

SPECIAL COUNCIL MEETING
TUESDAY
JUNE 23, 2020

STAFF CONFERENCE ROOM
SECOND FLOOR - CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.

ATTENTION

IN-PERSON AUDIENCES AT CITY COUNCIL MEETINGS HAVE BEEN SUSPENDED UNTIL FURTHER NOTICE

The meetings will continue to be live streamed on the city's website
(<https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings>)

PUBLIC COMMENT PROTOCOL

The process for submitting a public comment has changed and public comments will no longer be read by staff during the Council Meetings.

All public comments will be taken either telephonically or accepted as a written comment.

Public comments may be submitted to publiccomment@flagstaffaz.gov

If you wish to address the City Council with a public comment by phone you must submit the following information:

First and Last Name
Phone Number
Agenda Item number you wish to speak on

If any of this information is missing, you will not be called. We will attempt to call you only one time. We are unable to provide a time when you may be called.

All comments submitted otherwise will be considered written comments and will be documented into the record as such.

If you wish to email Mayor and Council directly you may do so at council@flagstaffaz.gov.

AGENDA A M E N D E D

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 work session, 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 for all.

3. **ROLL CALL**

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

MAYOR EVANS

VICE MAYOR SHIMONI

COUNCILMEMBER ASLAN

COUNCILMEMBER MCCARTHY

COUNCILMEMBER ODEGAARD

COUNCILMEMBER SALAS

COUNCILMEMBER WHELAN

4. **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.

5. **Recognition:** Police Chief Kevin Treadway

6. **Consideration and Adoption of Ordinance No. 2020-17:** An ordinance of the City Council of the City of Flagstaff, relating to the financing of a certain project, specifically approving publication of notice of proposed lease of land and buildings from, and lease-purchase back of such land and buildings to, the City and request for bids in connection therewith; authorizing the acceptance of a bid with respect thereto; approving the sale and execution and delivery of Certificates of Participation in a lease-purchase agreement to provide the necessary financing therefor; approving the form and authorization the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the certificates; delegating authority to the Management Services Director of the City to determine certain matters and terms with respect to the foregoing; and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this ordinance and ratifying all actions taken to further this ordinance; providing for severability, authority for clerical corrections, and establishing an effective date **(Certificate of Participation Debt Authorization - Pension COPS)**

STAFF RECOMMENDED ACTION:

- 1) Read Ordinance No. 2020-17 by title only for the final time
- 2) City Clerk reads Ordinance No. 2020-17 by title only (if approved above)
- 3) Adopt Ordinance No. 2020-17

7. **Consideration and Adoption of Ordinance No. 2020-15:** An ordinance of the City Council of the City of Flagstaff, adopting a Public Safety Personnel Retirement System Contingency Reserve Fund Policy; providing for repeal of conflicting ordinances, severability, and establishing an effective date.

STAFF RECOMMENDED ACTION:

- 1) Read Ordinance No. 2020-15 by title only for the final time
- 2) City Clerk reads Ordinance No. 2020-15 by title only (if approved above)
- 3) Adopt Ordinance No. 2020-15

8. **Discussion:** When and how the City might negotiate an agreement to disallow short term rentals.

9. **Consideration and Adoption of Resolution No. 2020-09:** A resolution endorsing the declaration of a climate emergency for the City of Flagstaff, and requesting regional collaboration on an equitable transition and urgent mobilization efforts to restore a safe climate.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-09 by title only
- 2) City Clerk reads Resolution No. 2020-09 by title only (if approved above)
- 3) Adopt Resolution No. 2020-09

10. **Consideration and Adoption of Resolution No. 2020-41:** A resolution urging the Arizona Corporation Commission to adopt a statewide clean energy standard.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-41 by title only
- 2) City Clerk reads Resolution No. 2020-41 by title only (if approved above)
- 3) Adopt Resolution No. 2020-41

11. **Consideration and Adoption of Resolution No. 2020-40:** A Resolution of the Flagstaff City Council urging the United States Congress to pass carbon fee and dividend legislation.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-40 by title only
- 2) City Clerk reads Resolution No. 2020-40 by title only (if approved above)
- 3) Adopt Resolution No. 2020-40

12. **Discussion and Possible Direction:** Re-Entry Plan and Temporary Use Permit Review Process

13. **INFORMATIONAL ITEMS AND REPORTS FROM COUNCIL AND STAFF, FUTURE AGENDA ITEM REQUESTS**

14. **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 _____, 2020.

Stacy Saltzburg, MMC, City Clerk

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Rick Tadder, Management Services Director

Co-Submitter: Greg Clifton, City Manager; Brandi Suda, Finance Director

Date: 06/19/2020

Meeting Date: 06/23/2020



TITLE:

Consideration and Adoption of Ordinance No. 2020-17: An ordinance of the City Council of the City of Flagstaff, relating to the financing of a certain project, specifically approving publication of notice of proposed lease of land and buildings from, and lease-purchase back of such land and buildings to, the City and request for bids in connection therewith; authorizing the acceptance of a bid with respect thereto; approving the sale and execution and delivery of Certificates of Participation in a lease-purchase agreement to provide the necessary financing therefor; approving the form and authorization the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the certificates; delegating authority to the Management Services Director of the City to determine certain matters and terms with respect to the foregoing; and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this ordinance and ratifying all actions taken to further this ordinance; providing for severability, authority for clerical corrections, and establishing an effective date **(Certificate of Participation Debt Authorization - Pension COPS)**

STAFF RECOMMENDED ACTION:

- 1) Read Ordinance No. 2020-17 by title only for the final time
- 2) City Clerk reads Ordinance No. 2020-17 by title only (if approved above)
- 3) Adopt Ordinance No. 2020-17

Executive Summary:

This ordinance allows for the issuance of Certificates of Participation and to enter into a lease-purchase agreement for the purpose of financing the Public Safety Personnel Retirement unfunded liability and establishing contingency reserve funds. 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:

Taxable Certificates of Participation Series 2020 A will be issued in an amount not to exceed \$135,000,000 related to the funding of the City's Public Safety Personnel Retirement System plans, creating a Contingency Reserve Fund and paying cost of issuing debt. The debt service payments will be made from General Fund and Airport Fund. The City will reduce its annual employer contribution to PSPRS and utilize that funding to pay the debt service. Debt service expenditures are budgeted in the Debt Service Fund with a transfer from General Fund and Airport Fund for their proportionate shares of the debt service payments. The Airport Fund is included because we have PSPRS employees who work at the Airport.

Policy Impact:

The City will be issuing debt to fund our PSPRS plans for Police and Fire at or near 100%. The City could choose issue debt and/or look to alternative ways to continue paying down our unfunded liabilities related to these plans.

Connection to Council Goal, Regional Plan, CAAP, and/or Strategic Plan:

Strategic Plan for Team Flagstaff

- Foster a resilient and economically prosperous city: Enhance the organization's fiscal stability and resourcefulness.

Key Community Results

- High Performing Governance: Enhance the organization's fiscal stability and increase efficiency and effectiveness
- High Performing Governance: Implement innovative local government programs, new ideas and best practices; be recognized as a model for others to follow

Has There Been Previous Council Decision on This:

On April 23, 2020, at the April Council Budget Retreat, staff presented for consideration the issuance of Certificate of Participation debt to address the unfunded actuarial accrued liability of the Police and Fire PSPRS plans. Council provided direction to move forward with this debt issuance.

Options and Alternatives:

- Approve the Ordinance as written allowing the City to move forward with the issuance of Certificates of Participation and the Lease-Purchase agreements.
- Recommend changes to the Ordinance modifying the issuance of either the Certificates of Participation or Lease-Purchase agreements.
- Do not approve the issuance of Certificates of Participation and the Lease-Purchase agreements.

Background/History:

The City of Flagstaff has two separate pension plans for the City's public safety staff, one for Police and one for Fire. While all the PSPRS plans are managed by the State, each plan within PSPRS is separately funded by the employer and employee group. Both the City and the employees are responsible for contributions, but PSPRS employee contributions are capped by state law and the City is solely responsible for liabilities of these plans.

The City's PSPRS plans currently are not fully funded to account for projected future liabilities. The financial health of each plan is updated annually in an actuarial report. The calculation of Unfunded Liability is calculated by taking the total Trust Asset and comparing that to the Accrued Pension Liability. If the Accrued Pension Liability is greater than the Trust Assets, it is called an Unfunded Liability. The most recent year that the plans were fully funded was June 30, 2002. As of June 30, 2019 (the most recent actuarial report) the plans show a \$112 million unfunded actuarial liability.

The growth in the Unfunded Liability cannot be contributed to one single event or policy. There are many issues that impacted these pension funds since 2000. Most notably is related to investment losses and reduced earnings as a result of the 2000 stock market downturn and then again during the Great Recession in 2007-2009. Other contributing factors are related to pension plan design, legislative attempts to change pensions, the number of retired versus active members, and changes to the actuarial assumptions. Actuarial assumption changes include items such as employee base, wage inflation, and investment returns. This list is not all-inclusive of the factors that impacted the City's unfunded liability.

