Underwriting Services

April 28, 2016 (4:00pm MST/PDT)

RBC Capital Markets

Disclaimer

RBC Capital Markets, LLC (RBC CM), seeks to serve as an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as an underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the Issuer. RBC CM is not recommending an action to you as the municipal entity or obligated person. RBC CM is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication. RBC CM is acting for its own interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

RBC Capital Markets

RBC Capital Markets
Municipal Finance
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
(602) 381-5360

April 28, 2016

Mr. Rick Tadder
Management Services Director
City of Flagstaff, Arizona
211 W. Aspen Avenue
Flagstaff, Arizona 86001

RE: Response to the City of Flagstaff Request for Information for Bond Underwriting Services

Dear Mr. Tadder,

On behalf of RBC Capital Markets, LLC ("RBCCM" or the "Firm"), we appreciate the opportunity to respond to the Request for Information ("RFI") of the City of Flagstaff (the "City"). Continuing to provide service to the City is of the utmost importance to me and the Firm. Our team has substantial experience and understanding of the City's credits, and we bring an intimate knowledge of the City's issues and challenges, which will help us to deliver quality products and service to the City. We have highlight below distinguishing qualities that uniquely qualify RBCCM to serve as Senior or Sole Manager for the City's upcoming bond issue(s):

Service to the City of Flagstaff. For many years, RBC Capital Markets enjoyed a mutually beneficial relationship with the City of Flagstaff, serving as either your Financial Advisor or Bond Underwriter. Today, in light of the changing regulatory environment and the City's Selection of Stifel, Nicolaus & Company as your Financial Advisor, we sincerely hope to continue our relationship with the City as your bond underwriter.

Commitment to Arizona. RBC Capital Markets and its predecessor firms have maintained a continuous presence in the State of Arizona since the 1930's. During this time period we have had the honor of serving virtually every public jurisdiction in the State as either financial advisor or bond underwriter. We believe that our credentials with regards to underwriting Arizona municipal bonds are unmatched.

Unsurpassed Distribution Capabilities. The strength of our multi-tiered platform for distributing tax-exempt bonds lies in our deep, regional roots. While our salespeople cover the same Tier I investors as other "wall street" firms, our regional office network covers Tier II and III "middle market institutions" who have long been ignored by New York-centric firms.

Leading "Middle-Market" Franchise. RBCCM maintains a stable and commanding presence in the municipal markets and is routinely a top five ranked senior managing underwriter of negotiated issues by number of issues underwritten. RBCCM's commitment to the "middle-market" (issues of $30 million or less) continues to grow – we have senior managed 1,543 such transactions since January 1, 2013, of which 73 were in the State of Arizona.

Financial Strength & Stability. In this post-financial crisis era, RBC's superior financial strength is a meaningful distinguishing factor. RBC is regularly cited as one of the strongest and safest banks in the world and is among the highest rated (Aa2/AA-/AA) full service institutions serving U.S. municipal issuers. RBC has maintained AA category or higher ratings for over 22 years, making RBC/RBCCM, with our strong stable balance sheet, a well-suited financing partner for the City. Having the ability and willingness to commit capital and underwrite unsold balances provides a true, lasting value to our issuers, especially during periods of market volatility which will happen in are market from time to time.

RBC Capital Markets
Municipal Finance
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
(602) 381-5360

Corporate Responsibility. A company's reputation is built in part by what people say about it, and RBC is privileged to receive recognition time and again for its corporate responsibility programs and performance. For example, RBC is consistently recognized among the "top employers," "most admired corporate cultures," "best diversity leaders," "best corporate citizens" and "most sustainable corporations." Recently, RBC was named one of the world's most sustainable large corporations according to the "Global 100: Most Sustainable Corporations in the World" ranking. We invite you to visit www.rbc.com/responsibility for our full Corporate Responsibility Report and Public Accountability Statement.

Feel free to contact Nick Dodd with any questions or requests for additional information. We look forward to working with you in the near future.

Sincerely on behalf of the RBCCM Team.

Nicholas J. Dodd
Managing Director
(602) 381-5360

cc: Mark Reader, Stifel, Nicolaus & Company, Incorporated

Questionnaire

1. Brief biographies for the individuals from your firm assigned to work with the City, including office location. Clearly set forth the primary, day-to-day banker and the lead underwriter if your firm is selected as managing underwriter. Resumes for each project team banker may be included separately in an appendix.

RBCCM has assembled a group of senior professionals to serve the City, coupling its highly experienced and knowledgeable local investment bankers with national underwriting, sales and research personnel. These professionals provide investment banking and sales and underwriting expertise to the vast majority of major issuers in Arizona on a regular basis, as well as to major issuers throughout the country. **Nick Dodd**, an experienced Managing Director in our Phoenix office who has worked with a number of cities and towns within the State of Arizona during the last 15 years, will be involved in all aspects of the City's transaction(s) and assist in providing day-to-day coverage of the City's bond issue(s). Nick will be supported on a day-to-day basis by **Loren Morales**. Both Nick and Loren have been involved with all of the City bond issues since 2013.

RBCCM's sales, trading and underwriting effort will be led by both **Jamie Durando** and **Marc Greer**, on RBCCM's Municipal Underwriting Desk. Mr. Durando has 30 years of experience in municipal underwriting and trading, having directed senior managed transactions in excess of $75 billion in municipal debt during his career. **Ken Friedrich**, National Municipal Sales Manager, will be responsible for coordinating RBCCM's municipal institutional and retail sales forces throughout the country. **Chris Mauro**, CFA, serves as the lead senior municipal strategist and will be available to provide comprehensive municipal bond research and analysis for our sales force.

Investment Banking Team

Name	Title	Location	Years of Experience	Years at RBC
Nick Dodd	**Managing Director**	**Phoenix**	**18**	**15**

Nick Dodd joined RBC Capital Markets in 2001. Prior to joining the firm he spent a year with A.G. Edwards & Sons, Inc. and three years with a regional municipal bond underwriter in California. During this time, he has participated in the issuance of over $10 billion in municipal bonds. Mr. Dodd has served as lead banker or co-lead banker to a wide variety of issuers with his primary responsibilities including all aspects of client management, debt structuring and transaction execution.

Mr. Dodd has been involved with financings for a number of state agencies including the Arizona Department of Administration, the Arizona Department of Transportation and the Arizona School Facilities Board. Mr. Dodd is very active working with cities and towns in Arizona including the cities and towns of Flagstaff, Gilbert, Phoenix, Mesa, Tucson, Tempe, Chandler, Queen Creek and Casa Grande to name a few. Mr. Dodd is active in the higher education sector having worked with a number of universities in the western United States including Arizona State University, the University of Arizona, Northern Arizona University, the University of Utah and Midwestern University as well as almost every community college district in the State of Arizona. Finally, Mr. Dodd is a member of RBC Capital Markets special district sector and covers all CFD and related special district financings for the firm within the State of Arizona. Mr. Dodd is involved in various community boards and associations including Arizona Government Finance Officers Association, Arizona City and County Managers Association and Arizona Town Hall. Mr. Dodd holds a Bachelor of Science degree in Finance from Southern Illinois University. Mr. Dodd is currently registered with FINRA with his Series 7 and 63 securities licenses.

Loren Morales	**Associate**	**Phoenix**	**4**	**3**

Loren Morales has over 4 years of investment banking experience. Prior to joining the firm in 2013, Loren worked in Public Finance at a Financial Advisor firm in the State of Washington. Loren will also be a primary contact for the City, and provide day-to-day coverage of the City's bond issues and financing needs. Loren has participated in the issuance of over $2 billion in municipal bonds for various cities and towns within the State of Arizona, including the cities and towns of Flagstaff, Phoenix, Tucson, Tempe, Mesa, Chandler, El Mirage, Prescott, Nogales, Gilbert and Queen Creek. Loren has provided analytical services and financial modeling support to various bond transactions, including taxable and tax-exempt general obligation bonds, excise tax revenue bonds, street and highway user revenue bonds, certificates of participation, and lease revenue bonds.

Mr. Morales received his Bachelor's degree in Economic Theory from the American University in Washington, DC and his MBA from IE Business School. Mr. Morales is currently registered with FINRA with his Series 7, 52, 63 and 79 securities licenses.

Underwriting, Sales and Trading				
Name	**Title**	**Location**	**Years of Experience**	**Years at RBC**
Jaime Durando	**Head of Municipal Underwriting**	**New York**	**34**	**10**

Mr. Durando is a Managing Director and Head of Municipal Syndicate for RBC Capital Markets. His primary responsibilities include RBC Capital Market's underwriting engagements for major transactions nationally. Mr. Durando has 33 years experience in Municipal underwriting and trading, having directed senior managed transactions in excess of $75 billion in Municipal debt during his career. Prior to joining RBC Capital Markets in 2006, Mr. Durando spent his career at Wachovia Bank and its predecessor organizations where he was a Managing Director and Manager of Municipal Trading and Underwriting.

Mr. Durando graduated from the University of Delaware in 1980 with a BS-Finance degree and Seton Hall University in 1984 with a MBA-Finance. Mr. Durando is currently registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") with Series 7, 63 & 53 securities licenses.

Marc Greer	**Director**	**Dallas**	**34**	**29**

Mr. Greer has been engaged in investment banking for 30 years, working primarily in municipal trading and underwriting. Because of his daily involvement as the municipal bond underwriter for RBCCM's municipal underwriting Dallas desk, Mr. Greer is a primary resource for assistance in determining current rate levels, market trends and market reaction and acceptance of alternative financing structures and legal opinion variations.

In addition to his underwriting duties, Mr. Greer is responsible for regional municipal bond trading at RBCCM. Mr. Greer has been active in the municipal bond industry, having served on the Board of Trustees of the Municipal Advisory Council of Texas and as President of the Houston Bond Club

Mr. Greer holds a Bachelor of Business Administration from The University of Texas at Austin.

Mr. Greer holds Series 7, Series 63 and Series 52 securities licenses.

Ken Friedrich	**Head of Municipal Sales, Trading and Syndication**	**New York**	**29**	**15**

In his role as Head of Municipal Sales, Trading and Syndication, Ken Friedrich oversees RBC Capital Markets' distribution platform for Municipal Finance products as well as the firm's secondary sales and trading operations.

Mr. Friedrich previously served as head of Municipal Sales since 2008 and Head of Middle Market Sales in 2007. He joined RBC Capital Markets when the firm acquired Dain Rauscher, where he had been an institutional salesperson since 1998. Mr. Friedrich has 29 years experience in the municipal market.

Mr. Friedrich holds a Bachelors of Arts degree in Economics from the American University and has NASD Series 7, 9/10, 24, 53 and 55 certificates. Mr. Friedrich resides in New York City with his wife and two children.

Municipal Research Team				
Name	**Title**	**Location**	**Years of Experience**	**Years at RBC**
Christopher Mauro	**Director**	**New York**	**28**	**6**

Christopher Mauro is the municipal strategist for RBC Capital Markets and is responsible for research coverage of the municipal bond market for the firm. He joined RBC in October 2009 after spending five years as a Director and Senior Underwriter at Financial Guaranty Insurance Company where he was responsible for both public and project finance transactions. Prior to FGIC, Mr. Mauro spent nearly 20 years at Merrill Lynch, first in its Fixed Income Research Department, where he functioned as the primary municipal revenue bond analyst for the firm, and later as a Director in its Corporate Finance Ratings Advisory Service, where he provided full range of credit advisory services to corporate and public sector debt issuing clients. Mr. Mauro began his career with Moody's Investor's Service as an analyst in the Public Finance Department.

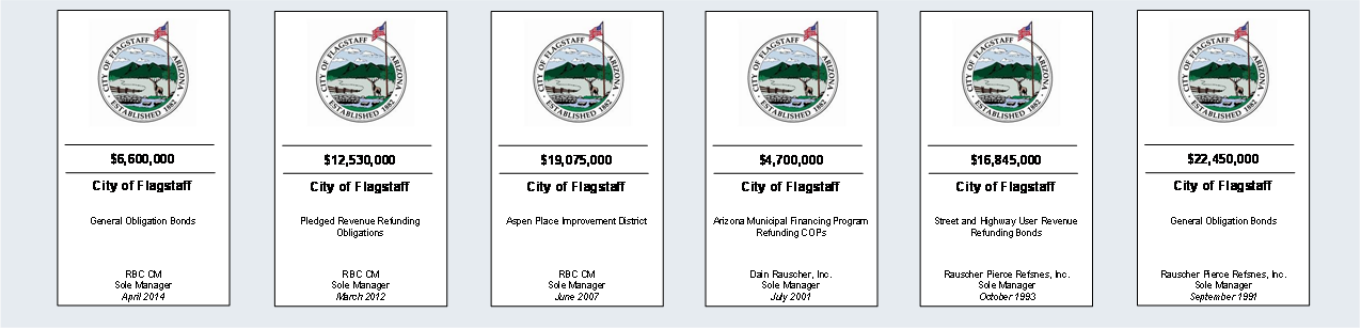
Mr. Mauro earned his MBA at Rutgers University and has a BS in Finance from Arizona State University. He is also a Chartered Financial Analyst.

2. A statement of why you believe your firm should be selected as the managing underwriter for this transaction. Your response should include a discussion of your firm's ability and willingness to take unsold balances into inventory. Provide five sole or senior managed comparable transactions in the past year with the par amount and percent of bonds your firm has taken into inventory.

We believe that our firm should be considered for and selected as either the Sole or Senior managing underwriter for both the General Obligation Bonds, Series 2016 as well as the Pledged Revenue Obligations, Series 2016 for a variety of reasons, including the following:

Familiarity with the City and the City's various credits

RBC Capital Markets has worked with the City on every single issuance of debt for over two decades. Going back to the $22,450,000 General Obligation Bonds Series 1991A, this represents 24 separate Series that the City has worked with RBCCM over the past 23 years. Not only issuances of debt, but also the myriad of projects which come up in between debt issuances, for which again RBCCM assisted the City, all contribute to the knowledge base from which would be the starting point that RBCCM will be working with the City and your advisor on from day one. Over the last decade, RBCCM has served as underwriter to the City on seven separate bond issuances totaling $75,740,000 in par, which includes four separate General Obligation Bond issuances totaling $39,175,000 in par, and the $12,530,000 Series 2012 Excise Tax Pledged Revenue Obligations. Shown below are some selected Bond issuances of the City, Underwritten by RBCCM and its predecessor firms, through the years.



Commitment to Arizona Municipal Finance

RBC Capital Markets and its predecessor firms have maintained a continuous presence in the State of Arizona since the 1930's. During this time period we have had the honor of serving virtually every public jurisdiction in the State as either financial advisor or bond underwriter. We believe that our credentials with regards to underwriting Arizona municipal bonds are unmatched. RBCCM employs over 90 people in four different offices, including 10 Municipal Finance professionals in the State of Arizona, and this commitment to and familiarity with the local market is an advantage that our competitors cannot match. RBCCM has been a leading Underwriter in the State for decades both by par and by number of issues. We have continued that trend more recently, as shown in the tables below.

Arizona Senior Managed League Table: Ranking by Par Amount
January 1, 2013 - December 31, 2015

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
RBC Capital Markets	**$2,443.9**	**1**	**14.9**	**83**
Bank of America Merril Lynch	2,199.1	2	13.4	20
JP Morgan Securities LLC	2,091.2	3	12.7	18
Wells Fargo & Co.	1,992.6	4	12.1	16
Stifel Nicolaus & Co. Inc.	1,834.3	5	11.2	89
Morgan Stanley	1,303.7	6	7.9	12
Citi	1,163.1	7	7.1	11
Goldman Sachs & Co.	1,052.3	8	6.4	3
Piper Jaffray & Co.	705.1	9	4.3	15
Barclays	419.0	10	2.6	3
Top Ten Total	**$15,204.3**	**-**	**92.6**	**270**
Industry Total	**$16,419.1**	**-**	**100.0**	**317**

Arizona Senior Managed League Table: Ranking by Number of Issues
January 1, 2013 - December 31, 2015

Firm	# of Issues	Rank	Mkt. Share	Par Amount (US$ mil)
Stifel Nicolaus & Co. Inc.	89	1	28.1	$1,834.3
RBC Capital Markets	**83**	**5**	**26.2**	**2,443.9**
Bank of America Merril Lynch	20	3	6.3	2,199.1
JP Morgan Securities LLC	18	4	5.7	2,091.2
Wells Fargo & Co.	16	4	5.0	1,992.6
Piper Jaffray & Co.	15	6	4.7	705.1
Morgan Stanley	12	7	3.8	1,303.7
Lawson Financial Corp.	12	8	3.8	95.6
Robert W. Baird & Co. Inc.	11	9	3.5	213.2
Citi	11	10	3.5	1,163.1
Top Ten Total	**287**	**-**	**90.5**	**$14,041.8**
Industry Total	**317**	**-**	**100.0**	**$16,419.1**

Ability and Willingness to Underwrite Unsold Balances

As the 5th largest bank in North America, RBCCM offers the City a uniquely strong capital position and therefore the ability to underwrite unsold balances with the given intention to preserve pricing levels. Our capital position is unrivaled by our local competitors. The scope and breadth of the resources of RBCCM combined with the local presence and commitment to issuers within the State of Arizona as described above exemplify the unique blend that only RBCCM can provide to the City of Flagstaff as your bond underwriter.

Underwriting bonds at levels attractive to a borrower in a volatile interest rate environment is the most significant commitment an underwriter can make to an issuer. Committing capital saves the issuer the penalty of pricing at a higher interest rate market-clearing level. With reported total capital of $6.1 billion and excess net capital of $1.2 billion and as part of a parent entity with $46.5 billion in regulatory capital, RBCCM's maximum municipal underwriting capacity (based on regulations requiring excess net capital of at least 7% of such amount) is $17.3 billion. RBCCM does not have an internal limit for underwriting any one transaction and we routinely lead bond issues sized well in excess of $100 and will periodically underwrite for some of the largest issuers in the country billion dollar debt issues.

RBCCM has the capital strength to price issues aggressively for our clients and we are willing to place our capital at risk through our underwriting commitments when necessary to support our pricings. As you can see below, there are a number of recent Arizona bond issues where RBCCM has committed capital and underwritten unsold bond balances including for the Cities of Mesa, Tempe, El Mirage, Yuma County, and Pima County.

Additionally, RBCCM regularly commits capital to bond issues for clients outside of Arizona. We would be happy to provide a more extensive list which includes issuers outside the State of Arizona at the City's request.

Recent RBC CM Senior Managed Underwriting
Capital Commitment to Underwrite Unsold Balances

Sale Date	Issuer	Par Amount ($ millions)	Balance Underwritten ($ millions)	Percentage of Bond Issue
03/30/2016	Pima County	$28.750	$8.005	27.84%
03/30/2016	Pima County	15.185	6.285	41.39%
03/22/2016	City of Mesa	20.475	0.280	1.37%
03/17/2016	Mesa USD #4	47.815	3.550	7.42%
02/03/2016	Cochise Co CCD	21.985	7.605	34.59%
01/28/2016	Laveen ESD #59	10.340	0.670	6.48%
09/09/2015	City of El Mirage - Arizona	10.470	4.405	42.07%
06/03/2015	Yuma Cnty Free Library District	26.300	9.225	35.08%
05/16/2015	City of Tempe	11.810	0.800	6.77%
05/14/2015	Mesa USD #4	35.000	8.305	23.73%

3. Include a three year history of your firm's excess net capital.

RBCCM is an indirect wholly owned subsidiary of the Royal Bank of Canada, a publicly held company (NYSE symbol 'RY'). RBC is one of the world's most stable banks, has a Tier 1 Capital Ratio of 11.3% and is one of the highest rated financial institutions (currently "Aa2/AA-/AA" reflecting Moody's Counterparty Risk Assessment adjustment for Canadian Banks). During the recent financial crisis, RBC distinguished itself as one of the few financial institutions to maintain a strong capital position without receiving any governmental funding or support. With a market capitalization of $74 billion, RBC is the world's 13th largest bank, the 5th largest in North America, and Global Finance's 2nd safest bank in North America. RBCCM's capital position as of October 31, 2015 and for the three most recent prior fiscal periods is listed below.

RBCCM Capital Position

RBC Capital Position				
RBC Financial Group				
	10/31/2015	**10/31/2014**	**10/31/2013**	**10/31/2012**
Total Regulatory Capital	$46,563,378	$43,116,973	$42,802,155	$42,389,347
Total Equity Capital	51,331,781	46,981,295	48,180,662	46,074,028
Tier 1 Capital	40,572,369	36,377,898	36,293,195	36,843,807
RBC Capital Markets				
	10/31/2015	**12/31/2014**	**12/31/2013**	**12/31/2012**
Total Regulatory Capital	$6,139,254	$5,808,082	$5,545,384	$5,409,198
Total Equity Capital	4,739,254	4,408,082	4,145,384	4,009,198
Net Capital	1,401,653	1,198,350	1,252,015	1,522,575
Excess Net Capital	1,211,621	1,044,489	1,132,072	1,411,594
Underwriting Capacity	**$17,308,871**	**$14,921,271**	**$16,172,457**	**$20,165,629**

4. A description of your firm's method of approach for marketing the City general obligation bonds. Include a summary of your firm's method of approach for marketing the securities including likely buyers, suggested marketing strategies and timing considerations.

A description of your firm's method of approach for marketing the City pledged revenue obligations. Include a summary of your firm's method of approach for marketing the securities including likely buyers, suggested marketing strategies and timing considerations. Describe your firm's ability to market and make the bonds available to local residences.

Marketing Strategy. In today's market, investors have increased their credit diligence, and are much more sophisticated in their analyses of municipal credits. In fact, buyers of municipal bonds now do more in-house credit analysis and look beyond an issuer's credit rating and credit report when making investment decisions. In partnership with the banking team, Ken Friedrich, Head of Municipal Sales, Trading and Syndication will work hand-in-hand with RBCCM's extensive sales force to market both of the City's transactions which will likely have distinctly different buyer bases given the different ratings that are expected and the fact that the Pledged Revenue Obligations are secured by a new dedicated sales tax versus the long standing general obligation security that the City has sold into the market for many years. IN both cases, RBCCM's investor marketing approach will focus on identifying specific investor targets and marketing the City's bonds to the broadest possible array of investors. Key elements to drive competition among investors include:

- A tailored "story" or message for investors highlighting the City's very positive credit attributes
- Strategic outreach to key investor segments likely to buy the City's bonds
- A financing timetable encouraging investor focus, giving time for internal credit approval that also appropriately positions the issue amongst competing credits and other bond sales

RBCCM's marketing plan will reduce the City's borrowing cost by creating broad institutional and retail investor interest. Our sales force will highlight the City's credit strengths to help obtain credit approval and orders. Our marketing strategy is based on creating pricing leverage, which is obtained by having a diverse, robust list of investors beyond the large Tier I accounts universally covered by the major Wall Street firms. At the conclusion of the order period, a strong subscription and a wide variety of participants across maturities will maximize the pricing leverage to reset levels at the lowest possible spreads.

Credit analysts at large institutions will thoroughly scrutinize the City's credit(s) before authorizing the institution's portfolio manager to place an order for the City's bonds or obligations. Active communication with credit analysts will help overcome any factors that could cause them to hesitate in authorizing the purchase of the bonds. RBCCM recommends an enhanced investor outreach strategy that begins with early POS release and potentially an investor presentation given the fact that the Pledged Revenue Obligations are a new credit into the market. A recorded investor presentation is one cost effective and timely way to provide investors a succinct overview of the City, its credit strengths, and the proposed transactions.

We have provided below some additional information regarding marketing strategies and observations that are specific to the two different transactions being contemplated by the City at this time.

General Obligation Bonds: With regards to the City's proposed Series 2016 General Obligation Bonds, we would first look to target existing holders of the City's General Obligation bond credit and investors who purchased bonds in the past or who are current holders of the credit, as well as major holders of general obligation bonds for other cities and town's within Arizona. Shown below are some of the holders of the City's various outstanding General Obligation Bond Series, including the General Obligation and Refunding Bonds, Series 2014A and Series 2014B Bonds based on our experience as City's Underwriter for those Bonds. Also shown below, as a representative list of potential additional investors are some of the largest holders of general obligation bonds for the City of Phoenix (as an example). We then compare the lists and can quickly identify and target investors who have purchased general obligation bonds of other Arizona cities and towns but are not investors in the City of Flagstaff general obligation bond credit.

RBCCM will then coordinate our sales and marketing efforts to identify those investors with similar holdings as they have proven their comfort with similar credits and are could prove to be "anchor" orders. Current holders will also be targeted as they may wish to maintain or increase their holdings. Non-holding investors, such as Travelers Insurance, Prudential Insurance, AIG, John Hancock, USAA and Allstate who are all shown in the far right hand chart, as well as firms with Arizona specific tax free funds, will be targeted as new purchasers, and would present an opportunity to add to the already diverse base of investors in the City's General Obligation credit.

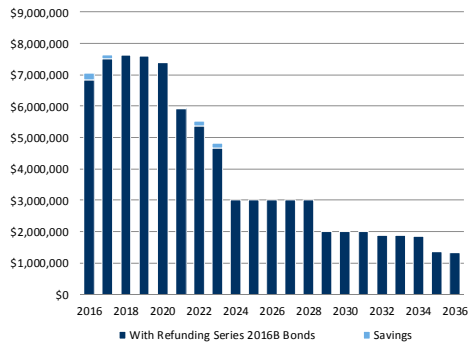
Holders of Flagstaff's General Obligation Bonds

Current Holders
Breckinridge Capital Advisors, Inc.
State Farm Investment Management Corp.
Country Mutual Insurance Company
Kentucky Farm Bureau Mutual Ins. Co.
Northern Trust Investments, Inc.
Eaton Vance
Thornburg Investment Management, Inc.
Edward D. Jones
Central Mutual Insurance Company
Pine River Capital Management
Mountain West FB Mutual Ins. Co.
C.L. King & Associates
Farmers Mutual Ins. Co. of Nebraska
Victory Capital Management
Cavanal Hill
National Alliance Capital LLC
Lowry Hill Investment Advisors
Putnam Investment Management, LLC
Carnick and Kubik
Blackrock Fund Advisors
Franklin Advisory Services, Inc.
US Bank
Windsor Financial Group, LLC
Wells Fargo Bank Trust
Huntington Trust Company
Stonebridge Capital Management, Inc.
Goldman Sachs Asset Management

Top Holders of Phoenix's General Obligation Bonds

Current Holders	Holder of Flagstaff GO Debt?
State Farm Investment Management Corp.	Yes
Blackrock Fund Advisors	Yes
Pinebridge Investments, LLC	No
The Travelers Indemnity Company	No
Prudential Insurance Company of America	No
AIG Asset Management (U.S.), LLC	No
Auto-Owners Insurance Company	No
John Hancock Life Insurance Company	No
USAA Life Insurance Company	No
Allstate New Jersey Insurance Company	No
Eaton Vance	Yes
Goldman Sachs Asset Management	Yes

City of Flagstaff General Obligation Debt Service
With and Without Refunding



The City might also consider making themselves available, to the extent there is interest on the part of investors, for **one-on-one investor** calls with likely investors to provide an additional opportunity to dialogue with the City and your staff about the proposed bond sales.

To the extent that the $18,200,000 in General Obligation Bonds contemplated in the City's RFI does **NOT** include a refunding component, we would recommend that the City may want to consider a refunding of a portion of the City's outstanding Series 2006 Bonds and specifically the 2017, 2022 and 2023 maturities of that bond series. We

have discussed and presented this specific refunding opportunity with City staff in the past. These maturities are now currently callable, and based on current market interest rates (as reflected in Question 6); the City will likely be able to realize net present value savings of approximately $547,000.

Pledged Revenue Obligations: Within the State of Arizona RBCCM has Underwritten Sales Tax Bonds for numerous Cities and Towns over the past five years, including Sedona, Prescott, Phoenix, Tempe, Casa Grande, Gilbert, El Mirage, and Nogales to name a few. As stated in the RFI, the City's Pledged Revenue Obligations are secured by pledged revenues from the City's voter-approved restricted transaction privilege tax of 0.33%, set to expire December 31, 2034. This restricted transaction privilege tax was for Transportation projects.

Specifically related to Arizona and similar transportation sales tax credits for Arizona cities and counties, RBCCM has underwritten transportation sales tax bonds for the City of Phoenix, the City of Tempe and Pima County Regional Transportation Authority. Additionally, RBCCM serves as Financial Advisor to the City of Glendale and Valley Metro who have similar transportation sales tax credits. Very few firms, if any have similar experience with Arizona issuers and transportation sales tax bonds.

Finally, RBCCM is a market leader with regards to transportation sales tax bonds nationally, which we have highlighted below. Given the specific security pledge of those bonds, we believe that this experience is very relevant to the City's proposed Pledged Revenue Obligations. Since January 1, 2011, RBCCM is the **Number One** ranked senior manager of transportation special tax bonds, including excise tax, nationally. During this period, we have senior managed $3.6 billion of transportation special tax bonds. This has included senior managed bond issues for various transportation tax credits including Los Angeles County Metropolitan Transportation Authority, San Francisco Bay Area Rapid Transit, and the Denver Regional Transportation District to name a few. RBCCM would look to leverage this experience is selling transportation sales tax bonds for issuers around the Country to benefit the City of Flagstaff on its inaugural sales of Pledged Revenue Obligations for transportation related projects.

National Transportation Sales Tax Bonds
Senior Managed by Par Amount – 1/1/2011 – 4/21/2016

Underwriting Firm	Par ($mm)	Rank	Mkt. Share	# of Issues
RBC Capital Markets	**3,626.0**	**1**	**19.2**	**17**
J P Morgan Securities LLC	2,752.8	2	14.6	11
Morgan Stanley	2,723.3	3	14.4	7
Bank of America Merrill Lynch	1,770.9	4	9.4	5
Barclays	1,735.2	5	9.2	10
Goldman Sachs & Co	1,346.2	6	7.1	6
Citi	1,266.1	7	6.7	13
Wells Fargo & Co	1,014.3	8	5.4	5
Loop Capital Markets	946.1	9	5.0	5
Siebert Brandford Shank & Co	380.8	10	2.0	1
Industry Total	**$ 18,914.3**	**-**	**100.0**	**120**

Source: Thomson Reuters SDC Financial. Negotiated, True Economics to Book Runner

Metropolitan Transportation Authority	marta	City of Phoenix	RTD	BART
$150,000,000	**$100,000,000**	**$328,920,000**	**$224,045,000**	**$241,560,000**
Los Angeles Metro Transportation Authority Subordinate Measure R Sales Tax Revenue, Series C Bonds	**Metropolitan Atlanta Rapid Transit Authority** Variable Rate Sales Tax Revenue Bonds Series 2000B	**City of Phoenix** Transit Excise Tax Bonds Series 2013	**Denver Regional Transportation District** Certificates of Participation Series 2013A	**San Francisco Bay Area Rapid Transit** Sales Tax Revenue Bonds 2012 Series B
Direct Purchaser *November 2015*	Senior Manager *September 2014*	Senior Manager *June 2013*	Senior Manager *April 2013*	Senior Manager September 2012

Finally, we have summarized below some specific marketing strategies for the City to consider with regards to both of their proposed bond issues:

RBC Proposed Retail and Institutional Investor Marketing Strategy and Rationale

	Investor Outreach Approach	Rationale
Institutional	Early POS release (7 to 10 days prior to pricing)	Provides investors ample time to conduct credit diligence
	Internet road show with playback capability	Helps generate timely credit approval

	Investor Outreach Approach	Rationale
	One-on-one calls for substantial accounts	High success rate for order placement
	Refunded CUSIPS wire (if applicable)	Direct marketing to current holders of bonds to be refunded may incentivize re-purchase
	Institutional sales force "teach ins" on the credit	Motivates salesforce to make calls and convey the tailored investor message
Retail	Internal marketing to maximize retail demand	High net worth and SMAs are drivers in 4-9 year range
Retail	Internal conference calls with brokerage system	Informational calls with retail brokers to ensure full understanding of the credit
Retail	City billing inserts or post cards	Billing inserts or postcard to target property owners (highest taxable property values) to generate retail interest
Retail	Place ads in local newspapers/radio stations	Ads in local newspapers and radio stations to notify residents and property owners of the investment opportunity

RBC Investor Targeting Approach and Rationale

Target Investor Identification Strategy	Rationale
Similar holdings on other similar bond programs	Proven comfort with credit, most likely to enter key anchor orders
Analyze recent purchases in the secondary market	Valuable feedback regarding investor cash positions and investor interest
Identify most aggressive buyers along the yield curve	Extracts key targets along specific parts of the yield curve
Redemption and cash flow trends	Market timing and identifying who can step up in size
Input from sales professionals and underwriters	Valuable feedback regarding couponing, length of serialization and reverse inquiries

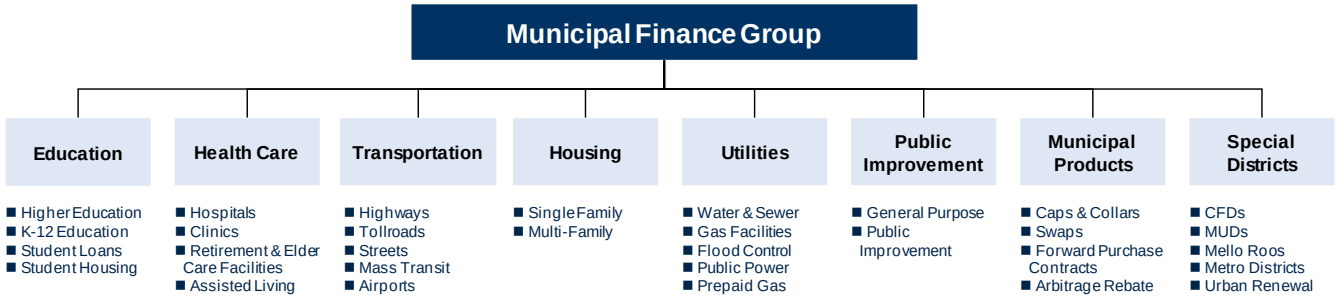
5. Describe what distinguishes the ability of your firm to effectively price and market the bonds based on the proposed maturity schedule shown in the Exhibits, and how your firm will ensure that the City receives the best price for the proposed financings. Describe your firm's ability to market and make the bonds available to local residences.

Municipal Finance Experience

RBCCM Municipal Finance Group is structured to provide our clients a complete menu of services, including nationally and regionally focused sales and trading activities for all types of municipal bonds.

RBCCM maintains a substantial commitment to municipal finance business with one of the largest in the country, consisting of over 270 municipal finance banking professionals located in 27 offices. RBCCM's commitment to the municipal marketplace has been demonstrated by its expansion in the municipal finance sector despite many firms cutting back or even eliminating their departments all together.

Our Municipal Finance Department is organized as follows:



RBCCM has been the number one ranked senior manager ***by number of issues*** in 21 of the last 24 years. As a result of being one of the most active underwriters of municipal bonds, we typically underwrite an average of 9-11 new issues per week. RBCCM's underwriting volume is critical in the current market given the diversity of investors comprising the buyer base that we cover. As indicated by our cumulative rankings shown below, for the period from January 1, 2013 to December 31, 2015 RBCCM has senior managed 1,733 bond issues nationally or $58.8 billion during that time period.

The reason we provide all of this background on data on the number of transactions that we have underwritten is to reinforce the fact that our underwriters and sales force are in constant contact with the investment community. By accessing the market more often than any of our competitors, we are able to price our deals more aggressively. In turn, this extensive distribution system and constant market activity allows our underwriters and salespeople to efficiently collaborate and reach all investor segments without favoritism towards institutional or retail investors, but rather towards achieving **optimal pricing levels for our clients**.

RBCCM is also regularly ranked one of the top underwriters of municipal bonds within the State of Arizona by number of issues underwritten. Additionally, RBCCM was **ranked the number one underwriter of municipal bonds within the State of Arizona** by par amount over the past three years, having underwritten $2.4 billion.

U.S. Senior Managed League Table: Ranking by Par Amount
January 1, 2013 - December 31, 2015

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
Bank of America Merril Lynch	$92,823.7	1	13.0	823
JP Morgan Securities LLC	85,983.8	2	12.1	725
Citi	83,505.7	3	11.7	845
Morgan Stanley	62,000.3	4	8.7	570
RBC Capital Markets	**58,789.6**	**5**	**8.3**	**1,733**
Wells Fargo & Co.	45,490.8	6	6.4	508
Barclays	41,641.4	7	5.8	324
Stifel Nicolaus & Co. Inc.	39,490.9	8	5.5	2,047
Goldman Sachs & Co.	37,919.4	9	5.3	230
Raymond James	32,167.8	10	4.5	1,125
Top Ten Total	**$579,813.4**	**-**	**81.4**	**8,930**
Industry Total	**$712,016.9**	**-**	**100.0**	**14,985**

U.S. Senior Managed League Table: Ranking by Number of Issues
January 1, 2013 - December 31, 2015

Firm	# of Issues	Rank	Mkt. Share	Par Amount (US$ mil)
Stifel Nicolaus & Co. Inc.	2,047	1	13.7	$39,490.9
RBC Capital Markets	**1,733**	**5**	**11.6**	**58,789.6**
Piper Jaffray & Co.	1,380	3	9.2	30,023.2
Raymond James	1,125	4	7.5	32,167.8
D. A. Davidson & Co.	949	4	6.3	7,077.6
Robert W. Baird & Co. Inc.	883	6	5.9	9,328.6
Citi	845	7	5.6	83,505.7
Bank of America Merril Lynch	823	8	5.5	92,823.7
JP Morgan Securities LLC	725	9	4.8	85,983.8
Morgan Stanley	570	10	3.8	62,000.3
Top Ten Total	**11,080**	**-**	**73.9**	**$501,191.2**
Industry Total	**14,985**	**-**	**100.0**	**$712,016.9**

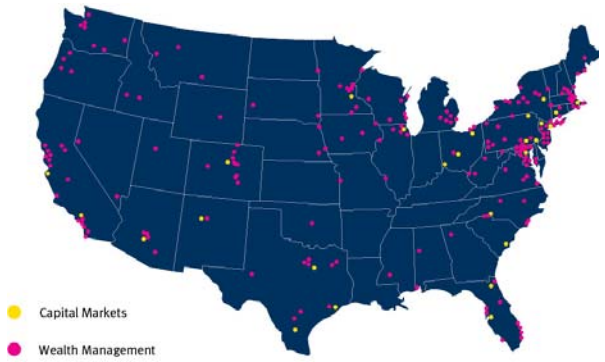
As the senior or sole managing underwriter, RBCCM banking staff would coordinate all activities internal to RBCCM and described above as well as working closely with the City's Financial Advisor to ensure a smooth execution of the City's bond transaction(s). This includes monitoring the market in terms of favorable market conditions for entering the market, schedule for printing the offering document and timing of the bond sales. We will work collaboratively with the Financial Advisor in order to meet the timing needs of the City and allow us, as lead underwriter, the proper amount of time to leverage and interact with buyers in order to achieve the best results for the City at the time of the bond sale.

RBCCM's Domestic Distribution Channels

The municipal banking, underwriting, and distribution resources of RBCCM represent one of the largest and most diverse teams of capital markets professionals in the industry. We provide complete coverage for investors in both taxable and tax-exempt bonds and have an extensive, multi-tiered institutional and retail distribution platform. As detailed below, our targeted approach to the successful distribution of municipal securities involves deploying the key aspects of our extensive network of sales professionals, which includes:

- *61 municipal markets sales, trading, and underwriting professionals in 27 office locations across the country;*
- *19 dedicated institutional municipal salespeople and 27 institutional and retail traders and underwriters;*
- *5 professionals specializing in the sales, trading and underwriting of short-term notes and variable rate bonds, including administering a multi-billion remarketing portfolio;*
- *187 retail offices in 45 states and four territories, with 753,000 accounts and $213 billion of assets under administration;*

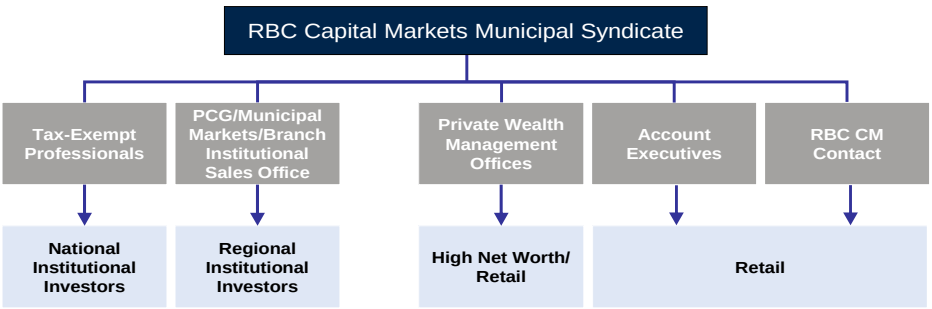
RBCCM's Capital Markets and Wealth Management Locations



One of the key success drivers for superior marketing of the City's two separate debt offerings is obtaining adequate distribution among a broad base of investors so that a handful of large institutional buyers do not dictate pricing levels. Our historical roots as a regionally based broker-dealer make us especially qualified to identify and maintain accounts with the base of retail and small to mid-sized Tier II and III "regional" institutions that are likely to accept lower yields for the City's bonds. These buyers often fall below the "radar screens" of the largest investment banks, who primarily focus on writing large trade tickets for Tier I accounts. While we also provide complete coverage of the major Tier I accounts, it is our ability to leverage the demand generated from retail investors and small institutions, at more aggressive pricing levels, that will ultimately produce the lowest all-in funding cost for the City.

Tax-Exempt Distribution Capabilities

RBCCM has one of the largest tax-exempt distribution networks in the nation. RBCCM's institutional sales and trading professionals cover the full spectrum of retail and institutional purchasers of municipal bond funds, savings and loans, insurance companies, bank portfolios and trust departments, mid to large-sized corporations, municipalities, retail and high net worth individuals.



Tier I Institutional Investors – RBCCM's sales and trading hubs in New York City, Chicago, Dallas, Minneapolis and San Francisco are strategically located to ensure our sales force has direct access to the major institutional buyers of taxable and tax-exempt securities. In order to ensure optimal marketing and distribution performance in today's ever changing economic environment, our targeted approach to the successful distribution of municipal bonds involves the deployment of key aspects of our extensive domestic distribution network.

Tier II & III Middle Market Investors – One of RBCCM's key drivers for superior marketing is our ability to obtain superior diversification amongst investors to prevent a few large institutional buyers from dictating pricing levels. RBCCM's roots as a regionally based broker-dealer allow us to maintain accounts with a base of small to mid-sized institutions. These middle market buyers that comprise our Tier II and Tier III institutional base are more likely to accept lower yields, increasing pricing flexibility. Tier II and III institutions often fall below the coverage levels of larger securities dealers.

Retail Distribution – Direct retail presence is an important component of our distribution platform. In addition to our institutional trading presence, RBC Municipal Markets has a team of 10 retail traders dedicated to the RBC Wealth Management retail network of over 1,700 financial advisors. These traders are responsible for facilitating the purchase and sale of tax-exempt and taxable municipal securities with all of our retail customers. On average, they're holding over 1,000 individual securities daily in an effort to provide liquidity to our retail customers.

RBCCM uses a multi-tiered approach to the distribution of municipal securities, providing complete coverage of a wide spectrum of both institutional and retail investors. Access to this broad network will be vital to the success of the City's financings. The municipal sales, trading, underwriting and distribution resources of RBCCM represent one of the largest and most diverse teams of capital markets professionals in the industry.

While we expect institutions to buy the largest volume of the City's potential financings, support from retail investors can create healthy competition for bonds, promoting more aggressive rates. We are able to access this market through leveraging RBCCM's extensive national retail distribution network, supported by over 1,800 financial consultants, representing one of the largest retail operations in the nation with 187 branches across the U.S.

We also have several Financial Advisor's located in our Phoenix Office who have clients who are either residents of Flagstaff or have been active particpants in prior debt offerings of the City. We would carefully coordinate our sales activieties with all of RBC's financial advisors to make sure they and their clients were aware of the transactions that are coming to market in an effort to further drive up retail support for the issue.

RBC's Arizona Retail Network

Arizona Retail – RBC Wealth Management has 83 wealth management professionals in four offices throughout Arizona – Phoenix, Scottsdale, Peoria and Tucson. These professionals manage 24,513 Arizona accounts, representing over $6.2 billion in assets under management – of which almost $780 million are municipal assets.

6. Provide an expected spread to the "AAA" Interpolated July-municipal market data scale (as of April 26) assuming the City's underlying ratings and based on the preliminary maturity schedule in the Exhibit for each series.

As requested, we have provided on the right hand side of this page a specific scale and spreads to Interpolated July-municipal market data as of April 26 for the City's proposed General Obligation Bonds. We would note that the spreads shown for the General Obligation Bonds in the chart on the right are tighter than where the City's last General Obligation Bond issue priced in 2014, reflecting the overall improved conditions in the municipal market over the past several months which has seen a tightening of credit spreads for most issuers. We have also utilized a mixture of different coupons which is intended to appeal to the broadest possible group of investors while also maintaining compliance with the statutory limit on the amount of premium that can be generated on a general obligation bond sale. As noted in the chart on the right, the spreads to MMD can move around some depending on the coupon and whether or not it is a premium, a slight premium or discount bond. RBCCM would work with the City and their Financial Advisor to maximize the couponing structure to balance investor demand, state law requirements and achieving the lowest overall cost on both a yield to maturity and a yield to call basis.

City of Flagstaff, Arizona
General Obligation Bonds, Series 2016
Assumed Underlying Rating: Aa2 / AA / NR
Credit Enhancement: Uninsured

	Maturity	"AAA" Interpolated July MMD	Coupon	Yield	Spread
2017	$610,000	0.58	2.00%	0.68%	10
2018	630,000	0.67	2.00%	0.82%	15
2019	660,000	0.78	2.00%	0.98%	20
2020	675,000	0.90	2.00%	1.12%	22
2021	725,000	1.04	3.00%	1.28%	24
2022	750,000	1.19	3.00%	1.45%	26
2023	775,000	1.31	3.00%	1.59%	28
2024	800,000	1.43	3.00%	1.73%	30
2025	825,000	1.56	3.00%	1.91%	35
2026	875,000	1.68	3.00%	2.08%	40
2027	900,000	1.81	3.00%	2.33%	52
2028	950,000	1.90	3.00%	2.55%	65
2029	975,000	1.97	3.00%	2.69%	72
2030	1,025,000	2.03	3.00%	2.83%	80
2031	1,050,000	2.09	4.00%	2.59%	50
2032	1,100,000	2.15	4.00%	2.65%	50
2033	1,150,000	2.21	4.00%	2.71%	50
2034	1,200,000	2.27	3.00%	3.07%	80
2035	1,250,000	2.33	3.00%	3.13%	80
2036	1,275,000	2.39	3.00%	3.19%	80
	$18,200,000				

Additionally, we have provided below a specific scale and spreads to Interpolated July-municipal market data as of April 26 for the City's proposed Pledged Revenue Obligations. As you will see below, we have included both an insured and non-insured scale. Depending on how the rating process goes, there may be value in pursuing bond insurance for this transaction, specifically if the rating ends up being in the single "A" category. It is worth noting that insurance has become very cost effective as of late and we believe the City would receive multiple aggressive bids for bond insurance on this credit should the City decide to pursue it.

City of Flagstaff, Arizona
Pledged Revenue Obligations, Series 2016
Assumed Underlying Rating: NR / A+ / NR
Credit Enhancement: Uninsured

	Maturity	"AAA" Interpolated July MMD	Coupon	Yield	Spread
2017	$470,000	0.58	2.00%	0.78%	20
2018	475,000	0.67	4.00%	0.92%	25
2019	480,000	0.78	4.00%	1.08%	30
2020	485,000	0.90	4.00%	1.23%	33
2021	495,000	1.04	4.00%	1.39%	35
2022	500,000	1.19	4.00%	1.59%	40
2023	510,000	1.31	4.00%	1.76%	45
2024	520,000	1.43	5.00%	1.93%	50
2025	535,000	1.56	5.00%	2.11%	55
2026	545,000	1.68	5.00%	2.28%	60
2027	560,000	1.81	5.00%	2.41%	60
2028	575,000	1.90	5.00%	2.50%	60
2029	590,000	1.97	5.00%	2.57%	60
2030	610,000	2.03	5.00%	2.63%	60
2031	630,000	2.09	5.00%	2.69%	60
2032	650,000	2.15	3.00%	3.15%	100
2033	675,000	2.21	3.00%	3.21%	100
2034	695,000	2.27	3.00%	3.27%	100
	$10,000,000				

City of Flagstaff, Arizona
Pledged Revenue Obligations, Series 2016
Assumed Underlying Rating: NR / A+ / NR
Credit Enhancement: Insured

	Maturity	"AAA" Interpolated July MMD	Coupon	Yield	Spread
2017	$470,000	0.58	2.00%	0.73%	15
2018	475,000	0.67	4.00%	0.87%	20
2019	480,000	0.78	4.00%	1.03%	25
2020	485,000	0.90	4.00%	1.18%	28
2021	495,000	1.04	4.00%	1.34%	30
2022	500,000	1.19	4.00%	1.54%	35
2023	510,000	1.31	4.00%	1.71%	40
2024	520,000	1.43	5.00%	1.88%	45
2025	535,000	1.56	5.00%	2.06%	50
2026	545,000	1.68	5.00%	2.23%	55
2027	560,000	1.81	5.00%	2.36%	55
2028	575,000	1.90	5.00%	2.45%	55
2029	590,000	1.97	5.00%	2.52%	55
2030	610,000	2.03	5.00%	2.58%	55
2031	630,000	2.09	5.00%	2.64%	55
2032	650,000	2.15	3.00%	3.10%	95
2033	675,000	2.21	3.00%	3.16%	95
2034	695,000	2.27	3.00%	3.22%	95
	$10,000,000				

7. Complete the tables in the attached Exhibit. Separately provide a summary by type of credit, and list of the financings of $30 million or less in par amount that your firm has underwritten as sole or senior manager for issuers in Arizona in the current and past three years. These lists may be included in the appendix.

As a direct result of RBCCM's expansion in the municipal markets over many years and which is discussed in greater detail below, from that of a regional platform to our current market position, our firm holds an elite position in the middle market space, which has historically been defined as deals of $30 million and less. Over the time period indicated, January 1, 2013 through April 22, 2016, RBCCM ranks as the number four underwriter nationally as senior manager of General Obligation Bond issuances of $30 million or less as measured by par-amount. Within the State of Arizona, RBCCM ranks as the number two underwriter for General Obligation Bond issuances of $30 million or less as measured both by par-amount and number of issues.

U.S. Senior Managed League Table: Ranking by Par Amount
General Obligation Bonds: $30.0 Million or Less in Par
January 1, 2013 - April 22, 2016

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
Robert W. Baird & Co. Inc.	$13,681.5	1	9.8	2,042
Piper Jaffray & Co.	11,422.6	2	8.2	1,353
Stifel Nicolaus & Co. Inc.	10,861.3	3	7.8	1,297
RBC Capital Markets	**9,831.5**	**4**	**7.1**	**1,123**
Raymond James	9,505.6	5	6.8	1,295
Top Five Total	**$55,302.5**	**-**	**39.7**	**7,110**
Industry Total	**$139,283.5**	**-**	**100.0**	**21,118**

Arizona Senior Managed League Table: Ranking by Par Amount
General Obligation Bonds: $30.0 Million or Less in Par
January 1, 2013 - April 22, 2016

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
Stifel Nicolaus & Co. Inc.	$785.4	1	58.1	66
RBC Capital Markets	**445.4**	**2**	**33.0**	**31**
Hutchinson Shockey Erley & Co.	47.1	3	3.5	3
Robert W. Baird & Co. Inc.	25.4	4	1.9	2
Piper Jaffray & Co.	20.6	5	1.5	2
Top Five Total	**$1,323.9**	**-**	**98.0**	**104**
Industry Total	**$1,351.4**	**-**	**100.0**	**106**

For Revenue Bonds, our position is even stronger, as shown below. Over the same time period indicated, January 1, 2013 through April 22, 2016, RBCCM ranks as the number three underwriter nationwide as Senior Manager of Revenue Bonds of $30 million or less as measured by par-amount. Within the State of Arizona, RBCCM's position is dominant as the number one underwriter for Revenue Bonds of $30 million or less as measured both by par-amount and number of issues.

U.S. Senior Managed League Table: Ranking by Par Amount
Revenue Bonds: $30.0 Million or Less in Par
January 1, 2013 - April 22, 2016

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
Stifel Nicolaus & Co. Inc.	$9,511.8	1	12.1	914
Raymond James	5,100.7	2	6.5	487
RBC Capital Markets	**5,028.3**	**3**	**6.4**	**420**
Piper Jaffray & Co.	4,875.4	4	6.2	506
Robert W. Baird & Co. Inc.	4,545.2	5	5.8	494
Top Five Total	**$29,061.4**	**-**	**36.9**	**2,821**
Industry Total	**$78,785.1**	**-**	**100.0**	**7,993**

Arizona Senior Managed League Table: Ranking by Par Amount
Revenue Bonds: $30.0 Million or Less in Par
January 1, 2013 - April 22, 2016

Firm	Par Amount (US$ mil)	Rank	Mkt. Share	# of Issues
RBC Capital Markets	**$489.1**	**1**	**33.7**	**42**
Stifel Nicolaus & Co. Inc.	188.2	2	13.0	16
Citi	125.5	3	8.7	7
Robert W. Baird & Co. Inc.	122.8	4	8.5	12
Lawson Financial Corp.	103.3	5	7.1	14
Top Five Total	**$1,028.9**	**-**	**70.9**	**91**
Industry Total	**$1,450.4**	**-**	**100.0**	**123**

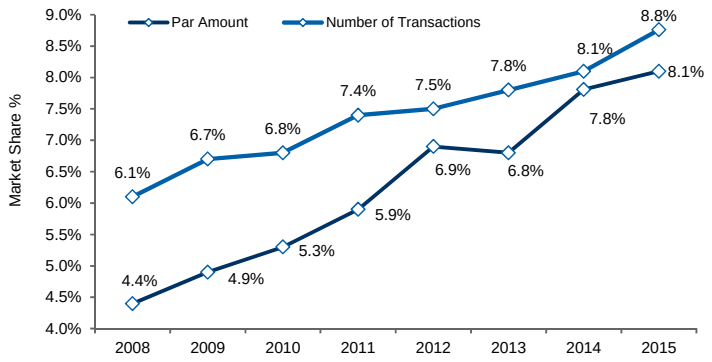
For a detailed listing of all financings of $30 million or less within the State of Arizona, separated by credit, where RBCCM has acted as sole or senior Manager from January 1, 2013 through April 22, 2016, please refer to Appendix A.

We have also completed and provided the requested table as Exhibit B to this RFI.

8. Briefly detail any organizational changes your firm is contemplating in the next year. Specifically discuss how any of these organizational changes could impact the ability of your firm to provide the type of services requested under this Request for Information.

While many firms have recently downsized or eliminated their municipal finance departments, RBCCM has invested heavily in the expansion of its municipal markets capabilities over a very long period of time. Staffing in RBC's Municipal Bond Department has grown 257% over the last 12 years. With total current headcount of 273 individuals, we now have one of the largest commitments to the municipal market of any firm. A significant component of our growth has involved hiring bankers, traders, institutional sales professionals, research analysts and underwriters who have substantial experience. As shown in the chart to the right, during the financial crisis, RBCCM was able to commit greater resources to the Municipal Market, at the same time that several other firms were experiencing painful reductions in staffing and less focus on the municipal markets. This trend of increasing market share, as measured by both par-amount as well as by the number of transactions has continued over the past several years.

RBCCM Market Share 2008 – 2015



The following chart illustrates the headcounts of both the Municipal Finance and Municipal Markets departments:

RBCCM Municipal Finance Department Headcount					
	FY2011	FY2012	FY2013	FY2014	FY2015
Municipal Finance					
Tax Credit Equity Group	65	74	76	80	83
Direct Purchase Program	7	6	5	4	4
Banking Origination	206	197	207	192	186
Total Headcount	**278**	**277**	**288**	**276**	**273**
Municipal Markets					
VRDN	5	4	4	4	4
BMA Derivatives	10	9	6	6	6
Retail	11	9	8	9	9
Institutional	41	42	39	37	38
Institutional Sales	19	19	16	15	14
Institutional Trading	13	14	14	14	15
Underwriting	9	9	9	8	9
Total Headcount	**67**	**64**	**57**	**56**	**57**

As you can see form the relatively steady headcount shown in the table above, RBCCM remains committed to the Municipal Market, and has no plans for any organizational changes the would impact our ability to act as either sole or senior managing underwriter to the City of Flagstaff.

9. Identify your firm's number of retail sales offices nationally, number of retail salespeople nationally, number of retail sales offices in Arizona, number of retail salespeople in Arizona and number of municipal bond institutional salespeople nationally. Provide the approximate split between retail and institutional sales of your last five relevant transactions (sole or senior manager with a par amount of $30 million or smaller).

A table of RBCCM's number of retail sales offices and sales people, both throughout the United States and within the State of Arizona is shown below:

Retail Sales Offices, Personell, and Municipal Bond Institutional Salespeople

	Arizona	U.S.
Number of Retail Sales Offices	4	180
Number of Retail Sales People	42	1,839
Sales, Trading and Underw riting		61
Institutional Salespeople		19
Institutional and Retail Traders and Underw riters		27
Short-Term/Variable Rate Sales, Trading and Underw riting		5

The five most recent transactions with a par amount of $30 million or smaller, and the approximate split between retail and institutional sales is shown below:

RBCCM

Institutional vs Retail Allotments

Issuer	Credit	Dated Date	Underlying Ratings	Institutional Allotments ($)	Retail Allotments	Retail Allotments (%)	Total
City of Mesa, Arizona	General Obligation	05/04/2016	Aa2 / AA-	$19,575,000	$3,360,000	14.65%	$22,935,000
Pima County	COPs	04/14/2016	A+ / AA-	$15,005,000	$180,000	1.19%	$15,185,000
Mesa USD No. 4	General Obligation	04/12/2016	Aa2 / AA-	$12,815,000	$0	0.00%	$12,815,000
Cochise CCCD	Revenue	02/25/2016	A2	$7,135,000	$175,000	2.39%	$7,310,000
Eastmark CFD No. 1	Special Assessment	02/23/2016	NR	$0	$1,060,000	100.00%	$1,060,000

10. Provide three relevant references with contact information and transaction descriptions, closing dates, par amounts and roles.

Shown below are three relevant references that the bankers assigned to the City have had the pleasure of recently serving as sole manager. RBCCM's leadership in the municipal market is evident in the strength of our relationships with our clients. We encourage you to reach out to these issuers to gain an unbiased account of our performance and what we feel makes us uniquely qualified to serve as senior or sole manager to the City.

Client References

Client	City of Prescott, Arizona	Coconino County Community College District	City of Mesa, Arizona
Name	Mark Woodfill	Jami Van Ess	Mike Kennington
Title	Finance Director	Vice President of Business and Administrative Services	Chief Financial Officer
Address	201 South Cortez Prescott, Arizona 86303	2800 South Lone Tree Road Flagstaff, Arizona 86001-2701	20 East Main Street, Suite 700 Mesa, Arizona 85201
Telephone	(928) 777-1222	(928) 226-4209	(480) 644-3606
Email	mark.woodfill@cityofprescott.net	jami.vaness@coconino.edu	michael.kennington@mesaaz.gov
Most Recent Issue	Municipal Property Corporation, Revenue Refunding Bonds, Series 2014	General Obligation Refunding Bonds, Series 2009	General Obligation Refunding Bonds, Tax-Exempt Series 2016A
Dated Date	05/29/2014	03/24/2009	04/06/2016
Par Amount	$9,000,000	$17,135,000	$20,475,000
Role	Sole Manager	Sole Manager	Sole Manager

11. Describe any litigation, investigations or actions pending or threatened against your firm or individuals associated with the firm by any local, state or federal agency, regulatory body or court since January 1, 2015. Discuss the impact of these issues on your firm's ability to perform as managing underwriter.

RBC Capital Markets, LLC ("RBCCM") is an indirect, wholly-owned subsidiary of Royal Bank of Canada, a large global institution subject to many different legal and regulatory requirements in the United States, Canada and other jurisdictions. Our response to this question is limited to matters involving the Municipal Markets business of RBC Capital Markets, LLC, the broker-dealer through which we conduct our municipal underwriting and financial advisory activities. From time to time, certain of RBCCM's regulators may conduct investigations, initiate enforcement proceedings and/or enter into settlements with RBCCM with respect to issues raised in various investigations. Similarly, RBCCM is a defendant or respondent in various litigations and arbitrations that arise in the ordinary course of business. RBCCM complies fully with its regulators in all investigations and in all settlements RBCCM reaches. The Financial Industry Regulatory Authority ("FINRA"), in furtherance of its responsibilities as the securities industry's self-regulatory organization pursuant to Section 15A(i) of the Securities Exchange Act of 1934, maintains a public database on registered broker-dealers and their associated persons known as BrokerCheck (http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/). The information made available through BrokerCheck is derived from the Central Registration Depository (CRD®), the securities industry online registration and licensing database. Information in CRD is obtained through forms that broker-dealers, their associated persons and regulators complete as part of the securities industry registration and licensing process, and to comply with comprehensive disclosure obligations imposed by FINRA and other regulators. RBCCM generally does not disclose investigations, proceedings, litigations, arbitrations, or settlements except as required through CRD, and RBCCM makes no representations as to the existence or non-existence of any such investigations, proceedings, litigations, arbitrations, or settlements beyond what is available through CRD. To the

extent material to the financial results of Royal Bank of Canada, any investigation, proceeding, litigation, arbitration, or settlement involving RBCCM also is disclosed in Royal Bank of Canada's financial statements, which may be obtained by visiting www.rbc.com/investorrelations/.

12. Based on the fixed rate financing contemplated and current market conditions, provide your firm's proposed taxedown (by maturity and average), management fee, underwriting fee, estimated out-of-pocket expenses and detailed clearance related expenses for the proposed transaction. (Use the amortization schedule and underlying ratings shown in the Exhibit for purposes of calculating your fee proposal.) Do NOT include underwriters' counsel fees in your underwriting fee proposal. Greenberg Traurig, LLP will serve as Bond Counsel and Squire Patton Boggs (US) LLP (Timothy Pickrell and Jennifer Cosper) as Underwriters' Counsel.

We have provided below the detail of our proposed fees for serving as sole or senior managing underwriter to the City, based on the amortization schedule and issue size provided in the RFI. We have included what we believe to be aggressive, yet fair, takedowns for the proposed bond issue(s), assuming RBCCM as either Senior Manager with a minimum 75% liability, or as Sole Manager in either case. RBCCM is confident in our ability to underwrite the City's proposed transaction at these levels. We would also note that the fees proposed herein are negotiable.

$18,200,000
City of Flagstaff, Arizona
General Obligation Bonds, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$3.63
Management Fee	0.00
Expenses	$0.27
Total Underwriting Expense	**$3.90**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.033
DTC	0.044
Bookrunning/Wire Service	0.062
Day Loan	0.028
Ideal	0.020
DAC Bond	0.033
Out of Pocket Expenses	0.055
Total Underwriting Expenses	**$0.274**

Maturity	Takedown
2017-2021	2.00
2022-2032	3.50
2033-2036	5.00
Total	**3.63**

$10,000,000
City of Flagstaff, Arizona
Pledged Revenue Obligations, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$4.53
Management Fee	0.00
Expenses	$0.41
Total Underwriting Expense	**$4.94**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.056
DTC	0.080
Bookrunning/Wire Service	0.063
Day Loan	0.028
Ideal	0.020
DAC Bond	0.060
Out of Pocket Expenses	0.100
Total Underwriting Expenses	**$0.407**

Maturity	Takedown
2017-2018	2.00
2019-2021	3.75
2022-2034	5.00
Total	**4.53**

13. If applicable, please share how your proposed pricing might change if your firm was selected to serve as Senior Manager on both transactions.

If selected to serve as Underwriter on both transactions, we would propose a reduction in Underwriter's Discount of approximately 20% as shown below and when compared to the fees proposed above. We would however note that by offering this discount to the City, RBCCM would make this revised fee arrangement with the expectation that we serve as Sole Manager for both bond issues with no co-managers.

$18,200,000
City of Flagstaff, Arizona
General Obligation Bonds, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$2.99
Management Fee	0.00
Expenses	$0.25
Total Underwriting Expense	**$3.23**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.033
DTC	0.044
Bookrunning/Wire Service	0.062
Day Loan	0.028
Ideal	0.020
DAC Bond	0.022
Out of Pocket Expenses	0.041
Total Underwriting Expenses	**$0.250**

Maturity	Takedown
2017-2018	1.25
2019-2024	2.00
2025-2036	3.50
Total	**2.99**

$10,000,000
City of Flagstaff, Arizona
Pledged Revenue Obligations, Series 2016

Gross Spread	
Item	**$ per $1000**
Average Takedown	$3.75
Management Fee	0.00
Expenses	$0.36
Total Underwriting Expense	**$4.11**

Underwriting Expenses	
Item	**$ per $1000**
CUSIP	$0.056
DTC	0.080
Bookrunning/Wire Service	0.063
Day Loan	0.028
Ideal	0.020
DAC Bond	0.040
Out of Pocket Expenses	0.075
Total Underwriting Expenses	**$0.362**

Maturity	Takedown
2017-2020	2.25
2021-2029	3.50
2030-2034	5.00
Total	**3.75**

Appendix A

Dated Date	Par Amount ($ mils)	Issuer	Issue Type	Main Use of Proceeds
03/20/2013	11.460	Flagstaff City-Arizona	General Obligation	General Purpose/ Public Imp
05/15/2013	8.915	Mesa City-Arizona	General Obligation	General Purpose/ Public Imp
05/16/2013	3.700	Graham Co (Thatcher) USD #4	General Obligation	Primary & Secondary Education
06/12/2013	10.685	Goodyear Comm Facs Gen Dt #1	General Obligation	General Purpose/ Public Imp
06/19/2013	20.000	Tucson City-Arizona	General Obligation	Mass Transportation
08/14/2013	4.320	Maricopa Co (Pendergast) ESD #92	General Obligation	Primary & Secondary Education
11/06/2013	11.495	Maricopa Co (Pendergast) ESD #92	General Obligation	Primary & Secondary Education
01/30/2014	10.000	Pima Co-Arizona	General Obligation	General Purpose/ Public Imp
02/26/2014	22.000	Maricopa Co (Creighton) ESD #14	General Obligation	Primary & Secondary Education
03/13/2014	17.945	Sundance CFD	General Obligation	Economic Development
03/27/2014	28.665	Yuma-La Paz Co Comm Coll Dt	General Obligation	Higher Education
04/08/2014	14.870	Flagstaff City-Arizona	General Obligation	General Purpose/ Public Imp
05/07/2014	3.800	Graham Co (Thatcher) USD #4	General Obligation	Primary & Secondary Education
05/28/2014	27.200	Tempe City-Arizona	General Obligation	General Purpose/ Public Imp
06/11/2014	14.755	Goodyear Comm Facs Util Dt #1	General Obligation	Economic Development
07/02/2014	18.000	Pima Co (Sunnyside) USD #12	General Obligation	Primary & Secondary Education
09/30/2014	6.895	Maricopa Co (Pendergast) ESD #92	General Obligation	Primary & Secondary Education
10/02/2014	7.675	Maricopa Co (Laveen) ESD #59	General Obligation	Primary & Secondary Education
11/19/2014	29.525	Maricopa Co (Tempe) UHSD #213	General Obligation	Primary & Secondary Education
12/23/2014	16.535	Yuma-La Paz Co Comm Coll Dt	General Obligation	Primary & Secondary Education
02/03/2015	3.800	Maricopa Co (Fowler) ESD #45	General Obligation	Primary & Secondary Education
04/14/2015	15.000	Pima Co-Arizona	General Obligation	General Purpose/ Public Imp
05/07/2015	15.775	Pima Co (Sunnyside) USD #12	General Obligation	Primary & Secondary Education
06/10/2015	7.015	Goodyear Comm Facs Util Dt #1	General Obligation	Economic Development
06/17/2015	20.000	Tucson City-Arizona	General Obligation	General Purpose/ Public Imp
06/23/2015	26.300	Yuma Co Free Library Dt	General Obligation	Libraries & Museums
09/08/2015	8.510	Maricopa Co (Pendergast) ESD #92	General Obligation	Primary & Secondary Education
09/10/2015	6.800	Eastmark Community Facs Dt #1	General Obligation	Economic Development
02/11/2016	10.340	Maricopa Co (Laveen) ESD #59	General Obligation	Primary & Secondary Education
04/06/2016	20.475	Mesa City-Arizona	General Obligation	General Purpose/ Public Imp
05/04/2016	22.935	Mesa City-Arizona	General Obligation	General Purpose/ Public Imp

Dated Date	Par Amount ($ mils)	Issuer	Issue Type	Main Use of Proceeds
02/06/2013	8.835	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
02/19/2013	10.175	Phoenix Industrial Dev Auth	Revenue	Higher Education
02/19/2013	.075	Phoenix Industrial Dev Auth	Revenue	Higher Education
04/03/2013	12.485	Arizona Tourism & Sports Auth	Revenue	Stadiums & Sports Complexes
04/08/2013	9.125	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
04/08/2013	.140	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
05/08/2013	8.500	Mesa City-Arizona	Revenue	Toll Roads, Highways & Streets
05/09/2013	7.815	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
05/22/2013	29.675	Pima Co Industrial Dev Auth	Revenue	Primary & Secondary Education
05/23/2013	9.130	Pima Co Industrial Dev Auth	Revenue	Primary & Secondary Education
06/11/2013	2.712	Eastmark Community Facs Dt #1	Revenue	General Purpose/ Public Imp
06/26/2013	27.240	Tempe City-Arizona	Revenue	Water & Sewer Facilities
12/19/2013	11.000	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
12/19/2013	8.305	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
02/07/2014	9.020	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
02/21/2014	9.590	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
03/18/2014	9.475	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
03/18/2014	.165	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
03/26/2014	10.395	Greater Arizona Dev Auth	Revenue	Economic Development
05/20/2014	12.370	Nogales Muni Dev Auth Inc	Revenue	General Purpose/ Public Imp
05/29/2014	9.000	Prescott City Municipal Prop Corp	Revenue	General Purpose/ Public Imp
07/15/2014	3.367	Eastmark Community Facs Dt #1	Revenue	Economic Development
11/20/2014	16.880	Pima Co Industrial Dev Auth	Revenue	Primary & Secondary Education
12/23/2014	28.080	Gilbert Pub Fac Muni Property Cp	Revenue	General Purpose/ Public Imp
03/18/2015	17.555	Mesa City-Arizona	Revenue	Toll Roads, Highways & Streets
03/30/2015	18.130	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
04/02/2015	1.942	Eastmark Community Facs Dt #1	Revenue	Economic Development
04/16/2015	13.685	Pima Co-Arizona	Revenue	Toll Roads, Highways & Streets
06/10/2015	11.810	Tempe City-Arizona	Revenue	Water & Sewer Facilities
06/24/2015	15.000	Glendale Industrial Dev Auth	Revenue	Student Loans
09/23/2015	10.470	El Mirage City-Arizona	Revenue	General Purpose/ Public Imp
11/05/2015	.970	Eastmark Community Facs Dt #1	Revenue	Economic Development
01/27/2016	8.625	Phoenix Industrial Dev Auth	Revenue	Primary & Secondary Education
02/23/2016	1.060	Eastmark Community Facs Dt #1	Revenue	Economic Development
02/25/2016	21.985	Cochise Co Comm Coll Dt	Revenue	Higher Education
03/24/2016	21.280	Maricopa Co Industrial Dev Auth	Revenue	Multi Family Housing
03/24/2016	3.720	Maricopa Co Industrial Dev Auth	Revenue	Multi Family Housing
04/13/2016	13.845	Pima Co Industrial Dev Auth	Revenue	Primary & Secondary Education
04/13/2016	6.160	Phoenix Industrial Dev Auth	Revenue	Industrial Development
04/14/2016	15.185	Pima Co-Arizona	Revenue	General Purpose/ Public Imp
04/14/2016	28.750	Pima Co-Arizona	Revenue	General Purpose/ Public Imp
04/26/2016	25.370	Maricopa Co Industrial Dev Auth	Revenue	Primary & Secondary Education

EXHIBIT B

Arizona
Sole and Senior Managed
Long-Term Fixed Rate Negotiated General Obligation Bond Underwriting Experience

	All GO Bonds		All Tax-Exempt Bonds	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date	5	$ 164.5	5	$ 164.5
2015	14	413.5	14	413.4
2014	17	443.1	17	443.1

National
Sole and Senior Managed
Long-Term Fixed Rate Negotiated General Obligation Bond Underwriting Experience

	All GO Bonds		All Tax-Exempt Bonds	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date	129	$ 2,430.8	125	$ 2,369.7
2015	458	10,581.9	441	9,809.7
2014	368	12,203.0	346	11,710.7

Arizona
Sole and Senior Managed
Long-Term Fixed Rate Negotiated Pledged Revenue Obligation Underwriting Experience

	All Excise Tax Revenue Obligations		All Tax-Exempt Bonds	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date	10	$ 204.8	8	$ 185.9
2015	10	235.7	9	220.7
2014	12	209.0	11	208.8

National
Sole and Senior Managed
Long-Term Fixed Rate Negotiated Pledged Tax Revenue Obligation Underwriting Experience

	All Excise Tax Revenue Obligations		All Tax-Exempt Bonds	
Year	**# of**	**$ Volume**	**# of**	**$ Volume**
2016 to date	57	$ 3,366.3	48	$ 2,907.5
2015	258	18,136.5	209	15,344.1
2014	198	13,427.8	159	10,860.1

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Rick Tadder, Management Services Director

Date: 05/15/2016

Meeting Date: 05/31/2016

TITLE:

Consideration and Adoption of Ordinance No. 2016-28: An ordinance of the Council of the City of Flagstaff, Coconino County, Arizona, approving and authorizing the sale and issuance of City of Flagstaff, Arizona general obligation bonds, series 2016, in the total aggregate principal amount of not to exceed $18,200,000 and all matters related thereto; prescribing certain terms and conditions of such bonds including the delegation to the Management Services Director of the City to designate the final principal amount, maturities, interest rates and yields and other matters with respect to such bonds; awarding a contract for the purchase of such bonds; ratifying preparation of a preliminary official statement and approving the use and distribution thereof and approving the preparation of a final official statement and the execution, use and distribution thereof ***(General Obligation Debt Authorization - Open Space, Core Facility, and Watershed Protection)***

RECOMMENDED ACTION:

At the May 31, 2016 Council Meeting:

1) Read Ordinance No. 2016-28 by title for the first time
2) City Clerk reads Ordinance No. 2016-28 by title only (if approved above)

At the June 7, 2016 Council Meeting:

3) Read Ordinance No. 2016-28 by title only for the final time
4) City Clerk reads Ordinance no. 2016-28 by title only (if approved above)
5) Adopt Ordinance No. 2016-28

Executive Summary:

This ordinance allows for the issuance of General Obligation debt as approved by voters in 2004 and 2012. Debt will be issued for the Core Maintenance Facility, Open Space, and Forest Health and Watershed Protection. An ordinance for this action is required by City Charter ARTICLE VI - FINANCE AND TAXATION, Section 5 - WHEN ACTIONS ARE TO BE TAKEN BY ORDINANCE.

Financial Impact:

Series 2016 General Obligation Bonds will be issued as New Money Bonds in an amount not to exceed $18.2 million to include all or a portion of the following:

- 2004 authorization - $7,600,000 for Open Space and FUTS acquisition. Anticipate issuing remaining $2,2000,000 of the authorization.
- 2012 authorization - $14,000,000 for a Core Services Maintenance Facility. Anticipate issuing the full amount of the authorization.
- 2012 authorization - $10,000,000 for Forest Health and Watershed Protection Project. Anticipate issuing $2,000,000 of the remaining $8,000,000 authorization.

These bonds will be issued as General Obligation Bonds and will be repaid through secondary property tax collections within the current rate of $0.8366 per $100 of assessed valuation.

Connection to Council Goal and/or Regional Plan:

COUNCIL GOALS:

2) Ensure Flagstaff has a long-term water supply for current and future needs
3) Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics
11) Ensure that we are as prepared as possible for extreme weather events

REGIONAL PLAN:

Goal OS.1. The region has a system of open lands, such as undeveloped natural areas, wildlife corridors and habitat areas, trails, access to public lands, and greenways to support the natural environment that sustains our quality of life, cultural heritage, and ecosystem health.
Goal WR.6. Protect, preserve, and improve the quality of surface water, groundwater, and reclaimed water in the region.
Goal LU.7. Provide for public services and infrastructure.
Goal REC.1. Maintain and grow the region's healthy system of convenient and accessible parks, recreation facilities, and trails.

Has There Been Previous Council Decision on This:

Yes. Council authorized the 2004 and 2012 elections which voters approved the issuance of debt for the specific projects. Issuing debt was anticipated when the voters approved the questions on the ballots.

Options and Alternatives:

• Approve the Ordinance as written allowing the City to move forward with the issuance of New Money Bonds as General Obligation debt. Pros-Allows for cash flow necessary to complete voter approved projects while maintaining current secondary property tax rate. Cons-Increases City debt.
• Recommend changes to the Ordinance modifying the issuance of either the New Money Bonds. Pros and Cons are dependent on changes.
• Do not approve the issuance of General Obligation Debt. Pros-Delays level of debt for the City. Cons-Projects may need to stop and the City will need to find the cash flow for work completed to date.

Background/History:

On May 18, 2004 the City of Flagstaff voters approved 10 projects. The remaining authorization for General Obligation Bonds include $2,800,000 for the Lake Mary Regional Park and Other Parks Land Acquisitions and the final $2,200,000 of the $7,600,000 authorized for Open Space and FUTS projects. This ordinance contemplates the issuance of $2,200,000 in the remaining Open Space/FUTS authority to be used for the continued expansion of our City's FUTS trail system. The full $2,200,000 in FUTS/Open Space bonds may not be issued dependent on the work program for the FUTS trail construction over the next two years. As authorized in this ordinance, Rick Tadder, Management Services Director will finalize this decision before the final bond sale.

On November 6, 2012, the City voters approved $24,000,000 in General Obligation bonds to be issued. $14,000,000 for a Core Services Facility and $10,000,000 for the Forest Health project. The City has issued the initial $2,000,000 to advance the forest health project and this next $2,000,000 issuance is believed to be adequate for the next two years. This ordinance contemplates the issuance of $14,000,000 for the Core Services Facility. The entire amount is proposed at this time as the City has approved a Design/Build agreement and it is anticipated completion the project within the next 12-18 months. Again, as authorized in this ordinance, Rick Tadder, Management Services Director will finalize the amount to be issued before the final bond sale.

The proposed ordinance includes the maximums contemplated to be issued to provide the greatest flexibility in both amount and timing. This authorization allows us to go into the market with the most favorable factors in play including market saturation, rates, and ratings.

While the purpose of this agenda item is to approve an ordinance to allow the City to issue debt, we have included a draft Preliminary Official Statement and Purchase Agreement as informational documents you may review. These documents have been reviewed by our Financial Advisors and Bond Counsel. These are materially complete however may have some changes prior to completion of the debt transactions. Final documents will be available upon request to the Management Services Director.

Expanded Financial Considerations:

The New Money Bonds will be paid through the assessment of secondary property taxes. To meet the promise made to the public to hold the secondary property rate flat, the City will use strategies including using the secondary property tax reserves and issuing debt that is layered in so that the City can maintain the existing secondary property tax rate of $0.8366 per $100 of assessed valuation.

Once the fund balance reserve in our Secondary Property Tax Fund has been drawn down, the City will not be able to replenish it. Legislation has been passed that caps the annual assessed valuation increase and it sets a maximum levy amount annually to match the current debt payments and the payments anticipated through new issues.

Community Benefits and Considerations:

The community benefits by having the City complete the projects as promised to the voters in the 2004 and 2012 elections.

Community Involvement:

The process to authorize the issuance of debt is to INFORM the public.
The process to select the projects that were voted on by the public involved: Consult, Involve, Collaborate and Empower.

Attachments: Ordinance 2016-28
Draft Preliminary Official Statement
Draft Bond Purchase Agreement

ORDINANCE NO. 2016-28

AN ORDINANCE OF THE COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION BONDS, SERIES 2016, IN THE TOTAL AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $18,200,000 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE MANAGEMENT SERVICES DIRECTOR OF THE CITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS; AWARDING A CONTRACT FOR THE PURCHASE OF SUCH BONDS; RATIFYING PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE USE AND DISTRIBUTION THEREOF AND APPROVING THE PREPARATION OF A FINAL OFFICIAL STATEMENT AND THE EXECUTION, USE AND DISTRIBUTION THEREOF

RECITALS:

WHEREAS, at a special bond election held in and for the City of Flagstaff, Arizona (the "City"), on May 18, 2004 (the "2004 Election"), there was submitted to the qualified electors thereof, among others, the following questions:

QUESTION NO. 302

Purpose: **Neighborhood Open Space and FUTS Land Acquisition**

Amount: **$7,600,000**

To provide neighborhood open spaces and land for the Flagstaff Urban Trail System, shall the City of Flagstaff be authorized to sell and issue general obligation bonds in the principal amount of up to $7,600,000:

- for the acquisition of up to approximately 550 acres of open space lands in and around the City's neighborhoods consisting of wildlife habitat, geological features, riparian and scenic areas, and buffers spread throughout the City and for the connection of neighborhoods, parks, schools, employment, shopping and other areas with approximately 50 miles of the Flagstaff Urban Trails System; and

- to pay all costs and expenses properly incidental thereto and to the issuance of bonds?

The bonds will be in one or more series, will not mature more than 25 years from the date or dates of their issuance, will bear interest at a rate or rates not to exceed 10% per annum, and will have such other provisions as are approved by the City Council.

A vote for the bonds shall have the effect of allowing the City Council to issue up to $7,600,000 in general obligation bonds for acquisition of land for the provision of neighborhood open spaces and the Flagstaff Urban Trails System.	***For the Bonds***	☐
A vote against the bonds shall have the Effect of not allowing the City Council to issue up to $7,600,000 in general obligation bonds for acquisition of land for the provision of neighborhood open spaces and the Flagstaff Urban Trails System.	***Against the Bonds***	☐

WHEREAS, the returns of the 2004 Election were duly canvassed by the Mayor and Council of the City and a certificate disclosing the purpose of the 2004 Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the question was ordered and has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, a majority of the qualified electors of the City, voting at the 2004 Election voted "For the Bonds," in answer to such Question submitted; and

WHEREAS, at a special bond election held in and for the City on November 6, 2012 (the "2012 Election" and, with the 2004 Election and the 2010 Election, the "Elections"), there was submitted to the qualified electors thereof, among others, the following questions:

QUESTION NO. 405

Purpose: **Forest Health and Water Supply Protection Project**

Amount: **$10,000,000**

To prevent flood damage to the City of Flagstaff ("City"), and to protect the City water supply from damages which occur from large-scale and/or severe wildfire(s) in two watersheds serving the City, shall the City be authorized to sell and issue general obligation bonds in a principal amount up to $10,000,000:

- to expedite and conduct forest treatments in the Dry Lake Hills watershed north of town to reduce wildfire threat, thereby mitigating subsequent flooding to Sunnyside, downtown, the NAU campus, and neighborhoods bordering the Rio de Flag;
- to plan and conduct forest treatments in the Lake Mary watershed south of the City to reduce wildfire threat, thereby protecting the storage capacity and water quality of Lake Mary; and
- to pay all costs and expenses properly incidental thereto and to the issuance of bonds?

The bonds may be issued in one or more series, will not mature more than 25 years from the date or dates of their issue, will bear interest at a rate or rates not to exceed 10% per annum, and will have such other provisions as are approved by the City Council. The following sentence has been included on this ballot as required by Arizona Revised Statutes 35-454(C):

The issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on the bonds.

A vote for the bonds shall have the effect of allowing the City Council to issue up to $10,000,000 in general obligation bonds for planning and implementation of forest health and water supply protection projects.	**For the Bonds**	☐
A vote against the bonds shall have the effect of not allowing the City Council to issue up to $10,000,000 in general obligation bonds for planning and implementation of forest health and water supply protection projects.	**Against the Bonds**	☐

QUESTION NO. 406

Purpose: **Core Services Maintenance Facility**

Amount: **$14,000,000**

To provide adequate space for maintenance, storage and repair of City fleet and equipment; materials storage, administrative offices and space for other City needs including Facility Maintenance, Park Maintenance, Street Maintenance, Solid Waste and other Public Works & Utility functions, shall the City of Flagstaff be authorized to sell and issue general obligation bonds in a principal amount up to $14,000,000:

- for acquisition of land, purchase of equipment, building design and construction, and/or rehabilitation of existing facilities for a core services maintenance center; and
- for the infrastructure and utilities associated with the acquired facilities; and
- to pay all costs and expenses properly incidental thereto and to the issuance of bonds.

The bonds may be issued in one or more series, will not mature more than 25 years from the date or dates of their issue, will bear interest at a rate or rates not to exceed 10% per annum, and will have such other provisions as are approved by the City Council. The following sentence has been included on this ballot as required by Arizona Revised Statutes 35-454(C): The issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on the bonds.

A vote for the bonds shall have the effect of allowing the City Council to issue up to $14,000,000 in general obligation bonds to design and construct and/or rehabilitate an existing facility of a core services maintenance facility.	**For the Bonds**	☐
A vote against the bonds shall have the effect of not allowing the City Council to issue up to $14,000,000 in general obligation bonds to design and construct and/or rehabilitate an existing facility of a core services maintenance facility.	**Against the Bonds**	☐

WHEREAS, the returns of the 2012 Election were duly canvassed by the Mayor and Council of the City and a certificate disclosing the purpose of the 2012 Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the question was ordered and has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, a majority of the qualified electors of the City, voting at the 2012 Election voted "For the Bonds," in answer to such Questions submitted; and

WHEREAS, the Mayor and Council of the City have determined to sell and issue a portion of the remaining amounts of such bonds (the " Bonds") as general obligation bonds for the purposes granted at the Elections; and

WHEREAS, the Mayor and Council of the City retained Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the financial advisor pursuant to Contract 2015-74; and

WHEREAS, the City has received a proposal from and is entering into a contract with RBC Capital Markets LLC (the "Underwriter") for the purchase of the Bonds and have determined that the Bonds be sold through negotiation to the Underwriter pursuant to a request for information dated April 18, 2016; and

WHEREAS, all things required to be done preliminary to the authorization, sale and issuance of the Bonds have been duly done and performed in the manner required by law, and the Mayor and Council of the City are now empowered to proceed with the sale and issuance of the Bonds;

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, AS FOLLOWS:

SECTION 1. (a) The Bonds, to provide funds for purposes set forth in the above-mentioned forms of ballot questions submitted to the qualified electors of the City at the Elections, are hereby authorized to be sold and issued.