In March, staff provided a PSPRS Talking Points document (copy attached to this staff summary) to help outline the current funding status of these plans, as well as to capture recent measures Council has taken to address the matter. In June 2019, Council adopted the first PSPRS Pension Funding Policy. This policy formalized the decision made by the Council. These actions include: prepaying contributions in July based on budget, approve a Use Tax increase for additional funding to the plans, pay in at a higher rate even if the calculated rate declines, pay for the employer portion of the employees in the deferred retirement option plan, and make excess contributions to the Police plan to reduce the longer amortization period. We estimated an additional \$2 million in contributions of fiscal year 2019-20.

In February 2020, City staff began discussions with Stifel, Nicolaus & Company, Incorporated (Stifel) the consideration of issuing pension bonds to assist in reducing our unfunded actuarial liability. We were considering a General Obligation Bond, which would require voter approval, and/or Certificates of Participation debt. In March, City staff, Councilmember McCarthy and Council member Odegaard met with the Public Safety Personnel Retirement System Administrator, Mr. Mike Townsend, and his staff to learn more about the Cities pension plans. We also discussed the option of issuing pension bonds to fund our plans. They were very receptive of the option and continue to be a part of this process. The same city team met with the Stifel team to discuss pension bonds and the opportunities we may have to address our pension plans. That meeting was well-received by all and began the process of developing recommendations to Council.

At the April Council Budget Retreat, staff presented the consideration of issuing Certificates of Participation debt to fund our PSPRS unfunded actuarial liability with the goal of having our plans 100% funded. The presentation included presentations by staff, PSPRS, and Stifel. Stifel and staff presented information on maintaining the status quo, assessing risk, mitigating risk, and the Pension COP structure and value. We proposed a Pension COP to bring our pension to a 100% funded plan. Data in the presentation demonstrated that the City could see a cost-savings of approximately \$94 million (net present value of \$45 million) by issuing debt to the 100% funding level as opposed to remaining on our current course. In addition to savings, the city will be able to level out the amount of annual payments as well as save between \$1.2-\$1.8 million annually based on current budget levels. Council unanimously provided direction to staff to bring back an authorization to issue Pension COP debt.

A great amount of effort has been expended by City staff and the Stifel team since the April meeting. We developed a timeline that will allow us the best positioning when the investment market is right. Stifel has been discussing the Pension COP proposal with several investors and has received great interest in our bonds. Stifel prepared, with staff assistance, presentations for the rating agencies. City staff, Stifel, and PSPRS presented to Standards and Poor as well as Fitch Ratings the week of June 1, 2020. In addition, we are developing the legal documents for this debt authorization as well as the Contingency Reserve Fund Policy to assist in mitigating risk associated with pension plans.

Upon working with several potential investors, we are determining that the City will pledge several properties to back our commitment to pay back our debt. These properties currently include Fire Stations 1,2,3,5 and 6, City Hall, Main Library, and Aquaplex. Additional properties may be added for the final adoption. The estimated insurance value for these properties identified is \$51.1 million and includes estimated land value. This commitment is approximately 40% of the Pension COP we anticipate issuing. The City is not required to provide properties that equal the value of debt because the properties being considered are highly essential to our organization and are extremely unlikely that we would forgo our debt requirements. In addition, the City maintains a high credit rating, which also bolsters the confidence of the investors. **Since the draft agenda, staff has identified additional properties for consideration with the Pension COP. We are now including the Police Warehouse, Jay Lively Activity Center, Visitor Center and the Milligan House. Without the land values for these additional properties, this increase the total value to approximately \$58.3 million, 45% versus the Pension COP issuance.**

Certificates of Participation (the "Certificates") involve a lease-purchase financing mechanism that allows

the City to borrow for projects. The Certificates represent undivided proportionate interests in lease payments (the "Lease Payments") to be made by the City under a Lease-Purchase Agreement, expected to be dated as of August 1, 2020, by and between a trustee bank, as lessor (the "Trustee"), and the City, as lessee. The properties which will be the subject of the Lease-Purchase Agreement (the "Leased Property") will be provided for by a Ground Lease, expected to be dated as of August 1, 2020, by and between the City, as lessor, and the Trustee, as lessee. The Certificates are expected to be executed by the Trustee, in its separate capacity as trustee, pursuant to a Trust Agreement, to be dated as of August 1, 2020, between the City and the Trustee. Under the Trust Agreement, the right to receive the Lease Payments will be assigned to the Trustee.

The Certificates will be payable solely from the Lease Payments. The City's obligation to pay the Lease Payments will be subject to annual appropriation – no funds or revenues of the City will be pledged to make the Lease Payments. If the City fails to appropriate for the Lease Payments, the Trustee may take possession of the Leased Property and exercise remedies provided in the Trust Agreement, including re-leasing or selling its leasehold interest in the Leased Property and applying any proceeds from such re-leasing or selling to payments due on the Certificates. Under such circumstances, possession of the Leased Property would be returned to the City at the expiration of the term of the Ground Lease, currently set for August 1, 2039.

The Trust Agreement allows for the issuance of additional certificates of participation under certain circumstances to expand or improve the Leased Property or to refund the Certificates.

Expanded Financial Considerations:

City staff and Stifel are currently sizing the amount of Pension COP to be issued. Our goal is to become as close to 100% funded PSPRS plans as possible. The issuance will cover the payment to PSPRS, Contingency Reserve Funds, and issuance costs.

By issuing Pension COP debt, the City is not only able to level out future pension liability payments, but we will see the saving of approximately \$94 million (net present value of \$45 million) as well as shortening the amortization period. By creating a level debt service payment schedule, we will mitigate future increases in annual payments. Currently, and on our present course, we estimate that the City's fund payment in the fiscal year 2035-36 could be \$8 million higher than today's contribution.

An added financial advantage is that the General Fund would have a potential \$1.2 to \$1.8 million in reduced cost based on the current level of contributions for the unfunded liability payment versus the debt service payments.

Community Benefits and Considerations:

The community will benefit from this Pension COP financing as there will be a reduced cost to the taxpayers. The City will be paying the annual debt service based on current revenues and will not be seeking a sales tax or property tax ballot measure.

Attachments: [Ord. 2020-17](#)
 [Preliminary Official Statement](#)
 [Certificate Purchase Agreement](#)
 [Trust Agreement](#)
 [Lease-Purchase Agreement](#)
 [Ground Lease](#)
 [Presentation](#)
 [PSPRS Talking Points](#)

ORDINANCE NO. 2020-17

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF RELATING TO THE FINANCING OF A PROJECT, SPECIFICALLY APPROVING PUBLICATION OF NOTICE OF PROPOSED LEASE OF LAND AND BUILDINGS FROM, AND LEASE-PURCHASE BACK OF SUCH LAND AND BUILDINGS TO, THE CITY AND REQUEST FOR BIDS IN CONNECTION THEREWITH; AUTHORIZING THE ACCEPTANCE OF A BID WITH RESPECT THERETO; APPROVING THE SALE AND EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION IN A LEASE-PURCHASE AGREEMENT TO PROVIDE THE NECESSARY FINANCING THEREFOR; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS RELATED TO THE SALE AND ISSUANCE OF THE CERTIFICATES; DELEGATING AUTHORITY TO THE MANAGEMENT SERVICES DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS ORDINANCE AND RATIFYING ALL ACTIONS TAKEN TO FURTHER THIS ORDINANCE; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the Mayor and Council of the City of Flagstaff, Arizona (the "City"), have determined that it will be beneficial to its citizens to fund all or a portion of the City's unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System and one or more contingency reserve funds with respect to pension and related liabilities (the "Project"); and

WHEREAS, the Mayor and Council of the City, upon due investigation and consideration, have found and determined that in order to finance the costs of the Project it is desirable and necessary to lease-purchase certain property in Coconino County, Arizona, to be determined as provided herein (the "Property"), which, when determined as provided herein, will be described in the hereinafter described Notice; and

WHEREAS, in connection with the financing of the Project, it is necessary that the City enter into a ground lease (the "Ground Lease") with respect to the Property with a lessee that will lease the Property, together with all improvements now or hereafter constructed thereon, to the City pursuant to a separate lease-purchase agreement (the "Lease-Purchase Agreement") pursuant to the terms and conditions described in the notice and request for bids in substantially the form of the Exhibit hereto (the "Notice"), which, among other things, provides for the financing of the Project, in each case as determined by the Mayor and Council of the City; and

WHEREAS, the Mayor and Council of the City are authorized, pursuant to the Charter of the City (the "Charter"), to lease any land, buildings or equipment now or hereafter owned by the City on such terms and conditions as the Council of the City may prescribe, provided that all leases shall be made to the highest responsible bidder after publication of notice thereof for at least one time per week for two weeks, stating explicitly the time and conditions of the proposed lease; and

WHEREAS, pursuant to the Charter, the Notice will be published one time per week for two weeks in the *Arizona Daily Sun*; and

WHEREAS, the City intends that the Property be leased and awarded to the responsible bidder which submits the highest bid as determined by the requirements and responsive to the Notice; and

WHEREAS, the Mayor and Council of the City have determined that it is in the best fiscal interest of the City that financing for the Project be undertaken through the sale and delivery to the hereinafter defined Underwriter of a series of certificates of participation (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in the Lease-Purchase Agreement, specifically the lease payments to be made by the City pursuant thereto, and that the Mayor and Council of the City also approve and execute all required legal documents in connection therewith; and

WHEREAS, a proposal in the form of the hereinafter defined Purchase Agreement will be received from Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), for the purchase by the Underwriter of the Certificates; and

WHEREAS, it is presently anticipated that the highest responsible bidder will finance its bid through the execution and delivery of the Certificates; and

WHEREAS, (A) the Certificates will be executed, delivered and paid pursuant to the terms and provisions of a trust agreement (the "Trust Agreement") to be executed and delivered by the City; (B) the Certificates will be offered for sale pursuant to a preliminary official statement (the "Preliminary Official Statement") which, with conforming changes, will become the final official statement (the "Final Official Statement") therefor and sold pursuant to a certificate purchase agreement (the "Purchase Agreement") between the City and the Underwriter; and (C) in connection with the execution and delivery of the Certificates, Securities and Exchange Commission Rule 15c2-12 will require the City to make certain agreements for the benefit of the beneficial owners from time to time of the Certificates, as evidenced by a continuing disclosure undertaking of the City (the "Continuing Disclosure Undertaking"); and

WHEREAS, the City has the general power and authority to enter into and deliver the Ground Lease, the Lease-Purchase Agreement, the Trust Agreement, the Purchase Agreement and the Continuing Disclosure Undertaking (collectively, the "City Documents") and to cause the sale and the execution and delivery of the Certificates, in order to finance the costs of the Project.