(b) The Bonds constitute the fourth series of bonds of a total authorized amount of not to exceed $94,000,000 principal amount of bonds of the City approved by the qualified electors of the City at the 2004 Election and the second series of bonds of a total authorized amount of not to exceed $24,000,000 principal amount of bonds of the City approved by the qualified electors of the City at the 2012 Election and are authorized by the provisions of Title 35, Chapter 3, Article 3, Arizona Revised Statutes.

(c) The proceeds from the sale of the Bonds shall be credited against the total principal amount of bonds and the specific amount of bonds so authorized by the qualified electors of the City at the Elections and for each respective purpose and project as set forth in the applicable question on the official form of ballot and the proceeds of the Bonds shall be applied to each respective purpose and project as determined by the Management Services Director of the City on behalf of the City.

(d) Proceeds of the sale of the Bonds shall be deposited in the treasury of the City to the credit of the “Series 2016 Construction Fund” of the City in three separate accounts as follows in the amounts determined as provided in subsection (c):

Name of Account

"Neighborhood Open Space – Series 2016"

"Street and Utilities Account – Series 2016"

"Forest Initiative Account – Series 2016"

to be used solely for the purposes specified in the aforementioned ballot questions submitted to the qualified electors of the City at the Elections; provided, however, that (a) such proceeds may be invested in the manner and under the circumstances allowed by law and (b) any moneys remaining in any subfund after such purposes shall have been accomplished shall be transferred to the applicable, hereinafter defined "Redemption Fund" and "Interest Fund" in the same fashion as taxes.

SECTION 2. The Bonds shall be designated "General Obligation Bonds, Series 2016."

SECTION 3. The Management Services Director of the City is hereby authorized and directed to determine on behalf of the City: (1) the sales date of the Bonds and the dated date and principal amount of the Bonds (but not to exceed $18,200,000 principal amount) and the amounts to be allocated to each of the purposes authorized by the Elections and to the City's legally available constitutional and statutory debt limits for indebtedness; (2) the final principal and maturity schedule of the Bonds (but none of the Bonds to mature more than twenty (20) years from their date of issuance); (3) the interest rate on each maturity of the Bonds (but not to exceed five percent (5%) per annum) and the dates for payment of such interest (the "interest payment dates"); (4) the provisions for redemption in advance of maturity of the Bonds; (5) the sales price and terms of the Bonds (including for underwriting compensation, original issue discount and premium) and (6) the provision for credit enhancement, if any, for the Bonds upon the advice of the Underwriter; provided, however, that such determinations must result in a yield for federal income tax purposes of not to exceed four percent (4%) with respect to the Bonds.

SECTION 4. (a) The Bonds shall separately be numbered, by maturity, from one (1) consecutively upwards; shall be fully registered Bonds without coupons; shall be in the denomination of $5,000 of principal or any integral multiple thereof and shall bear interest from the most recent July 1 or January 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date. The principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender thereof at the designated corporate trust office of Zions Bank, a division of ZB, National Association (the "Bond Registrar and Paying Agent"). Interest on the Bonds shall be payable by check mailed to the registered owner thereof, as shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. Such special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of the Bonds not less than ten (10) days prior thereto. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

(b) (i) The Management Services Director of the City, for and on behalf of the City, is hereby authorized and directed to execute and deliver a standard form of contract therewith covering such services, with such additions, deletions and modifications as shall be approved by the Management Services Director of the City, and such execution and delivery shall constitute conclusive evidence of the approval of such officer thereto. The Bond Registrar and Paying Agent shall maintain the books of the City for the registration of ownership of each Bond. A Bond may be transferred on the applicable registration books upon delivery of the Bond to the Bond Registrar and Paying Agent, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of the Bond to be transferred or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Bond. No transfer of any Bond shall be effective until entered on the registration books.

(ii) In all cases upon the transfer of a Bond, the Bond Registrar and Paying Agent shall enter the transfer of ownership in the applicable registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same series and the denominations of $5,000 of principal amount or any integral multiple thereof (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Section. All costs and expenses of initial registration and payment shall be borne by the City, but the City or the Bond Registrar and Paying Agent shall charge the registered owner of such Bond, for every such transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer and may require that such transfer fee, tax or other governmental charge be paid before any such new Bond shall be delivered.

(iii) The City and the Bond Registrar and Paying Agent shall not be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the fifteenth (15th) business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption.

(iv) At the time of issuance thereof, the Bonds shall separately be subject to a Book-Entry System (as that term is hereinafter defined) of ownership and transfer, except as provided in subsection (3) of this subsection. The general provisions for effecting the Book-Entry System are as follows:

(1) The City hereby designates The Depository Trust Company, New York, New York, as the initial Depository (as that term is hereinafter defined) hereunder.

(2) Notwithstanding the provisions of this Section or of the Bonds to the contrary and so long as the Bonds are subject to a Book-Entry System, the Bonds shall initially be evidenced by one typewritten certificate for each maturity of such series in an amount equal to the aggregate principal amount thereof. The Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Bonds may not thereafter be transferred or exchanged on the registration books of the City maintained by the Bond Registrar and Paying Agent except:

(A) to any successor Depository designated pursuant to subsection (3) of this subsection;

(B) to any successor nominee designated by a Depository or

(C) if the City shall elect to discontinue the Book-Entry System pursuant to subsection (3) of this subsection, the City shall cause the Bond Registrar and Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the Beneficial Owners (as that term is hereinafter defined) or their nominees, as certified by the Depository, at the expense of the City; thereafter the other applicable provisions of this Ordinance regarding registration, transfer and exchange of the Bonds shall apply.

(3) The Bond Registrar and Paying Agent, pursuant to a request from the City for the removal or replacement of the Depository, and upon thirty (30) days' notice to the Depository, may remove or replace the Depository. The Bond Registrar and Paying Agent shall remove or replace the Depository at any time pursuant to the request of the City. The Depository may determine not to continue to act as Depository for the Bonds upon thirty (30) days' written notice to the City and the Bond Registrar and Paying Agent. If the use of the Book-Entry System is discontinued, then after the Bond Registrar and Paying Agent has made provision for notification of Beneficial Owners of their book entry interests in the Bonds by appropriate notice to the then Depository, the City and the Bond Registrar and Paying Agent shall permit withdrawal of the Bonds from the Depository and authenticate and deliver the Bond certificates in fully registered form for the applicable series and in denominations authorized by this Section to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bond certificates) of the City.

(4) So long as the Book-Entry System is used for the Bonds, the City and the Bond Registrar and Paying Agent shall give any notice of redemption or any other notices required to be given to registered owners of Bonds only to the Depository or its nominee registered as the owner thereof. Any failure of the Depository to advise any of its participants, or of any participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds to be redeemed or of any other action premised on such notice. Neither the City nor the Bond Registrar and Paying Agent shall be responsible or liable for the failure of the Depository or any participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Bonds or any error or delay relating thereto.

(5) Notwithstanding any other provision of this Section or of the Bonds to the contrary, so long as the Bonds are subject to a Book-Entry System, it shall not be necessary for the registered owner to present the applicable Bond for payment of mandatory redemption installments, if any. The mandatory redemption installments may be noted on books kept by the Bond Registrar and Paying Agent and the Depository for such purpose, and the Bonds shall be tendered to the Bond Registrar and Paying Agent at their maturity.

(6) For purposes of this Section, "Beneficial Owners" shall mean actual purchasers of the Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository; "Book-Entry System" shall mean a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository hereunder for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds and "Depository" shall mean The Depository Trust Company, New York, New York or any successor depository designated pursuant to this Section.

(c) Not more than forty-five (45) nor less than thirty (30) days before any redemption date, the Bond Registrar and Paying Agent shall cause a notice of any such redemption to be mailed by first class mail, postage prepaid, to the registered owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar and Paying Agent. Failure to mail notice to any registered owner of Bonds shall not affect the validity of the proceeding for the redemption of Bonds with respect to the registered owners of other Bonds.

SECTION 5. In case any Bond becomes mutilated, destroyed or lost, the City shall cause to be executed and delivered a new Bond of like type, date, maturity and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the City in connection therewith and, in the case of a Bond destroyed or lost, filing with the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such Bond was destroyed or lost, and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

SECTION 6. (a) The Bonds shall be executed on behalf of the City by the Mayor and attested by the Clerk of the City with their manual or facsimile signatures, and such officials are hereby authorized and directed to execute and attest the Bonds as aforesaid.

(b) The Management Services Director of the City is hereby authorized to execute and deliver the hereinabove described contract with the Bond Registrar and Paying Agent, the hereinafter described Undertaking and the hereinafter defined Bond Purchase Agreement.

SECTION 7. The Bonds shall be in substantially the following form, allowing those executing the Bonds to make the insertions and deletions necessary to conform the Bonds hereto:

[Form of Bond]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.*

REGISTERED
NO. .....

REGISTERED
$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF COCONINO

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BOND,
SERIES 2016

Interest Rate:	Maturity Date:	Dated:	CUSIP:
.....% per annum	.....	....., 2016	338423 ....

REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: ..... DOLLARS

THE CITY OF FLAGSTAFF, ARIZONA, a body politic and corporate, duly created and existing under the laws of the State of Arizona (the "City"), for value received, hereby promises to pay to the Registered Owner indicated above, or registered assigns, the Principal Amount indicated above on the aforesaid Maturity Date, and to pay interest on the Principal Amount at the aforesaid Interest Rate on ..... 1, 20.., and on ..... 1 and ..... 1 of each year thereafter (each an "interest payment date") from the date of this Bond to its maturity or its redemption prior to maturity. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office of ..... (the "Bond Registrar and Paying Agent"). Interest on this Bond is payable by check mailed to the registered owner hereof, as shown on the registration books for this series maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date, and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue

* Insert so long as The Depository Trust Company, New York, New York, is the Depository.

interest, and notice of the special record date shall be given to the registered owners of the Bonds not less than 10 days prior thereto. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

The bonds of this series (the "Bonds") represent the fourth installment of an aggregate voted amount of $94,000,000 principal amount approved at a special bond election duly called and held in for the City of Flagstaff, Arizona (the "City"), on May 18, 2004 and the second installment of an aggregate voted amount of $24,000,000 principal amount approved at a special bond election duly called and held in for the City on November 6, 2012, for the purposes provided in Questions No.s 302 and 405 and 406, respectively, considered at such elections. This Bond is one of a series of such bonds, issued in the aggregate principal amount of $.....,000, of like tenor except as to maturity date, rate of interest and number by virtue of an ordinance (the "Ordinance"), duly adopted prior to the issuance hereof, and pursuant to and in conformity with the Constitution and the laws of the State of Arizona, including particularly, Article 3 of Chapter 3 of Title 35 of the Arizona Revised Statutes, the Charter of the City and all other laws of the State of Arizona relating thereto.

For the punctual payment of this Bond, and the interest hereon, there shall be levied on all the taxable property in the City a continuing, direct, annual, *ad valorem* tax sufficient to pay all such principal and interest of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected.

The Bonds maturing on July 1, ..., and July 1, ..., are not subject to redemption prior to maturity. The Bonds maturing on or after July 1, ..., are subject to optional redemption prior to maturity, in whole or in part, on July 1, ..., or any date thereafter, by the payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium, the premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

Redemption Dates	Premium
July 1, ..., and January 1, ...	....%
July 1, ..., and thereafter	0.0

The Bonds maturing on July 1, ..., shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

Year	Amount
	$

A remaining principal amount of $.....,000 of Bonds maturing on July 1, ..., shall mature on July 1, ...

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 1, ..., the Bond Registrar and Paying Agent shall proceed to select for redemption (by lot in such manner as the Bond Registrar and Paying Agent may determine) from all the Bonds maturing on July 1, ..., outstanding a principal amount of the Bonds maturing on July 1, ..., equal to the aggregate principal amount of the Bonds maturing on July 1, ..., to be redeemed and shall redeem such Bonds maturing on July 1, ..., on the next July 1 and give notice of such redemption.

Not more than forty-five (45) nor less than thirty (30) days before any redemption date, the Bond Registrar and Paying Agent shall cause a notice of any such redemption to be mailed by first class mail, postage prepaid, to the registered owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar and Paying Agent. Failure to mail notice to any registered owner of Bonds shall not affect the validity of the proceeding for the redemption of Bonds with respect to the registered owners of other Bonds.

The Bond Registrar and Paying Agent will maintain the books of the City for the registration of ownership of each Bond as provided in the Ordinance.

This Bond may be transferred on the registration books upon delivery hereof to the Bond Registrar and Paying Agent, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of a Bond, the Bond Registrar and Paying Agent will enter the transfer of ownership in the registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the denominations of $5,000 of principal amount or any integral multiple thereof (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Ordinance. All costs and expenses of initial registration and payment will be borne by the City, but the City or the Bond Registrar and Paying Agent will charge the registered owner of such Bond, for every such transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The City and the Bond Registrar and Paying Agent will not be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption.

This Bond shall not be entitled to any security or benefit under the Ordinance or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due

form and time as required by law; (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the City, does not exceed any applicable constitutional or statutory limitation; and (iii) that due provision has been made for the levy and collection of a direct, annual, *ad valorem* tax upon taxable property within the City over and above all other taxes authorized as limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, THE CITY OF FLAGSTAFF, ARIZONA, has caused this Bond to be executed in the name of the City by the facsimile signature of its Mayor and attested by the facsimile signature of its Clerk.

CITY OF FLAGSTAFF, ARIZONA

By (Facsimile)
.....
Mayor

ATTEST:

(Facsimile)
.....
Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the City of Flagstaff, Arizona General Obligation Bonds, Series 2016.

Date of Authentication: .....

.....,
as Bond Registrar and Paying Agent

By.....
Authorized Officer

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto ..... the within Bond and irrevocably constitutes and appoints ..... attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ....

Signature Guaranteed:

....

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

ALL FEES AND COSTS OF TRANSFER
SHALL BE PAID BY THE TRANSFEROR

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulation.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT - ..... Custodian .....
(Cust) (Minor)

under Uniform Transfers to Minors Act .....
(State)

Additional abbreviations may also be used though not included in the above list.

SECTION 8. In each year while any of the Bonds shall be outstanding, there shall be and hereby is levied upon all taxable property within the City a continuing, direct, annual, *ad valorem* tax over and above all other taxes authorized or limited by law, which tax, together with other funds then on hand and available for such purposes, shall be sufficient to pay the principal of and interest on the Bonds as the same become due, and the officials of the City and Coconino County, Arizona, charged with the annual extension and collection of taxes, without further instructions from the Mayor and Council of the City, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the City, to the credit of an applicable, separate “Bond Fund” of the City for the Bonds, from which funds the Bonds shall be payable, which tax moneys shall be held in subfunds in each such fund to be known as the “Interest Fund” and the “Redemption Fund”, which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of the Bonds.

SECTION 9. The Management Services Director of the City is hereby authorized to accept a proposal of the Underwriter for the purchase of the Bonds, and the Bonds are hereby ordered sold to the Underwriter in accordance with the terms of the Bond Purchase Agreement presented to the Mayor and Council of the City at the meeting at which this Ordinance was adopted (the "Bond Purchase Agreement") and which is hereby approved. The Management Services Director of the City is hereby authorized to execute and deliver the Bond Purchase Agreement, for and on behalf of the City, in substantially the form submitted to the Mayor and Council of the City at the meeting at which this Ordinance was adopted and in a final form satisfactory to the Management Services Director of the City, and such execution and delivery by the Management Services Director of the City shall indicate the approval thereof on behalf of the City by the City. Upon the sale of the Bonds in accordance with the accepted proposal of the Underwriter and the provisions of this Ordinance and payment therefor, the Mayor, the Clerk or the Management Services Director of the City, or any of them, are hereby authorized and directed to deliver the Bonds to the Underwriter upon receipt of payment therefor.

SECTION 10. (a) As provided in further detail in the Certificate As To Federal Tax Matters delivered by the City at the time of original issuance of the Bonds, the City shall not make or direct the making of any investment or other use of the proceeds of any Bonds which would cause such Bonds to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended, or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of such Code, and the City shall comply with the requirements of such Code sections and related regulations throughout the term of the Bonds. (Particularly, the City shall be the owner of the facilities financed with the proceeds of the sale of the Bonds (hereinafter referred to as the "Facilities") for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), the City shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities.) Also, the payment of principal and interest with respect to the Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Bonds, or amounts treated as proceeds of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund or (iii) may be invested in obligations issued by the United States Treasury. The Mayor and Council of the City hereby further covenant and agree to comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement

executed in connection with the issuance of the Bonds (originally as provided in Section 11 hereof) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In consideration of the purchase and acceptance of the Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the Mayor and Council of the City covenant, and the appropriate officials of the City are hereby directed, to take all action required or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

(b) (i) The City shall take all necessary and desirable steps, as determined by the Mayor and Council, to comply with the requirements hereunder in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under such Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Bond Counsel's Opinion (as such term is hereinafter defined) that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Bonds, or (ii) compliance with some other requirement will meet the requirements of such Code. In the event the City receives such a Bond Counsel's Opinion, this Ordinance shall be amended to conform to the requirements set forth in such opinion.

(ii) If for any reason any requirement hereunder is not complied with, the City shall take all necessary and desirable steps, as determined by the Mayor and Council, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under Regulations section 1.148-3(h) with respect to such Code.

(c) Written procedures have been established for the City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the City will comply.

SECTION 11. (a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the arbitrage certificate of the City delivered in connection with the issuance of the Bonds.

(b) The following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

Bond Yield is as indicated in such arbitrage certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of

Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Bonds and using semiannual compounding on the basis of a 360-day year.

Code shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

Gross Proceeds shall mean:

(i) any amounts actually or constructively received by the City from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

(ii) transferred proceeds of the Bonds under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Bonds in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account.

Investment Property shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

Issue Price is as indicated in such arbitrage certificate, which is the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Bonds was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

Rebate Requirement shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

Receipt shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

Regulations shall mean the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

(c) Within 60 days after the end of each Bond Year, the City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Bonds (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f) or (g), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e., having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Bonds (e.g., a lead underwriter within 15 days of the issue date of the Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to

increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) The City retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code, is hereby authorized.

SECTION 12. (a) (1) The preparation, distribution and use of the Preliminary Official Statement relating to the Bonds in substantially the form presented to the Mayor and Council of the City before the meeting at which this Ordinance was adopted is in all respects hereby ratified, approved and confirmed, and the Management Services Director of the City is hereby authorized to deem the same "final" for purposes of applicable securities laws when finalized.

(2) The Underwriter is authorized to cause to be prepared, and the Management Services Director of the City is authorized and directed to approve, on behalf of the Mayor and Council of the City, and the Management Services Director of the City to execute, a final Official Statement in substantially the form of the Preliminary Official Statement, modified to reflect matters related to the sale of the Bonds, for distribution and use in connection with the offering and sale of the Bonds. The execution of such final Official Statement by the Mayor of the City shall be conclusively deemed to evidence the approval of the status, form and contents thereof by the Mayor and Council of the City.

(b) Subject to annual appropriation to cover the costs of preparing and mailing as necessary therefor, the City shall comply with and carry out all the provisions of a Continuing Disclosure Undertaking, to be dated the date of issuance of the Bonds (hereinafter referred to as the "Undertaking") with respect to the Bonds which the Management Services Director of the City is hereby authorized, for and on behalf of the City, to execute and deliver in substantially the form included in such final Official Statement, with such additions, deletions and modifications as shall be approved by the Management Services Director of the City, and such execution and delivery shall constitute evidence of the approval of such officer of any departures from such form. Notwithstanding any other provision of this Ordinance, failure of the City (if obligated pursuant to the Undertaking) to comply with the Undertaking shall not be considered an event of default; however, any Beneficial Owner (as that term is hereinafter defined) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) is treated as the owner of any Bonds for federal income tax purposes.

SECTION 13. In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall be the registered owners of the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract among the City and the registered owners of the Bonds.

SECTION 14. If any section, paragraph, subdivision, sentence, clause or phrase of this Ordinance is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Ordinance. The Mayor and Council of the City hereby declare that it would have adopted this Ordinance and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Ordinance may be held illegal, invalid or unenforceable.

SECTION 15. All actions of the officers and agents of the City including the Mayor and Council of the City which conform to the purposes and intent of this Ordinance and which further the issuance and sale of the Bonds as contemplated by this Ordinance, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Ordinance.

SECTION 16. All acts and conditions necessary to be performed by the City or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

SECTION 17. All formal actions of this Council concerning and relating to the passage of this Ordinance were taken in an open meeting of this Council, and all deliberations of this Council and of any committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Flagstaff this 7th day of June, 2016.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

CERTIFICATION

I hereby certify that the foregoing Ordinance No. 2016-28 was duly passed and adopted by the Mayor and the Council of the City of Flagstaff, Arizona, at a regular meeting held on the 7th day of June, 2016, and the vote was .... ayes and .... nays and that the Mayor and .... Councilmembers were present thereat.

_____

Elizabeth A. Burke, City Clerk, City of Flagstaff, Arizona

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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2016

NEW ISSUE – BOOK-ENTRY-ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and (ii) will be exempt from income taxation under the laws of the State of Arizona. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however such interest will be taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the Bonds.

DRAFT
5-23-16

$18,200,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2016

Dated: Date of Initial Authentication and Delivery *Due:* July 1, as shown on the inside front cover page

The General Obligation Bonds, Series 2016 (the "Bonds") of the City of Flagstaff , Arizona (the "City"), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial ownership interests in the Bonds may be purchased in amounts of $5,000 of principal due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their date of delivery to their maturity or prior redemption as set forth on the inside front cover page. Interest on the Bonds will accrue from the date of initial authentication and delivery and will be payable semiannually on January 1 and July 1 of each year commencing on January 1, 2017, until maturity or prior redemption.

The Bonds are being issued for the purpose of financing certain improvements in the City and to pay costs relating to the issuance of the Bonds.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The City will initially utilize DTC's "book-entry-only system," although the City and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by _____, the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal, premium, if any, and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the "Beneficial Owners"). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the heading "TAX MATTERS") to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be subject to optional redemption prior to their stated maturity dates as described under the heading "THE BONDS – Redemption Provisions" herein*.

The Bonds will be direct, general obligations of the City, payable as to principal and interest from a continuing, direct, annual, ad valorem tax levied against all of the taxable property located within the boundaries of the City as more fully described herein. The Bonds will be payable from such tax without limit as to rate or amount. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" herein.

The Bonds will be offered when, as and if issued by the City and received by the underwriter identified below (the "Underwriter"), subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed on for the Underwriter by Squire Patton Boggs (US) LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July __, 2016*.

This cover page and inside front cover page contain certain information with respect to the Bonds for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

---

* *Subject to change.*

RBC CAPITAL MARKETS

$18,200,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2016

MATURITY SCHEDULE*
Base CUSIP®[(1)] No. 338423

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP®[(1)] No. 338423
2017	$610,000	%	%	
2018	630,000			
2019	660,000			
2020	675,000			
2021	725,000			
2022	750,000			
2023	775,000			
2024	800,000			
2025	825,000			
2026	875,000			
2027	900,000			
2028	950,000			
2029	975,000			
2030	1,025,000			
2031	1,050,000			
2032	1,100,000			
2033	1,150,000			
2034	1,200,000			
2035	1,250,000			
2036	1,275,000			

* *Subject to change.*

(1) *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, Bond Counsel, the Financial Advisor, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

CITY OF FLAGSTAFF, ARIZONA

CITY COUNCIL

Gerald (Jerry) Nabours, *Mayor*

Celia Bartoz, *Vice Mayor*

Karla Brewster, *Member*

Coral Evans, *Member*

Jeff Oravits, *Member*

Scott Overton, *Member*

Eva Putzova, *Member*

ADMINISTRATIVE OFFICIALS

Josh Copley, *City Manager*

Shane Dille, *Deputy City Manager*

Barbara Goodrich, *Deputy City Manager*

Rick Tadder, *Management Services Director*

Sterling Solomon, *Interim City Attorney*

Elizabeth Burke, *City Clerk*

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

BOND REGISTRAR AND PAYING AGENT

_____

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the "City"), Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") or RBC Capital Markets, LLC (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 will there be any sale of the City's General Obligation Bonds, Series 2016 (the "Bonds") 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 page and appendices hereto, has been obtained from the City, the Arizona Department of Revenue, the Assessor, the Finance Department and the Treasurer of Coconino County, Arizona, 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, the Financial Advisor 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, the Financial Advisor or the Underwriter.

None of the City, the Financial Advisor, the Underwriter, Bond Counsel (as defined herein) or Counsel to the Underwriter 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, the Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

The presentation of information, including tables of receipts from taxes and other sources, shows 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 are based on past experience and on the latest information available and are believed to be 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 opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions 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, the Financial Advisor or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$18,200,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2016

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and Appendices hereto, sets forth information concerning the offering by the City of Flagstaff, Arizona (the "City" or "Flagstaff") of its General Obligation Bonds, Series 2016 in the aggregate principal amount of $18,200,000* (the "Bonds"). See APPENDIX A - "THE CITY – GENERAL AND FINANCIAL INFORMATION" and APPENDIX D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for certain information regarding the City.

Reference 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. The provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes, and an ordinance adopted by the Mayor and Council of the City on June 7, 2016 (the "Ordinance"). The Bonds will constitute a portion of the bonds authorized by the voters at special bond elections held in the City on May 18, 2004 and November 6, 2012, and will be issued for the following purposes (collectively, the "Projects") and to pay costs of issuance of the Bonds:

(i) $2,200,000* Open Space
(ii) $2,000,000* Forest Health and Water Supply Protection Project
(iii) $14,000,000* Core Services Maintenance Facility

After the sale and delivery of the Bonds, the City will have $9,162,713* principal amount of authorized but unissued general obligation bonds remaining. The City has general obligation bonds currently outstanding, and additional general obligation bonds may be authorized at future special bond elections. See TABLE 10A – Direct General Obligations Bonded Debt Outstanding and to be Outstanding in APPENDIX A – "THE CITY – GENERAL AND FINANCIAL INFORMATION."

Terms of the Bonds - Generally

The Bonds will be dated the date of delivery, and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), under the book-entry-only system described herein (the "Book-Entry-Only System"). See APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM." The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of $5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2017 (each an "Interest Payment Date"), until maturity or prior redemption.

See "TAX MATTERS" herein for a discussion of the treatment of interest income on the Bonds for federal or State income tax purposes.

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* *Subject to change.*

Bond Registrar and Paying Agent

_____ will serve as the initial bond registrar, transfer agent and paying agent (the "Bond Registrar and Paying Agent") for the Bonds. The City may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption. The Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of $5,000 or integral multiples thereof from maturities selected by the City, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM." If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX C – "FORM OF CONTINUING DISCLOSURE UNDERTAKING," but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

The Bonds will be direct, general obligations of the City, payable as to principal and interest from ad valorem taxes to be levied on all taxable property within the City without limitation as to rate or amount. Such taxes are to be levied, assessed and collected as other taxes of the City, in an amount sufficient to pay the interest on all the Bonds then outstanding and installments of the principal of the Bonds becoming due and payable in the ensuing year.

The City has paid and may continue to pay the debt service requirements on certain general obligation bonds from water and sewer system revenues which remain after payment of operation and maintenance expenses of the system and revenue bond debt service as indicated in TABLE 10A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX A – "THE CITY – GENERAL AND FINANCIAL INFORMATION." In the event that these net revenues should prove insufficient, or should the City decide not to pay such debt from such net revenues, such indebtedness would then be paid from such ad valorem property taxes.

General obligation bonds heretofore and hereafter issued by the City have and will have an equal claim with the Bonds upon the proceeds of taxes levied for debt service on the Bonds. See TABLE 10A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX A – "THE CITY – GENERAL AND FINANCIAL INFORMATION."

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* *Subject to change.*

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds	
Principal Amount	$18,200,000.00*
Net Original Issue Premium *(a)*	
Total Sources of Funds	
Uses of Funds	
Cost of Projects	
Deposit to Interest Fund *(b)*	
Payment of Costs of Issuance *(c)*	
Total Uses of Funds	

* *Subject to change.*

(a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*

(b) *Reflects net premium from sale of the Bonds that Arizona law requires to be deposited to the Interest Fund.*

(c) *Includes compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.*

ESTIMATED DEBT SERVICE REQUIREMENTS

The following schedule illustrates the (i) annual debt service on the outstanding general obligation bonds of the City, (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all general obligation bonds of the City outstanding after issuance of the Bonds.

TABLE 1

Schedule of Estimated Annual Debt Service Requirements *(a)*
City of Flagstaff

Fiscal Year	Bonds Outstanding *(b)* Principal	Bonds Outstanding *(b)* Interest	The Bonds Principal*	The Bonds Estimated Interest *(c)*	Total Estimated Annual Debt Service Requirements*
2015/16	$ 5,509,319	$ 1,575,147			$ 7,084,466
2016/17	4,955,939	1,407,439	$610,000	$ 699,689 *(d)*	7,673,067
2017/18	4,992,853	1,246,363	630,000	703,600	7,572,816
2018/19	5,105,068	1,085,210	660,000	678,400	7,528,678
2019/20	5,077,592	914,087	675,000	652,000	7,318,678
2020/21	3,755,432	729,371	725,000	625,000	5,834,803
2021/22	3,471,298	584,755	750,000	596,000	5,402,054
2022/23	2,908,822	446,632	775,000	566,000	4,696,454
2023/24	1,226,423	341,043	800,000	535,000	2,902,466
2024/25	1,274,106	295,910	825,000	503,000	2,898,016
2025/26	1,316,872	248,994	875,000	470,000	2,910,866
2026/27	1,359,724	204,368	900,000	435,000	2,899,091
2027/28	1,412,664	158,227	950,000	399,000	2,919,891
2028/29	480,695	110,271	975,000	361,000	1,926,966
2029/30	498,821	91,945	1,025,000	322,000	1,937,766
2030/31	517,043	72,923	1,050,000	281,000	1,920,966
2031/32	425,000	53,200	1,100,000	239,000	1,817,200
2032/33	445,000	36,200	1,150,000	195,000	1,826,200
2033/34	460,000	18,400	1,200,000	149,000	1,827,400
2034/35			1,250,000	101,000	1,351,001
2035/36			1,275,000	51,000	1,326,000
	$ 45,192,672		$ 18,200,000		

* *Subject to change.*

(a) *Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").*

(b) *Represents all general obligation bonded indebtedness outstanding. Also includes funds borrowed under a separate Loan Agreement with the Water Infrastructure Finance Authority of Arizona - see footnote (a) in TABLE 10A. The table above reflects the debt service requirements on the full amount of such Loan Agreement.*

(c) *Interest on the Bonds is estimated at 4.0%*

(d) The first interest payment on the Bonds will be due on January 1, 2017. Thereafter, interest payments will be made semiannually on January 1 and July 1 until maturity or prior redemption.

LITIGATION

To the knowledge of the City, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the issuance or delivery of the Bonds or the levy, collection or receipt of ad valorem property taxes to pay the debt service on the Bonds, contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. An authorized City representative will deliver a certificate to the same effect at the time of the original delivery of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance by the City of the Bonds and with regard to the tax-exempt status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, as Bond Counsel. The form of that opinion is included as APPENDIX B - "FORM OF APPROVING LEGAL OPINION" hereto.

While Bond 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 Bonds that may be prepared or made available by the City or others to the bidders for or holders of the Bonds or others.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP.

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

The legal opinions to be delivered concurrently with the delivery of the Bonds 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 Bonds. 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.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet with respect to the Bonds after the issuance thereof in order that the interest of the Bonds not be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Ordinance to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations,

rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed in individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that the interest on the Bonds will be exempt from taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest in indebtedness incurred to continue to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property or casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion in gross income of interest on the Bonds by recipients of certain Social Security and Railroad Retirement benefits.

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

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

Original Issue Discount and Original Issue Premium

Certain of the Bonds as indicated on the inside front cover page of this Official Statement ("Discount Bonds"), were offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Bond (i) will be 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 Bonds, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover page of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds as indicated on the inside front cover page of this Official Statement ("Premium Bonds"), were offered and will be sold to the public at a price in excess of their stated redemption price (the principal amount) at

maturity in the case of the "Noncallable Premium Bonds" or their earlier call date in the case of the "Callable Premium Bonds." The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be "bond premium." For federal income tax purposes, bond premium is amortized over the period to maturity of a Noncallable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year will be determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

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

Information Reporting and Backup Withholding

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

RATINGS

Standard and Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned the ratings of "__" and "__," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, New York, New York 10041 and Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 downward 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 Bonds.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed to purchase the Bonds, subject to certain conditions, at a purchase price of $_____. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be $_____. The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any of the Bonds are purchased.

CONTINUING DISCLOSURE

The City will covenant for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2017 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices of Listed Events"). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the City as such will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access System, each as described in APPENDIX C – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX C – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission's Rule 15c2-12(b)(5) (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 Bonds in the secondary market. *Pursuant to Arizona Law, the ability of the City to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability..

The City previously entered into continuing disclosure undertakings (the "Prior Undertakings") in connection with the issuance of certain bonds, which require the filing on or before February 1 of each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the "Prior Annual Report"). Until March 22, 2016, the Prior Annual Report with respect to the fiscal year ended June 30, 2015 was not associated with the nine-digit CUSIP numbers for the City's Refunding Certificates of Participation, Series 12 relating to the Arizona Municipal Financing Program and until Jan. 14, 2014, the 2012 Annual Report with respect to the fiscal year ended June 30, 2012, was not associated with the nine-digit CUSIP numbers for the City's Pledged Revenue Refunding Obligations, Series 2012. Certain information required by the Prior Undertakings was filed but not presented in the same format as within official statements for fiscal years ending June 30, 2011 through June 30, 2015. The City did not file notices of the failure to provide the Prior Annual Report. The correctly formatted data was filed on EMMA on January 14, 2014, March 22, 2016 and May __, 2016. The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar undertakings in all material respects.

FINANCIAL ADVISOR

The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the execution and delivery of the Bonds. The Financial Advisor participated in the preparation of the Official Statement but has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: "The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its

responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information."

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2015 and for its fiscal year then ended, which are included as APPENDIX D of this Official Statement, have been audited by Eide Bailly, LLP, as stated in its opinion which appears in APPENDIX D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015." The City neither requested nor obtained the consent of Eide Bailly, LLP to include its report and Eide Bailly, LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement and the Ordinance authorizing execution and delivery of the Bonds may be obtained by contacting the Financial Advisor, Stifel, Nicolaus & Company, Incorporated, 2325 East Camelback Road, Suite 750, Phoenix, Arizona 85016, or by contacting Rick Tadder, Management Services Director, 211 W. Aspen Avenue, Flagstaff, Arizona 86001.

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 part of a contract with the original purchasers or subsequent owners of the Bonds.

CITY OF FLAGSTAFF, ARIZONA

By:_____
Management Services Director

APPENDIX A

CITY OF FLAGSTAFF, ARIZONA
GENERAL AND FINANCIAL INFORMATION

General

The City is northern Arizona's principal population, commerce and education center. Flagstaff is situated in a mountainous region at an elevation of 7,000 feet. At the base of the San Francisco Peaks, including Mount Humphreys (the highest point in the State with an elevation of 12,670 feet), Flagstaff is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater.

Flagstaff was originally founded in the late 1800's as a work camp for construction crews working on the transcontinental railroad. It was incorporated as a town in 1894 and as a city in 1928. It has served as the county seat for Coconino County, Arizona (the "County"), since 1891.

Listed below are U.S. Census population figures for the City, the County and the State.

POPULATION STATISTICS

	City of Flagstaff	Coconino County	State of Arizona
2015 Estimated *(a)*	70,463	141,602	6,758,251
2010 Census	65,870	134,421	6,392,017
2000 Census	52,894	116,320	5,130,632
1990 Census	45,857	96,591	3,665,228
1980 Census	34,743	75,008	2,716,633
1970 Census	26,117	48,326	1,775,399

(a) *Population estimates as of July 1, 2015 (released December 2015) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.*

Source: U.S. Census Bureau and the Arizona Department of Economic Security, Research Administration Population Statistical Unit.

Municipal Government

Flagstaff operates under a Council-Manager form of government as provided by its Charter, which was originally adopted on October 3, 1958. The City Council is comprised of a Mayor and six Council members. The Council members are elected on a non-partisan ballot for four-year staggered terms while the Mayor is elected at large for a two-year term. The Mayor and Council members have equal voting power. The Council is responsible for policy-making, as well as making appointments to advisory boards, commissions and committees. It also appoints Municipal Court Judges and the City Attorney. Additionally, the City Council hires the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City Manager in turn appoints City employees and department heads under civil service procedures as specified in the Charter.

Economy

The economy of Flagstaff is based primarily on government, small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University ("NAU"), Flagstaff is a center of educational, governmental and scientific employment and is becoming a center for research and development as well as the distribution and manufacturing of high technology products. The location of Flagstaff at the junction of Interstates 40 and 17, plus the close proximity of seven national parks and monuments, makes tourism a major source of employment

and a strong contributor to the revenue base of Flagstaff. In addition, Flagstaff serves as the major trade and service center for a wide area of northern Arizona.

The table below sets forth the unemployment rate averages for the City, the County, the State and the United States for the years indicated.

UNEMPLOYMENT RATE AVERAGES

Year	United States	State of Arizona	Coconino County	City of Flagstaff
2016 *(a)*	4.9%	5.5%	6.3%	4.0%
2015	5.3	6.1	6.6	4.5
2014	6.2	6.4	7.1	5.1
2013	7.4	7.9	8.1	5.8
2012	8.1	8.3	8.6	6.1
2011	8.9	9.4	9.5	7.0

(a) *As of February 2016.*

Source: Arizona Department of Administration, Employment and Population Statistics, CES/LAUS Unit; U.S. Department of Labor, Bureau of Labor Statistics.

Total wage and salary employment for the City is unavailable. However, the table below shows a comparison of the changes in annual average employment levels in the various non-agriculture sectors of the County for calendar years 2011 into 2016.

LABOR FORCE AND NONFARM EMPLOYMENT
Coconino County, Arizona

	2016 *(a)*	2015	2014	2013	2012	2011
Mining and construction	2,100	2,200	2,100	2,100	2,100	2,000
Manufacturing	4,400	4,400	4,300	4,300	4,100	3,900
Trade, transportation and utilities	9,900	10,100	10,000	9,800	9,600	9,500
Information	500	500	400	400	400	400
Financial activities	1,300	1,300	1,200	1,200	1,300	1,300
Professional and business services	3,367	3,300	3,000	2,800	2,700	2,600
Educational and health services	9,600	9,400	9,200	8,900	8,500	8,400
Leisure and hospitality	12,067	13,200	13,100	12,800	12,400	12,200
Other services	1,367	1,400	1,500	1,500	1,600	1,700
Government	20,300	20,000	19,700	19,600	19,600	19,600
Total	64,900	65,800	64,500	63,400	62,300	61,600

(a) *Data through March 2016.*

Source: Arizona Department of Economic Security, Research Administration.

The table below sets forth the major employers in the City.

MAJOR EMPLOYERS
City of Flagstaff, Arizona

Employer	Product/Service	Approximate Employment
Northern Arizona University	Education	2,815
Flagstaff Medical Center	Healthcare	2,300
W.L. Gore & Associates	Medical Equipment Manufacturing	2,200
Flagstaff Unified School District	Government	1,436
Coconino County	Government	1,294
City of Flagstaff	Government	872
Wal-Mart	Retail	630
Grand Canyon Railways	Lodging and Travel	600
SCA Tissue	Paper Products Manufacturing	279
Dell Systems	Information Technology	250
Nestle Purina	Distribution Center	240

Source: City of Flagstaff, 2015 Comprehensive Annual Financial Report and Hoover's, a D&B Company.

Manufacturing

The access to interstate highways and close proximity to Southern California markets has made Flagstaff the manufacturing and distribution center for northern Arizona. Flagstaff is the hub of W.L. Gore & Associates medical products division concentrating in the development and manufacturing of implantable medical devices and has been in Flagstaff for over 3 decades. Other bio-science manufacturers located in the City include Machine Solutions, a supplier of catheter and stent manufacturers and TGEN North, a pathogen genomics and bio defense research facility which opened in 2007.

The Northern Arizona Center for Entrepreneurship and Technology ("NACET") is a small-business assistance program founded to help entrepreneurs and startups succeed in northern Arizona. The program offers hands-on consulting to high-tech, science, and renewable energy firms. NACET is part of the Flagstaff's Science & Innovation Park, a collaboration with the U.S. Geological Survey ("USGS"). The U.S. Geological Survey Branch of Astrogeology was established in Flagstaff due to the surrounding number of natural geological landmarks that resembled the surface of the moon. Field training for the astronauts took place at Sunset Crater Volcano National Monument, Meteor Crater, Grand Canyon National Park and other areas in the region. The USGS Branch of Astrogeology continues to be a part of NASA's exploration of space. Staff provides outreach to other science organizations, schools, and to the general public. Scientists provide brown bag lectures on campus and other locations in Flagstaff. The public can take self-guided tours of the facilities and science displays.

Government

Government comprises the largest component of the County's, as well as Flagstaff's, labor force. A number of departments of the federal government maintain offices in Flagstaff, including Agriculture, Commerce, Health, Education and Welfare, Interior, Justice, and Transportation. In particular, the City owns the land and many of the buildings on the USGS campus located in Flagstaff. The City, the Government Services Administration, and the USGS, in cooperation with outside consultants, have developed a new master plan that calls for the eventual demolition of much of the existing campus. It will be replaced by a new USGS facility and is interconnected with the private science-and-technology park. The goal of this project is to facilitate technology transfer between USGS and the private sector. The park will include up to 200,000 square feet of research and manufacturing space. In addition, the United States Forest Service and the National Park Service operate numerous offices in the area.

Commerce

As the principal trade and service center for a large area of northern Arizona, wholesale and retail trade play a large role in the economy of Flagstaff. Both tourists and residents traveling and living within north-central Arizona have access to ten shopping centers in Flagstaff. The table below sets forth retail sales data for the years indicated.

RETAIL SALES DATA
City of Flagstaff, Arizona

Fiscal Year	Sales Tax Receipts	State-Shared Sales Tax Receipts
2016 *(a)*	$ [to be updated]	$ [to be updated]
2015	17,457,210	6,019,776
2014	15,897,892	5,733,507
2013	15,284,658	5,391,580
2012	14,283,540	5,147,101
2011	13,575,385	4,711,821

(a) *Data through _____, 2016*

Source: City of Flagstaff Comprehensive Annual Financial Reports and Arizona Department of Revenue.

After the economic recession, net taxable retail sales in the County increased 5.38% in 2015, after a 3.90% increase in 2014 and a 2.17% increase in 2012 and a total increase of 25.48% since 2011. Net taxable retail sales for the County for the past six fiscal years are set forth below:

TAXABLE RETAIL SALES
Coconino County
Net Taxable Retail Sales *(a)*

Calendar Year	Amount
2016 *(b)*	$ 190,662,784
2015	1,219,927,577
2014	1,087,574,596
2013	1,032,088,898
2012	993,362,699
2011	972,230,016

(b) *Excludes taxes on food and gasoline.*

(c) *As of February 2016.*

Source: Arizona Department of Revenue.

Banking Institutions

The following table sets forth bank deposits in the County.

BANK DEPOSITS
Coconino County
(in millions)

Fiscal Year	Amount
2015	$1,623
2014	1,355
2013	1,361
2012	1,190
2011	1,125

Source: Federal Deposit Insurance Corporation, Summary of Deposits.