ENACTMENTS:

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

SECTION 1

(A) The publication one time per week for two weeks in the *Arizona Daily Sun* of the Notice, in substantially the form of the Exhibit attached hereto, by the Clerk of the City is hereby approved in all respects. The Management Services Director of the City is hereby authorized to determine when bids shall be accepted pursuant to the Notice.

(B) If a bid of a bank with a corporate office in Phoenix, Arizona, and having the power to exercise corporate trust powers in the State of Arizona (the "Bank"), is submitted in response to the request made pursuant to the Notice and is satisfactory to the Management Services Director of the City on behalf of the City, then the Bank shall be appointed as the "Trustee", "Lessor" and "Lessee", as applicable, for all purposes of the City Documents, subject to the terms and conditions of the Notice which are incorporated herein by this reference.

SECTION 2. The forms, terms and provisions of the City Documents in the forms of such documents (including the exhibits thereto) presented at the meeting at which this Ordinance was adopted are hereby approved with such insertions, omissions and changes as shall be approved by the Mayor or, in the absence thereof, Vice Mayor of the City, or the Management Services Director of the City, the execution of such documents being conclusive evidence of such approval, and the Mayor or, in the absence thereof, Vice Mayor of the City, the Management Services Director and Clerk of the City are hereby authorized and directed, for and on behalf of the City, to sign and attest the City Documents as well as any and all other documents necessary in connection with the foregoing, including a financial guaranty or other agreement to provide for credit enhancement for the Certificates.

SECTION 3. From and after the execution and delivery of the City Documents in definitive form by the City and the other parties thereto, as required, the officers, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such agreements, documents, instruments and certificates as may be necessary to carry out and comply with the provisions thereof.

SECTION 4.

(A) The Management Services Director of the City is hereby authorized and directed to determine on behalf of the City: (1) the property which will comprise the Property for purposes hereof, to be selected from the property listed in the Exhibit to the form of the Ground Lease presented at the meeting at which this Ordinance was adopted; (2) the entity to serve as "Trustee", "Lessor" and "Lessee", as applicable, for all purposes of the City Documents in the event no satisfactory bid is submitted in response to the request made pursuant to the Notice; (3) the dated date and total principal amount of the Lease-Purchase Agreement (but not to exceed \$135,000,000 in principal amount); (4) the final principal and maturity date schedules of the Lease-Purchase Agreement; (5) the interest rate on each maturity of the principal components of the Lease-Purchase Agreement (but not to exceed 5% for any maturity) and the dates for payment of such interest; (6) the provisions for redemption in advance of maturity of the payment of the principal components of the Lease-Purchase Agreement; and (7) the sales price and terms of the Certificates (including for original issue discount, original issue premium and underwriter's compensation). (The solicitation of proposals from corporate trust banks for purposes of the foregoing is hereby ratified and confirmed in all respects.)

(B) The Management Services Director of the City is further hereby authorized and directed to determine on behalf of the City whether the purchase of an insurance policy securing payment of the Certificates or a surety bond or other reserve fund guaranty would be advantageous to the City or the terms of the financing represented by the Certificates. Any officer, agent or employee of the City is hereby authorized to negotiate with and secure, with proceeds of the Certificates 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 hereby further authorized and directed 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.

SECTION 5. (1) The preparation and distribution of the Preliminary Official Statement is hereby ratified and approved; (2) the Preliminary Official Statement in substantially the form presented at the meeting at which this Ordinance was adopted is hereby approved; (3) the preparation of the Final 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 hereby approved; and (4) the Mayor or, in the absence thereof, Vice Mayor of the City, or the Management Services Director of the City is hereby authorized, empowered and directed, in the name and on behalf of the City, to execute and deliver the same to the Underwriter, and to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with Securities and Exchange Commission Rule 15c2-12.

SECTION 6. The Management Services Director of the City is hereby designated and appointed as a "Lessee Representative" as defined in the Lease-Purchase Agreement and is authorized to execute in the name of and on behalf of the City any closing documents, certificates or other instruments or documents necessary or appropriate in connection with the transactions described in or contemplated by the City Documents and to do all acts and things as may be necessary or desirable to carry out the terms and intent of this Ordinance and of any of the documents referred to herein.

SECTION 7. All actions of the officers, agents and employees of the City which are in conformity with the purposes and intent of this Ordinance be, and the same are hereby, in all respects, authorized, approved, ratified and confirmed.

SECTION 8. After the Lease-Purchase Agreement is executed and delivered, this Ordinance shall be and remain irrevocable until the principal and interest represented thereby shall have been fully paid, cancelled and discharged.

SECTION 9. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 10. Severability

If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions hereof.

SECTION 11. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this Ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 12. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 23rd day of June 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibit:
Notice of Proposed Lease

EXHIBIT

NOTICE OF PROPOSED LEASE OF LAND AND BUILDINGS BY,
AND LEASE-PURCHASE BACK OF SUCH LAND AND
BUILDINGS TO, THE CITY OF FLAGSTAFF, ARIZONA, AND
REQUEST FOR BIDS IN CONNECTION THEREWITH

NOTICE IS HEREBY GIVEN THAT the parcels of land owned by the City of Flagstaff, Arizona (the "City"), located at, containing, in total, approximately acres, and the buildings located thereon which comprises (collectively, the "Property"), will be leased to the highest responsible bidder therefor. Bids must be submitted to the Mayor and Council of the City c/o the Clerk of the City, 211 West Aspen Avenue, Flagstaff, Arizona 86001-5399 by 5:00 p.m., Arizona Time, on or about, 2020, pursuant to the Charter of the City. The lessee of the Property will be required to lease the Property from the City pursuant to a ground lease (the "Ground Lease") and to lease-purchase back the Property to the City pursuant to a Lease-Purchase Agreement (the "Lease"). The Lease will be for a period commencing on or about 1, 2020, and ending on or about August 2, 20..... The successful bidder must cause not less than \$135,000,000 to be paid to the City as a result of entering into the Ground Lease. The amount paid under the Ground Lease will be used to fund all or a portion of the City's unfunded pension liabilities and one or more contingency reserve funds with respect thereto (the "Project").

The City reserves the right to reject any and all bids at the discretion of the Mayor and Council of the City and to waive any informality in any bid. Unless all bids are rejected, the Mayor and Council of the City will award the lease of the Property pursuant to the Ground Lease to the highest responsible bidder offering to lease the Property pursuant to the Ground Lease and agreeing to lease-purchase back the Property to the City pursuant to the Lease at the price most favorable to the City as described above before 5:00 p.m. Arizona Time on or about, 2020. The award of the lease of the Property pursuant to the Ground Lease and the Lease will be contingent upon provision for the financing of the Project on the date of the execution and delivery of the Lease with respect to the lease and lease-purchase back of the Property.

Bidders are to take note that, pursuant to Arizona law, if within three years from the award of the Ground Lease or the Lease, any person who was significantly involved in initiating, negotiating, securing, drafting, or creating the Ground Lease or the Lease on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the Ground Lease or the Lease, the City may cancel the award of the Ground Lease or the Lease without penalty or further obligation by the City. In addition to such cancellation, if such person becomes an employee or agent of the winning bidder with respect to the Ground Lease or the Lease, the City may recoup any fees or commissions paid or due to said winning bidder with respect to the award to said bidder and the actual lease of the Property pursuant to the Ground Lease or the Lease.

Further information may be obtained from the Clerk of the City, 211 West Aspen Avenue, Flagstaff, Arizona 86001-5399.

CITY OF FLAGSTAFF, ARIZONA

By /s/ Stacy Saltzburg.....

City Clerk

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020**NEW ISSUE — BOOK-ENTRY-ONLY****RATINGS:** See “RATINGS” herein.**INSURANCE:** See “BOND INSURANCE AND RELATED RISK FACTORS” herein.