Tourism

Flagstaff is located near such tourist attractions as the Grand Canyon, the Glen Canyon Dam and Lake Powell, Sunset Crater, Walnut Canyon, and the scenic recreational attraction of Oak Creek Canyon. Located near Flagstaff are various United States Forest Service park areas for camping, stream and lake fishing, swimming, water skiing and hunting. Snow-skiing is available in the winter at the Arizona Snowbowl, a few miles north of Flagstaff. Annual summer festivities in Flagstaff include an art, music, and theater festival. The J. Lawrence Walkup Skydome at NAU, with a seating capacity of 16,000, can be adapted to a variety of events including football, basketball, ice hockey, badminton, volleyball, track, intramurals, and cultural and entertainment events.

The following table sets forth the number of visitors to selected national parks and monuments which are located near Flagstaff.

TOURISM STATISTICS BY NUMBER OF VISITORS

Calendar Year	Grand Canyon National Park	Montezuma Castle National Monument	Sunset Crater National Monument	Walnut Canyon National Monument	Wupatki National Monument
2015	5,520,736	416,635	182,203	153,322	212,828
2014	4,756,771	407,017	176,723	135,230	195,962
2013	4,564,840	389,091	184,684	125,267	190,878
2012	4,421,352	455,305	177,793	110,748	201,365
2011	4,298,178	573,731	185,265	125,003	216,165

Source: National Park Service Public Use Statistics Office.

Education

Flagstaff is served by twelve public elementary schools, two middle schools, two high schools and several private and charter schools.

NAU is the leading employer in the City, with approximately 2,814 full-time faculty and staff. NAU is a fully-accredited, four-year degree-granting institution of higher learning. NAU's fall semester total headcount was estimated

at 29,031 students (including full-time and part-time undergraduate and graduate students). NAU's main campus is located on a 730-acre site in the City.

Coconino County Community College District (the "College"), founded in 1991, is a multi-campus college serving residents of the County with classes offered in the City, Williams, Grand Canyon, Fredonia, Page/Lake Powell and Tuba City. The College provides students with a variety of courses as well as Associate Degree and Certification programs. The college serves more than 7,500 students per year with two campuses in the City. The Flagstaff Lone Tree Campus houses the College's administrative offices, as well as the majority of the general education courses. The Flagstaff Medical Center Institute for Nursing Education as well as other vocational programs like fire science and construction management.

Transportation

Flagstaff is served by main lines of the Burlington Northern, Santa Fe and Amtrak Railroads, one transcontinental busline (Greyhound/Trailways), and seven interstate and four intrastate truck lines. Interstate Highways 17 and 40, as well as State Highways 89, 89A and 180, intersect within Flagstaff. Interstate 17 provides a direct route to Phoenix and other points in southern Arizona, while Interstate 40 is a transcontinental east-west route. State Highway 89 provides access to Northern Arizona's mountain recreation areas, including Lake Powell. State Highway 89A follows the Oak Creek Canyon to Sedona while State Highway 180 is the most direct route to the Grand Canyon.

Pulliam Airport, located four miles south of Flagstaff, is served by American Airlines and provides numerous daily flights to Phoenix, where connections can be made to international and national destinations.

PROPERTY TAXES

As described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," for the purpose of paying the principal of and interest on the Bonds and costs of administration of the Bonds, the City will be required by law to cause to be levied on all the taxable property in the City a continuing, direct, annual, ad valorem property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due, without limitation as to rate or amount.

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are "primary taxes." Taxes levied for payment of bonds like the Bonds, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire, road improvement and joint technological education districts are "secondary taxes." See "Primary Taxes" and "Secondary Taxes" below. The discussion below provides an overview of property taxation and the features related to property taxes as the payment source for the Bonds.

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as "locally assessed" property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as "centrally valued" property and generally includes large mine, utility and railroad entities.

Locally assessed property is assigned two values: "full cash value" and "limited property value." Centrally valued property is assigned one value: full cash value.

Full Cash Value

Full cash value ("Full Cash Value") is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value which means that estimate of value that is derived annually by using standard appraisal methods and techniques," which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach.

For centrally valued property and personal property (except mobile homes), Full Cash Value is used as the basis for levying taxes (both primary and secondary). Full Cash Value is also used as the ceiling for determining Limited Property Value (as defined below) and as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

Limited property value ("Limited Property Value") is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. For locally assessed property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, including that for mobile homes, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year.

For locally assessed property, Limited Property Value is used as the basis for levying taxes (both primary and secondary). Limited Property Value is also used as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Full Cash Value, increases in Limited Property Value are limited as described in the prior paragraph and under the heading "Primary Taxes" below.

Prior to tax year 2015, the value of locally assessed property used for primary tax purposes was Limited Property Value. The value of such property used for secondary tax purposes was Full Cash Value. Limited Property Value for property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use increased by the greater of either 10% of the prior year's Limited Property Value or 25% of the difference between the prior year's Limited Property Value and the current year's Full Cash Value.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the "Limited Assessed Property Value" and the "Full Cash Assessed Value," respectively. Such values are then multiplied by the relevant taxing jurisdiction's primary and secondary tax rates to determine each property owner's property tax liability.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 2

Property Tax Assessment Ratios (Tax Year)

Property Classification *(a)*	2012	2013	2014	2015	2016
Mining, utilities, commercial and industrial	20%	19.5%	19%	18.5%	18%
Agriculture and vacant land	16	16	16	16	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property *(b)*	15	15	16	15	14

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.

(b) This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue (the "Property Tax Abstract"). Note that Net Assessed Property Value for Secondary Tax Purposes (as defined herein) is described as "Net Assessed Value" in the Property Tax Abstract.

Primary Taxes

Primary taxes are levied against "Net Limited Assessed Property Value" of locally assessed property and against "Net Full Cash Assessed Value" of centrally valued property. Net Limited Assessed Property Value and Net Full Cash Assessed Value are determined by excluding the value of property exempt from taxation from Limited Assessed Property Value and Full Cash Assessed Value, respectively.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid (or in some counties, county taxpayers are also required to make payments to offset the effects of reduced property taxes).

Secondary Taxes

Secondary taxes are levied against Net Limited Assessed Property Value of locally assessed property and against Net Full Cash Assessed Value of centrally valued property (together, "Net Assessed Property Value for Secondary Tax Purposes"). (Prior to tax year 2015, secondary taxes were levied against Net Full Cash Assessed Value of both locally assessed property and centrally valued property.) There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments. **As Net Full Cash Assessed Value was used as the basis for levying taxes on locally assessed property and centrally valued property for payment of bonds like the Bonds in fiscal years prior to fiscal year 2015/16, this Official Statement compares Net Assessed Property Value for Secondary Tax Purposes with Net Full Cash Assessed Value in applicable years under the heading "ASSESSED VALUES AND TAX RATES" herein.**

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years not superior to federal tax liens. Set forth below is a record of property taxes levied and collected in the City for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 3

Real and Secured Property Taxes Levied and Collected *(a)*
City of Flagstaff, Arizona

Fiscal Year	District Tax Rate	Adjusted District Tax Levy	Collected to June 30th of Initial Fiscal Year: Amount	Collected to June 30th of Initial Fiscal Year: % of Adj. Levy as of	Adjusted City Tax Levy as of 3/31/2016	Cumulative Collections to March 31, 2016: Amount	Cumulative Collections to March 31, 2016: % of Adj. Levy as of
2015/16	$1.6600	$11,355,520	*(b)*	*(b)*	$11,342,922	$7,295,128	64.31%
2014/15	1.6784	11,160,355	11,002,751	98.59 %	11,149,645	11,145,118	99.96
2013/14	1.6795	11,040,667	10,861,865	98.38	11,034,376	11,008,563	99.77
2012/13	1.5497	11,815,041	11,553,454	97.79	11,808,820	11,804,041	99.96
2011/12	1.5283	11,989,596	11,635,287	97.04	11,972,822	11,941,480	99.74
2010/11	1.4845	12,497,535	12,290,379	98.34	12,474,498	12,592,725	100.95

(a) Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty

collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.

(b) 2015/16 taxes in course of collection:
First installment due 10-01-15, delinquent 11-01-15;
Second installment due 03-01-16, delinquent 05-01-16.

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes and interest thereon.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, the Underwriter, the Financial Advisor or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

ASSESSED VALUES AND TAX RATES

TABLE 4

Direct and Overlapping Net Assessed Property Values for Secondary Tax Purposes and Tax Rates Per $100 Net Assessed Property Value for Secondary Tax Purposes

Overlapping Jurisdiction	2015/16 Net Assessed Property Value for Secondary Tax Purposes	2015/16 Total Tax Rate Per $100 Net Assessed Property Value for Secondary Tax Purposes
State of Arizona	$54,838,548,829	$0.0000
Coconino County	1,537,418,218	1.0789*(a)*
Coconino County Community College District	1,537,418,218	0.6105
Coconino County Public Health Services	1,537,418,218	0.2500
Coconino County Library District	1,537,418,218	0.2556
Coconino County Fire District Assistance Fund	1,537,418,218	0.1000
Flagstaff Unified School District No. 1	1,052,355,072	5.4555
Coconino County Joint Vocational Education District	1,321,296,775	0.0500
City of Flagstaff	683,396,020	1.6600

(a) *Includes the "State Equalization Assistance Property Tax" which is levied by the County and has been set at $0.5054 per $100 Net Assessed Property Value for Secondary Tax Purposes for fiscal year 2015/16. Such amount is adjusted annually pursuant to Section 41-1276, Arizona Revised Statutes.*

Source: *Property Tax Rates and Assessed Values,* Arizona Tax Research Association and Finance Department of the County.

Total Tax Rates Per $100 Net Assessed Property Value for Secondary Tax Purposes

The total overlapping property tax rate for property owners within the City is $9.4605 per $100 Net Assessed Property Value for Secondary Tax Purposes, depending upon the specific taxing jurisdictions which overlap the property.

Source: *Property Tax Rates and Assessed Values,* Arizona Tax Research Association, the Finance Department of the County and the Arizona Department of Revenue.

TABLE 5A

Net Assessed Limited Property Value for Secondary Tax Purposes by Property Classification *(a)*
City of Flagstaff, Arizona

Class	2015/16
Commercial, Industrial, Utilities & Mines	$ 235,918,573
Agricultural and Vacant	37,290,964
Residential (owner occupied)	232,360,891
Residential (rental)	173,470,068
Railroad	2,389,985
Historical Property	1,183,676
Commercial Historical Property	768,784
Certain Government Property Improvements	13,079
Totals *(b)*	$ 683,396,020

(a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See "PROPERTY TAXES – Limited Property Value" and – "Secondary Taxes" herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*

(b) *Totals may not add up due to rounding.*

Source: *The Property Tax Abstract*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.

TABLE 5B

Net Full Cash Assessed Value by Property Classification *(a)*
City of Flagstaff, Arizona

Class	2014/15	2013/14	2012/13	2011/12
Commercial, Industrial, Utilities & Mines	$237,037,918	$240,050,743	$274,306,202	$281,417,333
Agricultural and Vacant	39,681,170	45,092,343	50,822,785	58,152,988
Residential (owner occupied)	221,560,298	215,060,612	343,986,758	354,853,332
Residential (rental)	167,567,602	156,262,979	91,106,048	91,438,444
Railroad	2,583,360	2,394,285	2,362,513	1,618,472
Historical Property	1,230,079	1,217,329	1,288,888	2,453,187
Commercial Historical Property	1,024,077	967,854	1,385,811	1,438,182
Certain Government Property Improvements	11,776	16,845	17,645	-
Totals *(b)*	$670,696,280	$661,062,990	$765,276,651	$791,371,939

(a) *Determined by Net Full Cash Assessed Value. See "PROPERTY TAXES – Limited Property Value" and – "Secondary Taxes" herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

(b) *Totals may not add up due to rounding.*

Source: *The Property Tax Abstract*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

TABLE 6A

Net Assessed Property Value for Secondary Tax Purposes of Major Taxpayers
City of Flagstaff, Arizona

Major Taxpayer *(a)*	2015/16 Net Assessed Property Value for Secondary Tax Purposes	As % of Net Assessed Property Value for Secondary Tax Purposes
Arizona Public Service	$ 18,056,955	2.64 %
W. L. Gore & Associates, Inc.	13,856,962	2.03
Nestle Purina Petcare Company	4,001,669	0.59
Wal-Mart Stores Inc	3,467,133	0.51
Qwest Corporation (b)	3,409,362	0.50
Little America Hotels & Resorts	3,338,504	0.49
Flagstaff Mall SPE LLC	2,986,867	0.44
Unisource Energy Corporation	2,583,775	0.38
BNSF Railway Company	2,394,644	0.35
Ridge at Clear Creek LLC	2,326,331	0.34
	$ 56,422,202	8.26 %

(a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. No representative of the City, the Underwriter, the Financial Advisor, Bond Counsel or counsel to the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.*

(b) *Taxpayer also known as Century Link.*

Source: The Assessor of the County.

TABLE 6B

Net Full Cash Assessed Value of Major Taxpayers
City of Flagstaff, Arizona

Major Taxpayer *(a)*	2014/15 Net Full Cash Assessed Value	As % of 2014/15 Net Full Cash Assessed Value
Arizona Public Service	$ 16,979,201	2.53 %
W. L. Gore & Associates, Inc.	13,547,923	2.02
Nestle Purina Petcare Company	4,569,652	0.68
Wal-Mart Stores Inc	3,569,153	0.53
Qwest Corporation *(b)*	3,479,770	0.52
Flagstaff Mall SPE LLC	2,959,068	0.44
BNSF Railway Company	2,583,345	0.39
Unisource Energy Corporation	2,433,440	0.36
Ridge at Clear Creek LLC	2,215,553	0.33
Elevation Flagstaff AZ LLC	2,138,379	0.32
	$ 54,475,484	8.12 %

(a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Commission. Such Filings may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. No representative of the City, the Underwriter, the Financial Advisor, Bond Counsel or counsel to the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.*

(b) *Taxpayer also known as Century Link.*

Source: The Assessor of the County.

TABLE 7A

Comparative Net Assessed Property Values for Secondary Tax Purposes *(a)*
City of Flagstaff, Arizona

Fiscal Year	City of Flagstaff	Coconino County	State of Arizona
2016/17 *(b)*	$ 702,767,941	$1,569,812,808	$ 56,573,588,295
2015/16	683,396,020	1,537,418,218	54,838,548,829

(a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See "PROPERTY TAXES – Limited Property Value" and – "Secondary Taxes" herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*

(b) *The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 15, 2016.*

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *the Property Tax Abstract*, Arizona Department of Revenue. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.

TABLE 7B

Comparative Net Full Cash Assessed Values *(a)*

Fiscal Year	City of Flagstaff	Coconino County	State of Arizona
2014/15	$ 670,696,280	$1,534,483,938	$ 55,352,051,074
2013/14	661,062,990	1,533,065,282	52,594,377,492
2012/13	765,276,651	1,759,609,915	56,271,814,583
2011/12	791,371,939	1,840,142,610	61,700,292,915

(a) *Determined by Net Full Cash Assessed Value. See "PROPERTY TAXES – Limited Property Value" and – "Secondary Taxes" herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

TABLE 8

Estimated Net Full Cash Value History
City of Flagstaff, Arizona

Fiscal Year	Estimated Net Full Cash Value *(a)*
2016/17 *(b)*	$6,225,457,752
2015/16	5,726,101,646
2014/15	5,294,387,779
2013/14	5,146,060,043
2012/13	5,965,784,765
2011/12	6,160,267,666

(a) *Estimated Net Full Cash Value is the total market value of the property within the City less the estimated Full Cash Value of property exempt from taxation within the City.*

(b) *The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 15, 2016.*

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

FINANCIAL INFORMATION

Introduction

The City's fiscal year is from July 1 through June 30. City budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the City Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the City's tax levy is then set based on the adopted figures.

Expenditure Limitation

Beginning in fiscal year 1982/83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's annual expenditures for fiscal year 1979/80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions that relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

Since the inception of expenditure limitations, the City has not exceeded its limitation in any fiscal year.

Budget Process

The annual budget serves as the foundation for Flagstaff's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for all funds and entities related to the City. All of these funds and entities are included in the basic financial statements. The City Manager submits to the Council each spring a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. The legal level of control for the budget is the division level. Additional expenditures may be authorized for unanticipated and/or inadequately budgeted events threatening the public health or safety as prescribed in the State Constitution, Article 9, Section 20.

Flagstaff's financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning, and financial policy impacts, all of which are further identified below.

Financial Resource Planning – Strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis help preserve the fiscal well-being of Flagstaff. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

The City is also developing policy regarding reserving funding generated from one-time resources to address aging infrastructure related to streets, facilities, water, wastewater, parks, and fleet.

Multi-Year Budget Planning – Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over-time, given our financial capacity.

While the City is required to adopt an annual budget to meet State statutory requirements, Flagstaff builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

Strategic Capital Improvement Project Planning – Flagstaff Capital Improvement Projects are planned for five or more years and analyzed using City specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Financial Policy Planning – The City of Flagstaff financial policies dictate minimum fund balance levels for the General, Special Revenue, and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and special revenue and enterprise funds are to maintain a 10% fund balance, as calculated against ongoing revenues. The City made a decision at the beginning of the recession in 2009 to allow the General Fund balance to reduce to 12% through FY 2012. While this eased some of the financial shortfall the City was experiencing, it did contribute toward a structural deficit as some ongoing services were funded with this one-time money. The City restored the 15% fund balance in FY 2013 and made a commitment to increase the fund balance to 20% over the next few years. The goal was met in FY 2014 and is planned to be maintained over the next five years.

Financial Reports and Examination of Accounts

State law requires that the City's financial books and records be audited by independent auditors, on an annual basis. Annually, independent certified public accountants audit the financial records as required by State law and the City's Charter. See Appendix D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015" for the financial statements from the City's June 30, 2015, Comprehensive Annual Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2015 Comprehensive Annual Financial Report as well as in each of the 22 preceding years.

TABLE 9

Current Year Statistics (For Fiscal Year 2015/16)
City of Flagstaff, Arizona

Total General Obligation Bonds Outstanding and to be Outstanding	$ 63,392,672 **(a)*
Net Assessed Limited Property Value	683,396,020
Net Assessed Property Value for Secondary Tax Purposes	683,396,020
Net Full Cash Assessed Value *(b)*	712,507,496
Estimated Net Full Cash Value	5,647,829,231
Gross Full Cash Value *(b)*	6,433,836,265

The City's preliminary fiscal year 2016/17 Net Full Cash Assessed Value is estimated at $758,581,752, an increase of approximately 7.94% from the fiscal year 2015/16 Net Full Cash Assessed Value. The City's preliminary fiscal year 2016/17 Net Assessed Property Value for Secondary Tax Purposes is estimated at $702,767,941, an increase of approximately 2.83% from the fiscal year 2015/16 Net Assessed Property Value for Secondary Tax Purposes. The City's preliminary fiscal year 2016/17 estimated net Full Cash Value is estimated at $6,225,457,752, an increase of approximately 8.72% from the fiscal year 2015/16 estimated net Full Cash Value. The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 15, 2016.

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* *Subject to change.*

(a) Includes the Bonds.

(b) As provided by the Abstract of the Assessment Roll, Arizona Department of Revenue.

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, the Treasurer of the County, the Assessor of the County and the Finance Department of the County. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.

TABLE 10A

Direct General Obligation Bonded Debt Outstanding and to be Outstanding
City of Flagstaff, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2006A	$31,500,000	Various Purposes	2023	$ 7,750,000
2011	12,845,000	Various Purposes	2020	8,635,000
2011	1,633,828	Water System	2031	1,375,362 *(a)*
2011	3,952,287	Public Safety Communications	2021	2,527,310
2013	11,460,000	Various Purposes	2028	10,235,000
2014A	6,600,000	Various Purposes	2034	6,400,000
2014B	8,270,000	Refunding	2021	8,270,000
Total General Obligation Bonded Debt Outstanding				$ 45,192,672
Plus: The Bonds				18,200,000*
Total General Obligation Bonded Debt Outstanding and to be Outstanding				$ 63,392,672*

* *Subject to change.*

(a) *The City has paid and may continue to pay the debt service requirements on these general obligation bonds from water and sewer system revenues which remain after payment of operation and maintenance expenses of the system and revenue bond debt service. In the event that these net revenues should prove insufficient, or should the City decide not to pay such general obligation bonds from such net revenues, such general obligation bonds would then be paid from ad valorem taxes as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."*

TABLE 10B

Certificates of Participation Outstanding

Issue Series	Original Amount	Purpose	Final Maturity Date (October 1)	Balance Outstanding and to be Outstanding
2009	$4,960,000	Roadway Improvements and Fire Equipment	2019	$ 2,170,000
Total Certificates of Participation Bonded Debt Outstanding				$ 2,170,000

TABLE 10C

Water and Wastewater Revenue Obligations Outstanding

The following chart lists the water and wastewater revenue obligations of the City that are currently outstanding. The City's financial obligations are through loan agreements with the Water Infrastructure Finance Authority of Arizona, a State revolving fund. Also see footnote *(a)* to TABLE 10A.

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2002	$6,775,760	Water and Sewer Improvements	2022	$ 2,922,468
2006	7,900,000	Water Infrastructure Acquisition	2026	4,925,000
2007	23,100,000	Sewer Treatment Plant Improvements	2027	16,287,404
2008	8,500,000	Water Production Improvements & Acquisition	2028	6,209,093
2009	2,100,000	Water Feasibility Study	2029	2,147,107
2009	232,500	Well Improvements	2029	176,123
2009	1,100,000	Local Aquifer Study	2029	843,339
2009	594,950	Well Improvements Infrastructure	2029	403,871
Total Water and Wastewater Revenue Obligations Outstanding				$ 33,914,405

TABLE 10D

The City of Flagstaff Municipal Facilities Corporation ("MFC") is an Arizona nonprofit corporation formed in January 1979. The City and the MFC have issued debt secured by Excise Taxes and State Shared Revenues as shown below.

Excise Tax and State Shared Revenue Supported Debt

Issue Series	Original Amount	Purpose	Final Maturity	Balance Outstanding and to be Outstanding
2010A	$3,370,000	Construction of Business Incubator	7/1/2030	$ 2,710,000 *(a)*
2012	12,530,000	MFC Refunding	7/1/2020	10,040,000 *(b)*
Total Excise Tax and State Shared Revenue Supported Debt Oustanding				$ 12,750,000
Plus: the 2016 Pledged Revenue Obligations *(c)*				10,000,000*
Total Excise Tax and State Shared Revenue Supported Debt Outstanding and to be Outstanding				$ 22,750,000

* *Subject to change.*

(a) *Under a loan agreement with the Greater Arizona Development Authority ("GADA"), the City has agreed to make semi-annual payments equal to the principal and interest on the GADA loan. The City has pledged State Shared Revenues to the payment of the GADA loan.*

(b) *Under an agreement with the MFC, the City has agreed to make semi-annual rent payments equal to the principal and interest on the MFC's bonds. The City has pledged Transportation Excise Taxes to the payment of the MFC's bonds.*

(c) *The City expects to offer approximately $10,000,000 of Pledged Revenue Obligations, Series 2016 pursuant to a separate official statement.*

Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks and open space, transportation and public safety purposes may not exceed 20% of a city's Net Assessed Limited Property Value, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's Net Assessed Limited Property Value. In the following computation of the City's borrowing capacity, general obligation bonds that are to be supported from enterprise funds are included in the appropriate category.

TABLE 11

Water, Sewer, Light, Parks and Open Space, Transportation and Public Safety Purpose Bonds		**All Other General Obligation Bonds**	
20% Constitutional Limitation	$136,679,204	6% Constitutional Limitation	$41,003,761
Direct General Obligation Bonds Outstanding	63,392,672*	Direct General Obligation Bonds Outstanding	0
Unused 20% Limitation Borrowing Capacity	$73,286,532*	Unused 6% Limitation Borrowing Capacity	$41,003,761

* *Subject to change.*

TABLE 12

Direct and Overlapping General Obligation Bonded Debt
City of Flagstaff, Arizona

Overlapping Jurisdiction	General Obligation Bonded Debt *(b)*	Proportion Applicable to the District *(a)* Approximate Percent	Proportion Applicable to the District *(a)* Net Debt Amount
State of Arizona	None	1.25 %	None
Coconino County	None	44.45	None
Coconino County Community College District	$ 7,775,000	44.45	$ 3,455,988
Coconino Association for Vocations, Industry and Technology	None	51.72	None
Flagstaff Unified School District No. 1	33,900,000	64.94	22,014,660
City of Flagstaff *(c)*	63,392,672*	100.00	63,392,672*
Net Direct and Overlapping General Obligation Bonded Debt			$ 88,863,320*

* *Subject to change.*

(a) Proportion applicable to the City is computed on the ratio of Net Assessed Property Value for Secondary Tax Purposes for 2015/16.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	*General Obligation Bonds Authorized but Unissued*
Flagstaff Unified School District No. 1	*$10,190,000*
City of Flagstaff (c)	*9,162,713**

(c) Includes the Bonds. Does not include any additional bonds that may be authorized at future elections.

Source: The various entities, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, *the Property Tax Abstract*, Arizona Department of Revenue and the Assessor of the County. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.

TABLE 13

Direct and Overlapping General Obligation Bonded Debt Ratios
City of Flagstaff, Arizona

	Per Capita Bonded Debt Population Estimated @ 70,463	As % of City's 2015/16 Net Assessed Property Value for Secondary Tax Purposes	As % of City's 2015/16 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt* *(a)*	$ 899.66	9.28%	1.11%
Net Direct and Overlapping General Obligation Debt* *(a)*	1,261.13	13.00	1.55

* *Subject to change.*

(a) *Includes the Bonds.*

Source: *The Property Tax Abstract*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, U.S. Census Bureau and the Arizona Department of Economic Security, Research Administration Population Statistical Unit. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.

TABLE 14

Other Obligations
City of Flagstaff, Arizona

The City has entered into lease agreements that generally require annual payments and the lease terms vary from 10 to 21 years. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception. The capital lease agreement for renewable energy solar equipment related to governmental activities has assets of $967,169. Capital lease agreements related to business-type activities consist of the construction of a co-generator at the Wildcat Wastewater Treatment Plant, $1,014,527, construction of airport hangars, $489,382, renewable energy solar equipment, $1,709,103. Please refer to APPENDIX D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for additional information.

The City has the following capital lease payment obligations:

Year Ending June 30	Capital Lease Payments
2016	$ 729,285
2017	730,874
2018	481,574
2019	483,297
2020	485,087
Thereafter	3,107,906

CITY EMPLOYEE RETIREMENT SYSTEM

Pension and Retirement Plans / Other Post-Employment Benefits

The City contributes to three separate defined benefit pension plans for the benefit of all general employees of the City and elected officials. **Please refer to APPENDIX D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for a more detailed description of these plans and the City contributions to the various plans.**

The Arizona State Retirement System ("ASRS"), a cost-sharing, multiple employee defined benefit plan, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov/content/annualreports. The increase in ASRS' unfunded liabilities is expected to result in increased future annual contribution to ASRS by the City and its employees.

For the year ended June 30, 2014, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and for health insurance premiums, and 0.24% long-term disability) of the members' annual covered payroll. The annual contribution for the fiscal year ending June 30, 2015 is 11.60% (11.48% retirement pension and health insurance premiums, 0.12% long-term disability). The annual contribution rate for the fiscal year ending June 30, 2016 is 11.47% (11.35% retirement pension and health insurance premiums, 0.12% long-term disability). The City's employer contributions to ASRS for the years ended June 30, 2015, 2014, and 2013 were $3.2 million, $3.1 million, and $3.0 million, respectively, which were equal to the required contributions for the year. The City's employee contributions to ASRS were equal to the employers required contributions.

Additionally, other enacted State legislation made changes to how ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired employees of ASRS that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

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 will also require 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. Both the City and each covered employee contribute to the System. As of June 30, 2015, the City reported a liability of $44.8 million for its proportionate share of the net pension liability under the System. The pension liability was measured as of June 30, 2014. See page 86 and 87 in APPENDIX D – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for further discussion of the City and its pension liability as of June 30, 2014.

The Public Safety Personnel Retirement system ("PSPRS") an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members' contribution rate, has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The increase in the PSPRS's unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its employees, however the specific impact on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time.

For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 19.65% for PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to PRSPRS. During fiscal year 2015, the City paid for PSPRS pension and

OPEB contributions for police with 100% general fund dollars and 96.4% from the general fund plus 3.6% from the airport fund as related to fire contributions.

Under PSPRS for the fiscal year ending June 30, 2016, the employee contribution rate is set by statute at and calculated at the lesser of 11.65%; or 33.3% of the sum of the member's contribution rate from the preceding fiscal year, plus the aggregate computed employer contribution rate; subject to a minimum employee contribution rate of 7.65%. The employer contribution rates are based upon an actuarial valuation.

It should be noted that the PSPRS Board of Directors has adopted a three year contribution rate phase-in associated with the Arizona Supreme Court decision which determined that the reduction in the permanent benefit increase enacted by the State Legislature in 2011 (Senate Bill 1609) is unconstitutional. Other litigation relating to the 2011 legislation remains outstanding. If the ultimate outcome overturns additional portions of the legislation, there will be further adverse impacts on the funded ration and the actuarially determined contribution rates.

New Reporting Requirements - Governmental Accounting Standards Board ("GASB") 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.

On February 16, 2016, the Governor of Arizona signed into law pension overhaul legislation which makes several changes to the PSPRS. The changes, which only affect new hires that start after July 1, 2017, will require new public employees to serve until the age of 55 before being eligible for full pension benefits. The new legislation will also cap pension benefits for new hires and split the cost of pensions 50/50 between employers and new employees, offer new hires the option of a 100% defined contribution plan and tie cost-of-living adjustments to the regional Consumer Price Index, with a cap of 2% (the "COLA Provision"). The COLA Provision will also apply to current members of the PSPRS if approved by the voters at an election scheduled for May 17, 2016.

The Elected Officials Retirement Plan ("EORP") is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. The EORP is governed by the same Board of Trustees that manages the PSPRS plan. As of January 1, 2014 EORP is closed to new members. Pursuant to Arizona statute, the annual contribution for active members of EORP is 13% of the members' annual covered payroll. Although the actuarially determined employer contribution rate for FY 2016-17 is 95.56% of covered payroll, pursuant to current State law participating EORP employers are required to annually contribute 23.50% of covered payroll for elected officials and eligible judges. This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System (EODCRS) and the Arizona State Retirement (defined benefit) System (ASRS), depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution rate, by statute, for EODCRS participating members is 6.00%; the employer contribution rate for ASRS participating members is 11.48% for FY 2016-17; and all remaining employer contributions, up to 23.50% of the covered payroll of all elected officials and eligible judges, are remitted to EORP. The EORP employer contribution is additionally funded each year with designated state and county court fees and a $5,000,000 appropriation from the State general fund. For FY 2016-17 the total EORP employer contribution is expected to be approximately $30,000,000 lower than the actuarially determined employer contribution.

Other Post-Employment Benefits

The City provides post-retirement healthcare insurance benefits for its retirees as an agent multiple-employer plan which is administered through, Northern Arizona Public Employee Benefit Trust (NAPEBT). NAPEBT provides benefits to eligible retirees through the same plan as active city employees and their beneficiaries up to the age of 65; the implicit rate subsidy exists through the duration of the coverage. Substantially, all of the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. NAPEBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on their website: www.napebt.com/community_docs. As of June 30, 2015, there were 85 retirees who elected coverage. The contribution requirements of plan members and the city are established and may be

amended by the NAPEBT board. Eligible retirees up to the age of 65 have the option to participate in the healthcare plan that is currently offered to active employees and must pay 100% of the premium less any reimbursement from the Arizona State Retirement System, currently, a monthly stipend of $150 for single coverage and $260 for family coverage. The City has elected to not fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's implicit subsidy rate to covered payroll is actuarially determined at 30.4%. Plan members receiving benefits contributed $182,941 during fiscal year 2015.

There are no other OPEB liabilities.

REVENUES AND EXPENDITURES

State law requires that the City's financial books and records be audited by the State Auditor General or independent certified public accountants on an annual basis. The audited financial statements of the City are presented in APPENDIX D as "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The table on the following page summarizes audited Revenues, Expenses and Changes in Fund Balance for the fiscal years 2010/11 through 2014/15 and estimated information for 2015/16. The information contained in the summary should be read in conjunction with the financial statements and accompanying notes in APPENDIX D of this Official Statement.

TABLE 15

General Fund
City of Flagstaff, Arizona

	Estimate	Audited				
	2015/16 *(a)*	2014/15	2013/14	2012/13	2011/12	2010/11
FUND BALANCE AT BEGINNING OF YEAR	$ 33,621,090	$ 31,762,789	$ 28,748,008	$ 25,680,223	$ 23,352,187	$ 23,256,335
REVENUES						
Taxes	26,687,083	$ 25,908,705	$ 25,100,084	$23,534,907	$22,721,059	$21,491,083
Intergovernmental	17,872,250	17,574,331	16,516,056	15,494,513	14,062,644	13,951,414
Grants and entitlements	2,048,747	1,294,384	1,726,644	1,659,326	1,948,711	2,234,162
Charges for services	3,208,950	2,986,151	2,734,095	3,237,728	3,220,137	2,844,246
Licenses and permits	2,326,680	1,866,792	1,952,731	1,656,135	1,681,874	738,594
Fines and forfeitures	1,161,080	1,389,663	1,428,401	1,540,989	1,601,044	1,673,306
Rents	2,113,843	1,603,322	1,606,932	1,611,306	1,551,419	1,537,188
Investment earnings	264,000	374,174	418,374	(739,244)	93,900	63,004
Contributions	47,000	262,095	440,360	159,340	187,320	89,914
Miscellaneous	807,113	305,932	393,760	425,409	142,557	46,713
TOTAL REVENUES	$56,536,746	$53,565,549	$52,317,437	$48,580,409	$47,210,665	$44,669,624
OTHER FINANCING SOURCES (USES)						
Issuance of capital debt	$ -	$ -	$ -	$ 1,014,557	$ -	$ -
Sale of capital assets	-	72,051	533,980	40,796	36,690	44,291
Insurance recoveries	-	-	3,033,042	-	-	1,058,985
Reserve and contingency	-	-	(3,287,452)	-	-	-
Transfers in	3,335,613	2,848,218	-	2,261,384	3,831,006	4,396,093
Transfers out	(5,890,074)	(4,132,795)	-	(2,702,301)	(4,426,254)	(4,586,907)
Reclassification of funds *(b)*		-	-	423,828	-	-
TOTAL OTHER FINANCING SOURCES (USES)	$ 87,603,375	$ 84,115,812	$ 81,345,015	$ 75,298,896	$ 70,004,294	$ 68,838,421
EXPENDITURES						
Current						
Current governmental	$ 14,548,204	$ 9,809,718	$ 8,914,237	$8,474,220	$7,453,963	$6,975,866
Public safety	30,646,214	27,583,880	26,564,902	25,092,004	24,428,893	24,473,320
Public works	1,056,538	1,081,157	999,999	1,106,896	1,146,692	1,299,027
Economic and physical development	4,578,865	4,682,707	4,441,463	3,993,179	3,956,299	4,246,370
Culture and recreation	6,435,531	5,750,634	6,084,457	5,987,474	5,653,437	5,500,631
Contingency	100,000	-	-	-	-	-
Less indirect charges	(5,641,543)	-	-	-	-	-
Debt service						
Principal retirement	668,256	721,549	882,114	853,902	818,798	842,009
Interest and other charges	154,260	93,304	128,976	124,348	157,523	177,380
Capital outlay	2,451,262	771,773	1,566,078	918,865	708,466	1,971,631
TOTAL EXPENDITURES	$ 54,997,587	$ 50,494,722	$ 49,582,226	$ 46,550,888	$ 44,324,071	$ 45,486,234
FUND BALANCE AT END OF YEAR	**$ 32,605,788**	**$ 33,621,090**	**$ 31,762,789**	**$ 28,748,008**	**$ 25,680,223**	**$ 23,352,187**

(a) Fiscal year 2015/16 is estimated, as provided by the City. Figures are "forward looking statements" and should be viewed with an abundance of caution.

(b) Fiscal year 2013/14 beginning fund balance was restated as the City elected to change the way debt service is recognized as related to the application of early recognition related to debt service within the governmental funds.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

DRAFT

[LETTERHEAD OF GREENBERG TRAURIG]

[Closing Date]

Mayor and Council of the
City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001 5399

Re: City of Flagstaff, Arizona General Obligation Bonds, Series 2016

We have examined copies of the proceedings of the Mayor and Council of the City of Flagstaff, Arizona (the "City"), and other proofs submitted to us relative to the issuance of the captioned Bonds (the "Bonds").

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax without limitation as to rate or amount to pay the principal of and interest on the Bonds.

Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retro-active to their date of issuance. The Mayor and Council of the City have ordained in Ordinance No. 2016-__, adopted by the Mayor and Council of the City on June 7, 2016 (the "Ordinance"), to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the same limitations in the penultimate paragraph hereof with respect to such covenants, the City has full legal power and authority to comply with such covenants.) We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

---

* *Subject to change.*

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

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION **DRAFT**
UNDER SECTION (b)(5) OF RULE 15c2-12

$18,200,000*
City of Flagstaff, Arizona
General Obligation Bonds,
Series 2016
(CUSIP BASE NUMBER 338423)

This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered on behalf of the City of Flagstaff, Arizona (the "City"), in connection with the sale and issuance of the captioned Bonds.

In connection with the Bonds, the City covenants and agrees as follows:

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

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual 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.

"*Listed Event*" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

"MSRB" means the Municipal Securities Rulemaking Board.

"Underwriter" means the broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

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

"State" means the State of Arizona.

"Undertaking" means the obligations of the City pursuant to Sections 4, 5, 6 and 7 hereof.

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* *Subject to change.*

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 Bonds and in order to assist the Underwriter in complying with the requirements of the Rule.

3. CUSIP Number/Final Official Statement. The Base CUSIP Number of the Bonds is 338423. The Final Official Statement relating to the Bonds is dated _____, 2016.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate the Annual Information and the Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), to the MSRB through EMMA, in a format prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entity receives the information on the date specified.

If any part of the Annual 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 the Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual 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 hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13 and 14, listed in Exhibit II, the City will provide such notice if it determines that such event would be material under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual 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 Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Bonds or the ordinance pursuant to which they were authorized. The sole remedy 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 provision of this Undertaking, the City by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment 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, 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 does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the City.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation or relating to repayment of the Bonds. The City shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA, in a format prescribed by the MSRB.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual 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 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 disclosure or notice of occurrence of a Listed Event.

12. Beneficiaries. This Undertaking has been executed in order to assist the 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 Bonds, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

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

CITY OF FLAGSTAFF, ARIZONA

By:_____
Rick Tadder, Management
Services Director

Address: 211 West Aspen Avenue
Flagstaff, Arizona 86001-5399

Dated: [Closing Date]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED
FINANCIAL STATEMENTS

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB, in a format prescribed by the MSRB. If the information included by reference is contained in an Official Statement, the Official Statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

The Annual Financial Information exclusive of the Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, if any, no later than the first business day of February in each year commencing February 1, 2017. The Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If the Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by the Audited Financial Statements when available.

The Audited Financial Statements will be prepared according to generally accepted accounting principles, as applied to governmental units as modified by State law. The Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, within 30 days after availability to the City.

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 accounting principles.

"Annual Financial Information" means the quantitative financial information and operating data of the type included in the Final Official Statement relating to the Bonds on the following pages:

_____
_____
_____

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the City;

    Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental 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 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.

APPENDIX D

THE CITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities 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 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

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

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

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and Paying Agent, 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 Bond Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Bond Registrar and Paying Agent, 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 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, 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 the City takes no responsibility for the accuracy thereof.

SQUIRE DRAFT 05/20/16

$_____
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2016

BOND PURCHASE AGREEMENT

_____, 2016

CITY OF FLAGSTAFF, ARIZONA
c/o The Honorable Mayor and Council
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, RBC Capital Markets, LLC, acting on its own behalf (the "Underwriter"), offers to enter into the following agreement with City of Flagstaff, Arizona (the "Issuer"), which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the Issuer. The acceptance is made by the Issuer signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Bond Purchase Agreement (this "Agreement") shall have the same meanings set forth in the Bond Ordinance or the Official Statement (both as defined herein).

1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's General Obligation Bonds, Series 2016 (the "Bonds"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer acknowledges and agrees that (i) the Underwriter is not acting as an agent or fiduciary of the Issuer, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an "arm's length," commercial transaction between the Issuer and the Underwriter in which the Underwriter is acting solely as a principal

and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the Issuer has consulted its own legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

The principal amount, the maturities, the redemption provisions and the interest rates per annum and resulting yields for the Bonds are set forth in the Schedule hereto. The Bonds shall be as described in, and shall be issued under and pursuant to the provisions of an ordinance adopted by the Mayor and City Council of the Issuer (the "City Council") at a meeting duly called, noticed and held on _____, 2016 (the "Bond Ordinance").

The Bonds will be dated as of the date of the initial authentication and delivery thereof.

The Bonds will be purchased by the Underwriter at the purchase price of $_____, consisting of the par amount of the Bonds, plus [net] original issue premium of $_____ and less the Underwriter's discount of $_____.

2. Public Offering.

(a) The Underwriter agrees to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside front cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower or higher than the public offering price stated on the inside front cover page of the Official Statement.

(b) The Bonds may not be reoffered to produce a Net Premium (as hereinafter defined) associated with the Bonds in excess of the greater of $_____ (5% of the principal amount of the Bonds) or $100,000.

The term "Net Premium" as used in this paragraph means the difference between the par amount of the Bonds and the issue price of the Bonds determined pursuant to United States Treasury Regulations. The issue price of the Bonds is the aggregate of the issue price of each maturity of the Bonds. The issue price of each maturity of the Bonds is that initial offering price to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of Bonds of that maturity (at least ten percent (10%) of such maturity) are reasonably expected to be sold as of the date of the award.

3. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2016 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the Issuer relating to the Bonds, as to be subsequently revised to reflect the changes resulting from the sale of the Bonds and including amendments or supplements thereto, is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Issuer hereby deems the Preliminary Official Statement "final" as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The Issuer represents that the City Council has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Issuer or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue

statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the Closing Date (as defined herein).

4. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is duly organized and validly existing as a municipal corporation under the laws of the State of Arizona (the "State") with powers specifically required for the purposes of this Agreement, specifically Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended (the "Act"), and has now, and at the Closing Date will have, full legal right, power and authority under the Act to adopt the Bond Ordinance and under the Act and the Bond Ordinance (i) to enter into, execute and deliver this Agreement, the Bond Registrar and Paying Agent Agreement described in the Bond Ordinance and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the "Undertaking") and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, such Bond Registrar and Paying Agent Agreement and the Undertaking hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein and (iii) to carry out and consummate the transactions contemplated by the Bond Ordinance, the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act, the Bond Ordinance and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and, in the case of the

Undertaking, annual appropriation of amounts to pay for compliance therewith, and the Bonds, when issued, delivered and paid for, in accordance with the Bond Ordinance and this Agreement, will constitute legal, valid and binding general obligations of the Issuer, entitled to the benefits of the Bond Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and all actions necessary to create a legal, valid and binding levy on all of the taxable property in the Issuer of a direct, annual, ad valorem tax, unlimited as to rate, sufficient to pay all the principal of and interest on the Bonds as the same become due, shall have been or shall be taken to the extent such action may be taken at or prior to the Closing;

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Ordinance, and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Bond Ordinance, the Issuer Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS"; the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption "THE BONDS – Authorization and Use of Funds" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE";

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery

of the Bonds or the levying, assessment or collection of the property taxes for the payment of the Bonds pursuant to the Bond Ordinance or in any way contesting or affecting the adoption of the Bond Ordinance or the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Bonds;

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such

qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned (except as otherwise disclosed in the Official Statement or financial statements); since June 30, 2015, except as disclosed in the Official Statement, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business; prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer and the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(n) The Issuer has fully submitted to the Arizona Department of Revenue or the Arizona State Treasurer's Office, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the Issuer pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and will file the information relating to the Bonds required to be submitted to the Arizona State Treasurer's Office pursuant thereto within 60 days of the Closing Date;

(o) The Issuer has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specified time, the documents required to cause the Bonds to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) Except as otherwise indicated in the Official Statement, the Issuer has been and is in material compliance during the previous five years with the terms of all continuing disclosure undertakings previously executed by the Issuer pursuant to the Rule;

(q) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, in each case payable from the same source as the Bonds, without the prior approval of the Underwriter and

(r) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

5. Closing.

(a) Before 10:00 a.m., Arizona time, on _____, 2016 (the "Closing Date"), or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter, the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the Issuer (the "Closing"). Payment for the Bonds as aforesaid shall be made at the offices of Greenberg Traurig, LLP ("Bond Counsel") or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds shall be made through the facilities of The Depository Trust Company, New York, New York ("DTC"), or, in the case of a "Fast Automated Securities Transfer" with the bond registrar and paying agent for purposes of the Bond Registrar and Paying Agent Agreement or by such other means as shall have been mutually agreed upon by the Issuer and the Underwriter. The Bonds shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Bond Ordinance, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Bond Ordinance, the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds, the Bond Ordinance and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Bond Ordinance shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the registrar for the Bonds shall have duly authenticated the Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or operations of the Issuer, from that set forth in the Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the Issuer by the Management Services Director or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Bond Ordinance with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Issuer Documents;

(4) the approving opinion of Bond Counsel, dated the Closing Date, with respect to the Bonds, in substantially the form attached to the Official Statement along with a reliance letter with respect thereto, dated the Closing Date and addressed to the Underwriter;

(5) a supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriter, substantially to the effect that:

(i) The information contained (but not incorporated by reference) in the Official Statement under the headings entitled “THE BONDS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE” (except for matters relating to the compliance by the Issuer with its prior undertakings as to which we express no opinion) therein, in Appendices "B" and "C" thereto and in the tax caption paragraph at the top of the cover page thereof is an accurate summary of the information which it purports to summarize;

(ii) The offer and sale of the Bonds shall be exempt from registration under the Securities Act of 1933, as amended, and the Bond Ordinance does not need to be qualified pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) The Issuer Documents and the Bond Ordinance have been duly authorized and validly executed and delivered by the Issuer and, assuming due authorization, execution and delivery by, and enforceability against, the other parties thereto, and, in the case of the Undertaking, subject to annual appropriation to provide for the costs of compliance therewith, constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws, and equitable principles affecting the enforceability of creditors' rights generally.

(6) An opinion of counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter, substantially to the effect that, based upon their participation in the preparation of the Official Statement as counsel to the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except for any financial, forecast, technical and statistical statements and data included in the Official Statement);

(7) A certificate, dated the Closing Date, of appropriate representatives of the Issuer substantially to the effect that:

(i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) no litigation or proceeding against it is pending or, to the best of such representatives' knowledge, threatened in any court or administrative body which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and levying, assessing and collecting the property taxes from which the Bonds are payable pursuant to the Bond Ordinance, nor, to the best of such representatives' knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents or have a material, adverse effect on the financial condition of the Issuer;

(iii) the Bond Ordinance has been duly adopted by the Issuer, is in full force and effect and has not been modified, amended or repealed;

(iv) the financial statements of the Issuer included in the Official Statement were true, correct and complete as of June 30, 2015, and are true, correct and complete as of the date of such certificate, and any other financial statements and statistical data included in the Official Statement are true and correct as of the date of such certificate;

(v) subsequent to June 30, 2015, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business; and

(vi) to the best of their knowledge and belief, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(8) A certificate, dated the Closing Date, of appropriate representatives of the Issuer in form and substance satisfactory to Bond Counsel (i) setting forth the facts, estimates and circumstances in existence on the date of the Closing,

which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (ii) certifying that to the best of their knowledge and belief, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(9) Any other certificates and opinions required by the Bond Ordinance for the issuance thereunder of the Bonds;

(10) Evidence satisfactory to the Underwriter that the Bonds have been rated "___" by Standard & Poor's Financial Services LLC ("S&P") and "___" by Moody's Investors Service, Inc. ("Moody's"), and that such ratings are in effect as of the Closing Date;

(11) The filing copy of the Information Return Form 8038-G (IRS) for the Bonds;

(12) The filing copy of the Report of Bond and Security Issuance for the Arizona State Treasurer's Office pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8(c) hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or

marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon income of the general character to be derived by the Issuer pursuant to the Bond Ordinance, or upon interest received on obligations of the general character of the Bonds or, with respect to State taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the

general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property or income securities (or interest thereon);

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations; and

(l) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of the preparation and printing of the Bond Ordinance, the Issuer Documents, the Preliminary Official Statement and the Final Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of _____, as bond registrar and paying agent and Stifel, Nicolaus & Company, Incorporated, as financial advisor to the City; (v) the fees and disbursements of any other engineers, accountants, and other experts, consultants or

advisers retained by the Issuer and (vi) the fees for bond ratings and credit enhancement fees or premiums, if any. The Issuer shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Agreement, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds, (ii) the fees and disbursements of counsel to the Underwriter and (iii) all other expenses incurred by them in connection with the public offering of the Bonds.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The Issuer acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

9. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016, Attention: Nicholas Dodd.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have

the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. Notice Concerning Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes, Section 38-511, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, or any of the departments or agencies of either 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 of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section 38-511. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section 38-511 which would adversely affect the enforceability of this Agreement and covenants that it shall take no action which would result in a violation of such Section.

[Remainder of page left blank intentionally]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC

By_____
Nicholas Dodd, Director

ACCEPTED AND AGREED AT
__:__ _.M., M.S.T., THIS _____ DAY
OF _____, 2016:

CITY OF FLAGSTAFF, ARIZONA

By_____
Management Services Director

ATTEST:

_____
Clerk

APPROVED AS TO FORM:

_____
Bond Counsel

[Signature page of Bond Purchase Agreement]

SCHEDULE

$_____
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2016

DATED DATE: CLOSING DATE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield

* Yield calculated to first optional redemption date.

Redemption

Optional Redemption. The Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to maturity, at the direction of the Issuer, in whole or in part in denominations of $5,000 or integral multiples thereof from maturities selected by the Issuer, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption.

The Bonds maturing on July 1, 20__ will be subject to mandatory redemption on July 1 of each of the years, by lot as described below, at the principal amounts thereof and accrued interest to the date fixed for redemption, without premium, as follows:

Bonds Payable July 1, 20__

Year	Principal Amount

_____
*Maturity

The Bonds maturing on July 1, 20__ will be subject to mandatory redemption on July 1 of each of the years, by lot as described below, at the principal amounts thereof and accrued interest to the date fixed for redemption, without premium, as follows:

Bonds Payable July 1, 20__

Year	Principal Amount

_____
*Maturity

At the option of the Issuer, whenever Bonds are purchased, redeemed (other than pursuant to the foregoing scheduled mandatory redemption for such Bonds) or delivered by the Issuer to the Bond Registrar and Paying Agent for cancellation, the principal amount of the Bonds so retired will satisfy and be credited against the mandatory redemption requirements for such Bonds in such manner as the Issuer determines; provided, however, that following such reduction each mandatory redemption requirement for such Bonds is an integral multiple of $5,000 of principal.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Rick Tadder, Management Services Director

Date: 05/15/2016

Meeting Date: 05/31/2016

TITLE:

Consideration and Adoption of Ordinance No. 2016-29: An ordinance of the Council of City of Flagstaff, Coconino County, Arizona, approving the sale and execution and delivery of not to exceed $10,000,000 aggregate principal amount of pledged revenue obligations, evidencing proportionate interests of the owners thereof in a purchase agreement to acquire and construct street improvements and ongoing preservation of street conditions in and for the City; approving the form and authorizing the execution and delivery of such purchase agreement, a second trust agreement, a continuing disclosure undertaking, an obligation purchase contract and other necessary agreements, instruments and documents; delegating authority to the Management Services Director of the City to determine certain matters and terms with respect to the foregoing; authorizing a contract for the purchase of the obligations and ratifying preparation of a preliminary official statement and approving the use and distribution thereof and approving preparation of a final official statement and the execution, use and distribution thereof

(Revenue Bond Debt Authorization - Road Repair and Street Safety)

RECOMMENDED ACTION:

At the May 31, 2016 Council Meeting:

1) Read Ordinance No. 2016-29 by title for the first time
2) City Clerk reads Ordinance No. 2016-29 by title only (if approved above)

At the June 7, 2016 Council Meeting:

3) Read Ordinance No. 2016-29 by title only for the final time
4) City Clerk reads Ordinance no. 2016-29 by title only (if approved above)
5) Adopt Ordinance No. 2016-29

Executive Summary:

This ordinance allows for the issuance of Revenue Pledged indebtedness as approved by voters in 2014. Debt will be issued for the Road Repair and Street Safety projects (RR&SS). An ordinance for this action is required by City Charter ARTICLE VI - FINANCE AND TAXATION, Section 5 - WHEN ACTIONS ARE TO BE TAKEN BY ORDINANCE.

Financial Impact:

Series 2016 Revenue Obligations will be issued as New Money Obligations in an amount not to exceed $10,000,000 of the $20,000,000 2014 voter authorization related to the RR&SS projects. The debt service payments will be made from the revenues received from a 2014 voter approved transaction privilege tax (sales tax) dedicated for RR&SS projects. The life of the obligations will not extend beyond the current expiration date of the sales tax, January 1, 2035.

Connection to Council Goal and/or Regional Plan:

COUNCIL GOALS:
6) Provide a well-managed transportation system
REGIONAL PLAN:
Goal T.4. Promote transportation infrastructure and services that enhance the quality of life of the communities within the region.

Has There Been Previous Council Decision on This:

Yes. Council authorized the 2014 election which voters approved the issuance of indebtedness for the specific projects. Issuing indebtedness was provided for when the voters approved the question on the ballot. Council approved Ordinance No. 2014-34 levying the tax rate of 0.330% effective January 1, 2015 as approved by the voters. On April 7, 2015 Council approved a reimbursement resolution related to the Road Repair and Street Safety projects.

Options and Alternatives:

• Approve the Ordinance as written allowing the City to move forward with the issuance of New Money Obligations as Pledged Revenue indebtedness. Pros-Allows for cash flow necessary to complete voter approved projects. Cons-Increases City indebtedness.
• Recommend changes to the Ordinance modifying the issuance of either the New Money Obligations. Pros and Cons are dependent on changes.
• Do not approve the issuance of Pledged Revenue indebtedness. Pros-Delays level of debt for the City. Cons-Projects may need to stop and the City will need to find the cash flow for work completed to date.

Background/History:

On November 4, 2014, voters authorized the City to levy an additional transaction privilege tax (sales tax) rate of 0.33% ($0.0033) excluding the sales tax on food as exempted by State law. Such additional tax to be in effect for a period of 20 years commencing January 1, 2015. The proceeds of additional tax is to be used exclusively to pay for street improvements and ongoing preservation of street conditions inside the City limits and related costs and pay for these improvements and preservation through borrowing in a principal amount not to exceed $20,000,000 that would be paid back with interest from the tax in a period not to exceed 20 years from the date the debt is issued. The City intends to only issue indebtedness secured by the additional privilege tax (sales tax) for the period of the authorized tax. The allowance to issue debt for the improvements allows the City to accelerate the improvements.

While the purpose of this agenda items is to approve an ordinance to allow the City to issue debt, we have included a draft Preliminary Official Statement, Obligation Purchase Agreement, Second Trust Agreement, and Second Purchase Agreement as informational documents you may review. These documents have been reviewed by our Financial Advisors and Bond Counsel. These are materially complete however may have some changes prior to completion of the debt transactions. Final documents will be available upon request to the Management Services Director.

Community Benefits and Considerations:

The community benefits by having the City complete the projects as promised to the voters in the 2014.

Community Involvement:

The process to authorize the issuance of indebtedness is to INFORM the public.
The process to select the projects that were voted on by the public involved: Consult, Involve, Collaborate and Empower.

Attachments: Ordinance 2016-29
Draft Preliminary Official Statement
Draft Obligation Purchase Agreement
Draft Second Purchase Agreement
Draft Second Trust Agreement

ORDINANCE NO. 2016-29

AN ORDINANCE OF THE COUNCIL OF CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, APPROVING THE SALE AND EXECUTION AND DELIVERY OF NOT TO EXCEED $10,000,000 AGGREGATE PRINCIPAL AMOUNT OF PLEDGED REVENUE OBLIGATIONS, EVIDENCING PROPORTIONATES INTERESTS OF THE OWNERS THEREOF IN A PURCHASE AGREEMENT TO ACQUIRE AND CONSTRUCT STREET IMPROVEMENTS AND ONGOING PRESERVATION OF STREET CONDITIONS IN AND FOR THE CITY; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH PURCHASE AGREEMENT, A SECOND TRUST AGREEMENT, A CONTINUING DISCLOSURE UNDERTAKING, AN OBLIGATION PURCHASE CONTRACT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; DELEGATING AUTHORITY TO THE MANAGEMENT SERVICES DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; AUTHORIZING A CONTRACT FOR THE PURCHASE OF THE OBLIGATIONS AND RATIFYING PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE USE AND DISTRIBUTION THEREOF AND APPROVING PREPARATION OF A FINAL OFFICIAL STATEMENT AND THE EXECUTION, USE AND DISTRIBUTION THEREOF.

RECITALS:

WHEREAS, the Mayor and Council of the City of Flagstaff, Arizona (the "City"), called and subsequently canvassed an election (the "Election") at which a question succeeded to authorize the Mayor and Council of the City to (1) amend the tax code of the City to levy an additional transaction privilege tax (sales tax) rate of 0.33% ($0.0033) excluding the sales tax on food as exempted by State law, such additional tax to be in effect for a period of 20 years commencing January 1, 2015 ("Excise Tax Revenues"), the proceeds of such additional tax to be used exclusively to pay for street improvements and ongoing preservation of street conditions inside the City limits and related costs and (2) pay for these improvements and preservation through borrowing in a principal amount not to exceed $20,000,000 that would be paid back with interest from the tax in a period not to exceed 20 years from the date the debt is issued; and

WHEREAS, the Mayor and Council of the City have determined to finance the costs of acquisition and construction of certain street improvements and ongoing preservation of street conditions in and for the City authorized by the Election (collectively, the "Projects") by entering into a Second Purchase Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Obligations established as provided herein (the "Purchase Agreement"), with The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in its separate capacity as "Seller"; and

WHEREAS, in connection with the Purchase Agreement, the Mayor and Council of the City have deemed it necessary and desirable to provide for the sale and execution and delivery of pledged revenue obligations, as provided by this Ordinance (the "Obligations"), representing proportionate interests of the owners of the Obligations in payments to be made by the City to

the Trustee pursuant to a Second Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations (the "Trust Agreement"), between the Trustee and the City, such payments to be made pursuant to the Purchase Agreement; and

WHEREAS, the payments represented by the Obligations will be secured by amounts received under the Purchase Agreement pursuant to which the City will pledge Excise Tax Revenues; and

WHEREAS, the Council of the City retained Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the financial advisor, pursuant to Contract 2015-74; and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Ordinance is being adopted (1) the proposed form of the Purchase Agreement; (2) the proposed form of the Trust Agreement; (3) the proposed form of a Continuing Disclosure Undertaking, to be dated the date of delivery of the Obligations (the "Undertaking"), from the City necessary for purposes of Securities and Exchange Commission Rule 15c2-12; (4) the proposed form of the Obligation Purchase Contract, to be dated the date of the sale of the Obligations (the "Purchase Contract"), by and between the City and RBC Capital Markets LLC (the "Underwriter") for the purchase of the Obligations, such underwriter having been chosen pursuant to a request for information dated April 18, 2016, and (5) the proposed form of the Preliminary Official Statement, to be dated the date of the dissemination thereof (the "Preliminary Official Statement"), relating to the Obligations, which, as to be revised after the sale of the Obligations, shall constitute the Official Statement, to be dated the date of sale of the Obligations (the "Official Statement"), relating to the Obligations; and

WHEREAS, financing the costs of the Projects pursuant to the Purchase Agreement is in furtherance of the purposes of the City and in the public interest;

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, AS FOLLOWS:

SECTION 1.

(a) The execution and delivery of the Obligations by the Trustee is approved.

(b) The Management Services Director of the City is hereby authorized to determine, on behalf of the City, the date the Obligations are to be sold to the Underwriter; the total aggregate principal amount of the Obligations which are to be executed and delivered but not to exceed in total the aggregate principal amount of $10,000,000; the date the Obligations are to be dated; the dates on which interest on the Obligations is to be payable and the interest rates per annum the Obligations are to bear; the dates the Obligations are to mature but not later than July 1, 2033, the principal amounts to mature on such dates and the provisions for redemption thereof in advance of such dates; and the terms upon which the Obligations are to be sold to the Underwriter (including determinations of price, original issue discount and premium and underwriting compensation); provided, however, that the foregoing determinations shall not result in the yield on the Obligations, as calculated in accordance with Section 148 of the Internal Revenue Code of 1986, as amended, exceeding four and one-half percent (4.5%).

(c) The Management Services Director of the City is hereby further authorized to determine on behalf of the City whether the purchase of an insurance policy securing payment of the Obligations or a surety bond or other reserve fund guaranty which would be a "qualified guarantee" for purposes of such Code would be advantageous to the City or the terms of the financing represented by the Obligations. The Management Services Director of the City is authorized to negotiate with and secure, with proceeds of the Obligations or otherwise, such an insurance policy or a reserve fund guaranty, or both, from one or more institutions, the claims-paying ability of which are then assigned one of the two highest rating categories by a nationally recognized credit rating agency. The Management Services Director of the City is authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy and/or reserve fund guaranty, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy and/or reserve fund guaranty.

(d) The forms and other terms of the Obligations, including the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the Trust Agreement and are approved.

SECTION 2. The Obligations are to be sold to the Underwriter pursuant to the terms of the Purchase Contract as such terms are to be determined as provided hereinabove.

SECTION 3. The form, terms and provisions of the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking (including the form of the Obligations and other exhibits thereto) are approved, with such final provisions, insertions, deletions and changes as determined as provided hereinabove and shall be approved by the Management Services Director of the City, the execution of each such document being conclusive evidence of such approval, and the Management Services Director of the City, and the Clerk of the City, where applicable, are authorized and directed, for and on behalf of the City, to execute and deliver, and attest or approve, the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking and to take all action to carry out and comply with the terms of such documents.

SECTION 4. The preparation of the Preliminary Official Statement is hereby ratified and the use and distribution thereof by the Underwriter is approved, and the Official Statement in substantially the form of the Preliminary Official Statement, with such changes or revisions therein from the form of the Preliminary Official Statement as may be approved by the Management Services Director of the City, is approved, and the Management Services Director of the City is authorized, empowered and directed, in the name and on behalf of the Council of the City, to execute and deliver the same to the Underwriter for use and distribution thereof and to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with Securities and Exchange Commission Rule 15(c)2-12.

SECTION 5. The Trustee (including in its capacity as Seller) is requested to take any and all action necessary in connection with the execution and delivery of the Purchase Agreement, the Trust Agreement and the Undertaking and the sale and execution and delivery of the Obligations and is further authorized and directed to take such action as may be reasonable for the administration of the trusts so held by it.

SECTION 6. The covenants and agreements contained the Purchase Agreement as to the pledge of, and the lien on Excise Tax Revenues, and the restriction on the issuance of further parity obligations secured by Excise Tax Revenues are approved and confirmed.

SECTION 7. The Management Services Director of the City, on behalf of the City, is authorized and directed, without further order of the Management Services Director and Council of the City, to do all such acts and things and to execute and deliver all such certificates, proceedings, agreements and other documents as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or further the purposes of, all the terms and conditions of this Ordinance and the consummation of the transactions contemplated by the Preliminary Official Statement and the Official Statement and as may be necessary to carry out the terms and intent of this Ordinance, including, but not limited to, taking all actions necessary to liquidate any investments related to the bonds issued to finance the Refinanced Projects.

SECTION 8. All actions of the officers and agents of the City which conform to the purposes and intent of this Ordinance and which further the sale and execution and delivery of the Obligations as contemplated by this Ordinance, whether heretofore or hereafter taken, are ratified, confirmed and approved.

SECTION 9. If any section, paragraph, clause or phrase of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this Ordinance. All orders, ordinances and resolutions or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, ordinance or resolution or any part thereof.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Flagstaff this 7th day of June, 2016.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

CERTIFICATION

I hereby certify that the foregoing Ordinance No. 2016-29 was duly passed and adopted by the Mayor and Council of the City of Flagstaff, Arizona, at a regular meeting held on the 7th day of June, 2016, and the vote was …….. ayes and …….. nays.

_____

Elizabeth A. Burke, City Clerk, City of Flagstaff, Arizona

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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2016

NEW ISSUE – BOOK-ENTRY ONLY **RATING: See "RATING" herein.**
INSURANCE: See "OBLIGATION INSURANCE AND RELATED RISK FACTORS" herein.

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming compliance with certain tax covenants, the portion of each installment payment made by the City pursuant to the Second Purchase Agreement and denominated as and comprising interest pursuant to the Second Purchase Agreement and received by Owners of the Obligations (the "Interest Portion") will be excludable from gross income for federal income tax purposes, will not be an item of tax preference for purposes of the alternative minimum tax for individuals and corporations (but will be taken into account in determining adjusted current earnings for purposes of computing such tax imposed on certain corporations) and 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. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the Obligations.

DRAFT
5-23-16

$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS
(ROAD REPAIR/STREET IMPROVEMENT PROJECTS),
SERIES 2016

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

The Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (the "Obligations") will be executed and delivered to provide funds to pay costs of (i) acquisition and construction of street improvements and on-going preservation of street conditions in and for the City of Flagstaff, Arizona (the "City"), and (ii) execution and delivery of the Obligations.

Interest represented by the Obligations will be payable semiannually on each January 1 and July 1, commencing January 1, 2017, until maturity or prior prepayment. The Obligations will be dated the date of delivery, will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Obligations. Beneficial ownership interests in the Obligations will be available to purchasers in amounts of $5,000 of principal due on a specific payment date and any integral multiple thereof only under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as defined herein). Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest with respect to such Obligations. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" herein.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The Obligations will be subject to optional prepayment prior to their stated payment dates as described under the heading "THE OBLIGATIONS – Prepayment Provisions" herein*.

The Obligations will be undivided, proportionate interests in the installment payments to be made by the City pursuant to a Second Purchase Agreement, to be dated as of July 1, 2016* (the "Purchase Agreement"), between the City and _____, as trustee (the "Trustee"). The installment payments will be payable from, and secured by a pledge of, Excise Tax Revenues (as defined herein) on a parity with any Additional Revenue Obligations (as defined herein) that may be incurred on a parity as provided in the Purchase Agreement. The pledge for such installment payments will constitute a first lien on, and pledge of, Excise Tax Revenues. See "SECURITY AND SOURCES OF PAYMENT" herein.

THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS OF THE CITY AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF, AND THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

The Obligations will be offered when, as and if executed and delivered, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain matters will be passed upon for the Underwriter (listed below) by its counsel, Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is anticipated that the Obligations in definitive form will be available for delivery through DTC on or about July __, 2016*.

This cover page contains only a brief description of the Obligations and the security therefore. It is not a summary of material information with respect to the Obligations. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.

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* *Subject to change.*

RBC CAPITAL MARKETS

$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS
(ROAD REPAIR/STREET IMPROVEMENT PROJECTS),
SERIES 2016

MATURITY SCHEDULE*
Base CUSIP®[(1)] No. _____

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP®[(1)] No.
2017	$580,000	%	%	
2018	585,000			
2019	590,000			
2020	600,000			
2021	605,000			
2022	615,000			
2023	630,000			
2024	640,000			
2025	655,000			
2026	670,000			
2027	685,000			
2028	705,000			
2029	725,000			
2030	745,000			
2031	765,000			
2032	205,000			

* *Subject to change.*

(1) *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, Special Counsel, the Financial Advisor, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

CITY OF FLAGSTAFF, ARIZONA

CITY COUNCIL

Gerald (Jerry) Nabours, *Mayor*

Celia Bartoz, *Vice Mayor*

Karla Brewster, *Member*

Coral Evans, *Member*

Jeff Oravits, *Member*

Scott Overton, *Member*

Eva Putzova, *Member*

ADMINISTRATIVE OFFICIALS

Josh Copley, *City Manager*

Shane Dille, *Deputy City Manager*

Barbara Goodrich, *Deputy City Manager*

Rick Tadder, *Management Services Director*

Sterling Solomon, *Interim City Attorney*

Elizabeth Burke, *City Clerk*

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

_____

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the "City"), Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") or RBC Capital Markets, LLC (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 will there be any sale of the City's Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (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 page and appendices hereto, has been obtained from the City, the Arizona Department of Revenue, 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, the Financial Advisor 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, Financial Advisor or the Underwriter.

None of the City, the Financial Advisor, the Underwriter, Special Counsel (as defined herein) or counsel to the Underwriter 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, the Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

The presentation of information, including tables of receipts from taxes and other sources, shows 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 are based on past experience and on the latest information available and are believed to be 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 opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions 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, the Financial Advisor or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, 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. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE OBLIGATIONS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS
(ROAD REPAIR/STREET IMPROVEMENT PROJECTS),
SERIES 2016

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto (this "Official Statement"), provides certain information concerning the Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (the "Obligations"), to be executed and delivered in the principal amount indicated above. The Obligations will be undivided, participating, proportionate interests in installment payments (the "Payments") to be made by the City of Flagstaff, Arizona (the "City"), pursuant to a Second Purchase Agreement, to be dated as of ____ 1, 2016* (the "Purchase Agreement"), between the City, as buyer, and _____, in its capacity as trustee (the "Trustee"), as seller. The Obligations are being executed and delivered for the purpose of providing funds to pay costs of (i) acquisition and construction of the Projects (as defined herein) and (ii) execution and delivery of the Obligations.

The Obligations will be executed and delivered pursuant to a Second Trust Agreement, to be dated as of _____, 2016* (the "Trust Agreement"), between the City and the Trustee. Certain of the Trustee's interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to force the City to make the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX C – "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" in addition to the information herein below for descriptions of the terms of the Purchase Agreement and the Trust Agreement. See APPENDIX A – "CITY OF FLAGSTAFF, ARIZONA – GENERAL AND FINANCIAL INFORMATION" and APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for information about the City.

The Payments will be payable from and secured by a lien on Excise Tax Revenues. "Excise Tax Revenues" are revenues from the restricted transaction privilege tax of 0.33% ($0.0033) approved at an election held in and for the City on November 4, 2014, which will expire on December 31, 2034 (the "Road Repair/Street Safety Rate"). See "ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE". Pursuant to the Purchase Agreement, under certain conditions, Additional Revenue Obligations (as defined herein) may be incurred on a parity with the Purchase Agreement. See "SECURITY AND SOURCES OF PAYMENT – Additional Revenue Obligations" herein.

Brief descriptions of the security for the Obligations and of matters related to the City are included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee. Capitalized terms not defined herein shall have the meanings set forth in APPENDIX C – "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS".

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or Beneficial Owners (as defined in APPENDIX F) of the Obligations.

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* *Subject to change.*

THE OBLIGATIONS

General Provisions

The Obligations will be dated the date of their initial execution and delivery and will bear interest from such date, at the rates, and will be payable on the dates and in the amounts, all as set forth on the inside front cover page hereof. Interest represented by the Obligations will be payable on each January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2017, until maturity or prior prepayment.

The Obligations will be registered only in the name of Cede & Co., the nominee of the Depository Trust Company, New York, New York ("DTC"), under the book-entry only system described in APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM." Beneficial ownership interests in the Obligations may be purchased through direct and indirect participants of DTC in amounts of $5,000 of principal due on a specific payment date or integral multiples thereof. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM."

Prepayment Provisions*

Optional Prepayment of the Obligations. The Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. The Obligations payable on or after July 1, 20__, will be subject to prepayment in such order and from such payment dates as may be selected by the City and by lot within any payment date by such methods as may be selected by the Trustee from prepayments made at the option of the City pursuant to the Purchase Agreement, in whole or in part on any date, on or after July 1, 20__, at a prepayment price equal to the principal amount of the Obligations or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

Manner of Selection for Prepayment of the Obligations. The Obligations will be prepaid only in payment amounts of $5,000 each or integral multiples thereof. The City will, at least 45 days prior to the prepayment date, notify the Trustee of such prepayment date and of the stated payment dates of the Obligations and the payment amount of the Obligations of any such stated payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Obligations of a single stated payment date, the particular Obligations or portions of the Obligations to be prepaid shall be selected through the procedures of DTC.

Notice of Prepayment of Obligations. Prepayment notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for prepayment. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM." Such notice will state that if, on the specified prepayment date, moneys for prepayment of all the Obligations to be redeemed together with interest to the date of prepayment, is held by the Trustee, then, from and after said date of prepayment, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the prepayment will not occur.

Notice of any prepayment will also be provided as set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING," but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a prepayment for redemption if notice thereof is given as prescribed above.

THE PROJECTS

The proceeds of the Obligations will be used to provide funds for street improvements and the ongoing preservation of street conditions inside the City limits, and related costs which include improvements to adjacent curb, gutters, sidewalks, bicycle paths, pedestrian safety, transit facilities, water, wastewater, and storm water utilities under or around streets that need improvement or preservation (collectively, the "Projects"). The proceeds of the Obligations will also be used to pay for the costs of execution and delivery of the Obligations.

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* *Subject to change.*

SECURITY AND SOURCES OF PAYMENT

General

The Obligations will be special, limited revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the City to make the Payments will be limited to payment from Excise Tax Revenues and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City or the State of Arizona (the "State" or "Arizona") or any political subdivisions thereof, or require the levy of, or be payable from the proceeds of, any ad valorem property taxes.

Excise Tax Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement will constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City. The City may also make the Payments from its other funds as permitted by law and as the City determines from time to time, and the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee, as seller, in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) to bring actions and proceedings thereunder or for the enforcement of such rights, and (c) to do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind hereafter conveyed as additional security for the Obligations. See APPENDIX C – "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS – THE TRUST AGREEMENT."

Pledge

The Payments will be secured by a first lien on and pledge of Excise Tax Revenues on parity with the pledge and lien granted by the City for the payment and security of Additional Revenue Obligations. The Payments will be coequal as to the pledge of and lien on Excise Tax Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Tax Revenues or security therefor. If at any time moneys are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement pro rata with amounts due with respect to any Additional Revenue Obligations. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

Payment of the Obligations will not be secured by the Projects, and the Owners of the Obligations have no claim or lien on the Projects or any part thereof.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY NOR WILL THE CITY BE LIABLE FOR THE PAYMENTS FROM AD VALOREM PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE PURCHASE AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Additional Revenue Obligations

Additional Revenue Obligations may be incurred but only if Excise Tax Revenues in the most recently completed fiscal year of the City have amounted to at least two (2) times the Maximum Annual Debt Service. The Road Repair/Street Safety Rate was for a not to exceed borrowing in principal amount of $20,000,000.

No Rate Covenant

The Purchase Agreement does not contain any covenant to maintain the Excise Tax Revenues at any particular rate or coverage factors.

EXCISE TAX REVENUES

City Transaction Privilege (Sales) Taxes

Rates

City transaction privilege (sales) taxes are levied by the City upon persons on account of their business activities within the City. The amount of taxes due are calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below.

Category	City Privilege Tax Rate (1)
Advertising	2.051%
Amusements, Exhibitions and Similar Activities	2.051%
Construction Contracting	2.051%
Feed at Wholesale	2.051%
Job Printing	2.051%
Manufactured Buildings	2.051%
Timbering and Other Extraction	2.051%
Mining	0.100%
Publishing and Periodicals Distribution	2.051%
Hotels	2.051%
Rental, Leasing and Licensing for Use of Real Property	2.051%
Rental, Leasing and Licensing for Use of Tangible Personal Property	2.051%
Restaurants and Bars	2.051%
Retail Sales	2.051%
Telecommunication Services	2.051%
Transporting for Hire	2.051%
Use Tax	1.000%
Utility Services	2.051%

(1) City Privilege Tax Rate for all but "Mining" is comprised of the following components. Only the "Use Tax" applies to the City Base Rate below:

A. City Base Rate	1.000%
B. Road Repair/Street Safety Rate	0.330%
C. Transportation Components:	
1. Safe to School Rate	0.080%
2. Transit Improvements Rates	0.295%
3. Street Improvements Rate	0.186%
4. Fourth Street Improvements Rate	0.160%

Pursuant to the City's charter, the City Base Rate can only be increased by the City Council subject to approval by a majority of the qualified electors voting in a regularly scheduled general election. The City Base Rate will expire on November 4, 2024, if not reauthorized at an election prior to such date.

Collection of the Road Repair/Street Safety Rate commenced on January 1, 2015, and will expire on December 31, 2034, if not reauthorized prior to such date.

Collection of the Transportation Components commenced on July 1, 2000, and increased on July 1, 2008. The Transportation Components will expire on June 30, 2020, if not reauthorized prior to such date.

The City Privilege Tax Rate does not include the rate for the restricted "Bed, Board and Booze" sales tax of 2.000% (the "BBB Tax"). The BBB Tax is designated for enhancements related to beautification, economic development, tourism, arts and sciences and recreation.

The Obligations will be payable only from Excise Tax Revenues, which is comprised only of the revenues from the Road Repair/Street Safety Rate component of the City Privilege Tax Rate.

Recent Legislative Changes Regarding Municipal Excise Taxes. The City, like most larger Arizona municipalities, currently administers the collection and enforcement of its own transaction privilege (sales) taxes, including the Excise Tax Revenues. Chapter 255, Laws of Arizona 2013 (commonly referred to by its original bill number, HB2111), made changes to the collection process for such taxes, as well as modifying certain categories of business activity, as described below.

Beginning January 1, 2016, the Arizona Department of Revenue ("ADOR") became the single point of administration for licensing, filing and payment of all State, county and municipal transaction privilege taxes. The law requires ADOR to establish and administer a single online portal so that taxpayers can pay all State, county or municipal transaction privilege taxes online. The City has entered into an intergovernmental agreement with ADOR in association with this transition. Under that agreement, the City will continue to collect City transaction privilege (sales) taxes until such time as the ADOR will assume that responsibility, which is currently expected to occur in early calendar year 2017.

The law allows ADOR, subject to statutory guidelines, to disclose confidential information related to transaction privilege (sales) taxes collected by the department from any jurisdiction to any county, city or town tax official if it relates to a taxpayer who is subject to an ADOR audit. The law stipulates that taxpayers are subject to a single audit, eliminating possible subsequent or joint audits by cities and towns. The law also stipulates a variety of requirements for the audit, most of which generally require ADOR's active involvement

In addition, effective January 1, 2015, HB2111 also exempts from the "prime" construction contracting classification certain service contractors and design phase and professional services and modifies provisions regarding sourcing of certain transactions involving tangible personal property by providing that the sale of a motor vehicle to a nonresident delivered and intended for use outside of Arizona is exempt from state and municipal transaction privilege (sales) taxes, and removing an exemption for personal tangible property shipped or delivered directly to a location outside of the United States that is to be used in that location.

While no specific assurance can be given, the City does not expect the changes due to HB2111 to have a significant impact on the administration, collection or enforcement of the City's transaction privilege (sales) taxes, including the Excise Tax Revenues, or amounts to be collected therefrom as the ADOR currently collects transaction privilege (sales) taxes for the State and many political subdivisions in the State. It is anticipated that businesses in the City will continue to collect and remit the required transaction privilege (sales) taxes, even though payments will begin flowing through the State to the City. The Arizona cities and towns affected by this legislation are working cooperatively with the ADOR to help achieve a smooth transition of tax administration. Additional information is available at https://www.azdor.gov/TPTSimplification.aspx.

Legislation recently enacted, that will become effective ninety days after the end of the current legislative session, permits the State to withhold certain State-shared revenues from a city, town or county (a "Local Jurisdiction") if such Local Jurisdiction has passed an ordinance, regulation or other official action (a "Local Enactment") that violates State law or the State constitution, in the determination of the State Attorney General. Under the legislation, any member of the State Legislature may ask the State Attorney General to investigate a Local Enactment. On being notified of a determination by the State Attorney General, the Local Jurisdiction will have thirty days to resolve the violation as determined by the State Attorney General, or if not, the State Attorney General is required to notify the State Treasurer to withhold State-shared Sales Taxes and State-shared Income Taxes from such Local Jurisdiction until the State Attorney General determines that no violation of State law exists. In withholding any such distributions of such State-shared revenues, the State Treasurer may not withhold any amount that the affected Local Jurisdiction certifies to the State Attorney General and the State Treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of such Local Jurisdiction that were issued or incurred before committing the violation.

The City is not aware of any current or proposed Local Enactment that would potentially violate State law. If the City received a determination that an adopted Local Enactment violated State law in the determination of the State Attorney General, the City expects it would take whatever actions may be necessary to address the issue within the thirty day period permitted by the legislation. Such actions would include notifying the State Attorney General and the State Treasurer of the amounts of State-shared Sales Taxes and State Shared Income Taxes necessary to make required deposits or debt service payments on the City's long-term obligations secured by such funds issued or incurred before the violation occurred and which could not be withheld.

Representative Historic Excise Tax Revenues

The table below (which has not been the subject of any separate audit procedures) sets forth actual collections from the City Base Rate for the fiscal years 2010/11 through 2014/15 multiplied by 33%. If the Road Repair/Street Safety Rate had been in place during these fiscal years, this estimates the amounts of Excise Tax Revenues that would have been collected in such fiscal years.

Revenue Source (a)	**Fiscal Year 2010/11**	**Fiscal Year 2011/12**	**Fiscal Year 2012/13**	**Fiscal Year 2013/14**	**Fiscal Year 2014/15**
33% of Revenues from City Base Rate	$4,463,522	$4,720,536	$5,195,734	$5,582,565	$5,701,853

(a) Figure calculated using estimated collections.

Source: City of Flagstaff, 2015/16 Annual Budget and Financial Plan.

OBLIGATION INSURANCE AND RELATED RISK FACTORS

The City intends to apply, or has applied, to obligation insurance companies (each an "Obligation Insurer") for a municipal obligation insurance policy (the "Policy") for the Obligations to guarantee the scheduled payments of principal of and interest on the Obligations. A commitment to provide the Policy has not been issued, and representatives of the City have yet to determine whether, if such commitment is issued, the Policy will be purchased. If the Policy is purchased, the following are risk factors relating to obligation insurance generally.

If the City ultimately determines to obtain the Policy for the Obligations, in the event of default of the payment of principal or interest with respect to any of the Obligations when all or some become due, any owner of the Obligations on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Obligation Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations will remain payable solely from the Excise Tax Revenues as described under "SECURITY AND SOURCES OF PAYMENT." In the event the Obligation Insurer becomes obligated to make payments with respect to the Obligations, no assurance will be given that such event will not adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The long-term ratings on the Obligations will be dependent in part on the financial strength of the Obligation Insurer and its claims paying ability. The Obligation Insurer's financial strength and claims paying ability will be predicated upon a number of factors which could change over time. No assurance will be given that the long-term rating of the Obligation Insurer and of the rating on the Obligations insured by the Obligation Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The obligations of the Obligation Insurer will be general obligations of the Obligation Insurer, and in an event of default by the Obligation Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the City, the Underwriter (as defined herein), the Financial Advisor (as defined herein), or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Obligation Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Obligation Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Obligations and the claims paying ability of the Obligation Insurer, particularly over the life of the investment.

SOURCES AND USES OF FUNDS

Principal Amount	$10,000,000.00*
Net Original Issue Premium/(Discount)	
Total Sources of Funds	
Deposit to Acquisition Fund	
Payment of Issuance Expenses *(a)*	
Total Uses of Funds	

* *Subject to change.*

(a) *Includes Underwriter's compensation, obligation insurance premium, if any, and costs of execution and delivery of the Obligations.*

ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE *(a)*

The following schedule illustrates the estimated annual debt service on the Obligations and estimated coverage.

Fiscal Year	Excise Tax Revenues Estimate *(b)*	The Obligations Principal*	The Obligations Estimated Interest *(c)*	Total Estimated Annual Debt Service Requirements*	Maximum Annual Debt Service Coverage on the Obligations* *(e)*
2014/15	$ 5,701,853				
2015/16					
2016/17		$ 580,000	$ 400,000 *(d)*	$ 980,000	5.8
2017/18		585,000	376,800	961,800	
2018/19		590,000	353,400	943,400	
2019/20		600,000	329,800	929,800	
2020/21		605,000	305,800	910,800	
2021/22		615,000	281,600	896,600	
2022/23		630,000	257,000	887,000	
2023/24		640,000	231,800	871,800	
2024/25		655,000	206,200	861,200	
2025/26		670,000	180,000	850,000	
2026/27		685,000	153,200	838,200	
2027/28		705,000	125,800	830,800	
2028/29		725,000	97,600	822,600	
2029/30		745,000	68,600	813,600	
2030/31		765,000	38,800	803,800	
2031/32		205,000	8,200	213,200	
		$ 10,000,000			

* *Subject to change.*

(a) *Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").*

(b) *Excise Tax Revenues are extrapolated from the City Base Rate for fiscal year 2014/15 as described under "EXCISE TAX REVENUES - Representative Historic Excise Tax Revenues."*

(c) *Interest on the Obligations is estimated at 4.00%.*

(d) *The first interest payment on the Obligations will be due on January 1, 2017. Thereafter, interest payments will be made semiannually on July 1 and January 1 until maturity or prior prepayment.*

(e) *Debt service coverage is based on revenues available for debt service (footnote (b) compared to maximum annual installment payments pursuant to the Purchase Agreement.*

LITIGATION

No litigation or administrative action or proceeding is pending seeking to restrain or enjoin the issuance and delivery of the Obligations, the collection and pledge of Excise Tax Revenues to pay the debt service on the Obligations, contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be issued, sold, executed or delivered, or the validity of the Obligations. Authorized representatives of the City will deliver a certificate to that effect at the time of the original delivery of the Obligations.

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 of the Obligations are subject to the legal opinion of 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.

The proposed text of the legal opinion is set forth as APPENDIX D – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX D 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.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, as counsel to the Underwriter.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend numerous matters, both financial and nonfinancial, affecting the operations of municipalities which could have a material effect on the City and could adversely affect the secondary market value or marketability of the Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

The legal 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.

TAX MATTERS

General

In the opinion of Special Counsel, under existing law, the portion of each of the Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the "Interest Portion") will be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, will not be treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations (but will be taken into account in determining adjusted current earnings for purposes of computing such tax imposed on certain corporations) and will be exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. Special Counsel expresses no opinion as to the treatment for federal or Arizona income tax purposes on the Interest Portion as to any other tax consequence relating to the Obligations.