THE PORTION OF EACH LEASE PAYMENT MADE BY THE CITY PURSUANT TO THE LEASE AGREEMENT AND DENOMINATED AS AND COMPRISING INTEREST PURSUANT TO THE LEASE AGREEMENT AND RECEIVED BY THE OWNERS OF THE TAXABLE 2020A CERTIFICATES IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT EXEMPT FROM TAXATION UNDER THE LAWS OF THE STATE OF ARIZONA. SEE “TAX MATTERS” HEREIN.

\$132,850,000*

**CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease-Purchase Agreement, Dated as of August 1, 2020***

Dated: Date of Initial Execution and Delivery**Due: August 1, as shown on the inside front cover page**

The captioned Certificates of Participation, Series 2020A (Taxable) (the “Taxable 2020A Certificates”) are being executed and delivered pursuant to a Trust Agreement, to be dated as of August 1, 2020* (the “Trust Agreement”), between the City of Flagstaff, Arizona (the “City”) and Zions Bancorporation, National Association, as trustee (the “Trustee”). Interest with respect to the Taxable 2020A Certificates will be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021*. The Taxable 2020A Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of \$5,000 of principal represented by the Taxable 2020A Certificates due on a specific principal payment date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal, premium, if any, and interest with respect to the Taxable 2020A Certificates will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Taxable 2020A Certificates. See APPENDIX H - “BOOK-ENTRY-ONLY SYSTEM.”

The Taxable 2020A Certificates are being executed and delivered for the purpose of (i) financing the payment to the Public Safety Personnel Retirement System for a portion of the City’s unfunded accrued (pension) liability, (ii) funding two City contingency reserve funds, and (iii) paying costs incurred in connection with the execution and delivery of the Taxable 2020A Certificates. See “THE PLAN OF FINANCE” and “THE LEASE PROPERTY” and “SOURCES AND USES OF FUNDS” herein.

The Taxable 2020A Certificates will be subject to prepayment prior to their scheduled payment dates, including to the extent of condemnation, casualty insurance and certain other proceeds, as described herein. See “THE TAXABLE 2020A CERTIFICATES — Prepayment Provisions.”

MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

Certain real property of the City will be leased by the Trustee to the City (the “Leased Property”) pursuant to a Lease-Purchase Agreement, to be dated as of August 1, 2020* (the “Lease Agreement”). The Taxable 2020A Certificates will be payable on a parity basis from lease payments to be made by the City pursuant to the Lease Agreement (the “Lease Payments”) and other funds held pursuant to the Trust Agreement and certain investment earnings thereon.

The Lease Agreement and the obligation of the City to make the Lease Payments will be terminated if on the last day of the then current Fiscal Period (defined herein) the Mayor and Council of the City have failed to adopt a budget containing an annual budgetary appropriation sufficient to make the Lease Payments coming due during the next Fiscal Period. In the event of such termination, the City will be relieved of any subsequent obligation pursuant to the Lease Agreement other than to surrender the Leased Property to the Trustee, and the Taxable 2020A Certificates will be payable only from such moneys, if any, as may be held pursuant to the Trust Agreement and any moneys realized from the Trustee’s exercise of remedies with respect to the Leased Property. IN THE EVENT OF SUCH TERMINATION, THERE WILL BE NO ASSURANCE OF PAYMENT OF THE PRINCIPAL OR INTEREST EVIDENCED BY THE TAXABLE 2020A CERTIFICATES FROM FUNDS AVAILABLE PURSUANT TO THE TRUST AGREEMENT. SEE “RISK FACTORS” HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO THE TAXABLE 2020A CERTIFICATES. NEITHER THE TAXABLE 2020A CERTIFICATES NOR THE LEASE AGREEMENT WILL CONSTITUTE A DEBT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE “RISK FACTORS” HEREIN.

The Taxable 2020A Certificates are offered when, as and if received by the underwriter identified below (the “Underwriter”), and subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the Taxable 2020A Certificates and tax matters. Certain legal matters will be passed upon for the Underwriter by its counsel, Squire Patton Boggs (US) LLP. It is expected that the Taxable 2020A Certificates will be available for delivery through the facilities of DTC on or about August __, 2020*

* Preliminary, subject to change.

This cover page contains only a brief description of the Taxable 2020A Certificates and the security therefor. It is not a summary of material information with respect to the Taxable 2020A Certificates. Investors should read this Official Statement in its entirety to obtain information necessary to make an informed investment decision.

STIFEL

\$132,850,000*
CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease-Purchase Agreement, Dated as of August 1, 2020*

MATURITY SCHEDULE*

Principal Payment Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No. ⁽¹⁾ 338430
2021	\$ 5,385,000	%	%	
2022	5,490,000			
2023	5,605,000			
2024	5,730,000			
2025	5,870,000			
2026	5,995,000			
2027	6,135,000			
2028	6,320,000			
2029	6,515,000			
2030	6,720,000			
2031	6,945,000			
2032	7,190,000			
2033	7,465,000			
2034	7,760,000			
2035	8,065,000			
2036	8,390,000			
2037	8,730,000			
2038	9,085,000			
2039	9,455,000			

\$ _____ % Term Certificate due August 1, 20__ – Yield _____ % CUSIP®⁽¹⁾ 338430

- (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 Global Market Intelligence. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. 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 Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

CITY OF FLAGSTAFF, ARIZONA

CITY COUNCIL

Coral Evans, *Mayor*

Adam Shimoni, *Vice Mayor*

Charlie Odegaard, *Member*

Jamie Whelan, *Member*

Regina Salas, *Member*

Jim McCarthy, *Member*

Austin Aslan, *Member*

ADMINISTRATIVE OFFICIALS

Greg Clifton, *City Manager*

Shane Dille, *Deputy City Manager*

Shannon Anderson, *Deputy City Manager*

Rick Tadder, *Management Services Director, City Treasurer*

Brandi Suda, *Finance Director*

Sterling Solomon, *City Attorney*

Stacy Saltzburg, *City Clerk*

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE, REGISTRAR AND PAYING AGENT

Zions Bancorporation, National Association
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the “City”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the City’s Certificates of Participation, Series 2020A (Taxable) (the “Taxable 2020A Certificates”) 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 or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City or the Underwriter.

None of the City, 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 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 Taxable 2020A Certificates 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 Taxable 2020A Certificates for sale.

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

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 TAXABLE 2020A CERTIFICATES 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

\$132,850,000*

**CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease-Purchase Agreement, Dated as of August 1, 2020***

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the Appendices hereto (this “Official Statement”), is provided to furnish certain information with respect to the sale, execution and delivery of \$132,850,000* principal amount of the above-captioned Certificates of Participation, Series 2020A (Taxable) (the “Taxable 2020A Certificates”), evidencing undivided proportionate interests of the Owners thereof in lease payments (the “Lease Payments”) to be made by the City of Flagstaff, Arizona, as lessee (the “City”), of certain real property and improvements thereon pursuant to a Lease-Purchase Agreement, to be dated as of August 1, 2020* (the “Lease Agreement”), between the City, as lessee, and Zions Bancorporation, National Association (the “Trustee”), as lessor. The Taxable 2020A Certificates will be executed and delivered pursuant to a Trust Agreement, to be dated as of August 1, 2020* (the “Trust Agreement”), between the City and the Trustee.

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in APPENDIX E — “SUMMARIES OF LEGAL DOCUMENTS - CERTAIN DEFINITIONS.”

The Taxable 2020A Certificates are being sold to (i) finance the payment to the Public Safety Personnel Retirement System (“PSPRS”) for a portion of the City’s unfunded accrued (pension) liability, (ii) funding a fire actuarial and market contingency reserve fund (the “Fire Actuarial and Market Contingency Reserve Fund”) and a police actuarial and market contingency reserve fund (the “Police Actuarial and Market Contingency Reserve Fund” and, together with the Fire Actuarial and Market Contingency Reserve Fund, the “City Contingency Reserve Funds”), and (iii) pay costs related to the initial execution and delivery of the Taxable 2020A Certificates. See “THE PLAN OF FINANCE” and “THE LEASE PROPERTY.” Certain real property, together with any improvements thereon (the “Leased Property”), will be leased to the Trustee through August 2, 2039*, pursuant to a Ground Lease, to be dated as of August 1, 2020* (the “Ground Lease”), between the City, as lessor, and the Trustee, as lessee, executed and delivered in connection with the Taxable 2020A Certificates. Simultaneously, the Trustee will lease the Leased Property back to the City pursuant to the Lease Agreement, which requires the City to pay the principal and interest evidenced by the Taxable 2020A Certificates on the scheduled payment dates, subject to annual appropriation of amounts sufficient for that purpose by the Mayor and Council of the City (the “City Council”). The Leased Property will be comprised of [five City fire stations, City Hall, the City’s main library and a City multipurpose public recreation center]. See “THE LEASED PROPERTY.” The Taxable 2020A Certificates will be payable on a parity basis from the Lease Payments to be made by the City pursuant to the Lease Agreement and other funds held pursuant to the Trust Agreement, and certain investment earnings thereon.

Unless and until use of the book-entry-only system is discontinued, the Taxable 2020A Certificates will be held in book-entry-only form by The Depository Trust Company, a registered securities depository (“DTC”), and beneficial interests therein may only be purchased and sold, and payments of principal, premium, if any, and interest evidenced by the Taxable 2020A Certificates will be made only to Beneficial Owners (as defined in APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM”), through participants in the DTC system. Beneficial interests in the Taxable 2020A Certificates will be in amounts described on the inside front cover page hereof. See APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM.”

The Trustee will make payments of principal and interest evidenced by the Taxable 2020A Certificates solely from moneys available pursuant to the Trust Agreement, including the Lease Payments required to be made by the City

* Preliminary, subject to change.

pursuant to the Lease Agreement. See “SOURCES OF PAYMENT OF THE TAXABLE 2020A CERTIFICATES” herein.

In general, the City will be required, in accordance with the Lease Agreement, to pay the Lease Payments equal to the principal and interest evidenced by the Taxable 2020A Certificates, unless the Lease Agreement is terminated as provided therein. See “SECURITY FOR THE TAXABLE 2020A CERTIFICATES” herein. The City will also be required to pay any taxes and assessments and the cost of maintenance and repair of the Leased Property. See “LEASE AGREEMENT — Maintenance, Utilities, Taxes and Modifications” in APPENDIX E hereto.

The Lease Agreement and the obligation of the City to make the Lease Payments will be terminated if on the last day of the then current Fiscal Period the City Council has failed to adopt a budget containing an annual budgetary appropriation sufficient to make the Lease Payments coming due during the next Fiscal Period. In the event of such termination, the City will be relieved of any subsequent obligation pursuant to the Lease Agreement other than to surrender the Leased Property to the Trustee, and the Taxable 2020A Certificates will be payable only from such moneys, if any, as may be held pursuant to the Trust Agreement and any moneys realized from the Trustee’s exercise of remedies with respect to the Leased Property. IN THE EVENT OF SUCH TERMINATION, THERE WILL BE NO ASSURANCE OF PAYMENT OF THE PRINCIPAL OR INTEREST EVIDENCED BY THE TAXABLE 2020A CERTIFICATES FROM FUNDS AVAILABLE PURSUANT TO THE TRUST AGREEMENT. SEE “RISK FACTORS”. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF ARIZONA (THE “STATE” OR “ARIZONA”) OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO THE TAXABLE 2020A CERTIFICATES. NEITHER THE TAXABLE 2020A CERTIFICATES NOR THE LEASE AGREEMENT WILL CONSTITUTE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE “RISK FACTORS” HEREIN.

For a discussion about the City, its sources of revenues and financial condition, see APPENDIX B herein. The audited financial statements of the City for the fiscal year ended June 30, 2019 are included in APPENDIX D — “CITY OF FLAGSTAFF, ARIZONA — AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

The descriptions and summaries of various documents contained herein do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all its terms and conditions. All statements herein are qualified by reference to each such document in its entirety and are further qualified in their entirety by reference to laws and principles of equity relating to or affecting the enforceability of creditors’ rights.

Copies of the form of the Lease Agreement, the Ground Lease and the Trust Agreement (collectively, the “Financing Documents”) referred to herein may be obtained, until the delivery of the Taxable 2020A Certificates, from the Underwriter (defined below) upon request to: Stifel, Nicolaus & Company, Incorporated, 2325 E. Camelback Road, Suite 750, Phoenix, AZ 85016, Attention: Municipal Finance. After delivery of the Taxable 2020A Certificates, copies of such documents may be obtained by Beneficial Owners from the Trustee upon request at: Zions Bancorporation, National Association, _____, Attention: Corporate Trust Services.

THE PLAN OF FINANCE

The proceeds from the Taxable 2020A Certificates, net of amounts used to pay costs related to the execution and delivery of the Taxable 2020A Certificates, will be used by the Trustee to acquire from the City a ground leasehold interest in the Leased Property and to finance the payment to PSPRS for a portion of the City's unfunded accrued (pension) liability and to fund the City Contingency Reserve Funds.

The plans in PSPRS (including the City's) have experienced increases in their unfunded liability. In the past, the City has made excess contributions to PSPRS to more economically fund its share of that liability. For example, in fiscal year ended June 30, 2020, the City made excess contributions estimated at \$2 million and in fiscal year ended June 30, 2021, the City anticipates making excess contributions estimated at \$2 million. The payment of a portion of the City's unfunded accrued liability with a portion of the proceeds of the sale of the Taxable 2020A Certificates is a step to reach a funding ratio of its current unfunded liability of 100%. See APPENDIX C – "THE CITY OF FLAGSTAFF, ARIZONA – CITY EMPLOYEE RETIREMENT SYSTEM – City Actions Related to PSPRS" herein for more information regarding prior City actions regarding PSPRS contributions.

By attempting to reach a funding ratio of the City's current unfunded liability of 100%, the following are anticipated to be achieved for this portion of the City's PSPRS unfunded liability:

- (i) a shorter amortization period, with the final year of repayment in fiscal year ended June 30, 2040 rather than fiscal year ended June 30, 2047;
- (ii) level debt service to provide for future budgetary certainty for the City; and
- (iii) present value savings.

The City Contingency Reserve Funds will allow the City to mitigate the impact of market risk and changes in actuarial assumptions, including, but not limited to, the actuarial rate, cost of living allowance and mortality tables. **The monies on deposit within the City Contingency Reserve Funds will not be pledged to the payment of the Taxable 2020A Certificates.** See APPENDIX C – "THE CITY OF FLAGSTAFF, ARIZONA – CITY EMPLOYEE RETIREMENT SYSTEM – City Contingency Reserve Funds" herein for more information regarding the City Contingency Reserve Funds.

The Trustee will lease the Leased Property to the City pursuant to the Lease Agreement.

THE LEASED PROPERTY

The Leased Property

The Leased Property consists of the following property of the City, which represent all of the City's fire stations other than one older station:

[TO BE FINALIZED AND UPDATED]

Fire Station #1. This portion of the Leased Property ("Fire Station #1") is located at 1972 South Thompson Street, Flagstaff, Arizona. It was built in 2007 and has an estimated insurance value of \$1,410,000. Fire Station #1 primarily serves the southwest portion of the City.

Fire Station #2. This portion of the Leased Property ("Fire Station #2") is located at 1701 East Ponderosa Parkway, Flagstaff, Arizona. It was built in 2011 and has an estimated insurance value of \$3,630,000. Fire Station #2 is centrally located in the City and has the highest activity.

Fire Station #3. This portion of the Leased Property ("Fire Station #3") is located at 4500 East Nestle Purina Avenue Street, Flagstaff, Arizona. It was built in 2009 and has an estimated insurance value of \$2,700,000. Fire Station #3 primarily serves the eastern portion of the City.

Fire Station #5. This portion of the Leased Property (“Fire Station #5”) is located at 2525 North Fort Valley Road, Flagstaff, Arizona. It was built in 2008 and has an estimated insurance value of \$2,475,000. Fire Station #5 primarily serves the northwest portion of the City.

Fire Station #6. This portion of the Leased Property (“Fire Station #6”) is located at 3877 South Lake Mary Road, Flagstaff, Arizona. It was built in 1999 and has an estimated insurance value of \$1,492,933. Fire Station #6 primarily serves the southern portion of the City.

City Hall. This portion of the Leased Property (“City Hall”) is located at 211 West Aspen Avenue, Flagstaff, Arizona. It was built in 1983 and has an estimated insurance value of \$8,027,006. City Hall houses 95 City employees 7 Councilmembers and includes the City Council Chambers and offices for City Council, City Manager, City Attorney, Human Resources, Management Services, Community Development, Economic Vitality, and Information Technology. City Hall has been well maintained and is the foundation building for the City. Within the last five years the City has invested in upgrades to the stairway to be ADA compliant, enhanced the structural roof for the Council Chambers, upgraded carpet and paint for over 80% of City Hall, and is investing in major roof repairs the summer of 2020.

Flagstaff Main Library. This portion of the Leased Property (the “Main Library”) is located at 300 West Aspen Avenue, Flagstaff, Arizona. It was built in 1987 and has an estimated insurance value of \$5,081,247. The Main Library is the largest and busiest of the City’s libraries. In the last five years, the Main Library has completed several maintenance projects such as a roof replacement, skylight replacement, upgrades to restrooms for ADA compliance, new carpet and an upgraded materials check-out/check in equipment.

Flagstaff Aquaplex. This portion of the Leased Property (the “Aquaplex”) is located at 1702 North 4th Street, Flagstaff, Arizona. It was built in 2008 and has an estimated insurance value of \$16,500,000. The Aquaplex consists of a swimming [pool/area], [exercise and fitness center], indoor courts, running track, climbing wall, 2-3 meeting rooms and serves as the administrative office for employees. From April 1, 2019 to March 31, 2020, the Aquaplex had over 131,700 visitors. Over the last five years, the Aquaplex has resurfaced the pool, updated the exercise equipment, replaced boilers and remodeled locker room.

[POTENTIAL ADDITIONAL PROPERTY]

Jay Lively Activity Center, Milligan House, Flagstaff Youth Center, Police Warehouse and Visitor Details to be provided prior to final POS.

[The Leased Property is insured as part of the City’s risk management program with a combined estimated insurance value estimated at \$_____, which does not include the value of the underlying land. No title insurance is being obtained insuring the Trustee’s ground leasehold interest in the Leased Property due to the more than 15-year period that the City has owned the Leased Property without material claims questioning its state of title.]