The Code prescribes a number of qualifications and conditions for such interest to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the City to the

federal government, require future or continuing compliance after delivery of the Obligations in order for the Interest Portion to be and to remain so excluded from the date of execution and delivery. Such opinion on such tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain continuing covenants of the City contained in documents which are part of the transcript of proceedings for the Obligations and which are intended to evidence and assure that the Interest Portion will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the certifications and representations, or compliance with the covenants, made by the City. Noncompliance with these requirements could cause the Interest Portion to be included in gross income for federal income tax purposes and to be subject to federal and Arizona income taxation retroactive to the date of execution and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take all such actions that may be required of them for the Interest Portion to be and remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

The Interest Portion may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America (the "United States") and to a tax imposed on excess net passive income of certain S corporations. Also, pursuant to the Code, the exclusion of the Interest Portion from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status of the Owners of the Obligations or other tax-related matters. As noted hereinabove, Special Counsel expresses no opinion regarding these or other consequences.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the 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 thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Obligations. If enacted into law, such legislation could affect the market price or marketability of the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

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 opinion 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 as indicated on the inside front cover page of this Official Statement ("Discount Obligations"), were offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Obligation. The issue price of a Discount Obligation is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Obligations of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount 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 Original Issue Discount that accrues during the period of ownership of a Discount Obligation (i) will be 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) will be 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. A purchaser of a Discount Obligation in the initial public offering at the price for that Discount Obligation stated on the inside front cover page of this Official Statement who holds that Discount Obligation to maturity will realize no gain or loss upon the retirement of that Discount Obligation.

Certain of the Obligations as indicated on the inside front cover page of this Official Statement (the "Premium Obligations"), were offered and will be sold at an "issue price" in excess of their stated redemption price at maturity. That excess constitutes obligation premium. The issue price of a Premium Obligation is the initial offering price to the public (other than bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Premium Obligations of the same maturity is sold pursuant to that offering. For federal income tax purposes, obligation 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 obligation 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 obligation 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. A purchaser of a Premium Obligation in the initial public offering at the price for that Premium Obligation stated on the inside front cover page of this Official Statement who holds that Premium Obligation to maturity (or, in the case of a callable Premium Obligation, to its earlier call date that results in the lowest yield on that Premium Obligation) will realize no gain or loss upon the retirement of that Premium Obligation.

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

RATING

Standard & Poor's Financial Services LLC ("S&P") has assigned the Obligations a rating of "__". Such rating reflects only the views of such rating agency, and an explanation of the significance of such rating may be obtained only from the rating agency furnishing the rating. Explanations of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. Such rating agency was provided with materials relating to the City and the Obligations and other relevant information, and no application has been made to any other rating agency for the purpose of obtaining a rating on the Obligations. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Obligations. The City has undertaken to file notice of any formal change in any rating relating to the Obligations. See "CONTINUING DISCLOSURE."

UNDERWRITING

The Obligations are being purchased by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase from the City the Obligations at an aggregate purchase price of $_____ pursuant to an obligation purchase contract between the City and the Underwriter. The aggregate purchase price reflects compensation to the Underwriter of $_____. The Obligations may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices stated on the inside front cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Obligations if any Obligations are purchased.

CONTINUING DISCLOSURE

The City will covenant for the benefit of certain owners of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2017 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices of Listed Events"). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the City as such will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access System, each as described in APPENDIX E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission's Rule 15c2-12(b)(5) (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. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

The City previously entered into continuing disclosure undertakings (the "Prior Undertakings") in connection with the issuance of certain bonds and obligations, which require the filing on or before February 1 of each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the "Prior Annual Report"). Until March 22, 2016, the Prior Annual Report with respect to the fiscal year ended June 30, 2015 was not associated with the nine-digit CUSIP numbers for the City's Refunding Certificates of Participation, Series 12 relating to the Arizona Municipal Financing Program and until Jan. 14, 2014, the 2012 Annual Report with respect to the fiscal year ended June 30, 2012, was not associated with the nine-digit CUSIP numbers for the City's Pledged Revenue Refunding Obligations, Series 2012. Certain information required by the Prior Disclosure Undertakings was filed but not presented in the same format as within official statements for fiscal years ending June 30, 2011 through 2015. The City did not file notices of the failure to provide the Prior Annual Report. The correctly formatted data was filed on EMMA on January 14, 2014, March 22, 2016 and May __, 2016. The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Obligations and future similar undertakings in all material respects.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated is serving as financial advisor to the City. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the execution and delivery of the Obligations. The Financial Advisor participated in the preparation of the Official Statement but has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: "The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information."

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2015 and for its fiscal year then ended, which are included as APPENDIX B of this Official Statement, have been audited by Eide Bailly, LLP, as stated in their opinion which appears in APPENDIX B – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015." The City neither requested nor obtained the consent of Eide Bailly, LLP to include their report and Eide Bailly, LLP has performed no procedures subsequent to rendering their opinion on the financial statements.

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

ADDITIONAL INFORMATION

Additional information and copies of the Official Statement and the Ordinance authorizing execution and delivery of the Obligations may be obtained by contacting the Financial Advisor, Stifel, Nicolaus & Company, Incorporated, 2325 East Camelback Road, Suite 750, Phoenix, Arizona 85016, or by contacting Rick Tadder, Management Services Director, 211 W. Aspen Avenue, Flagstaff, Arizona 86001.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations.

The attached APPENDICES A through F are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the City and has been approved by and executed for and on behalf of the City by its authorized representative indicated below.

CITY OF FLAGSTAFF, ARIZONA

By _____
Management Services Director

APPENDIX A

CITY OF FLAGSTAFF, ARIZONA
GENERAL AND FINANCIAL INFORMATION

General

The City of Flagstaff, Arizona (the "City" or "Flagstaff"), is northern Arizona's principal population, commerce and education center. Flagstaff is situated in a mountainous region at an elevation of 7,000 feet. At the base of the San Francisco Peaks, including Mount Humphreys (the highest point in the State of Arizona (the "State" or "Arizona") with an elevation of 12,670 feet), Flagstaff is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater.

Flagstaff was originally founded in the late 1800's as a work camp for construction crews working on the transcontinental railroad. It was incorporated as a town in 1894 and as a city in 1928. It has served as the county seat for Coconino County, Arizona (the "County"), since 1891.
Listed below are U.S. Census population figures for the City, the County and the State.

POPULATION STATISTICS

	City of Flagstaff	Coconino County	State of Arizona
2015 Estimated *(a)*	70,463	141,602	6,758,251
2010 Census	65,870	134,421	6,392,017
2000 Census	52,894	116,320	5,130,632
1990 Census	45,857	96,591	3,665,228
1980 Census	34,743	75,008	2,716,633
1970 Census	26,117	48,326	1,775,399

(a) Population estimates as of July 1, 2015 (released December 2015) provided by the Office of Employment and Population Statistics, Arizona Department of Administration

Source: U.S. Census Bureau and the Arizona Department of Economic Security, Research Administration Population Statistical Unit.

Municipal Government

Flagstaff operates under a Council-Manager form of government as provided by its Charter, which was originally adopted on October 3, 1958. The City Council is comprised of a Mayor and six Council members. The Council members are elected on a non-partisan ballot for four-year staggered terms while the Mayor is elected at large for a two-year term. The Mayor and Council members have equal voting power. The Council is responsible for policy-making, as well as making appointments to advisory boards, commissions and committees. It also appoints Municipal Court Judges and the City Attorney. Additionally, the City Council hires the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City Manager in turn appoints City employees and department heads under civil service procedures as specified in the Charter.

Economy

The economy of Flagstaff is based primarily on government, small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University ("NAU"), Flagstaff is a center of educational, governmental and scientific employment and is becoming a center for research and development as well as the distribution and manufacturing of high technology products. The location of Flagstaff at the junction of Interstates 40 and 17, plus the close proximity of seven national parks and monuments, makes tourism a major source

of employment and a strong contributor to the revenue base of Flagstaff. In addition, Flagstaff serves as the major trade and service center for a wide area of northern Arizona.

The table below sets forth the unemployment rate averages for the City, the County, the State and the United States of America for the years indicated.

UNEMPLOYMENT RATE AVERAGES

Year	United States	State of Arizona	Coconino County	City of Flagstaff
2016 *(a)*	4.9%	5.5%	6.3%	4.0%
2015	5.3	6.1	6.6	4.5
2014	6.2	6.4	7.1	5.1
2013	7.4	7.9	8.1	5.8
2012	8.1	8.3	8.6	6.1
2011	8.9	9.4	9.5	7.0

(a) *As of February 2016.*

Source: Arizona Department of Administration, Employment and Population Statistics, CES/LAUS Unit; U.S. Department of Labor, Bureau of Labor Statistics.

Total wage and salary employment for the City is unavailable. However, the table below shows a comparison of the changes in annual average employment levels in the various non-agriculture sectors of the County for calendar years 2011 into 2016.

LABOR FORCE AND NONFARM EMPLOYMENT
Coconino County, Arizona

	2016 *(a)*	2015	2014	2013	2012	2011
Mining and construction	2,100	2,200	2,100	2,100	2,100	2,000
Manufacturing	4,400	4,400	4,300	4,300	4,100	3,900
Trade, transportation and utilities	9,900	10,100	10,000	9,800	9,600	9,500
Information	500	500	400	400	400	400
Financial activities	1,300	1,300	1,200	1,200	1,300	1,300
Professional and business services	3,367	3,300	3,000	2,800	2,700	2,600
Educational and health services	9,600	9,400	9,200	8,900	8,500	8,400
Leisure and hospitality	12,067	13,200	13,100	12,800	12,400	12,200
Other services	1,367	1,400	1,500	1,500	1,600	1,700
Government	20,300	20,000	19,700	19,600	19,600	19,600
Total	64,900	65,800	64,500	63,400	62,300	61,600

(a) *Data through March 2016.*

Source: Arizona Department of Economic Security, Research Administration.

The table below sets forth the major employers in the City.

MAJOR EMPLOYERS
City of Flagstaff, Arizona

Employer	Product/Service	Approximate Employment
Northern Arizona University	Education	2,815
Flagstaff Medical Center	Healthcare	2,300
W.L. Gore & Associates	Medical Equipment Manufacturing	2,200
Flagstaff Unified School District	Government	1,436
Coconino County	Government	1,294
City of Flagstaff	Government	872
Wal-Mart	Retail	630
Grand Canyon Railways	Lodging and Travel	600
SCA Tissue	Paper Products Manufacturing	279
Dell Systems	Information Technology	250
Nestle Purina	Distribution Center	240

Source: City of Flagstaff, 2015 Comprehensive Annual Financial Report and Hoover's, a D&B Company.

Manufacturing

The access to interstate highways and close proximity to Southern California markets has made Flagstaff the manufacturing and distribution center for northern Arizona. Flagstaff is the hub of W.L. Gore & Associates medical products division concentrating in the development and manufacturing of implantable medical devices and has been in Flagstaff for over 3 decades. Other bio-science manufacturers located in the City include Machine Solutions, a supplier of catheter and stent manufacturers and TGEN North, a pathogen genomics and bio defense research facility which opened in 2007.

The Northern Arizona Center for Entrepreneurship and Technology ("NACET") is a small-business assistance program founded to help entrepreneurs and startups succeed in northern Arizona. The program offers hands-on consulting to high-tech, science, and renewable energy firms. NACET is part of the Flagstaff's Science & Innovation Park, a collaboration with the U.S. Geological Survey ("USGS"). The U.S. Geological Survey Branch of Astrogeology was established in Flagstaff due to the surrounding number of natural geological landmarks that resembled the surface of the moon. Field training for the astronauts took place at Sunset Crater Volcano National Monument, Meteor Crater, Grand Canyon National Park and other areas in the region. The USGS Branch of Astrogeology continues to be a part of NASA's exploration of space. Staff provides outreach to other science organizations, schools, and to the general public. Scientists provide brown bag lectures on campus and other locations in Flagstaff. The public can take self-guided tours of the facilities and science displays.

Government

Government comprises the largest component of the County's, as well as Flagstaff's, labor force. A number of departments of the federal government maintain offices in Flagstaff, including Agriculture, Commerce, Health, Education and Welfare, Interior, Justice, and Transportation. In particular, the City owns the land and many of the buildings on the USGS campus located in Flagstaff. The City, the Government Services Administration, and the USGS, in cooperation with outside consultants, have developed a new master plan that calls for the eventual demolition of much of the existing campus. It will be replaced by a new USGS facility and is interconnected with the private science-and-technology park. The goal of this project is to facilitate technology transfer between USGS and the private sector. The park will include up to 200,000 square feet of research and manufacturing space. In addition, the United States Forest Service and the National Park Service operate numerous offices in the area.

Commerce

As the principal trade and service center for a large area of northern Arizona, wholesale and retail trade play a large role in the economy of Flagstaff. Both tourists and residents traveling and living within north-central Arizona have access to ten shopping centers in Flagstaff. The table below sets forth retail sales data for the years indicated.

RETAIL SALES DATA
City of Flagstaff, Arizona

Fiscal Year	Sales Tax Receipts	State-Shared Sales Tax Receipts
2016 *(a)*	$ [to be updated]	$ [to be updated]
2015	17,457,210	6,019,776
2014	15,897,892	5,733,507
2013	15,284,658	5,391,580
2012	14,283,540	5,147,101
2011	13,575,385	4,711,821

(a) Data through _____, 2016

Source: City of Flagstaff, Comprehensive Annual Financial Reports and Arizona Department of Revenue.

After the economic recession, net taxable retail sales in the County increased 5.38% in 2015, after a 3.90% increase in 2014 and a 2.17% increase in 2012 and a total increase of 25.48% since 2011. Net taxable retail sales for the County for the past six fiscal years are set forth below:

TAXABLE RETAIL SALES
Coconino County
Net Taxable Retail Sales *(a)*

Calendar Year	Amount
2016 *(b)*	$ 190,662,784
2015	1,219,927,577
2014	1,087,574,596
2013	1,032,088,898
2012	993,362,699
2011	972,230,016

(b) Excludes taxes on food and gasoline.

(c) As of February 2016.

Source: Arizona Department of Revenue.

Banking Institutions

The following table sets forth bank deposits in the County.

BANK DEPOSITS
Coconino County
(in millions)

Fiscal Year	Amount
2015	$1,623
2014	1,355
2013	1,361
2012	1,190
2011	1,125

Source: Federal Deposit Insurance Corporation, Summary of Deposits.

Tourism

Flagstaff is located near such tourist attractions as the Grand Canyon, the Glen Canyon Dam and Lake Powell, Sunset Crater, Walnut Canyon, and the scenic recreational attraction of Oak Creek Canyon. Located near Flagstaff are various United States Forest Service park areas for camping, stream and lake fishing, swimming, water skiing and hunting. Snow-skiing is available in the winter at the Arizona Snowbowl, a few miles north of Flagstaff. Annual summer festivities in Flagstaff include an art, music, and theater festival. The J. Lawrence Walkup Skydome at NAU, with a seating capacity of 16,000, can be adapted to a variety of events including football, basketball, ice hockey, badminton, volleyball, track, intramurals, and cultural and entertainment events.

The following table sets forth the number of visitors to selected national parks and monuments which are located near Flagstaff.

TOURISM STATISTICS BY NUMBER OF VISITORS

Calendar Year	Grand Canyon National Park	Montezuma Castle National Monument	Sunset Crater National Monument	Walnut Canyon National Monument	Wupatki National Monument
2015	5,520,736	416,635	182,203	153,322	212,828
2014	4,756,771	407,017	176,723	135,230	195,962
2013	4,564,840	389,091	184,684	125,267	190,878
2012	4,421,352	455,305	177,793	110,748	201,365
2011	4,298,178	573,731	185,265	125,003	216,165

Source: National Park Service Public Use Statistics Office.

Education

Flagstaff is served by twelve public elementary schools, two middle schools, two high schools and several private and charter schools.

NAU is the leading employer in the City, with approximately 2,814 full-time faculty and staff. NAU is a fully-accredited, four-year degree-granting institution of higher learning. NAU's fall semester total headcount was

estimated at 29,031 students (including full-time and part-time undergraduate and graduate students). NAU's main campus is located on a 730-acre site in the City.

Coconino County Community College District (the "College"), founded in 1991, is a multi-campus college serving residents of the County with classes offered in the City, Williams, Grand Canyon, Fredonia, Page/Lake Powell and Tuba City. The College provides students with a variety of courses as well as Associate Degree and Certification programs. The college serves more than 7,500 students per year with two campuses in the City. The Flagstaff Lone Tree Campus houses the College's administrative offices, as well as the majority of the general education courses. The Flagstaff Medical Center Institute for Nursing Education as well as other vocational programs like fire science and construction management.

Transportation

Flagstaff is served by main lines of the Burlington Northern, Santa Fe and Amtrak Railroads, one transcontinental busline (Greyhound/Trailways), and seven interstate and four intrastate truck lines. Interstate Highways 17 and 40, as well as State Highways 89, 89A and 180, intersect within Flagstaff. Interstate 17 provides a direct route to Phoenix and other points in southern Arizona, while Interstate 40 is a transcontinental east-west route. State Highway 89 provides access to Northern Arizona's mountain recreation areas, including Lake Powell. State Highway 89A follows the Oak Creek Canyon to Sedona while State Highway 180 is the most direct route to the Grand Canyon.

Pulliam Airport, located four miles south of Flagstaff, is served by American Airlines and provides numerous daily flights to Phoenix, where connections can be made to international and national destinations.

FINANCIAL INFORMATION

Introduction

The City's fiscal year is from July 1 through June 30. City budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the City Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the City's tax levy is then set based on the adopted figures.

Expenditure Limitation

Beginning in fiscal year 1982/83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's annual expenditures for fiscal year 1979/80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions that relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

Since the inception of expenditure limitations, the City has not exceeded its limitation in any fiscal year.

Financial Reports and Examination of Accounts

State law requires that the City's financial books and records be audited by independent auditors, on an annual basis. Annually, independent certified public accountants audit the financial records as required by State law and the City's Charter. See APPENDIX B – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015" for the financial statements from the City's June 30, 2015, Comprehensive Annual Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2015 Comprehensive Annual Financial Report as well as in each of the 22 preceding years.

CITY EMPLOYEE RETIREMENT SYSTEM

Pension and Retirement Plans / Other Post-Employment Benefits

The City contributes to three separate defined benefit pension plans for the benefit of all general employees of the City and elected officials. **Please refer to APPENDIX B – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for a more detailed description of these plans and the City contributions to the various plans.**

The Arizona State Retirement System ("ASRS"), a cost-sharing, multiple employee defined benefit plan, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov/content/annualreports. The increase in ASRS' unfunded liabilities is expected to result in increased future annual contribution to ASRS by the City and its employees.

For the year ended June 30, 2014, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and for health insurance premiums, and 0.24% long-term disability) of the members' annual covered payroll. The annual contribution for the fiscal year ending June 30, 2015 is 11.60% (11.48% retirement pension and health insurance premiums, 0.12% long-term disability). The annual contribution rate for the fiscal year ending June 30, 2016 is 11.47% (11.35% retirement pension and health insurance premiums, 0.12% long-term disability). The City's employer contributions to ASRS for the years ended June 30, 2015, 2014, and 2013 were $3.2 million, $3.1 million, and $3.0 million, respectively, which were equal to the required contributions for the year. The City's employee contributions to ASRS were equal to the employers required contributions.

Additionally, other enacted State legislation made changes to how ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired employees of ASRS that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

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 will also require 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. Both the City and each covered employee contribute to the System. As of June 30, 2015, the City reported a liability of $44.8 million for its proportionate share of the net pension liability under the System. The pension liability was measured as of June 30, 2014. See page 86 and 87 in APPENDIX B – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for further discussion of the City and its pension liability as of June 30, 2014.

The Public Safety Personnel Retirement system ("PSPRS") an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members' contribution rate, has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The increase in the PSPRS's unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its employees, however the specific impact on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time.

For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 19.65% for PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to PRSPRS. During fiscal year 2015, the City paid for PSPRS pension and

OPEB contributions for police with 100% general fund dollars and 96.4% from the general fund plus 3.6% from the airport fund as related to fire contributions.

Under PSPRS for the fiscal year ending June 30, 2016, the employee contribution rate is set by statute at and calculated at the lesser of 11.65%; or 33.3% of the sum of the member's contribution rate from the preceding fiscal year, plus the aggregate computed employer contribution rate; subject to a minimum employee contribution rate of 7.65%. The employer contribution rates are based upon an actuarial valuation.

It should be noted that the PSPRS Board of Directors has adopted a three year contribution rate phase-in associated with the Arizona Supreme Court decision which determined that the reduction in the permanent benefit increase enacted by the State Legislature in 2011 (Senate Bill 1609) is unconstitutional. Other litigation relating to the 2011 legislation remains outstanding. If the ultimate outcome overturns additional portions of the legislation, there will be further adverse impacts on the funded ration and the actuarially determined contribution rates.

New Reporting Requirements - Governmental Accounting Standards Board ("GASB") 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.

On February 16, 2016, the Governor of Arizona signed into law pension overhaul legislation which makes several changes to the PSPRS. The changes, which only affect new hires that start after July 1, 2017, will require new public employees to serve until the age of 55 before being eligible for full pension benefits. The new legislation will also cap pension benefits for new hires and split the cost of pensions 50/50 between employers and new employees, offer new hires the option of a 100% defined contribution plan and tie cost-of-living adjustments to the regional Consumer Price Index, with a cap of 2% (the "COLA Provision"). The COLA Provision will also apply to current members of the PSPRS if approved by the voters at an election scheduled for May 17, 2016.

The Elected Officials Retirement Plan ("EORP") is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. The EORP is governed by the same Board of Trustees that manages the PSPRS plan. As of January 1, 2014 EORP is closed to new members. Pursuant to Arizona statute, the annual contribution for active members of EORP is 13% of the members' annual covered payroll. Although the actuarially determined employer contribution rate for FY 2016-17 is 95.56% of covered payroll, pursuant to current State law participating EORP employers are required to annually contribute 23.50% of covered payroll for elected officials and eligible judges. This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System (EODCRS) and the Arizona State Retirement (defined benefit) System (ASRS), depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution rate, by statute, for EODCRS participating members is 6.00%; the employer contribution rate for ASRS participating members is 11.48% for FY 2016-17; and all remaining employer contributions, up to 23.50% of the covered payroll of all elected officials and eligible judges, are remitted to EORP. The EORP employer contribution is additionally funded each year with designated state and county court fees and a $5,000,000 appropriation from the State general fund. For FY 2016-17 the total EORP employer contribution is expected to be approximately $30,000,000 lower than the actuarially determined employer contribution.

Other Post-Employment Benefits

The City provides post-retirement healthcare insurance benefits for its retirees as an agent multiple-employer plan which is administered through, Northern Arizona Public Employee Benefit Trust (NAPEBT). NAPEBT provides benefits to eligible retirees through the same plan as active city employees and their beneficiaries up to the age of 65; the implicit rate subsidy exists through the duration of the coverage. Substantially, all of the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. NAPEBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on their website: www.napebt.com/community_docs. As of June 30, 2015, there were 85 retirees who elected coverage. The contribution requirements of plan members and the city are established and may be amended by the NAPEBT board. Eligible retirees up to the age of 65 have the option to participate in the healthcare

plan that is currently offered to active employees and must pay 100% of the premium less any reimbursement from the Arizona State Retirement System, currently, a monthly stipend of $150 for single coverage and $260 for family coverage. The City has elected to not fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's implicit subsidy rate to covered payroll is actuarially determined at 30.4%. Plan members receiving benefits contributed $182,941 during fiscal year 2015.

There are no other OPEB liabilities.

APPENDIX B

CITY OF FLAGSTAFF, ARIZONA

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C

SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

"Acquisition Fund" means the fund of that name established pursuant to the Trust Agreement.

"Additional Revenue Obligations" means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from Excise Tax Revenues on a parity with, and in compliance with the terms of, the Purchase Agreement.

"Annual Debt Service" means for any fiscal year of the City the amount to be paid in such year with respect to the Senior Obligation and the Parity Obligations during such year.

"City Representative" means the City Manager, the Management Services Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to this Trust Agreement.

"Costs of Issuance Fund" means the fund of that name established pursuant to the Trust Agreement.

"Defeasance Obligations" are those described in the Trust Agreement by such term.

"Delivery Costs" means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

"Depository Trustee" means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

"Event of Default" means an event of default under the Purchase Agreement as described under the subheading "THE PURCHASE AGREEMENT – Default; Remedies Upon Default."

"Maximum Annual Debt Service" means, at the time of computation, the greatest Annual Debt Service Requirement for the then-current or any succeeding fiscal year of the City.

"Outstanding" refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory prepayment installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted by the Purchase Agreement and the Trust Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of and premium, if any, and interest represented by such Obligations.

"Owner" or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

"Parity Obligations" means the Purchase Agreement and any Additional Revenue Obligations.

"Payment Fund" means the fund by that name established pursuant to the Trust Agreement.

"Project Costs" means, with respect to the Projects, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of installation, construction and other matters necessary for the Projects and all costs incurred by Trustee or the City with respect to the transaction to which the Trust Agreement pertains.

THE TRUST AGREEMENT

The following, in addition to the information under the headings "INTRODUCTORY STATEMENT" and "SECURITY AND SOURCES OF PAYMENT", is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Acquisition Fund. The Acquisition Fund will be established by the Trustee from which the Trustee will pay the Project Costs. On the completion date of the Projects, the Trustee will transfer any amounts remaining in the Acquisition Fund to the Payment Fund. Any amount remaining in the Acquisition Fund upon the occurrence of an Event of Default shall not be disbursed as provided in this Section, but shall be immediately transferred to the Payment Fund and used to pay principal and interest with respect to the Obligations.

Costs of Issuance Fund. The Costs of Issuance Fund will be established by the Trustee from which the Trustee will pay the Delivery Costs. On the earlier of ____ 1, 2016, or when all Delivery Costs have been paid, the Trustee will transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund.

Payment Fund. The Payment Fund will also be established by the Trustee. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal, interest and premium, if any, represented by the Obligations.

Separate Funds. Moneys and investments properly paid into and held in the funds established under the Trust Agreement will not be subject to the claims of the owners of the Additional Revenue Obligations, and the Owners of the Obligations shall have no claim or lien upon any moneys or investments properly paid into and held in the funds and accounts established under the proceedings for the Additional Revenue Obligations.

Project Costs. All architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of installation, construction and other matters necessary for the Projects and all costs incurred by Trustee or the City with respect to the transaction to which the Trust Agreement pertains.

Protection of Lien. The Trustee and the City will agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien of the Trust Agreement and that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged will be issued or delivered by either except in lieu of, or upon transfer of registration or exchange of, any Obligation.

Investments Authorized; Allocation of Earnings. Upon order of the City, moneys held by the Trustee will be invested and re-invested in certain investments permitted by the Trust Agreement having the highest yield reasonably obtainable. The Trustee may purchase from, or sell to, itself or any affiliate, as principal or agent, investments and may invest in funds to which the Trustee or any of its affiliates provide services as an investment advisor. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided. At the direction of the City, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Internal Revenue Code.

Appointment of the Trustee. The City will maintain as the Trustee a bank or trust company with a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the

combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Liability of the Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement and the Obligations will be taken as statements, covenants and agreements of the City, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement or of the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon them, respectively. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee will perform only such duties as are specifically set forth in this Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of the affairs of the Trustee.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible as described hereinabove, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) will be deemed to be conclusively proved and established by the certificate of the appropriate representative of the City and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will not be required to take notice or be deemed to have notice of an Event of Default, except for nonpayment of amounts due under the Trust Agreement or the Purchase Agreement, unless the Trustee has actual

notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The will from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, including an hourly rate based fee after an Event of Default and will reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties.

Removal/Resignation of the Trustee. The Trustee may be removed by the City (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations.

The Trustee may also resign effective upon the appointment of a successor the Trustee by the City.

Amendments Permitted. The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or amendment will (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

For the purpose of any supplemental agreement to make any amendment which may be made upon consent of the Owners of a majority of the Obligations pursuant to the Trust Agreement.

The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any Owners, but only (1)) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (3) 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, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the exclusion of interest represented by the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement and Purchase Agreement, (7) to facilitate the incurrence of the Additional Revenue Obligations, (8) with respect to rating matter, or (9) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties thereto.

Procedure for Amendment With Written Consent of Obligation Owners. A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided therein.

No Liability of the City for the Trustee Performance. The City will have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement

Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything in the Trust Agreement or in the Purchase Agreement to the contrary, there will be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of the Trust Agreement or the Purchase Agreement shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, or disposal of such action; provided, however, that the Trustee will not discontinue, or otherwise dispose of any litigation, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owners' Right to Sue. No Owner of any Obligation will have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

Defeasance. If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest represented by such Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by such Obligations Outstanding; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by such Obligations at their respective payment dates;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) or (c) above and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations will continue to represent direct and proportionate interests of the Owners thereof in such funds.

If any Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

THE PURCHASE AGREEMENT

The following, in addition to the information under the headings "INTRODUCTORY STATEMENT" and "SECURITY AND SOURCES OF PAYMENT," is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Purchase/Sale. Pursuant to the Purchase Agreement, the Trustee will sell and convey to the City, and the City will buy and accept from the Trustee, the Projects.

Payments. The obligation of the City to make the Payments will be limited to amounts from Excise Tax Revenues.

The obligations of the City to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

Providing for Payment. The City may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;

(b) by depositing the with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable, in such amount as shall be certified by a national firm of certified public accountants acceptable to the Trustee and the City as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial prepayment, so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of certain amounts due pursuant to the Purchase Agreement at the time when the same are to be paid as provided in the Purchase Agreement or the Trust Agreement, (B) the violation by the City of any other covenant or provision of the Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to the Senior Obligation or any Additional Revenue Obligations, or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of such amounts as required under the Purchase Agreement or the Trust Agreement on the due date, or the nonpayment of the payments on their due dates with respect to the Senior Obligation or any Additional Revenue Obligations; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or the Purchase Agreement not cured within sixty (60) days after notice in writing from the Trustee specifying such default; and (C) in the case of any default under the Senior Obligation or any Additional Revenue Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect such amounts payable by the City under the Trust Agreement or the Purchase Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under the Trust Agreement or the Purchase Agreement and with respect to the Excise Tax Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the amounts of the Excise Tax Revenues which are pledged to the payment of amounts due thereunder, with such powers as the court making such appointment shall confer (and the City will irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

The obligations of the City under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the City will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the City will be credited with any amount received by the Trustee.

APPENDIX D

PROPOSED FORM OF APPROVING LEGAL OPINION

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

_____
_____

Re: $10,000,000* Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016, Evidencing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by the City of Flagstaff, Arizona to _____, as Trustee, Dated the Date Hereof

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by _____ (the "Trustee") of the Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (the "Obligations"), pursuant to a Second Trust Agreement, dated as of _____ 1, 2016* (the "Trust Agreement"), between the Trustee and City of Flagstaff, Arizona (the "City"). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the City pursuant to a Second Purchase Agreement, dated as of _____1, 2016* (the "Purchase Agreement"), between the Trustee, as seller, and the City, as buyer, to finance certain projects for the City. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the City Attorney delivered on the date hereof as to the matters provided therein.

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

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

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* *Subject to change.*

2. The obligations of the City pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations are solely from the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the City pursuant to the Purchase Agreement, and the obligation of the City to make those payments is secured by a limited pledge of amounts from "Excise Tax Revenues" as described in, and provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or pledge of the general credit of the City 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) Subject to the assumption stated in the last sentence of this paragraph, 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. Furthermore, the Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. 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 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 issuance. 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 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 ownership or disposition 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,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS
(ROAD REPAIR/STREET IMPROVEMENT PROJECTS),
SERIES 2016

(CUSIP Base No.: 338444)

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "*Undertaking*") is executed and delivered by City of Flagstaff, Arizona (the "*City*"), in connection with the execution and delivery of $10,000,000* principal amount of Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016, Evidencing a Proportionate Interest of the Owners Thereof in Purchase Price Payments to be Made by City of Flagstaff, Arizona, to _____, as trustee (the "*Obligations*"). The Obligations are being issued pursuant to a Second Trust Agreement, dated as of _____ 1, 2016* (the "*Trust Agreement*"), by and between the City and _____, 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 disclosure of Annual Financial Information and 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 _____, 2016.

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

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* *Subject to change.*

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

Listed Events Disclosure means 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 Second Purchase Agreement, dated as of _____ 1, 2016*, 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 Securities Exchange Act of 1934, as the same may be amended from time to time.

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/Final Official Statement.* The CUSIP Numbers of the Obligations are as follows:

CUSIP No.	Maturity Date	Interest Rate

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 within not more than ten (10) business days, its Listed Events Disclosure through EMMA. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Obligations or defeasance of any Obligations need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Obligations pursuant to the terms of the Obligations. Whether events subject to the standard "material" would be material shall be determined under applicable federal securities laws.

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

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

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

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

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

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

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying 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 a Listed Event.

8. *Termination of Undertaking.* This Undertaking shall be terminated if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement. The City shall give notice in a timely manner if it no longer has such liability through EMMA.

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. To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein by the reference.

Dated: [Closing Date]

CITY OF FLAGSTAFF, ARIZONA

By.....
Management Services Director

ATTEST:

.....
City Clerk

ACKNOWLEDGED FOR PURPOSES OF
SECTION 11(c) OF THE PURCHASE
AGREEMENT BY _____, AS TRUSTEE

By .....

Title: .....

ATTACHMENTS:

Exhibit I -	Annual Financial Information and Timing and Audited Financial Statements
Exhibit II -	Events for Which Listed Events Disclosure Is Required

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 the table under the heading "EXCISE TAX REVENUES – Representative Historic Excise Tax Revenues" (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, 2017. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP. Audited Financial Statements will be provided through EMMA within 30 days after availability to the City.

If any change is made to the Annual Financial Information, as permitted by Section 4 of the 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

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system is based solely on information provided by DTC. Accordingly, the City takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm this information with DTC or the DTC participants.

The Depository Trust Company ("DTC"), New York, New York, 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 will be issued for each payment date in the aggregate stated amount 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 Securities Clearing Corporation, all of which are registered clearing agents. DTC 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"). 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.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct 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 the 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 the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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).

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

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, 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, 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 the City takes no responsibility for the accuracy thereof.

$[PAR]
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS (ROAD REPAIR/STREET IMPROVEMENT PROJECTS), SERIES 2016

OBLIGATION PURCHASE AGREEMENT

_____, 2016

Mayor and City Council
City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, RBC Capital Markets, LLC (the "Underwriter"), offers to enter into the following agreement with the City of Flagstaff, Arizona (the "City"), which, upon the City's written acceptance of this offer, will be binding upon the City and upon the Underwriter. This offer is made subject to the City's written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the City. The acceptance is made by the City by signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Trust Agreement (as defined herein) or in the Official Statement (as defined herein).

1. Purchase and Sale of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to cause to be sold, executed and delivered to the Underwriter, all, but not less than all, of the City's Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (the "Obligations"). Inasmuch as this purchase and sale represents a negotiated transaction, the City acknowledges and agrees that: (i) the Underwriter is not acting as an agent or fiduciary of the City, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an "arm's length," commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the City; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the

Underwriter has provided other services or is currently providing other services to the City on other matters); (iv) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the City has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The principal amounts of the Payments (as defined below) represented by the Obligations, the dated date, the payment dates, the prepayment provisions and the rates per annum of the interest amount represented by the Obligations are set forth in the Schedule attached hereto. The terms of the Obligations shall be as otherwise described in, and the Obligations shall be executed and delivered by the Trustee pursuant to a Second Trust Agreement, to be dated as of July 1, 2016 (the "Trust Agreement"), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon among the Underwriter, the City and the Trustee. The Obligations represent undivided proportionate interests in the installment payments (each a "Payment," and, collectively, the "Payments") to be made by the City pursuant to a Second Purchase Agreement, to be dated as of July 1, 2016 (the "Purchase Agreement"), between the City and the Trustee, as seller.

(c) The proceeds of the Obligations will be used to (i) pay costs of acquisition and construction of street improvements and on-going preservation of street conditions, and (ii) pay costs relating to the execution and delivery of the Obligations.

(d) The Obligations will be purchased by the Underwriter at a purchase price of $_____ (consisting of the par amount of the Obligations, plus [net] original issue premium of $_____ and less the Underwriter's discount of $_____).

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Obligations at a price not to exceed the public offering price set forth on the inside front cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower than, or yields higher than, the public offering prices or yields stated on the inside front cover page of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2016 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the City relating to the Obligations, as to be subsequently revised to reflect the changes resulting from the sale of the Obligations and including amendments or supplements thereto, is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the City for use by the Underwriter in connection with the public offering, sale and distribution of the Obligations by the Underwriter. The City hereby deems the Preliminary Official Statement "final" as of its date, except for the omission of such information which is dependent upon the

final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The City represents that the City Council (or appropriate officials of the City) has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Obligations. The City ratifies to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Obligations. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the City's acceptance of this Agreement (but, in any event, not later than within seven business days after the City's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Obligations), the City becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the City will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the City or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish, at the City's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the City can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing (as defined herein).

4. Representations, Warranties and Covenants of the City. The undersigned on behalf of the City, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State, and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority pursuant to the ordinance of the Mayor and City Council of the City adopted on _____, 2016 (the "Ordinance"), authorizing the sale and execution and delivery of the Obligations, (i) to enter into, execute and deliver this Agreement, the Trust Agreement, the Purchase Agreement and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the "Undertaking") and all documents required hereunder and thereunder to be executed and delivered by the City (this Agreement, the Trust Agreement, the Purchase Agreement and the Undertaking are hereinafter referred to as the "City Documents"), (ii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and (iii) to impose, levy, collect and pledge the Excise Tax Revenues as contemplated in the City Documents and the Official Statement, and the City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents as they pertain to such transactions;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized all necessary action to be taken by it for (i) adoption of the Ordinance by the Mayor and City Council for the execution and delivery and sale of the Obligations, (ii) the approval, execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and (iii) the consummation by the City of all other transactions contemplated by the Official Statement, the City Documents, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the City in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) This Agreement has been duly executed and delivered by the City, and the other of the City Documents (when such City Documents are executed and delivered by the other parties thereto) will constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Obligations, when executed and delivered and paid for in accordance with the Trust Agreement and this Agreement, shall constitute legal, valid and binding obligations entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and, upon the execution and delivery of the Obligations as aforesaid, the Purchase Agreement and the Trust Agreement shall provide, for the benefit of the holders from time to time of the Obligations, the legally valid and binding pledge and lien they purport to create as set forth in the Purchase Agreement and the Trust Agreement;

(d) The City is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note,

Ordinance, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the City under any of the foregoing; and the execution and delivery of the City Documents and the adoption of the Ordinance and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City securing the Obligations or under the terms of any such law, regulation or instrument;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents have been duly obtained;

(f) The Obligations conform to the description thereof contained in the Official Statement under the caption "THE OBLIGATIONS;" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE;"

(g) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the City after due inquiry, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Obligations or the levying or collection of Excise Tax Revenues securing the payment of the Obligations pursuant to the Trust Agreement or in any way contesting or affecting the validity or enforceability of the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the execution and delivery of the Obligations, the adoption of the Ordinance or the execution and delivery of the City Documents, nor, to the best knowledge of the City, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) The City has not granted a lien on, made a pledge of or agreed to apply the Excise Tax Revenues and other moneys payable pursuant to the Purchase Agreement, except as provided or permitted in the Purchase Agreement or as described in the Official Statement;

(j) At the time of the City's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as it relates to the City does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The City will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Trust Agreement and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Obligations;

(m) The City will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Obligations for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate, and (z) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions, and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The City has submitted to the Arizona Department of Revenue or the Arizona State Treasurer's Office, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Arizona Revised Statues, and will file the information relating to the Obligations required to be submitted to the Arizona State Treasurer's Office pursuant thereto within 60 days of the date of Closing;

(o) The City has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specific time, the documents required to

cause the Obligations to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) The financial statements of and other financial information regarding the City in the Official Statement fairly present the financial position and results of the City as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned (except as otherwise disclosed in the Official Statement or financial statements); since June 30, 2015, the City has not incurred any material liabilities, direct or contingent, nor has there been any material change in the financial position, results of operations or condition, financial or otherwise, of the City that are not disclosed in the Official Statement, whether or not arising from transactions in the ordinary course of business and prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City, and the City is not a party to any litigation or other proceeding pending or, to the best knowledge of the City after due inquiry, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City, or on the imposition, levy, collection or pledge of Excise Tax Revenues for the payment of the Obligations;

(q) Except as otherwise indicated in the Official Statement, the City has been in material compliance with the terms of all continuing disclosure undertakings previously executed by the City pursuant to the Rule for the previous five years;

(r) Prior to the Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which secure the Obligations without prior approval of the Underwriter; and

(s) Any certificate signed by any official of the City authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

5. Closing.

(a) At 8:30 a.m. Arizona time, on _____, 2016, or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter (the "Closing"), the City will, subject to the terms and conditions hereof, cause the Obligations to be delivered to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the City. Payment for the Obligations as aforesaid shall be made at the offices of Bond Counsel, or such other place as shall have been mutually agreed upon by the City and the Underwriter.