THE TAXABLE 2020A CERTIFICATES

General Provisions

The Taxable 2020A Certificates will be dated the date of initial execution and delivery thereof and will be issued in the form of fully registered certificates in amounts of \$5,000 of principal due on a principal payment date or any integral multiple thereof. As described herein in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM,” the Taxable 2020A Certificates will be registered in the name of Cede & Co., as nominee of DTC. So long as DTC, or its nominee, is the registered owner of all of the Taxable 2020A Certificates, all payments on the Taxable 2020A Certificates will be made directly to DTC for payment to the Beneficial Owners as described herein in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.”

The Taxable 2020A Certificates will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing February 1, 2021*. The Taxable 2020A Certificates will bear interest at the rates and will be payable on the principal payment dates and in the amounts set forth on the inside front cover page of this Official Statement. Interest will be computed on the basis of a year comprised of three hundred sixty (360) days consisting of twelve (12) months of thirty (30) days each. Interest on the Taxable 2020A Certificates will be paid by the Trustee to the owners thereof (initially Cede & Co., as nominee of DTC) as shown on the registration books maintained by the Trustee, at the close of business on the fifteenth day of the month preceding each Interest Payment Date (the "Record Date"). So long as the Taxable 2020A Certificates are in DTC's book-entry-only system, and thereafter at the written request and expense of the owners of \$1,000,000 or more in aggregate principal amount of Taxable 2020A Certificates delivered to the Trustee prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.

Prepayment Provisions*

Optional Prepayment. The Taxable 2020A Certificates payable as to principal before or on August 1, 20__ will not be subject to optional prepayment. The Taxable 2020A Certificates payable as to principal on or after August 1, 20__ will be subject to optional prepayment, at the direction of the City, on any date on or after August 1, 20__, in whole or in part, at a prepayment price equal to the principal amount evidenced thereby plus interest with respect thereto to the prepayment date, without premium.

Mandatory Prepayment. The Taxable 2020A Certificates payable as to principal on August 1 in the year 20__ (the "Term Certificates"), are subject to mandatory prepayment and shall be paid on August 1 in the respective years set forth below, in the amounts set forth below, by payment of a prepayment price equal to the principal amount of such Term Certificates called for prepayment plus the interest accrued to the date fixed for prepayment, but without premium.

Term Certificates Maturing August 1, 20__

Year

Sinking Fund Requirement

*Maturity

Whenever Taxable 2020A Certificates subject to mandatory prepayment are purchased, paid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Taxable 2020A Certificates so retired shall satisfy and be credited against the mandatory prepayment requirements for such Taxable 2020A Certificates for such years as the City may direct.

Extraordinary Prepayment. The Taxable 2020A Certificates will be subject to prepayment on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds that are deposited in the Lease Payment Fund for such purpose as provided in the Lease Agreement, at a prepayment price equal to the principal amount evidenced thereby, plus interest to the prepayment date, without premium.

As further described in APPENDIX E under the subheading "TRUST AGREEMENT — Funds -- Insurance and Condemnation Fund," if all of the Leased Property is taken permanently pursuant to the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is so taken and the Net Proceeds will be deposited with the Trustee in the Lease Payment Fund and applied as hereinabove described. If less than all of the Leased Property is taken permanently, or if all of the Leased Property or any part thereof is taken temporarily, under the power

* Preliminary, subject to change.

of eminent domain, the Lease Agreement will not be terminated by virtue of such taking, but there will be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments deposited in the Lease Payment Fund as described in the Lease Agreement.

The Net Proceeds of any insurance award resulting from any damage to or destruction of any Leased Property by fire or other casualty will be deposited with the Trustee and, if the City determines within 45 days following such deposit that the replacement, repair, restoration, modification or improvement of such Leased Property is not economically feasible or is not in the best interest of the City, then, such Net Proceeds will be transferred to the Lease Payment Fund and applied as described in the Lease Agreement, *provided, however*, in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund to be applied only if sufficient, together with other moneys available therefor, to cause the prepayment of all Outstanding Taxable 2020A Certificates; provided further, however, if the Net Proceeds are not sufficient to cause the prepayment of all Outstanding Taxable 2020A Certificates, the City will have the option to purchase the Leased Property for a price representing the difference between the amount of Net Proceeds received and available for transfer to the Lease Payment Fund and the amount required to redeem all Outstanding Taxable 2020A Certificates.

Any Net Proceeds resulting from a re-lease or re-rent of the Leased Property upon the occurrence and continuation of a default pursuant to the Lease Agreement will be deposited in the Lease Payment Fund and applied as described in the Lease Agreement.

Selection and Notice. Whenever less than all Outstanding Taxable 2020A Certificates are called for prepayment, the maturities of the Taxable 2020A Certificates to be selected for prepayment may be specified by the City. The Trustee will give notice of the prepayment of such Taxable 2020A Certificates to DTC not less than 30 days nor more than 60 days before the prepayment date as described in APPENDIX H.

Defeasance

If the City (i) pays the principal and interest evidenced by all Outstanding Taxable 2020A Certificates, or (ii) at or before the scheduled principal payment dates of all Outstanding Taxable 2020A Certificates, deposits money or Defeasance Obligations with the Trustee that, together with other available funds, are sufficient to pay the principal and interest evidenced by all or a portion of the Outstanding Taxable 2020A Certificates when the same become due and payable, then the lien of the Trust Agreement and all covenants, agreements and obligations of the City and the Trustee with respect to the Taxable 2020A Certificates so provided for will terminate, except for the obligation of the Trustee to make payments with respect to such Taxable 2020A Certificates from such funds. See APPENDIX E — “SUMMARIES OF LEGAL DOCUMENTS — TRUST AGREEMENT — Defeasance.”

SOURCES OF PAYMENT OF THE TAXABLE 2020A CERTIFICATES

In accordance with the terms of the Trust Agreement, the Taxable 2020A Certificates will be payable by the Trustee solely from: (1) the Lease Payments received by the Trustee from the City pursuant to the Lease Agreement, subject to termination of the Lease Agreement, as provided in the Lease Agreement, (2) amounts from time to time deposited in the funds created pursuant to the Trust Agreement and investment earnings on such funds, and (3) any Net Proceeds from insurance coverage or condemnation awards received by the Trustee from the damage, destruction or taking of the Leased Property or portion thereof pursuant to the Lease Agreement and the Trust Agreement or from exercise by the Trustee of any remedies or rights pursuant to the Lease Agreement or Trust Agreement upon default or failure to budget thereunder.

The City’s obligation to pay Lease Payments during the term of the Lease Agreement will be absolute and unconditional during the then-current Fiscal Period, but subject to (1) the City’s right to terminate the Lease Agreement and its obligation to pay the Lease Payments for any succeeding Fiscal Period upon its failure to make a budgetary appropriation for the full amount necessary to make the Lease Payments coming due during the next occurring Fiscal Period and (2) termination of the Lease Agreement upon taking of all of the Leased Property by eminent domain as described above under the subheading “THE TAXABLE 2020A CERTIFICATES — Prepayment Provisions — Extraordinary Prepayment.”

No funds or revenues of the City will be pledged to make Lease Payments. Lease Payments will be made by the City from annually appropriated moneys. The City's intention is to make the Lease Payments from available revenues within the City's General Fund. See APPENDIX B — "THE CITY OF FLAGSTAFF, ARIZONA — FINANCIAL INFORMATION."

IN THE EVENT OF TERMINATION OF THE LEASE AGREEMENT, THERE WILL BE NO ASSURANCE THAT THE TRUSTEE WILL HAVE ADEQUATE FUNDS PURSUANT TO THE TRUST AGREEMENT TO PAY PRINCIPAL AND INTEREST EVIDENCED BY THE TAXABLE 2020A CERTIFICATES. SEE "RISK FACTORS — TERMINATION OF LEASE AGREEMENT" HEREIN.

SECURITY FOR THE TAXABLE 2020A CERTIFICATES

General

Each Taxable 2020A Certificate will evidence and represent an undivided proportionate interest in the Lease Payments and the Prepayments required to be paid by the City pursuant to the Lease Agreement.

The City will have the right to terminate the Lease Agreement and its obligation to pay Lease Payments as described below under the subheading "Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds."

THE CITY'S OBLIGATION TO MAKE LEASE PAYMENTS WILL NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO MAKE PAYMENTS OF THE TAXABLE 2020A CERTIFICATES. PAYMENT OF THE PRINCIPAL AND INTEREST EVIDENCED BY THE TAXABLE 2020A CERTIFICATES WILL BE MADE BY THE TRUSTEE SOLELY FROM AMOUNTS DERIVED UNDER THE TERMS OF THE LEASE AGREEMENT, INCLUDING LEASE PAYMENTS, AND AMOUNTS FROM TIME TO TIME ON DEPOSIT WITH THE TRUSTEE PURSUANT TO THE TERMS OF THE TRUST AGREEMENT.

Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds

The term of the Lease Agreement will begin as of the date thereof and continue until the end of the City's then-current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including August 1, 2039*, unless terminated prior thereto.

If, on or before the third Business Day prior to the last date on which the City is required or permitted to adopt its budget for a Fiscal Period, the City Council fails to adopt a budget containing an annual budgetary appropriation sufficient to make all Lease Payments coming due during the Fiscal Period for which such budgeting and appropriation are made, the City will immediately notify the Trustee in writing of that fact. If, on the last date on which the City is required or permitted to adopt its budget for a Fiscal Period, no such proper budgeting and final appropriation by the City Council shall have been made, then all of the City's right, title and interest in and future obligations pursuant to the Lease Agreement and to all of the Leased Property will terminate (subject to reinstatement as provided below), effective as of the last day of the last Fiscal Period for which such budgeting and appropriation was made. Upon such termination, the City will be relieved of any subsequent obligation pursuant to the Lease Agreement other than to return to the Trustee possession of the Leased Property as provided in the Lease Agreement and to pay any accrued and unpaid obligations.

If the Lease Agreement is terminated as described above and if, within 45 days after such date of termination, amounts sufficient to make all Lease Payments coming due during the then current Fiscal Period are determined to be available such that the Lease Agreement would have continued in effect with respect to the Leased Property if such amounts

* Preliminary, subject to change.

had been determined to be available before the termination date, then the Lease Agreement will be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

Events of Default or Termination Pursuant to Lease Agreement

Upon an Event of Default pursuant to the Trust Agreement or a termination described above under the subheading “Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds,” the Trustee may exercise one or more of the remedies provided in the Trust Agreement, subject to receipt of indemnity satisfactory to it, including an option to re-lease or sell its leasehold interest in the Leased Property, and apply the proceeds of such disposition, if any, along with the moneys in the Lease Payment Fund, to the payment of the Taxable 2020A Certificates. However, there is no assurance that revenues from the Trustee’s re-lease or sale of its leasehold interest in the Leased Property would be sufficient to pay in full all Outstanding Certificates. Should such a shortfall occur, the principal and interest represented by the Taxable 2020A Certificates would be paid by the Trustee to the extent of moneys, if any, held by the Trustee in accordance with the Trust Agreement. In accordance with the terms of the Trust Agreement, the Trustee is not under any obligation to take any other action if the Trustee determines that to do so exposes the Trustee to a risk of financial liability or other liability (including environmental liability) for which it reasonably believes it will not be adequately indemnified. See “RISK FACTORS — Termination of Lease Agreement” herein.

Additional Certificates

So long as no Event of Default or termination of the Lease Agreement as described above under the subheading “Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds” has occurred and will continue after execution and delivery of any Additional Certificates, the Trustee may execute and deliver, at the direction of the City, Additional Certificates from time to time [to provide funds to pay the costs of refunding Outstanding Certificates.] Before the Trustee delivers any Additional Certificates executed pursuant to a supplement authorized by the Indenture, the Trustee shall have received the items identified in APPENDIX E – “SUMMARIES OF LEGAL DOCUMENTS – TRUST AGREEMENT – Additional Certificates.” When such documents have been received by the Trustee, the Trustee will execute and deliver the Additional Certificates to or on the order of the original purchaser thereof, but only upon payment of the agreed-upon purchase price for the Additional Certificates.

RISK FACTORS

THE PURCHASE OF THE TAXABLE 2020A CERTIFICATES INVOLVES CERTAIN INVESTMENT RISKS THAT ARE DISCUSSED THROUGHOUT THIS OFFICIAL STATEMENT. ACCORDINGLY, EACH PROSPECTIVE TAXABLE 2020A CERTIFICATE PURCHASER SHOULD MAKE AN INDEPENDENT EVALUATION OF ALL THE INFORMATION PRESENTED HEREIN. CERTAIN OF THESE INVESTMENT RISKS ARE DESCRIBED BELOW. THE LIST OF RISKS DESCRIBED BELOW IS NOT INTENDED TO BE DEFINITIVE OR EXHAUSTIVE AND THE ORDER IN WHICH THE FOLLOWING FACTORS ARE PRESENTED IS NOT NECESSARILY REFLECTIVE OF THE RELATIVE IMPORTANCE OF THESE RISKS.

Limited Obligation

The obligation of the City to pay the Lease Payments will not be secured by the levy or pledge of any tax or any other funds or revenues derived from the Leased Property or any other property and does not constitute a debt or indebtedness of the City, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY FOR THE TAXABLE 2020A CERTIFICATES” herein. The Lease Payments will be payable by the City only from moneys lawfully budgeted and appropriated for such purpose.

The City Council must appropriate on an annual basis and have available funds for such purposes. A number of factors beyond the control of the City, including decreased tax or other State revenues, spending reductions or increased expenditures for other purposes mandated by legislation (including to fund pension programs like PSPRS) or voter referendum or initiative measures or governmental rules, policies or judicial decisions, could adversely affect the amount available to the City in any year for such budgeting and appropriation. See “SECURITY FOR THE

TAXABLE 2020A CERTIFICATES — Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds.”

The Lease Agreement will obligate the City to lease the Leased Property. State courts have held that governing bodies such as the City Council cannot bind future governing bodies to perform governmental functions or activities. Thus, notwithstanding the commitment of the City to annually appropriate Lease Payments, to the extent permitted by law, such commitment may not be binding on future councils. Moreover, changes in the membership and political philosophies of the councils of the City and in administrative staff and management strategies may occur, and it cannot be determined at this time if future members of the councils of the City might refuse to budget sufficient amounts to make the Lease Payments in future Fiscal Periods.

No funds or revenues of the City will be pledged, obligated or restricted for the payment of the Lease Payments. In addition, the City Council has the right to refuse to annually appropriate for any reason. If the City Council refused to appropriate funds to pay the Lease Payments for any fiscal year, the Lease Agreement would terminate and there is no assurance that funds held pursuant to the Trust Agreement would be sufficient to pay principal and interest evidenced by the Taxable 2020A Certificates. See “SECURITY FOR THE TAXABLE 2020A CERTIFICATES — Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds.”

Other Obligations of City

In June 2018, the City issued its Certificates of Participation, Series 2018 (the “2018 Certificates”) which funded the construction of a new “Core Maintenance Facility” for the City located on West Route 66 and in February 2020, the City issued its Certificates of Participation, Series 2020 (the “Tax-Exempt 2020 Certificates”) which funded the construction of a new “Municipal Court Building” for the City located at 101 West Cherry Avenue. No title insurance policy was obtained in connection with the execution and delivery of the 2018 Certificates or the Tax-Exempt 2020 Certificates. See APPENDIX B — “THE CITY OF FLAGSTAFF, ARIZONA — FINANCIAL INFORMATION – TABLE 4”

The City Council has the ability to enter into other obligations that will be payable from the same revenues from which it must budget monies to make the Lease Payments. See APPENDIX B — “THE CITY OF FLAGSTAFF, ARIZONA —FINANCIAL INFORMATION.” To the extent that such additional obligations are incurred by the City, the funds available for, and the City’s ability and willingness to make, Lease Payments may be decreased. The Lease Agreement imposes no restrictions upon the ability of the City to incur additional obligations.

Termination of Lease Agreement

In addition to termination of the Lease Agreement as described under the subheading “SECURITY FOR THE TAXABLE 2020A CERTIFICATES — Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds” herein, several other events may lead to a termination of the Lease Agreement:

- (1) an Event of Default on the part of the City and an election by the Trustee to terminate the Lease Agreement as described in “LEASE AGREEMENT— Events of Default” in APPENDIX E;
- (2) the taking of all of the Leased Property pursuant to the power of eminent domain as described under the subheading “THE TAXABLE 2020A CERTIFICATES — Prepayment Provisions — Extraordinary Prepayment,” and
- (3) violation of certain State statutes pertaining to conflicts of interest, described herein below.

As required by the provisions of Arizona Revised Statutes Section 38-511, the City may, within three years after its execution, cancel any contract (including the Financing Documents) without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating such contract on behalf of the City is, at any time while such contract or any extension thereof is in effect, an employee of any other party to such contract in any capacity or a consultant to any other party to such contract with respect to the subject matter thereof. The cancellation will be effective when written notice from the Mayor or the City Council is received

by all other parties to such contract unless the notice specifies a later time. Upon cancellation of the Financing Documents, the Leased Property will revert to the City and the City will have no further obligation under the Financing Documents.

Pursuant to the Ground Lease, the Trustee has the power to re-lease or sell its leasehold estate in the Leased Property under such circumstances. The Net Proceeds from the re-leasing of the Leased Property or sale of the Trustee's interest therein, together with other moneys then held by the Trustee in accordance with the Trust Agreement, will be required to be used pursuant to the Trust Agreement to pay principal and interest evidenced by the Taxable 2020A Certificates as it becomes due, to the extent of such moneys. No assurance can be given that the amount of funds obtained from such re-leasing or sale of the leasehold estate and from funds held pursuant to the Trust Agreement will be sufficient to pay all Taxable 2020A Certificates when due.

The Leased Property consists of five City fire stations. While the insurance value of the Leased Property is estimated at approximately \$_____, which does not include the value of the underlying land, it could be difficult to find a lessee or purchaser for the leasehold estate in the Leased Property and, upon any event of termination of the Lease Agreement or default by the City pursuant to the Lease Agreement, the Trustee may not realize sufficient moneys from the releasing or sale of its leasehold estate in the Leased Property to provide for the payment of the Taxable 2020A Certificates in full with interest to the scheduled dates of payment. In other words, due to the special purpose nature of the Leased Property and the uncertainties of the needs of others for facilities and of the special and limited demand for facilities, no assurance can be given that the proceeds from any re-lease, sale of the leasehold estate or other disposition of the Leased Property will be sufficient to pay the principal and interest evidenced by the Taxable 2020A Certificates.