(b) Delivery of the Obligations shall be made by means of a F.A.S.T. closing through the facilities of The Depository Trust Company ("DTC"), New York, New York. The

Obligations shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one certificate for each maturity of the Obligations, registered in the name of Cede & Co., all as provided in the Trust Agreement, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the City of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The City shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the City Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the City required to be taken by the City shall be performed in order for Greenberg Traurig, LLP ("Bond Counsel") and counsel to the Underwriter to deliver their respective opinions referred to hereinafter;

(d) At the time of Closing, all official action of the City relating to the Obligations and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the City Documents shall have been duly executed and delivered by the City and the Trustee shall have duly executed and delivered the Obligations;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the City, from that set forth in the Official Statement that in the judgment of the Underwriter is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(g) The City shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the City by its Management Services Director, or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) the City Documents with such supplements or amendments as may have been agreed to by the Underwriter;

(3) the approving opinion of Bond Counsel, dated the date of Closing, with respect to the Obligations, in substantially the form attached to the Official Statement, along with a reliance letter with respect thereto, dated the date of the Closing and addressed to the Underwriter;

(4) The supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Underwriter and substantially in the form attached hereto as the Exhibit;

(5) An opinion of the counsel to the City that, based on an investigation of the records of the Superior Court of Coconino County and the United States District Court, District of Arizona, Phoenix Division, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to his or her knowledge (upon due inquiry), threatened (i) in any way affecting the powers of the City, the existence of the City or the title to office of any of the officials of the City, (ii) seeking to restrain or enjoin the sale, execution and delivery of the Obligations, or the levy and collection of Excise Tax Revenues to be levied to pay the Payments, (iii) in any way contesting or affecting the validity or enforceability of the Obligations, the City Documents or any agreements entered into in connection therewith, (iv) contesting in any way the completeness or accuracy of the Official Statement, (v) which may adversely affect the City or its properties or (vi) questioning the applicable tax-exempt status of the Obligations; nor, to the best knowledge of such counsel, is there any reasonable basis therefor;

(6) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that:

(i) The Obligations are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act and the Trust Agreement need not be qualified under the Trust Indenture Act; and

(ii) Based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system, in each case as to which no view need be expressed);

(7) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the City, to the effect that to the best of their knowledge (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the date of the Closing with the same effects if made on the date of the Closing; (ii) there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or threatened in any way affecting the existence of the City or the titles of its officials to their respective positions, or seeking to restrain or to enjoin the sale or delivery of the Obligations, or the levy and collection of the Excise Tax Revenues imposed and levied or to be imposed and levied to pay all the Payments, or the imposition thereof, or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting in any way the completeness or accuracy of the Official Statement or the exclusion from gross income of interest with respect to the Obligations, or contesting the powers of the City or its authority with respect to the Obligations or the City Documents and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing;

(8) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the City, to the effect that to the best of their knowledge after due investigation (i) the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which they were made, not misleading; (ii) the financial statements of the City contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the City as of the dates and for the periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; (iii) since June 30 of the last fiscal year presented in the audited financial statements of the City included in the Official Statement, the City has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the results of operations or financial condition of the City that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business, nor are there any deficits in any fund of the City except as disclosed in the Official Statement; (iv) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for

which it is to be used or which it is necessary to disclose therein with respect to the City in order to make the information therein in the light of the circumstances pursuant to which they were made or set forth not misleading in any material respect; and (v) the City has complied with all of the terms of this Agreement and the City Documents to be complied with by it prior to or concurrently with the Closing;

(9) A certificate, dated the date of Closing, of appropriate representatives of the City in form and substance satisfactory to Bond Counsel (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the City there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) A certificate of the Trustee to the effect that (i) the Obligations have been duly executed and delivered by an authorized officer of the Trustee; (ii) the Trust Agreement has been duly executed and delivered by an authorized officer of the Trustee; and (iii) the Ordinances of the Trustee authorizing the execution and delivery and/or performance of the Trust Agreement by the Trustee have been duly adopted by the Trustee, are in full force and effect and have not been modified, amended or repealed;

(11) Any other certificates and opinions required by the Trust Agreement for the issuance thereunder of the Obligations;

(12) Evidence satisfactory to the Underwriter that the Obligations have been assigned a rating of "____" by Standard & Poor's Financial Services LLC and that such rating is in effect as of the date of the Closing;

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the City;

(14) A certified copy of the Ordinance;

(15) The filing copy of the Information Return Form 8038-G (IRS) for the Obligations; and

(16) The filing copy of the Report of Bond and Security Issuance for the Arizona State Treasurer's Office pursuant to Section 35-501(B), Arizona Revised Statutes.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and none of the Underwriter or the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Obligations if, between the date of this Agreement and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Arizona Legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Obligations or, with respect to State taxation, of the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restriction (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income securities (or interest thereon), or the validity or enforceability of the City's pledge of any portion of the Excise Tax Revenues;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the City;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or an escalation of existing hostilities or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the City's obligations (including the rating to be accorded the Obligations); or

(l) the purchase of and payment for the Obligations by the Underwriter, or the resale of the Obligations by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay any expenses incident to the performance of the City's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the City Documents, the Preliminary Official Statement and the Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Obligations; (iii) the fees and disbursements of Bond Counsel and Stifel, Nicolaus & Company, Incorporated as financial advisor to the City; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the City; and (v) the fees for bond ratings and credit enhancement fees or premiums, if any. The City shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter, which are incidental to implementing this Agreement, including, but not limited to, means, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations; (ii) fees of counsel to the Underwriter; and (iii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the City to comply with the terms or to fulfill any of the conditions of this Agreement or if for any reason the City shall be unable to perform its obligations under this Agreement, the City will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The City hereby acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Obligations.

9. Notices. Any notice or other communication to be given to the City under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to the Underwriter, RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, AZ 85016, Attention: Nicholas Dodd.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City, and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the City. All of the City's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Agreement; and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the City and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. Notice Concerning Cancellation of Contracts. To the extent applicable by provision of law, the parties hereto acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes.

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least one counterpart of this Agreement shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC
As Underwriter

By: _____
Nicholas Dodd, Managing Director

Accepted at _____ o'clock __.m. MST this _____ day of _____, 2016.

CITY OF FLAGSTAFF, ARIZONA

By: _____
Management Services Director, City of Flagstaff, Arizona

ATTEST:

By: _____
City Clerk, City of Flagstaff, Arizona

APPROVED AS TO FORM:
GREENBERG TRAURIG, LLP, as Bond Counsel

By: _____
Name: _____

SCHEDULE

$[PAR]
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS (ROAD REPAIR/STREET IMPROVEMENT PROJECTS), SERIES 2016

Obligations Dated: Date of Initial Delivery

PAYMENT SCHEDULE

Date (July 1)	Amount	Interest Rate	Yield
	$		%

* Yield calculated to July 1, 20__, the first optional redemption date

Optional Prepayment. Principal represented by the Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. Principal represented by the Obligations payable on or after July 1, 20__, may be prepaid prior to the stated payment date, in whole or in part on any date, in any order of payment date and by lot within any payment date, by the City, on or after July 1, 20__, at a prepayment price equal to the principal amount thereof plus accrued interest on such principal to the date fixed for prepayment, but without premium.

EXHIBIT

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Date of Closing]

RBC Capital Markets, LLC
Phoenix, Arizona

Re: Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016, Evidencing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by the City of Flagstaff, Arizona to The Bank of New York Mellon Trust Company N.A., as Trustee, Dated the Date Hereof

Pursuant to an Obligation Purchase Contract, dated _____, 2016 (the "Purchase Contract"), between the City of Flagstaff, Arizona and RBC Capital Markets, LLC we have delivered to you our approving opinion of even date herewith (the "Approving Opinion") relating to the captioned Obligations. All terms used herein shall have the same meaning assigned in the Purchase Contract.

We hereby supplement the aforesaid Approving Opinion and further advise you as follows:

1. The City has all requisite power and authority pursuant to the Constitution and laws of the State (a) to execute and deliver, as applicable, the City Documents, (b) to approve, execute and authorize the use and distribution of the Preliminary Official Statement and the Official Statement and (c) to carry out and consummate the transactions contemplated by the Official Statement, the City Documents and the Obligations (including performing the applicable obligations pursuant thereto).

2. The City has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the Official Statement, the City Documents and the Obligations.

3. The City Documents have been duly authorized, executed and delivered, as applicable, by the City, are in full force and effect and, assuming due and valid authorization, execution and delivery by, and enforceability against, if any, the other party thereto, constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms. The foregoing is subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights and the principles of equity in the event equitable remedies are sought.

4. Adoption of the Ordinance, authorization, execution and delivery, as applicable, of, and the due performance by the City of the City Documents and the approval, execution and authorization of the use and distribution of, the Official Statement (including, as applicable, the Preliminary Official Statement) by the City under the circumstances contemplated thereby and

each of such instruments, do not and will not conflict with, or constitute on the part of the City a material breach of or default under, any federal or State constitutional or statutory provision.

5. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Obligations and other than approvals that may be required under "blue sky" laws of any jurisdiction) is required in connection with the adoption by the Mayor and Council of the City of the Ordinance or the authorization, execution, delivery and performance, as applicable, by the City of the City Documents and the consummation of the transactions contemplated by the Official Statement.

6. The information contained (but not incorporated by reference) in the Official Statement in the tax caption on the cover thereof, under the headings "THE OBLIGATIONS," "SECURITY AND SOURCES OF PAYMENT," "TAX MATTERS," and "CONTINUING DISCLOSURE" (except the existence or status of compliance with prior undertakings by the City) and, only as it relates to us, therein and in Appendix C "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS," Appendix D "FORM OF APPROVING LEGAL OPINION" and Appendix E "FORM OF CONTINUING DISCLOSURE UNDERTAKING" thereto, insofar as such information purports to summarize certain provisions of the laws of the State and the United States of America, the Obligations, the Trust Agreement, the Purchase Agreement and the Continuing Disclosure Undertaking fairly present the information purported to be shown; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized.

7. It is not necessary in connection with the sale and execution of the Obligations to the public to register the Obligations pursuant to the Securities Act of 1933, as amended, or to qualify the Trust Agreement pursuant to the Trust Indenture Act of 1939, as amended.

You may rely upon the Approving Opinion as though it were specifically addressed to you.

This letter is provided pursuant to Section 6(i)(4) of the Purchase Contract and is being given solely for the information of and assistance to the addressee of this letter in its capacity as the underwriter of the Obligations. In giving this opinion to such underwriter, it is expressly understood that no attorney-client relationship is being created thereby. Without our express prior written permission, this opinion may not be relied upon by any person other than such underwriter and is not to be used, circulated, quoted, or otherwise referred to in connection with the offering of the Obligations, except that reference may be made to this opinion in any list of closing documents pertaining to the execution and delivery of the Obligations.

Respectfully submitted,

DRAFT
04/11/16
04/26/16

SECOND PURCHASE AGREEMENT

by and between

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,[???]
as Seller

and

THE CITY OF FLAGSTAFF, ARIZONA,
as Purchaser

Dated as of _____ 1, 2016

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SECOND PURCHASE AGREEMENT

THIS SECOND PURCHASE AGREEMENT, dated as of _____ 1, 2016 (this "Agreement"), by and between the CITY OF FLAGSTAFF, ARIZONA, a municipal corporation under the laws of the State of Arizona ("City"), as purchaser hereunder, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association ("Trustee"), in its capacity as trustee under the Second Trust Agreement, dated as of even date herewith (the "Trust Agreement"), by and between Trustee and City and seller hereunder,

W I T N E S S E T H:

WHEREAS, the Mayor and Council of City have determined that it will be beneficial to the citizens of City to finance the costs of the Projects (as such term and all other undefined terms used herein are defined in the Trust Agreement); and

WHEREAS, for the purpose of financing the costs of the Projects, the Mayor and Council of City requested that Trustee sell and execute and deliver the Obligations, and the Trustee has, as described in the Trust Agreement, caused certain deposits as provided therein to be made; and

WHEREAS, City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize City to enter into this Agreement and the transactions contemplated by this Agreement; City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of City, enforceable against City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which City is now a party or by which City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of City; City has disclosed in writing to Trustee all facts that do or will materially adversely affect the properties, operations or financial condition of City and that any financial statements, notices or other written statements provided by City to Trustee pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading and the Projects comply with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Projects; and

WHEREAS, Trustee has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Term and Payments.

(a) In order to finance the costs of the Projects, City sells and conveys any interests it has in the Projects to Trustee, without warranty, for the sum of $10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Payments), Trustee in turn hereby sells and conveys back to City, without recourse, representation or warranty, and City hereby purchases from Trustee, any interests Trustee has in the Projects. (City acknowledges that it is receiving good and valuable consideration from such sale.)

(b) As the purchase price, City shall pay the Payments to Trustee. (The Interest Portion is interest for purposes of the Code.) This Agreement shall be deemed and construed to be a "*net purchase agreement*," and the Payments shall be an absolute net return to Trustee, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein.

City shall also pay to Trustee its fees and expenses in accordance with the provisions of the Trust Agreement.

City shall further also pay all amounts required pursuant to Section 10(b) and necessary for compliance with the Continuing Disclosure Undertaking; provided, however, that the failure to pay such amounts shall not be an Event of Default.

(c) The obligation of City to pay the amounts described in paragraph (b) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by Trustee of any obligation to City or otherwise, or out of indebtedness or liability at any time owing to City by Trustee. Until such time as all of the payments described in paragraph (b) hereof (including the Payments) shall have been fully paid or provided for, City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of Trustee or any other person to acquire the Projects, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Projects, the taking by *eminent domain* of title to or temporary use of any or all of the Projects, commercial frustration of purpose, abandonment of the Projects by City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release Trustee from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event Trustee shall fail to perform any such agreements on its part, City may institute such action against Trustee as City may deem

necessary to compel performance so long as such action does not abrogate the obligations of City contained in the first sentence of this paragraph.

(d) Any of the payments described in paragraph (c) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(e) Amounts payable to Trustee shall be paid by means instructed to City in writing.

Section 2. Pledge; Limited Obligations.

(a) Excise Tax Revenues are hereby pledged by City to the payment of all amounts described in Section 1(b) hereof (including the Payments), and payment of such amounts shall be secured by a paramount and first lien on and pledge of Excise Tax Revenues on parity with the pledge and lien hereby granted by City for the payment and security of any Additional Revenue Obligation. City shall make said payments from Excise Tax Revenues (first making the Payments and thereafter making the other required payments). All of such payments are coequal as to the pledge of and lien on Excise Tax Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Tax Revenues or security therefor.

(b) City shall remit to Trustee from Excise Tax Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of City to make payments of any amounts due under this Agreement, including amounts due after default hereof, is limited to payment from Excise Tax Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) City may, at the sole option of City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as City shall determine from time to time, but Trustee acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by City or from bonds or other obligations, the payment of which City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of Revenues from Excise Taxes. Excise Tax Revenues in excess of amounts, if any, required to be deposited with or held by Revenues for payments due under this Agreement shall constitute surplus revenues and may be used by City for any lawful purpose for the benefit of City, including the payment of obligations to which Excise Tax Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from

the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from Excise Tax Revenues, *pro rata*, with amounts due with respect to any Additional Revenue Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Parity Lien Obligations. Additional Revenue Obligations may be incurred but only if Excise Tax Revenues, when combined mathematically for such purpose only, in the most recently completed Fiscal Year, shall have amounted to at least two (2) times the Maximum Annual Debt Service.

Section 5. Certain Matters with Respect to Projects.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, Trustee has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Projects for any particular purpose or the conformity of the Projects to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by City after completion. All such risks shall be borne by City without in any way excusing City from its obligations under this Agreement, and Trustee shall not be liable to City for any damages on account of such risks. Except with respect to any acts by Trustee which are not undertaken at the request of City or with the prior approval of City, City waives all claims against Trustee growing out of the acquisition of the Projects. Trustee shall have no liability to City for any failure of any contractor to perform any contract or other undertaking with respect to the Projects in any respect. Trustee shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Projects. In the event of any defect in any item of the Projects or other claim with respect to the Projects, recourse of City shall be against the contractors, manufacturers, suppliers, etc. of the Projects and, where applicable, the person selling the property to Trustee, and not against Trustee. For such purpose, Trustee hereby assigns and transfers to City the right, title and interest of Trustee in and to all representations, warranties, guarantees and service agreements relating to the Projects made or entered into by Trustee and by any contractor, manufacturers, suppliers, etc. of the Projects. Trustee further designates City as its attorney-in-fact granting to City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements. Trustee is entering into this Agreement solely as Trustee, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall the Trustee be listed in the chain of title to the Projects. Provisions governing the rights, immunities and protections of the Trustee under the Trust Agreement are herein incorporated by reference into this agreement as though fully set forth herein.

(b) Trustee hereby irrevocably appoints City as its sole and exclusive agent to act for and on behalf of Trustee in acquiring the Projects. As such agent, City shall have full authority to do all things necessary to bring about the financing of the Projects. Trustee shall

not be liable, responsible or accountable for the acts of City as its agent hereunder, and City hereby assumes all responsibility for the performance of such duties. Should any shortfall or deficiency occur in the Acquisition Fund, City shall immediately pay such amounts to Trustee for deposit in the Acquisition Fund.

(c) City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Projects, without suit, trouble or hindrance from Trustee. City hereby grants and conveys to Trustee, and all persons claiming by, through or under Trustee, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Projects for the purpose of permitting the Projects to be maintained upon the premises.

(d) Notwithstanding any other terms or provisions of this Agreement, the interest of Trustee in the Projects is solely in its capacity as Trustee for the refinancing of the Projects, and Trustee shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Projects, including, without limitation, any day-to-day decision-making or operational aspects of the Projects.

Section 6. Providing for Payment. City may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as provided herein as and when the same becomes due and payable at its scheduled due date pursuant to Section 1 hereof;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable, in such amount as shall be certified to Trustee and City, by a national firm of certified public accountants acceptable to both Trustee and City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date.

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial prepayment, so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Section 7. Term of Agreement. This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligations. Subject to Section 6 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Section 1(b) hereof (including the Payments) and provided that City

has performed all the covenants and agreements required by City to be performed, this Agreement shall cease and expire. The obligations of City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section hereof, and City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that City shall be credited with any amount received by Trustee pursuant to actions brought under the next Section hereof.

Section 8. Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Section 1(b) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by City of any other covenant or provision of this Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to any Additional Revenue Obligations or (D) the insolvency or bankruptcy of City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Section 1(b) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to any Additional Revenue Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or this Agreement not cured within sixty (60) days after notice in writing from Trustee specifying such default and (C) in the case of any other default under any Additional Revenue Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of City under the Trust Agreement or this Agreement, and with respect to Excise Tax Revenues, without notice and without giving any bond or surety to City or anyone claiming under City, have a receiver appointed of Excise Tax Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of Trustee provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be

enforced, and the exercise or beginning of the exercise by Trustee of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of Trustee to insist upon a strict compliance by Trustee with all the covenants and conditions hereof. City shall, upon not less than 10 days' prior request by Trustee, execute, acknowledge and deliver to Trustee a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) Trustee shall in no event be in default in the performance of any of its obligations hereunder unless and until Trustee shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by City properly specifying wherein Trustee has failed to perform any such obligation. No default by Trustee shall relieve City of its obligations to make the various payments herein required, so long as any of the Obligations remain outstanding; however, City may exercise any other remedy available at law or in equity to require Trustee to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made by Trustee under the Trust Agreement.

Section 9. Assignment.

(a) Except as otherwise provided herein, City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein, and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of City in and to this Agreement and all payments of any kind due or which become due to Trustee hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 10. Federal Law Provisions.

(a) (i) As provided in further detail in the Certificate As To Federal Tax Matters to be delivered by City on the date of original execution and delivery of the Obligations, no direction for the making of any investment or other use of the proceeds of any of the Obligations shall be made which would cause the Obligations to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Obligations. (Particularly, City shall be the owner of the Projects for federal income tax purposes. City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of

Revenue Procedure 97-13 or such other authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Projects). Also, the payment of principal and interest with respect to the Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Obligations, or amounts treated as proceeds of the Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Obligations are being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. City shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the Obligations (initially those in subsection (b)) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In consideration of the purchase and acceptance of the Obligations by the owners from time to time thereof and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, City shall, and the appropriate officials of City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) City shall take all necessary and desirable steps, as determined by the Mayor and Council of City, to comply with the requirements hereunder in order to ensure that the Interest Portion is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event City receives a Special Counsel's Opinion (as such term is defined in the next subsection) that either compliance with such requirement is not required to maintain the exclusion from gross income of the Interest Portion or compliance with some other requirement will meet the requirements of the Code. In the event City receives such a Special Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, City shall take all necessary and desirable steps, as determined by City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(C) Written procedures have been established for City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which City will comply.

(b) (i) Undefined terms used in this subsection shall have the meanings given to them in the Code and the Regulations.

(ii) Unless an exception available pursuant to the Regulations applies as indicated in a Special Counsel's Opinion or a written statement of an expert consultant employed pursuant to paragraph (vii) hereof, within 60 days after the end of each Bond Year, City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(A) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous Rebate Payments with respect to the Obligations (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous Rebate Payments with respect to the Obligations (determined as of the last day of such Bond Year); and

(B) not later than 60 days after the retirement of the last Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Obligation).

Each Rebate Payment required to be made under this Section shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(iii) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(iv) For purposes of paragraph (iii), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(A) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing purchaser would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(B) Except as provided in Subsection (v) or (vi), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(v) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(B) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(vi) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(A) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with City or any other person (whether or not in connection with the Obligations), and that the bid is not being submitted solely as a courtesy to City or any other person for purposes of satisfying the requirements in the Regulations that City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Obligations.

(B) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(C) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Obligations (e.g., a lead underwriter within 15 days of the issue date of the Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If City uses an agent to conduct the bidding, the agent may not bid.

(D) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(E) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(F) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(G) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(H) City retains until three years after the last outstanding Obligation is retired, (1) a copy of the guaranteed investment contract, (2) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by City and a copy of the provider's certification described in (G) above, (3) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (4) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(vii) Such experts and consultants shall be employed by City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Obligations.

(c) City shall comply with and carry out all of the provisions of the Continuing Disclosure, provided that such costs of compliance shall be payable solely from Excise Tax Revenues. Notwithstanding any other provision of this Agreement, failure of City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the original purchaser of the Obligations or the owners of at least 25% aggregate principal amount in outstanding Obligations and receipt of indemnity to its satisfaction, shall) take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause City to comply with its obligations under this Section. The Trustee is not responsible for monitoring or verifying compliance by the City with the Continuing Disclosure Agreement.

Section 11. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, Trustee acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of 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 cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of Trustee within three years from the execution of this Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by City. No basis exists for City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of Trustee by City. City retains the legal right to randomly inspect the papers and records of Trustee to ensure that Trustee is complying with the above-mentioned warranty. Trustee shall keep such papers and records open for random inspection during normal business hours by City. Trustee shall cooperate with the random inspections by City including granting City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12. Miscellaneous.

(a) No covenant or obligation herein to be performed by City may be waived except by the written consent of Trustee, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Trustee from invoking such remedy at any later time prior to the cure by City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both Trustee and City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(f) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of Trustee herein shall be and have the rights of a third party beneficiary hereunder.

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the first day of _____, 2016.

Trustee:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as seller

By .....

Printed Name: .....

Title: .....

City:

CITY OF FLAGSTAFF, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....
Mayor

ATTEST:

By.....
City Clerk

331697767.2-5/23/2016

SCHEDULE

Payment Date	Principal	Interest	Total Payment
06/15/16		$	$
12/15/16			
06/15/17			
12/15/17			
06/15/18	$		
12/15/18			
06/15/19			
12/15/19			
06/15/20			
12/15/20			
06/15/21			
12/15/21			
06/15/22			
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06/15/26			
12/15/26			
06/15/27			
12/15/27			
06/15/28			
12/15/28			
06/15/29			
12/15/29			
06/15/30			
12/15/30			
Total	**$**	**$**	**$**

DRAFT
04/11/16
05/23/16

SECOND TRUST AGREEMENT

by and between

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,[???]
as Seller

and

THE CITY OF FLAGSTAFF, ARIZONA,
as Purchaser

Dated as of _____ 1, 2016

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* * *

SECOND TRUST AGREEMENT

THIS SECOND TRUST AGREEMENT, dated as of _____ 1, 2016 (together with any duly authorized, executed and delivered supplement thereto, this "Trust Agreement"), by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as trustee, or any successor thereto acting as trustee pursuant to this Trust Agreement and in its capacity as "Seller" pursuant to the hereinafter described Purchase Agreement (the "Trustee"), and the CITY OF FLAGSTAFF, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City");

W I T N E S S E T H:

WHEREAS, the Mayor and Council of the City have determined that it will be beneficial to the citizens of the City to finance the costs of the acquisition and construction of street improvements and ongoing preservation of street conditions in and for the City (collectively, the "Projects"); and

WHEREAS, for such purpose, the Mayor and the Council of the City requested that the Trustee sell and execute and deliver the Pledged Excise Tax Revenue Obligations (Road Repair/Street Safety Projects), Series 2016, in the principal amount of $_____,000 (the "Obligations"), and the Trustee has, as described in this Trust Agreement, caused deposits to be made to the Acquisition Fund and the Costs of Issuance Fund;

NOW, THEREFORE, in consideration for the Obligations executed, delivered and Outstanding (as such term and all other terms not otherwise defined hereinabove are hereinafter defined) under this Trust Agreement; the acceptance by the Trustee of the trusts created herein; the purchase and acceptance of the Obligations by the Owners, and to secure the payment of principal and interest (to the extent provided herein) represented by the Obligations, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase Agreement and herein, and the performance and the observance of all of the covenants and conditions contained therein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of, all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners of Obligations:

A. All right, title and interest of Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the enforcement of such rights, and (iii) to do any and all other things which the Seller is or may become entitled to do thereunder;

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

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights of the City, its successors and assigns, under the Purchase Agreement;

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the Obligations executed and delivered hereunder and Outstanding, none of the Obligations being entitled to priority or distinction one over the other in the application of the Excise Tax Revenues pledged by the Purchase Agreement to the Payments, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times principal represented by any Obligations are paid or are subject to prepayment with respect to principal represented thereby, all of the Obligations being co-equal as to the pledge of and lien on the Excise Tax Revenues pledged for the Payments thereof and sharing ratably, without preference, priority or distinction, as to the source or method of payment from the Excise Tax Revenues or security therefor and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereafter set forth. For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the first paragraph hereof and in the Recitals hereto and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

"Acquisition Fund" means the fund of that name established pursuant to Article III and held by the Trustee.

"Additional Revenue Obligations" means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from the Excise Tax Revenues on a parity with, and in compliance with the terms of, the Purchase Agreement.

"Annual Debt Service" means the amount to be paid in any Fiscal Year with respect to the Parity Obligations for principal and interest requirements.

"Authorized Denominations" means $5,000 of principal represented by the Obligations due on a specific payment date or integral multiples thereof.

"Bond Year" means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Obligations and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Obligation.

"Bond Yield" means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Obligations as determined under Regulations section 1.148-4(b), recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). The present value of all such payments shall be computed as of the date of issue of the Obligations and using semiannual compounding on the basis of a 360-day year.

"Business Day" means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed.

"Certificate of Completion" means the notice of completion, filed with the Trustee by the City Representative, stating that the Projects have been acquired and all Project Costs have been paid.

"City Representative" means the City Manager, the City Management Services Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to this Trust Agreement.

"Closing Date" means the day when the Obligations, duly executed by the Trustee, are delivered to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986, as amended. References to the Code and Sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those Sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954, as amended.

"Completion Date" means the date on which the Certificate of Completion is filed with the Trustee by the City Representative.

"Construction Contract" means, collectively, any contracts between the City and a Contractor, for the installation, construction and other matters necessary for any portion of the Projects.

"Continuing Disclosure Agreement" means the Continuing Disclosure Undertaking, dated the Closing Date, from the City.

"Contractor" means any contractor under a Construction Contract and any successor or assigns permitted.

"Corporate Trust Office" means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

"Costs of Issuance Fund" means the fund of that name established pursuant to Article III and held by the Trustee.

"Defaulted Interest" has the meaning provided in Section 2.11(d).

"Defeasance Obligations" means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (5) securities eligible for "AAA" defeasance under then-existing criteria of S&P or (6) any combination of the foregoing.

"Delivery Costs" means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

"Depository Trustee" means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

"Designated Office" means the office designated as such by the Trustee in writing to the City.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Electronically" means, with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

"Event of Default" means an event of default described in Section 9 of the Purchase Agreement.

"Excise Tax Revenue Fund" means the fund of that name established by the City and applied as described in Section 5(b) of the Purchase Agreement.

"Excise Tax Revenues" means revenues from the restricted transaction privilege tax of 0.033 percent approved at an election held in and for the City on November 4, 2014.

"Fiscal Year" means the fiscal year for the City, currently July 1 through and including June 30.

"Gross Proceeds" means:

(i) any amounts actually or constructively received by City from the sale of the Obligations but excluding amounts used to pay accrued interest on the Obligations within one year of the date of issuance of the Obligations;

(ii) transferred proceeds of the Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii) and

(iv) replacement proceeds of the Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Obligations in the event the City or the Trustee encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under this Trust Agreement.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel's Opinion.

"Interest Payment Date" means each January 1 and July 1, while principal represented by any Obligations are Outstanding provided that, pursuant to Section 9.6, if any

such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

"Interest Portion" means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated "Interest," denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners.

"Investment Property" means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

"Issue Price" means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Obligations was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

"Market Value" means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

"Maximum Annual Debt Service" means the greatest Annual Debt Service Requirement for the then-current or any succeeding Fiscal Year.

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

"Nonpurpose Investment" means any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Obligations.

"Notification" shall have the meaning provided in Section 10.3.

"Outstanding" refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted hereby and by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal,

interest and premium, if any, represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notice shall have been given to the Trustee.

"Owner" or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

"Parity Obligations" means the Purchase Agreement and any Additional Revenue Obligations.

"Payment Request Form" means the form set forth in Exhibit B attached hereto.

"Payments" means the "Payments" required to be paid by the City pursuant to Section 1(b) of the Purchase Agreement and as set forth in the Schedule to the Purchase Agreement, subject to the provisions of Section 5.2(b).

"Payment Fund" means the fund by that name established pursuant to Article V hereof and held by the Trustee.

"Permitted Investments" means any of the following, to the extent permitted by law:

1. (A) Cash (fully insured by the Federal Deposit Insurance Corporation), (B) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (D) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (E) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above 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 government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

A. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") Participation Certificates (excluded are stripped

mortgage securities which are purchased at prices exceeding their principal amounts) and Senior debt obligations;

B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;

C. Federal Home Loan Banks (FHL Banks) Consolidated debt obligations and

D. Federal National Mortgage Association (FNMA or "Fannie Mae") Senior debt obligations and Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding the portion of their unpaid principal amounts).

4. Unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the City, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank, including the Trustee or any of its affiliates, the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" or better by Moody's.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" or better by S&P and "Prime-1" or better by Moody's.

7. Money market mutual funds rated "AAm" or "AAm-G" or higher by S&P or, if rated by Moody's, "Prime-1" or better by Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds and services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

8. "State Obligations," which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state, the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" or better by S&P and "MIG-1" by Moody's and

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (B) above and rated "AA-" or better by S&P and "Aa-3" or better by Moody's.

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

A. The municipal obligations are not subject to redemption prior to maturity or the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. The municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, and interest and premium on, such municipal obligations;

C. The principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

D. The cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. No substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification and

F. The cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

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

A. Permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Collateral");

B. The Trustee or a third party acting solely as agent therefore or for the City (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

C. The collateral shall be marked to market on a daily basis and the Provider or the Custodian shall send monthly reports to the Trustee, the City setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

D. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof and

E. The repurchase agreement shall provide that if during its term the Provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A-3" by Moody's, as appropriate, the Provider must, notify the City and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the Provider shall either: post Collateral or assign the agreement to a Provider. If the Provider does not perform a remedy within ten (10) Business Days, the Provider shall, at the direction of the Trustee repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the City or the Trustee.

11. Investment agreements with a domestic or foreign bank or corporation, the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's (each an "Eligible Provider"); provided that:

A. Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Obligations;

B. The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee and the City hereby agree to give or cause to be given notice in

accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. The Eligible Provider shall send monthly reports to the Trustee and the City setting forth the balance the City or the Trustee has invested with the Eligible Provider and the amounts and dates of interest accrued and paid by the Eligible Provider;

D. The investment agreement shall state that is an unconditional and general obligation of the Eligible Provider, and is not subordinated to any other obligation of, the Eligible Provider thereof or, if the Eligible Provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the Eligible Provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

E. The City and the Trustee shall receive an opinion of domestic counsel to the Eligible Provider that such investment agreement is legal, valid, binding and enforceable against the Eligible Provider in accordance with its terms;

F. The City and the Trustee shall receive an opinion of foreign counsel to the Eligible Provider (if applicable) that the investment agreement has been duly authorized, executed and delivered by the Eligible Provider and constitutes the legal, valid and binding obligation of the Eligible Provider, enforceable against the Eligible Provider in accordance with its terms, the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and any judgment rendered by a court in the United States would be recognized and enforceable in such country;

G. The investment agreement shall provide that if during its term:

(1) the Eligible Provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," the Eligible Provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (A) post Eligible Collateral (as hereinafter defined) with the City, the Custodian free and clear of any third party liens or claims, or (B) assign the agreement to an Eligible Provider, or (C) repay the principal of and accrued but unpaid interest on the investment;

(2) the Eligible Provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A-3," the Eligible Provider must, at the direction of the City or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

H. In the event the Eligible Provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the Eligible Provider or Custodian shall send monthly reports to the Trustee and the City setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

I. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the Eligible Provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof and

J. the investment agreement must provide that if during its term: the Eligible Provider shall default in its payment obligations, the Eligible Provider's obligations under the investment agreement shall, at the direction of the City or the Trustee be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or the Trustee, as appropriate, and the Eligible Provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the Eligible Provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or the Trustee, as appropriate.

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

"Project Costs" means, with respect to the Projects, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of installation, construction and other matters necessary for the Projects and all costs incurred by Trustee or the City with respect to the transaction to which this Trust Agreement pertains.

"Purchase Agreement" means the Second Purchase Agreement, dated as of _____ 1, 2016, by and between the City and the Trustee, in its capacity as "Seller."

"Rebate Payment" means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

"Rebate Requirement" means, for each Bond Year, at any time the excess of the future value of all Receipts over the future value of all Rebate Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Rebate Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

"Receipt" means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

"Regular Record Date" means the close of business on the fifteenth day of the month preceding each Interest Payment Date.

"Regulations" means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

"Reimbursement Request Form" means the form set forth in Exhibit C attached hereto.

"Responsible Officer" means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Corporate Trust Office customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

"S&P" means Standard & Poor's Financial Services, LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"Securities Depository" means a "clearing agency" (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended.

"Special Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

"Special Record Date" has the meaning provided in Section 2.11(d).

"State" means the State of Arizona.

"Vendor" means any supplier of items for inclusion in the Projects who is to be paid from amounts held in the Acquisition Fund.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

ARTICLE II
SPECIAL REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations. The Trustee is hereby authorized and directed to execute and deliver to the original purchaser thereof, the Obligations representing proportionate ownership interests in the Payments. In no event shall the Obligations be deemed liabilities, debts or obligations of the Trustee.

Section 2.2. Date; Interest Accrual. Each Obligation shall be dated the Closing Date, and interest represented thereby shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Obligations.

Section 2.3. Payment Amounts and Date and Interest Rates. The Obligations shall be in Authorized Denominations. Principal represented by the Obligations shall be payable on the dates and in the principal amounts, and interest represented thereby shall be computed at the rates, as shown below:

Payment Date (July 1)	Payment Amount	Interest Rates
2016	$____,000	%
2017	____,000	
2018	____,000	
2019	____,000	
2020	____,000	
2021	____,000	
2022	____,000	
2023	____,000	
2024	____,000	
2025	____,000	
2026	____,000	
2027	____,000	
2028	____,000	
2029	____,000	
2030	____,000	

Section 2.4. Interest on Obligations. Interest represented by the Obligations shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20__, to and including the date of payment or prepayment of the amount of principal represented

by the Obligations. Said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligations. The proportionate share of the portion of the Payments designated as interest with respect to any Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to such Obligation by the rate of interest applicable to such Obligation (on the basis of a 360-day year of twelve 30-day months).

Section 2.5. Form. The Obligations shall be in fully registered, certificated form. The form of the Obligations shall be substantially in the form set forth in Exhibit A hereto.

Section 2.6. Execution. The Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any representative whose signature appears on any Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Book-Entry Only System. The Trustee and the City may from time to time enter into, and discontinue, an agreement with a Securities Depository as the Owner of the Obligations, to establish procedures with respect to the Obligations not inconsistent with the provisions of this Trust Agreement; provided, that, notwithstanding any other provisions of this Trust Agreement, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Obligation so long as the Obligations are subject to such agreement. With respect to Obligations registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the City shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Obligations. It is hereby acknowledged that the City and the Trustee intend to enter into an agreement with DTC in connection with the execution and delivery of the Obligations, and while such agreement is in effect, the procedures established therein shall apply to the Obligations notwithstanding any other provisions of this Trust Agreement to the contrary. As long as DTC is the Securities Depository with respect to the Obligations, the Trustee shall be a "DTC Direct Participant." The Trustee shall not have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Obligations regarding accuracy of any records maintained by DTC or DTC participants, the payments by DTC or DTC participants of any amount in respect of principal or interest represented by the Obligations, any notice which is permitted or required to be given to or by Owners hereunder (except such notice as is required to be given by the City to the Trustee or to DTC), or any consent given or any other action taken by DTC as Owner.

Section 2.8. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be applied by the Trustee as follows, in the following order of priority:

(1) $_____ shall be deposited in the Costs of Issuance Fund and

(2) the balance of the proceeds of the sale of the Obligations shall be deposited in the Acquisition Fund.

Section 2.9. Transfer and Exchange.

(a) Any Obligation may, in accordance with its terms, be transferred upon the registration books for the Obligations required to be kept pursuant to the provisions of Section 2.13 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Obligation or Obligations shall be surrendered for transfer, the Trustee shall execute and deliver a new Obligation or Obligations in fully registered form of the same payment date and interest rate and for a like aggregate payment amount.

(b) Obligations may be exchanged at the Designated Office for a like aggregate payment amount of Obligations of Authorized Denominations of the same payment date and interest rate. In connection with any such exchange or transfer of Obligations, the Owner requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid, other than one imposed by the City (which will not be payable by the Trustee), or any fee or expense of the Trustee or the City with respect to such exchange or transfer.

(c) The Trustee may, but shall not be obligated to, exchange or register the transfer of an Obligation (i) if principal represented by the Obligation is to be prepaid, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If an Obligation subject to such prepayment is to be transferred after having been selected for prepayment, any notice of prepayment which has been given to the transferor shall be binding on the transferee and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

Section 2.10. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation, shall execute and deliver a new Obligation of like tenor and payment date amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner of such Obligation. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of such

Obligation, shall execute and deliver a new Obligation of like tenor and payment date and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being Outstanding for the purpose of determining the principal amount of Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of Obligations Outstanding hereunder, but both the original and replacement Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has become due, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.11. Payment.

(a) Payment of interest represented by any Obligation on any Interest Payment Date shall be made to the person appearing on the registration books for the Obligation maintained by the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the date due by first class mail to such Owner at the address thereof as it appears on such registration books, payable in lawful money of the United States of America.

(b) The principal represented by any of the Obligations shall be payable in lawful money of the United States of America upon surrender when due at the Designated Office.

(c) Interest and, if satisfactory arrangements for surrender are made with the Trustee and principal payable to any Securities Depository or to any Owner of $1,000,000 or more in principal amount of Obligations shall be paid by wire transfer in immediately available funds to an account in the United States of America if the Owner makes a written request of the Trustee at least twenty (20) days before the Interest Payment Date specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

(d) Any interest represented by any Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date ("Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the persons in whose names such Obligations are registered at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the "Special Record Date"). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted

Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner of an Obligation at his address as it appears in the registration books by the Trustee for the Obligation not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the persons in whose names the Obligation are registered on such Special Record Date.

Section 2.12. Execution of Documents and Proof of Ownership.

(a) Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Obligation Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Obligations shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(1) The fact and date of the execution by any Owner or the attorney or agent thereof of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(2) The fact of the ownership of Obligations by any person and the amount, the payment date and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.13.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.13. Obligation Register. The Trustee will keep or cause to be kept, at the Designated Office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours on any Business Day be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable

regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Obligations as hereinbefore provided.

Section 2.14. Payment of Unclaimed Amounts. In the event any check for payment of interest represented by an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its payment date or any Obligation is not presented for payment of principal when due, including because of prepayment, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The obligation of the Trustee to hold such funds shall continue for two years and six months (subject to applicable escheat laws) following the date on which such interest or principal payment became due or the date fixed for prepayment, at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III
APPLICATION OF PROCEEDS RECEIVED BY TRUSTEE; ACQUISITION FUND; COSTS OF ISSUANCE FUND

Section 3.1. Establishment and Application of Acquisition Fund.

(a) The Trustee shall establish a special trust fund designated as the City of Flagstaff Series 2016 Acquisition Fund" (herein referred to as the "Acquisition Fund"), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) (1) (i) Upon receipt of a duly executed, applicable Payment Request Form, the Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form for Project Costs within three (3) Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within three (3) Business Days of receipt of a duly executed Reimbursement Request Form. The Trustee has no duty or obligation to confirm that such disbursements constitute Project Costs.

(ii) Project Costs will be paid directly to the Contractor, the Vendor or the payee named in the applicable Payment Request Form unless the Contractor, the Vendor, the payee named or the City Representative request payment to be made to the Contractor, the Vendor or the payee named and another party jointly, in which case such cost shall be paid jointly.

(2) Should any shortfall or deficiency occur in the Acquisition Fund, the City shall immediately pay such amounts to the Trustee in addition to the Payments otherwise due pursuant to the Purchase Agreement.

(3) Amounts in the Acquisition Fund shall be used to pay principal of and interest on the Obligations if insufficient funds are otherwise available to make such payments when due.

(4) On the Completion Date, all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the City on the next succeeding Interest Payment Date, and the Acquisition Fund shall be closed.

(5) Any amount remaining in the Acquisition Fund upon the occurrence of an Event of Default shall not be disbursed as provided in this Section, but shall be immediately transferred to the Payment Fund and used to pay principal and interest with respect to the Obligations.

Section 3.2. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the "City of Flagstaff Pledged Revenue Obligations Costs of Issuance Fund" (herein referred to as the "Costs of Issuance Fund"), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed.

(c) On the earlier of December 1, 2016, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV
PREPAYMENT OF OBLIGATIONS

Section 4.1. Prepayment Provisions.

(a) Principal represented by the Obligations payable before or on July 1, 2026, is not subject to prepayment. Principal represented by the Obligations payable on or after July 1, 2027, is subject to prepayment in such order and from such principal amount payable selected by the City and by lot within such principal amount by such methods as may be

selected by the Trustee (or if held in book-entry form in any manner acceptable to DTC) from prepayments made by the City pursuant to Section 7 of the Purchase Agreement, in whole or in part on any date on or after July 1, 2026, at a price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

(b) Principal represented by the Obligations payable on July 1, 20__, and July 1, 20__, shall be prepaid on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

Year Prepaid	Principal Amount Prepaid
Maturing July 1, 20__	
20__	$___,000
Maturing July 1, 20__	
20__	$___,000
20__	___,000
20__	___,000

Whenever Obligations subject to mandatory prepayment are purchased, prepaid (other than because of mandatory prepayment) or are delivered by the City to the Trustee for cancellation, the principal amount of the Obligations represented thereby so retired shall satisfy and be credited against the mandatory prepayment therefor in any order specified by the City.

Section 4.2. Selection of Obligations for Prepayment. Principal represented by the Obligations shall be prepaid only in the amounts of $5,000 of principal represented by each or integral multiples thereof. The City shall, at least forty-five (45) days prior to the prepayment date, notify the Trustee of such prepayment date and of the payment dates of the Obligations and the payment amount of principal represented by the Obligations due on any such payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Obligations payable on a single payment date, if the Obligations are not held in a book-entry-only system as described in Section 2.7, the particular Obligations or portions of Obligations payable on the date(s) selected to be prepaid shall be selected by the Trustee by lot in accordance with its standard procedures not more than forty-five (45) nor less than thirty (30) days prior to the prepayment date by such selection methods as the Trustee shall in its sole discretion deem appropriate and fair; provided, however, that such selection methods shall provide for the selection of Obligations or portions thereof for prepayment in principal amounts of $5,000 or integral multiples thereof such that any $5,000 Obligation or $5,000 portion of an Obligation payable on the date selected shall be as likely to be called for prepayment as any other such $5,000 Obligation or $5,000 portion thereof. The Trustee shall promptly notify the City in writing of the Obligations so selected for prepayment, and the City will provide the Trustee within thirty (30) days a recomputed payment schedule for the Purchase Agreement. Notwithstanding the foregoing, the Securities Depository for Obligations held in a book-entry-only system shall select the Obligations for prepayment from Obligations maturing in a given year according to its stated procedures. While the City intends that allocations be made in accordance with the foregoing proportional provisions, the selection of Obligations for

prepayment shall be subject to practices and procedures of the Securities Depository as in effect from time to time.

Section 4.3. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of any prepayment hereunder to be mailed to the Owners of all of the Obligations to be prepaid at the addresses appearing in the Register kept for such purpose pursuant to Section 2.13. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) identify the Obligations to be prepaid (specifying the CUSIP numbers, if any, assigned to the Obligations), (3) specify with respect to the Obligations being prepaid their date of issue, their final payment date, their prepayment date and their prepayment price, (4) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained, and (5) state that on the prepayment date the Obligations to be prepaid will be payable at the Designated Office, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations. No defect affecting any Obligation, whether in the notice of prepayment or the delivery thereof (including any failure to mail such notice), shall affect the validity of the prepayment proceedings for any other Obligations.

(b) If at the time of mailing of notice of an optional prepayment of principal represented by Obligations, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay all Obligations subject to such prepayment and the requirements of (e) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Obligations shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (e) below are met.

(c) Any notice of prepayment shall be mailed by first class mail, postage prepaid; provided that any notice of prepayment given to any Owner of $1,000,000 or more in aggregate principal amount of Obligations also shall be transmitted electronically. A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes.

(d) Notice having been mailed in the manner provided in (b) above, the Obligations and portions thereof, principal which is represented thereby, shall become due and payable on the prepayment date, and upon presentation and surrender of such Obligation at the place or places specified in that notice, shall be paid at the prepayment price, plus interest accrued to the prepayment date.

(e) If the money or Defeasance Obligations for the prepayment of all of the portion of principal represented by the Obligations to be prepaid, together with interest accrued thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and, the Obligations or portion thereof represented

thereby no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

(f) All moneys deposited in the Payment Fund and held by the Trustee for the prepayment of such portions of principal represented by particular Obligations shall be held in trust for the account of the Owners of such Obligations and shall be paid to them, respectively, upon presentation and surrender of those Obligations.

Section 4.4. Partial Prepayment of Obligation. Upon surrender of any Obligation, the principal portion of which has been prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Obligation or Obligations of Authorized Denominations equal in aggregate payment amount to the unpaid portion of the Obligation surrendered and due on the same payment date.

ARTICLE V
PAYMENT FUND

Section 5.1. Trustee's Rights in Purchase Agreement. The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owners.

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the "Series 2016 Pledged Revenue Payment Fund" (herein referred to as the "Payment Fund"). So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than thirty (30) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest represented by the Obligations then due. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement and transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Obligations as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund. Except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus. Any surplus remaining in any of the funds created hereunder, after prepayment or payment or provision for prepayment or payment of all amounts represented by the Obligations, including accrued interest and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI
MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Obligations and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or any Owner of the Obligations.

Section 6.2. Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. The City Representative shall direct such investment in specific Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 Code of Federal Regulations 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligations, or any of them, being considered "arbitrage bonds" within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate, irrespective of whether the Trustee shares such opinion.

Section 6.7. Other Tax Covenants. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owners, from time to time, and in consideration of retaining the exclusion of the portion of each Payment denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in such portion of each such Payment becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent such portion of each such Payment from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements required by any Special Counsel's Opinion; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Obligations; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys held pursuant to this Trust Agreement and limiting the use of the proceeds of the Obligations and property financed thereby.

ARTICLE VII
THE TRUSTEE

Section 7.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), and subject to supervision or examination by federal or State authority, so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligations shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or of the Obligations or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon them, respectively. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Section 7.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

(a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon

the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may become the Owner of the Obligations with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

(d) The recitals, statements and representations by the City contained in this Trust Agreement, the Purchase Agreement or in the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or gross negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder 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.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Projects.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Obligations then Outstanding.

(j) The Trustee agrees to accept and act upon instructions of directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of those Obligations.

(m) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Projects.

(n) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest represented by the Obligations as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its gross negligence or willful default in connection with any action so taken.

(o) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Obligations then outstanding 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 this Trust Agreement.

Section 7.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation or its giving notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to the Owners of the Obligations at their respective addresses set forth on the registration books for the Obligations maintained pursuant to Section 2.13.

Section 7.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 8.3, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof, without the express

consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of this Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owners of the Obligations, and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (3) 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, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the exclusion of interest represented by the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or incur other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (7) with respect to rating matters or (8) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Obligations as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement complies with this Section.

Section 8.2. Procedure for Amendment With Written Consent of Obligation Owners.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owners of the Obligations is required pursuant to Section 8.1. A copy of such supplemental or amending agreement, together with a request to the Owners of the Obligation for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at the address thereof as set forth on the registration books for the Obligations maintained pursuant to Section 2.13, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of all Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 8.3) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of an Obligation shall be effective only if

accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.12. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental or amending agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Obligations after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within sixty (60) days.

Section 8.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in this Trust Agreement and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; provided, however, that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Obligations which a Responsible Officer of the Trustee actually knows to be owned or held by the City, or by any person directly or indirectly controlled by, or under direct or indirect common. control with the City (except any Obligations held in any pension or retirement fund) shall be deemed not to be Outstanding unless all Obligations are so owned, in which case such Obligations shall be considered Outstanding for the purpose of such determination.

Section 8.4. Effect of Supplemental Trust Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes. The Trustee may require each Owner, before his consent provided for in this Article VIII shall be deemed effective, to

reveal whether the Obligations as to which such consent is given are disqualified as provided in Section 8.3.

Section 8.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Outstanding Obligation.

Section 8.6. Amendatory Endorsement of Obligations. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment or supplement as to the particular Obligations held thereby, provided that proper notation thereof is made on such Obligations.

ARTICLE IX
COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may

be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owners.

Section 9.4. Further Assurances. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owners the rights and benefits provided herein.

Section 9.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 9.6. Business Days. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X
LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City. Except for the payment of Payments from the Excise Tax Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligations or the distribution of Payments to the Owners by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Projects or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Projects or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Projects; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with

respect to the Projects; (5) the acquisition of the Projects or any interest therein; (6) the actions of any other party, including but not limited to the operation or use of the Projects or interest therein by the City; (7) the ownership of the Projects or interest therein, (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligations or in connection with any document or transaction contemplated herewith or therewith, or (9) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Obligations, including the costs and expenses of defending itself against any claim of liability arising under this Trust Agreement. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, gross negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligations. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the prepayment or payment of principal represented by the Obligations or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI
EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1. Seller's Rights held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the Excise Revenues for the payment of the Obligations.

Section 11.2. Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver. Except as otherwise provided in this Article, the Obligation Owners have the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Obligation Owners.

Section 11.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Section 11.7. Limitation on Obligation Owners' Right to Sue.

(a) No Owner of any Obligation issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owners of at least a majority in aggregate principal amount of all Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Obligations.

(c) The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of

such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XII
MISCELLANEOUS

Section 12.1. Defeasance.

(a) If and when any Outstanding Obligation or portion thereof shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest represented by such Obligations Outstanding, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest due represented by such Obligations Outstanding; or

(3) By depositing with a Depository Trustee, in trust for such purpose, Defeasance Obligations which are noncallable in such amount as shall be certified to the Trustee and the City in a report (the "Verification") by an independent firm of nationally recognized certified public accountants acceptable to the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by such Obligations at their respective prepayment or payment dates, which deposit may be made in accordance with the provisions of Section 7 of the Purchase Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to such Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to subsections (2) or (3) of this Section and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to subsections (2) or (3), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such funds.

(b) Any funds held by the Trustee, at the time of one of the events described in paragraph (a) of this Section, which are not required for the payment to be made to Owners or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) Any Obligation or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section; provided however, that if principal represented by any such Obligation is to be prepaid, notice of such prepayment shall have been

given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions to be irrevocable as to the date upon which such Obligation or portion thereof is to be prepaid and as to the giving of notice of such prepayment; and provided further, that if any such Obligation or portion thereof will not be payable within sixty (60) days of the deposit referred to in subsections (2) or (3) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

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

Section 12.2. Notices. All written notices to be given under this Trust Agreement shall be given by overnight delivery or courier or by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States of America mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001
Attention: City Manager

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
1225 West Washington Street, Suite 126
Tempe, Arizona 85281
Attention: Corporate Trust Services

Section 12.3. Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, 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 of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the City within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-440, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12.4. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of their respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Obligations, the Trustee may destroy such Obligations and deliver a certificate of such destruction to the City instead.

Section 12.8. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owners, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners of the Obligations.

Section 12.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By.....

Printed Name: .....

Title:.....

CITY OF FLAGSTAFF, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

331697784.2-5/23/2016

EXHIBIT A

(Form of Obligation)

Number: R-..... Principal Amount: $.....

Unless this Obligation is presented by an authorized representative of The Depository Trust Company of New York, a New York corporation ("DTC"), to the Trustee (or any successor registrar) for registration of transfer, exchange, or payment, and any Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

PLEDGED REVENUE OBLIGATION
(ROAD REPAIR/STREET SAFETY PROJECTS), SERIES 2016
Representing a Proportionate Interest of the Owner
Hereof in Payments to be Made by

THE CITY OF FLAGSTAFF, ARIZONA

to

……..,
as Trustee

Interest Rate:	Payment Date:	Dated Date:	CUSIP:
.....%	July 1, 20....	_____, 2016	338444 .....

REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: ..... DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Pledged Revenue Obligation (Road Repair/Street Safety Projects), Series 2016 (this "Obligation") is the owner of an undivided, participatory, proportionate interest in the right to receive certain "Payments" under and defined in that certain Second Purchase Agreement, dated as of _____ 1, 2016 (the "Purchase Agreement"), by and between …….....…… the "Trustee"), and the City of Flagstaff, Arizona, a municipal corporation under the laws of the State of Arizona (the "City"), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain Second Trust Agreement, dated as of _____ 1, 2016 (the "Trust Agreement"),

* Included only while DTC is the Securities Depository.

by and between the City and the Trustee. The Trustee maintains a corporate trust office for payment and transfer of this Obligation (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the payment date set forth above, the principal amount set forth above, representing a portion of the payments due designated as principal coming due and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment in full of said portion of principal or prepayment prior thereto, the registered owner's proportionate share of the payments designated as interest coming due during the period commencing on the last date on which interest was paid and ending on the day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Said amounts representing the registered owner's share of the Payments designated as interest are payable in lawful money of the United States of America by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date at the address thereof as it appears on the registration books for the Obligations maintained by the Trustee. Said amounts representing the registered owner's share of the Payments designated as principal are payable when due upon surrender of this Obligation at the Designated Office. Principal or interest payable to any owner of $1,000,000 or more in principal amount of the series of obligations of which this Obligation is a part (the "Obligations") may be paid by wire transfer in immediately available funds to an account in the United States of America if the owner makes a written request of the Trustee at least twenty (20) days before the date of payment specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

The Trustee has no obligation or liability to the registered owners of the Obligations for the payment of interest or principal represented by the Obligations. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the Obligations, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by ordinance of the Mayor and Council of the City adopted June 7, 2016 (the "Ordinance"). Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the terms under which the Trust Agreement or the Purchase Agreement may be

modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations to be secured on a parity lien basis with the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal of all Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owners of the Obligations shall have any right under any circumstances to accelerate the payment dates of the Obligations or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

The Obligations are executed and delivered only in fully registered form in denominations of $5,000 of principal represented by this Obligation due on a specific payment date or integral multiples thereof. The Obligations shall not be transferable or exchangeable, except as provided in the Trust Agreement.

This Obligation may be exchanged for an Obligation or Obligations of aggregate payment amount in authorized denominations having the same payment date and interest rate.

This Obligation is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Designated Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Obligation. Upon such transfer a new Obligation or Obligations, of authorized denomination or denominations, for the aggregate principal amount will be delivered to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Obligation shall be overdue, and the City and the Trustee shall not be affected by any notice to the contrary.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

Principal represented by the Obligations payable before or on July 1, 2026, is not subject to prepayment. Principal represented by the Obligations payable on or after July 1, 2027, is subject to prepayment in such order and from such principal amounts payable as may be selected by the City, in whole or in part on any date on or after July 1, 2026, at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment but without premium.

Principal represented by the Obligations payable on July 1, 20__, and July 1, 20__, shall be prepaid on July 1 of the years indicated and in the principal amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

Year Prepaid	Principal Amount Prepaid
Maturing July 1, 20__	
20__	$___,000
Maturing July 1, 20__	
20__	$___,000
20__	___,000
20__	___,000

Whenever Obligations are purchased, prepaid (other than because of mandatory prepayment) or are delivered by the City to the Trustee for cancellation, the principal amount represented thereby so retired shall satisfy and be credited against the mandatory prepayment requirements therefor for the same series in any order specified by the City.

If less than all of the principal represented by the outstanding Obligations of any payment date are to be prepaid, the Obligations (or portions hereof) to be prepaid will be selected by the Trustee by lot or in any customary manner as determined by the Trustee. Prepayments shall be in authorized denominations or any integral multiples thereof.

The Trustee shall give notice of any prepayment of this Obligation as provided above no more than 60 or less than 30 calendar days prior to the prepayment date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of prepayment there has not been deposited with the Trustee moneys or eligible securities sufficient to prepay and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the prepayment and satisfaction of such conditions. If the portion of the principal represented by the Obligation is subject to prepayment and if on the prepayment date moneys for the prepayment thereof are held by the Trustee and those other conditions are met, thereafter such principal to be prepaid shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement. The failure to receive any notice of prepayment, or any defect in such notice in respect of any Obligation, shall not affect the validity of prepayment of any Obligation

Principal represented by this Obligation is not subject to prepayment.

The Trustee may, but shall not be obligated to, exchange or register the transfer of this Obligation (i) if this Obligation has been selected for prepayment, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If this Obligation is so transferred, any notice of prepayment which has been given to the transferor shall be binding on the transferee, and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: .....

……, as Trustee

By.....
Authorized Representative

LEGEND FOR INVESTOR OBLIGATION

The following abbreviations when used in the inscription on the face of the within certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - ..... Custodian for .....
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of .....
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned ..... (the "Transferor"), hereby sells, assigns and transfers unto ..... (the "Transferee"), whose address is ..... and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE
.....
.....

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints ..... as attorney to register the transfer of the within certificate on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date: .....

SIGNATURE(S) GUARANTEED BY:

.....
Firm or Bank

.....
Authorized Signature

Signature(s) guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or other guarantee program acceptable to the Trustee or Registrar

.....

NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied

EXHIBIT B

(Form of Payment Request Form)

Payment Request Form

Application No. .....

The Trustee is hereby requested to pay from the "Acquisition Fund" established by the Second Trust Agreement, dated as of _____ 1, 2016 (the "Trust Agreement"), between the City of Flagstaff, Arizona (the "City"), and ...…….. …..……, as trustee (the "Trustee") to the person or corporation designated below as "Payee," the sum set forth below such designation, in payment of the Project Costs (as such term is defined in the Trust Agreement) described below. The amount shown below is due and payable under a purchase order or contract with respect to such costs described below and has not formed the basis of any prior request for payment.

Payee: .....

Address or Wiring Instructions: .....

Amount: .....

Description of costs or portion thereof authorized to be paid to the
Payee: .....

The City acknowledges that it has received and inspected items related to such costs and has found each item thereof so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes and in accordance with the applicable purchase order or contract. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Payee from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item described above.

By execution of this Payment Request Form, the City requests and approves the payment of the amount stated above to Payee set forth above.

DATED: ....., 2016.

.....
City Representative

Please forward payment to Payee at the following address:

EXHIBIT C

(Form of Reimbursement Request Form)

Reimbursement Request Form

Application No. .....

The Trustee is hereby requested to pay from the "Acquisition Fund" established by the Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), between the City of Flagstaff, Arizona (the "City"), and ……....……..., as trustee (the "Trustee"), to the City, the sum set forth below as reimbursement of (all/a portion) of the Project Costs (as such term is defined in the Trust Agreement) described below. Payment of the amount, shown below was made by the City on …….., 20…….., as evidenced by …….…….. attached hereto, as full/partial payment of …….…….., also attached hereto. The amount shown below was paid by the City and has not formed the basis of any prior request for payment.

The City acknowledges that it has received and has inspected items related to such costs and has found each item thereof so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released any entity named on the attached documentation, from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item described below.

Amount: .....

Description of costs or portion thereof for which reimbursement is hereby requested:

DATED: ....., 20....

.....
City Representative

Dated Received: ....., 20....

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Stephanie Smith, Assistant to City Manager

Date: 05/24/2016

Meeting Date: 05/31/2016

TITLE

Direction on Recommended 2017 League Resolutions

RECOMMENDED ACTION:

Provide direction on policy resolutions to be submitted to the League of Arizona Cities and Towns for consideration.

EXECUTIVE SUMMARY:

The City's membership in the League of Arizona Cities and Towns is a critical component of Flagstaff's advocacy strategy. The City Council will participate in the League's annual priority-setting process. The League established a Policy Committee framework to give elected officials and staff the opportunity to provide expertise and direction on proposed policy issues that come to the League. The purpose of this agenda item is to receive direction from Council on policy resolutions to submit to the League for consideration.

League Resolution Process

Each year, members of the League of Arizona Cities and Towns may recommend items for the League's legislative program by submitting policy issues/resolutions for consideration. The policy issues submitted by cities through this process are vetted by the relevant League Policy Committee and may become a formal League Resolution, or may go on for further discussion with a non-legislative solution.

Proposed resolutions are then advanced to the Resolutions Committee for a formal recommendation. If the Committee proposes resolutions, those resolutions will be provided to all cities and towns prior to the League Annual Conference in August. This is so that individual city and town councils may take positions on those resolutions prior to the Resolutions Committee Meeting.

The resolutions that are passed by the committee are then formally adopted at the League's Annual Business Meeting, also held during the Annual Conference. The adopted resolutions then become that year's Municipal Policy Statement.

Guidance on Submitting Policy Issues/Proposed Resolutions

There are two types of resolutions accepted for consideration by the League: 1) Statements requesting a specific action, such as requesting that the Legislature enact a statute relating to a zoning issue; and 2) Statements of general policy direction, such as supporting increases for transportation funding.

Resolutions should be broadly applicable and advance our municipal goals. The resolutions process is designed for issues that impact a broad cross section of cities and towns. Single city/town issues are not generally part of the League's overall agenda.

It is helpful to consider resolutions by answering the following questions:

1. What is the problem or issue the City Council is trying to address?
2. What is the solution the City Council is promoting with the proposed resolution?

Key dates – Annual League Resolution Process

- **May 17:** Initial discussion from Council on what policy issues should be submitted on the City of Flagstaff's behalf for consideration through the 2017 League Resolutions process.
- **May 31:** Final Council direction on the City's proposed League resolutions.
- **June 1:** City of Flagstaff submissions due to League.
- **June:** League Policy Committees to review all submissions received by cities and towns and determine resolutions to be considered by Resolutions Committee at Annual League Conference.
- **August 16:** Council direction on City position on resolutions prior to the Resolutions Committee Meeting.
- **August 23 – 26:** Annual League of Arizona Cities and Towns Conference

Possible Policy Statements for Council Consideration

- Uphold and restore the principle of local government and reinforce the authority of local governments to respect and protect the priorities of its citizenry and respond to local challenges.
- Protect existing funding and authorities that bring revenue to cities and towns, which support the quality of life for its residents. Areas may include the protection of state-shared revenues, and opposition to the imposition of new fees and unfunded mandates by any level of government that would increase costs to cities and towns.
- Advocate for investing in forest health treatments on state-owned land in and around cities and towns.
- Advocate against firearm legislation that will allow guns in public facilities
- Advocate for flexible financing authority for commercial entities for upfront investment capital in energy efficiency improvement projects
- Advocate for removing the $2.5 million cap that allows the State's Housing Trust Fund to be fully funded through unclaimed property proceeds received by the State annually.

INFORMATION:

COUNCIL GOALS:

1) Invest in our employees and implement retention and attraction strategies
2) Ensure Flagstaff has a long-term water supply for current and future needs
3) Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics
4) Explore and adopt policies to lower the costs associated with housing to the end user
5) Develop and implement guiding principles that address public safety service levels through appropriate staffing levels
6) Relieve traffic congestion throughout Flagstaff
7) Address key issues and processes related to the implementation of the Regional Plan
8) Improve effectiveness of notification, communication, and engagement with residents, neighborhoods and businesses and about City services, programs, policies, projects and developments
9) Foster relationships and maintain economic development commitment to partners
10) Decrease the number of working poor
11) Ensure that we are as prepared as possible for extreme weather events

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Attachments: City Priorities
League Resolution Form
Resolutions
Municipal Policy Statement

City of Flagstaff Intergovernmental Relations 2016

Adopted by Flagstaff City Council on November 17, 2015
Updated by Flagstaff City Council on February 16, 2016

City Council Mission Statement

To protect and enhance the quality of life of its citizens.

City Council Vision Statement

The City of Flagstaff is a safe, diverse, vibrant and innovative community with a unique character and high quality of life. The City fosters and supports a balance of economic, environmental, educational and cultural opportunities.

Intergovernmental Relations

The City of Flagstaff Intergovernmental Relations Program addresses legislative initiatives at the county, state, and federal levels, which follow annual legislative calendars. The program mission is to develop and advocate for the Flagstaff community by fostering and maintaining relationships with individuals and entities that affect the City's interests. As a member of the League of Arizona Cities and Towns, the City of Flagstaff has assisted in the drafting and development of League Resolutions. Council adoption of the League resolutions, our identified priorities and guiding principles are incorporated as part of our legislative agenda.

The City Manager's Office coordinates an active legislative program focused on protecting the interests of our community and identifying resources available to enhance City services and programs. The City Council and City Manager's Office work closely with our legislative advocates in Washington, D.C., and Phoenix, as well as with the League of Arizona Cities and Towns to influence policy decisions that affect cities local control and local funding.

The 2016 Legislative Priorities provide a framework for the City of Flagstaff's Intergovernmental Program. Adopted annually, the City's Intergovernmental Guiding Principles and Legislative Priorities are the foundation of a focused advocacy strategy and serves as a reference guide for legislative positions and objectives that provide direction for the City Council and staff throughout the year.

Federal and state legislative proposals and policies consistent with the City's Intergovernmental Guiding Principles and Legislative Priorities may be supported by the City. Those policies or proposals inconsistent with this agenda may be opposed by the City.

Guiding Principles

The City's Intergovernmental Relations Program is guided by the following principles:

1. The City of Flagstaff is governed by its **Charter,** which outlines the City's governmental structure, identifies jurisdiction and provides enabling authority for self-rule. Flagstaff's City Charter and all its amendments have been voted on and approved by a majority of voters.

2. The City of Flagstaff strongly promotes the protection, expansion and restoration of **local control** for cities and may support or oppose legislation based on whether it advances maximum local control by local governments.

3. The Flagstaff City Council adopts **City-wide goals and legislative priorities**. Advancing or defending goals of the City Council and adopted legislative priorities in effect during the current legislative session does not require additional Council action.

4. The City of Flagstaff understands it is in the public's interest to have government at all levels that is **transparent**, **deliberative** and **accountable** to its citizens. The City of Flagstaff also evaluates legislative action based on the City's ability to deliver public services, the impact to Flagstaff citizens and the financial costs to the City.

5. The City's membership in the **League of Arizona Cities and Towns** is a critical component of the Flagstaff's advocacy strategy. The City Council will participate in the League's annual priority-setting process.

6. The City of Flagstaff understands that **partnerships** that develop and maintain positive intergovernmental relations are essential for success and the vitality of our community. The City supports proposed legislation brought forth by our partners that advance common goals. Regional, state and federal partners may include*:
   Regional Partners: Chamber of Commerce, Coconino County, Flagstaff Unified School District, Grand Canyon Trust, Greater Flagstaff Forest Partnership, Northern Arizona Council of Governments, Northern Arizona Intergovernmental Public Transportation Authority and Northern Arizona Municipal Water Users Association;
   Statewide Partners: Arizona Department of Transportation, Arizona Game and Fish, Arizona State Land Department, Coconino Community College, Department of Veteran Services, Greater Arizona Mayors' Association, League of Arizona Cities and Towns and Northern Arizona University;
   National Partners: Conference of Mayors, Federal Aviation Administration, National League of Cities and Towns, National Park Service, U.S. Army Corps of Engineers, U.S. Department of Transportation, U.S. Forest Service and other federal agencies; and
   Tribal Partners: Including the Hopi Nation and Navajo Nation
   ** This is not an exhaustive list of City of Flagstaff partners*

State Priorities

Advocate to Expand and Protect Local Control
Flagstaff supports legislation that upholds and restores the principle of local government and reinforces the authority of the elected leaders of Flagstaff to respect and protect the priorities of its citizenry and respond to local challenges.

Advocate to Preserve Local Funding
Protect existing funding and authorities that bring revenue to the City of Flagstaff, which support the quality of life for its residents. Areas may include the protection of state-shared revenues and opposition to the imposition of new fees and unfunded mandates by any level of government that would increase costs to the City.

Flagstaff projects and legislative priorities

- Advocate for funding and building a **skilled nursing facility for veterans** in Flagstaff.
- Advocate for investing in **forest health** treatments on state-owned land in the Flagstaff region.
- Advocate for securing authority to place portions of the **Red Gap Ranch Pipeline** within Interstate 40 right-of-way.
- Advocate for investing in **economic development** efforts in the Flagstaff region.

Statewide issues important to Flagstaff

- Advocate against firearm legislation that will allow guns in public facilities.
- Advocate for reforming state pension systems to obtain greater flexibility in managing pension plans affecting municipal employees.
- Advocate for flexible financing authority for commercial entities for upfront investment capital in energy efficiency improvements to properties.
- Advocate for removing the $2.5 million cap that allows the State's Housing Trust Fund to be fully funded through unclaimed property proceeds received by the State annually.

Federal Priorities

Advocate to Expand and Protect Local Control
Flagstaff supports legislation that upholds and restores the principle of local government, and reinforces the authority of the elected leaders of Flagstaff to respect and protect the priorities of its citizenry and respond to local challenges and opportunities.

Advocate to Preserve Local Funding
Protect existing funding and authorities that bring revenue to the City of Flagstaff, which support the quality of life for its residents. Areas included opposition to unfunded mandates by any level of government that would increase costs to the City.

Flagstaff projects and legislative priorities

- Advocate for increased authorization and funding the **Rio de Flag Flood Control Project**. Fully authorize this important community project and qualify for work plan construction funding in future years. Funding priorities for fiscal year 2016 include completing 100 percent design, completing final elements at the Clay Avenue Detention basin and environmental clean up and installation of rip rap at the Butler site.

- Advocate for leveraging the voter approved **Flagstaff Watershed Protection Project** funding with federal dollars to maximize investments into forest health, including resources for timber sale administration; Ensure that resources and funding continue to flow to important regional projects such as the Four Forest Restoration Initiative (4FRI), NAU Ecological Restoration Institute and other important forest restoration efforts outside of the 4FRI boundaries.

- Advocate for funding projects in the **Flagstaff Airport** five-year Capital Improvement Program.

- Advocate for releasing the Federal Government's **reversionary interests** on property sold to the City by the BNSF Railroad.

- Advocate for authorizing and funding **transportation improvements** in Flagstaff, including priorities identified in the Regional Transportation Plan.

- Advocate for for funding and building a **skilled nursing facility for veterans** in Flagstaff after the initial state funding has been approved and encourage the Department of Veterans' Affairs to prioritize the project.

Tribal Priorities

The City's Intergovernmental Relations Program is responsible for strengthening partnerships and advancing mutual goals between the City of Flagstaff and Native Nations. In addition to fostering relationships with tribal nations, key priorities this year include:

- Support implementation priorities of the Memorandum of Understanding between Navajo Nation Human Rights Commission and City of Flagstaff.
- Facilitation of annual meetings with tribal nations and collaborate on agenda development.
- Host the 2016 Mayors Summit in partnership with the Navajo Nation.

Policy Issue Submittal Form

Please use this form to submit your policy issue. The issue will be vetted by the relevant Policy Committee, and may become a formal Resolution, or may go on for further discussion with a non-legislative solution.

Guidelines

There are two types of resolutions: 1) Statements requesting a specific action, such as requesting that the Legislature enact a statute relating to a zoning issue; and 2) Statements of general policy direction, such as supporting increases for transportation funding.

Resolutions should be broadly applicable and advance our municipal goals. The resolutions process is designed for issues that impact a broad cross section of cities and towns. Single city/town issues are not generally part of the League's overall agenda.

Policy Issue

Please state the problem or issue you are trying to address.

Please state the solution you are promoting for your issue.

NO.	2016 PROPOSED LEAGUE OF CITIES & TOWNS RESOLUTION SUMMARIES	COUNCIL & STAFF COMMENT
1	**PUBLIC SAFETY PENSION REFORM:** Adopt further improvements to Arizona's public safety retirement system that will promote affordability for taxpayers while providing for the benefit promised to workers. These improvements should include a plan to effectively deal with the problem of unfunded liability, bringing a balance within a reasonable period of time while ensuring that Arizona remains competitive in its ability recruit and retain talented public safety employees.	The disparate fiscal impact on each of the municipalities varies widely and creates challenges in budgeting and planning for the future. The current unfunded liability and increasing contribution rates for the public employee retirement systems are not financially sustainable and create a heavy burden on local governments to continue to fund pensions.
2	**RESTORE ARIZONA HOUSING TRUST FUND**. Created in 1988 as a flexible funding source to assist low-income households in Arizona, it was funded from the sale of unclaimed property, such as stocks or savings accounts abandoned by the owner, often due to a death without a will. Prior years the Fund received over $30m annually but capped in 2010 at $2.5m.	Municipalities and non-profits are eligible to apply to receive an allocation of the Housing Trust Fund to further housing objectives within their communities. Restoration of funding to the Trust Fund will enable a greater number of grant applications to be funded as well as other funding leveraged.
3	**ENERGY & CONSERVATION FINANCING DISTRICTS** Request and encourage the Arizona State Legislature to establish a mechanism enabling local government to establish renewable energy and conservation financing districts for commercial properties.	In addition, encourage the Arizona State Legislature to identify and define energy efficiency, renewable energy and water conservation as a public benefit that enhances the public good and promotes the health, safety, prosperity, security, and general welfare of the community. (Note: this evolved into the term that Tucson used: Property Assessed Clean Energy (PACE)
4	**Change ARS 32-144, Professions & Occupations,** registration requirement where a commercial tenant improvement project of less than $10,000 would not require an Arizona Registrant to design and stamp the project.	Permits a non-registrant to design changes in a commercial tenant improvement without the cost of having the Registrant Design and Stamp, saving on average $2500 for the citizen. Current statute requires any modification to a building or part of a building that is 3000 Sq. Ft. or larger requires an Arizona Registrant to design the change. Even if the remodel involves only the building of one or two walls that are non-bearing which may cost a total of $1200, with the architect fees, the cost could go up to a minimum $2800 dollars or more. That is if the registrant will even take on the job. Many times the person cannot find a registrant to take the time for such a small job.
5	**STRENGTHEN EFFORTS OF CITIES AND TOWNS TO RETAIN LOCAL CONTROL.** Rights of municipalities to self-determine local legislation that reflects the desires of our community residents has been diminished notably in recent years. The efforts of cities and towns to sustain or improve quality of life and enact ordinances which embody the values of communities is increasingly eroding. The effectiveness of individual city efforts along with those of the League of AZ Cities and Towns in maintaining the rights and balance of decision-making at the local level needs to be strengthened. Strategies need to be discussed collectively to coalesce more unification of cities to fight for decision making to be retained at the local level. This year cities saw the Legislature and the Governor overreach and not respect the authority of cities in passing SB 1241, the law which will preclude citizens within any city from banning plastic bags.	Council discussion: Wants to strengthen efforts with new approaches to protect local control more than what is currently in the League's Guiding Principles. Would like the League to work towards repeal of the strike everything bill on Plastic Bans Note: **LEAGUE OF AZ CITIES & TOWNS Core Principle:** *Decentralized government at the local level represents a fundamental principles of American democracy, recognizing that when it comes to community governance, one size does not fit all.* *The League calls upon the Legislature to respect the authority of cities and towns to govern their communities in the best interests of their residents. The League will endorse legislation that supports and sustains the principle of local control and reject legislation that conflicts with the autonomy of cities and towns.*

League of Arizona Cities and Towns

2016 MUNICIPAL POLICY STATEMENT

OVERVIEW

The 91 incorporated cities and towns of Arizona are responsive to their constituents and efficiently deliver the essential services their citizens demand through transparent operations, fiscal responsibility and long range planning. Cities and towns are where the majority of the state's population lives and works and where the economic vitality of the state thrives. This Municipal Policy Statement represents the 2016 policy priorities adopted to ensure cities and towns throughout Arizona continue to have the necessary tools to maintain high quality service delivery to residents and businesses.

CORE PRINCIPLES

The League of Arizona Cities and Towns is governed by two core principles: 1) Preserve local control, and 2) Protect shared revenue. Adherence to these principles is the foundation of all the League's efforts. We will support legislation that reinforces these principles, and oppose any that undermines them.

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE

Cities and towns are at the forefront of economic vitality and growth. Incorporating these policies would advance financial success.

Legislative Priorities

- Preserve the Highway User Revenue Funds (HURF) allocated to Arizona cities and towns, and follow the statutory formula for its distribution.
- Foster economic development by allowing cities and towns to create financing mechanisms to invest in infrastructure and other improvements in designated areas.
- Create renewable energy and conservation financing districts for commercial properties on a voluntary basis.
- Authorize the creation of retention and detention basin improvement districts.
- Support funding to accelerate the design and construction of State Route 189 in ADOT's Five-Year Transportation Facilities Construction Program.

GOOD GOVERNANCE

Citizens expect local government to be fiscally stable, fair and reasonable in its enforcement, and efficient in its procedures. These concepts further enable municipalities to achieve those goals.

Legislative Priorities

- Support thorough reform of the PSPRS System that achieves the goals outlined by the League's PSPRS Task Force.
- Allow cities and towns to place reasonable balances on public record requests that are overbroad, abusive, or incessant.
- Make the requirements for annexation a more effective process, especially when property owners and municipalities are in agreement.
- Expand state licensure requirements and local enforcement authority for drug rehabilitation and recovery housing.

COMMUNITY INVESTMENT

Citizens want great places to live and thrive. Vibrant communities retain the people that live there, and attract new citizens as well.

Legislative Priorities

- Partner with cities and towns for the operation and maintenance of Arizona State Parks under long term leases.
- Restore the Arizona Housing Trust Fund and the Arizona State Park Heritage Funds.

FEDERAL ACTION

When all levels of government work together all levels of society can prosper. We call on the federal government to help our cities and towns continue to succeed.

Legislative Priorities

- Urge Congress to compel the Federal Aviation Administration (FAA) to improve its communication with municipalities when studying changes to flight paths.
- Support the enactment of equal taxation of online retail purchases.
- Retain the tax exempt status for municipal bonds.
- Support Arizona's military installations.

League of Arizona Cities and Towns

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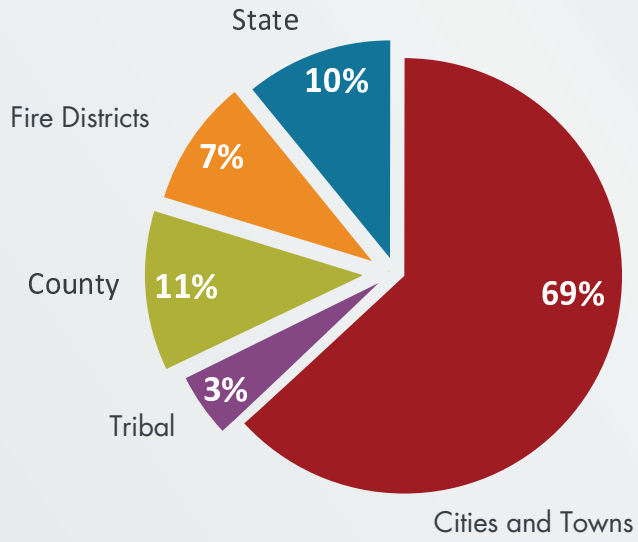
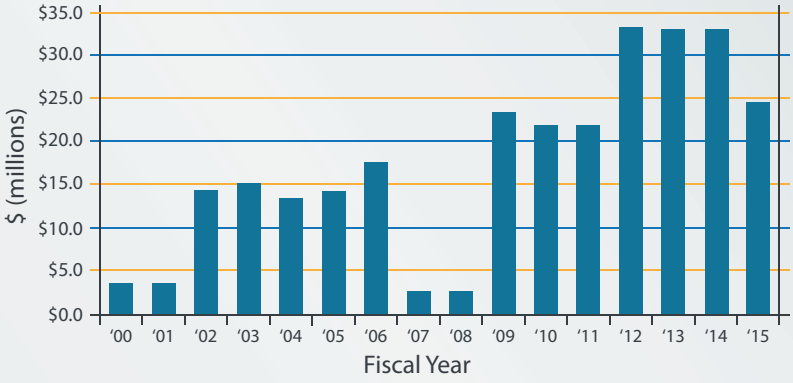
PSPRS MEMBERSHIP BY EMPLOYER



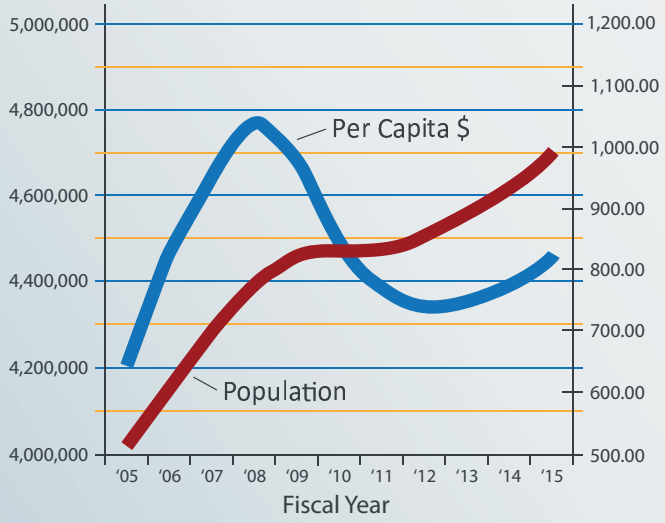
79% **of Arizonans live in one of the state's 91 incorporated cities and towns.**

HURF Transfers from Cities and Towns to DPS (2000 - Present)



Cities: Average population up, spending down

Arizona's cities and towns are responsible stewards of taxpayer resources. Although average populations have grown by 6 percent, average spending per capita is now nearly 20 percent lower than it was before the recession.



Source: Budgets of 25 largest cities by population

League of Arizona Cities AND Towns

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1
Ⓢ Steve Pierce(R)
Ⓡ Noel Campbell(R), Karen Fann(R)
Carefree, Cave Creek, Chino Valley, Dewey-Humboldt, Peoria, Phoenix, Prescott, Prescott Valley, Wickenburg

2
Ⓢ Andrea Dalessandro(D)
Ⓡ John C. Ackerley(R), Rosanna Gabaldon(D)
Nogales, Patagonia, Sahuarita, South Tucson, Tucson

3
Ⓢ Olivia Cajero Bedford(D)
Ⓡ Sally Ann Gonzales(D), Macario Saldate(D)
Tucson

4
Ⓢ Lynne Pancrazi(D)
Ⓡ Charlene Fernandez(D), Lisa Otondo(D)
Buckeye, Gila Bend, Goodyear, San Luis, Somerton, Tucson, Yuma

5
Ⓢ Kelli Ward(R)
Ⓡ Sonny Borrelli(R), Regina Cobb(R)
Bullhead City, Colorado City, Kingman, Lake Havasu City, Parker, Quartzsite

6
Ⓢ Sylvia Allen(R)
Ⓡ Brenda Barton(R), Robert Thorpe(R)
Camp Verde, Clarkdale, Cottonwood, Flagstaff, Holbrook, Jerome, Payson, Sedona, Snowflake, Star Valley, Taylor, Tusayan, Williams

7
Ⓢ Carlyle Begay(D)
Ⓡ Jennifer Benally(D), Albert Hale(D)
Eagar, Fredonia, Page, Pinetop-Lakeside, Show Low, Springerville, St. Johns, Winslow

8
Ⓢ Barbara McGuire(D)
Ⓡ Frank Pratt(R), T.J. Shope(R)
Casa Grande, Coolidge, Eloy, Florence, Globe, Hayden, Kearny, Mammoth, Miami, Superior, Winkelman

9
Ⓢ Steve Farley(D)
Ⓡ Randall Friese(D), Victoria Steele(D)
Marana, Oro Valley, Tucson

10
Ⓢ David Bradley(D)
Ⓡ Stefanie Mach(D), Bruce Wheeler(D)
Tucson

11
Ⓢ Steve Smith(R)
Ⓡ Mark Finchem(R), Vince Leach(R)
Casa Grande, Eloy, Marana, Maricopa, Oro Valley, Tucson

12
Ⓢ Andy Biggs(R)
Ⓡ Eddie Farnsworth(R), Warren Petersen(R)
Chandler, Gilbert, Queen Creek

13
Ⓢ Don Shooter(R)
Ⓡ Darin Mitchell(R), Steve Montenegro(R)
Buckeye, El Mirage, Glendale, Goodyear, Litchfield Park, Surprise, Wellton, Wickenburg, Yuma

14
Ⓢ Gail Griffin(R)
Ⓡ David Gowan(R), David Stevens(R)
Benson, Bisbee, Clifton, Douglas, Duncan, Huachuca City, Pima, Safford, Sierra Vista, Thatcher, Tombstone, Tucson, Willcox

15
Ⓢ Nancy Barto(R)
Ⓡ John Allen(R), Heather Carter(R)
Cave Creek, Phoenix

16
Ⓢ David Farnsworth(R)
Ⓡ Doug Coleman(R), Kelly Townsend(R)
Apache Junction, Mesa, Queen Creek

17
Ⓢ Steve Yarbrough(R)
Ⓡ J.D. Mesnard(R), Jeff Weninger(R)
Chandler, Gilbert

18
Ⓢ Jeff Dial(R)
Ⓡ Jill Norgaard(R), Bob Robson(R)
Chandler, Guadalupe, Mesa, Phoenix, Tempe

19
Ⓢ Lupe Chavira Contreras(D)
Ⓡ Mark Cardenas(D), Diego Espinoza(D)
Avondale, Phoenix, Tolleson

20
Ⓢ Kimberly Yee(R)
Ⓡ Paul Boyer(R), Anthony Kern(R)
Glendale, Phoenix

21
Ⓢ Debbie Lesko(R)
Ⓡ Rick Gray(R), Tony Rivero(R)
El Mirage, Peoria, Surprise, Youngtown

22
Ⓢ Judy Burges(R)
Ⓡ David Livingston(R), Phil Lovas(R)
Glendale, Peoria, Surprise

23
Ⓢ John Kavanagh(R)
Ⓡ Jay Lawrence(R), Michelle Ugenti-Rita(R)
Fountain Hills, Scottsdale

24
Ⓢ Katie Hobbs(D)
Ⓡ Lela Alston(D), Ken Clark(D)
Phoenix, Scottsdale, Tempe

25
Ⓢ Bob Worsley(R)
Ⓡ Russell Bowers(R), Justin Olson(R)
Mesa

26
Ⓢ Pending legislative appointment
Ⓡ Juan Mendez(D)*, Andrew Sherwood(D)*
Mesa, Phoenix, Tempe

27
Ⓢ Catherine Miranda(D)
Ⓡ Reginald Bolding(D), Rebecca Rios(D)
Guadalupe, Phoenix, Tempe

28
Ⓢ Adam Driggs(R)
Ⓡ Kate Brophy McGee(R), Eric Meyer(D)
Paradise Valley, Phoenix, Scottsdale

29
Ⓢ Martin Quezada(D)
Ⓡ Richard Andrade(D), Ceci Velasquez(D)
El Mirage, Glendale, Phoenix

30
Ⓢ Robert Meza(D)
Ⓡ Jonathan Larkin(D), Debbie McCune Davis(D)
Glendale, Phoenix

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Ⓢ - Senator
Ⓡ - Representative

* Current legislators as of this printing 11/2/2015

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