COVID-19

[TO BE UPDATED CLOSER TO PRINTING BASED ON CURRENT FACTS/SITUATION]

The recent outbreak of the novel strain of coronavirus and spread of Coronavirus Disease 2019 ("COVID-19"), which has been designated a global pandemic by the World Health Organization, is negatively impacting local, state and global economies, as governments, businesses, and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock markets in the United States and globally, have seen significant recent volatility and declines attributed to COVID-19 concerns. On March 11, 2020, as part of the State's response to address the outbreak, Arizona Governor, Doug Ducey, declared a state of emergency. On March 13, 2020, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. On March 16, 2020, the Mayor of the City declared a state of emergency as a response to the outbreak. Additionally, on March 30, 2020, the Governor, following guidance from the Centers for Disease Control and Prevention, issued an Executive Order effective March 31, 2020, at 5:00 pm (the "SHSHSC Order"). The SHSHSC Order, titled "Stay Home, Stay Healthy, Stay Connected," provides that all individuals in the State shall limit their time away from their place of residence or property, except in limited circumstances as described in the SHSHSC Order. On April 29, 2020, the Governor announced that the SHSHSC Order, originally in effect until April 30, 2020, was extended through May 15, 2020, with some modifications designed to permit voluntary, gradual re-opening of non-essential retail establishments, subject to sanitization and physical distancing protocols. On May 12, 2020, the Governor announced that the SHSHSC Order would expire on May 15, 2020 and would be replaced by an Executive Order titled "Stay Healthy, Return Smarter, Return Stronger" (the "SHRSRS Order") that would take effect at midnight on May 16, 2020. The SHRSRS Order promotes physical distancing, while encouraging social connectedness and allows businesses to open in compliance with federal guidelines as the State continues to attempt to limit the spread of COVID-19. Additionally, the SHRSRS Order encourages vulnerable individuals to minimize their time away from home.

The City's economy is heavily dependent on discretionary spending of visitors and discretionary purchasing surrounding the tourism, real estate and construction markets. As such, the City's revenues may be materially adversely affected by the continued spread of COVID-19 and the Order due to slower business activity.

As discussed under APPENDIX B — "THE CITY OF FLAGSTAFF, ARIZONA — FINANCIAL INFORMATION – Discussion of Fiscal Year Ending June 30, 2020 and Budget for Fiscal Year Ending June 30, 2021" herein, the City is analyzing its revenue projections and using different scenarios to plan for decreases in revenues. In addition, the

City has adopted the Recession Plan (defined herein) to address economic uncertainties and to identify potential corrective actions when revenues or reserves are in jeopardy. The City has started taking steps to implement measures within its Recession Plan. The City received approximately \$18 million from the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to support operations at the City’s airport. The City received \$8.6 million through the State from the CARES Act for local governments. This funding is designated to cover public safety expenditures which frees up resources in the General Fund. Although the City is taking steps to reduce the effect of COVID-19, the City cannot predict the extent of the impact COVID-19 will have on City revenues, which could have a negative impact on the City’s ability to pay operating expenses and debt service on the Taxable 2020A Certificates.

Possible Restrictions on Transfer of, and Change of Status of Interest Represented by, the Taxable 2020A Certificates Upon Termination of Lease Agreement

Neither Special Counsel nor counsel to the Underwriter is rendering an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any Taxable 2020A Certificates in the event Lease Payments are being made from sources other than funds made available by the City as a result of termination of the Lease Agreement for any reason. If the Lease Agreement is terminated while Taxable 2020A Certificates are Outstanding, the Taxable 2020A Certificates may need to be transferred by a Taxable 2020A Certificate Owner in compliance with the registration provisions of the Securities Act of 1933, as amended.

Limitations on Remedies

No assurance can be given that the proceeds from any re-leasing or sale of the leasehold estate in the Leased Property will be sufficient to pay in full all Outstanding Taxable 2020A Certificates. The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. In addition, the enforceability of the Lease Agreement and the Trust Agreement will be subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property upon termination of the Lease Agreement or exercise of remedies upon default by the City will, of necessity, result in delays in the receipt of the funds needed to make payments on the Taxable 2020A Certificates.

Although the Lease Agreement and the Trust Agreement provide that the Trustee may take possession of the Leased Property and (upon receipt of indemnification satisfactory to the Trustee) re-lease it or sell its leasehold interest therein if there is a default by the City thereunder or if the Lease Agreement is terminated or cancelled, and the Lease Agreement provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee’s re-letting or sale of its interest in the Leased Property would be sufficient to pay in full all Outstanding Taxable 2020A Certificates.

Upon the termination of the Lease Agreement or if the City defaults in its obligation to make Lease Payments pursuant thereto, the Trustee will be required by the Trust Agreement to take action to force the City to surrender possession of the Leased Property. However, in accordance with the terms of the Trust Agreement, the Trustee is not under any obligation to take any other action if the Trustee determines that to do so exposes the Trustee to a risk of financial liability or other liability (including environmental liability) for which it reasonably believes it will not be adequately indemnified. See “SECURITY FOR THE TAXABLE 2020A CERTIFICATES — Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds” and “— Events of Default or Termination Pursuant to Lease Agreement” herein. Prior to taking other actions pursuant to the Trust Agreement, the Trustee may demand assurances from the Owners, such as indemnity satisfactory to the Trustee, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Trust Agreement.

SOURCES AND USES OF FUNDS

Sources of Funds

Principal Amount of the Taxable 2020A Certificates [Net] Original Issue Premium (a)	\$132,850,000.00*
	<hr/>
Total Sources of Funds	<hr/> <hr/>

Uses of Funds

Deposit to the Project Fund	
Deposit to the City Contingency Reserve Funds	<hr/>
Payment of Costs of Issuance (b)	<hr/>
Total Uses of Funds	<hr/> <hr/>

(a) Includes original issue premium on the Taxable 2020A Certificates, less original issue discount.

(b) Includes certificate insurance premium, if any, and Underwriter's compensation with respect to the Taxable 2020A Certificates.

* Preliminary, subject to change.

ESTIMATED LEASE PAYMENT REQUIREMENTS

The following table illustrates the estimated Lease Payments with respect to the Taxable 2020A Certificates.

TABLE 1
Estimated Annual Lease Payment Requirements (a)(b)
City of Flagstaff, Arizona

Fiscal Year	Taxable 2020A Certificates*		Total Annual Lease Payment Requirements*
	Principal	Interest (c)	
2020/21		\$ 2,157,765 (d)	\$ 2,157,765
2021/22	\$ 5,385,000	4,262,461	9,647,461
2022/23	5,490,000	4,153,905	9,643,905
2023/24	5,605,000	4,039,160	9,644,160
2024/25	5,730,000	3,912,865	9,642,865
2025/26	5,870,000	3,774,217	9,644,217
2026/27	5,995,000	3,649,531	9,644,531
2027/28	6,135,000	3,508,399	9,643,399
2028/29	6,320,000	3,324,795	9,644,795
2029/30	6,515,000	3,129,124	9,644,124
2030/31	6,720,000	2,924,046	9,644,046
2031/32	6,945,000	2,700,206	9,645,206
2032/33	7,190,000	2,452,848	9,642,848
2033/34	7,465,000	2,179,778	9,644,778
2034/35	7,760,000	1,884,870	9,644,870
2035/36	8,065,000	1,578,340	9,643,340
2036/37	8,390,000	1,254,824	9,644,824
2037/38	8,730,000	913,451	9,643,451
2038/39	9,085,000	558,220	9,643,220
2039/40	9,455,000	188,533	9,643,533
	<u>\$ 132,850,000</u>		

(a) Prepared by the Underwriter.

(b) See APPENDIX B – “CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION – TABLE 4” and “ – GENERAL FUND” for information regarding the City’s outstanding certificates of participation and the City’s general fund revenues for the budgeted fiscal year 2019/20, and audited fiscal years 2014/15 through 2018/19.

(c) Interest is estimated.

(d) The first interest payment due with respect to the Taxable 2020A Certificates will be on February 1, 2021*. Thereafter, interest payments will be made semiannually on each August 1 and February 1, until the earlier of the final maturity or prepayment prior to maturity.

* Preliminary, subject to change.

LITIGATION

No litigation or administrative action or proceeding is pending or threatened against the City which questions its right to adopt or comply with the provisions of the Financing Documents or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor is there any litigation or administrative action or proceeding threatened against the City which, if decided adversely to the City, would impair the City's ability to comply with all of the requirements set forth in the Financing Documents or have a material adverse effect upon the financial condition of the City. Representatives of the City will deliver a certificate to that effect at the time of the initial delivery of the Taxable 2020A Certificates.

BOND INSURANCE AND RELATED RISK FACTORS

The City intends to apply, or has applied, to bond insurance companies (each a "Certificate Insurer") for a municipal bond insurance policy (the "Policy") for the Taxable 2020A Certificates to guarantee the scheduled Lease Payments on the Taxable 2020A Certificates. 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 bond insurance generally.

If the City ultimately determines to obtain the Policy for the Taxable 2020A Certificates, in the event of default of the Lease Payments with respect to any of the Taxable 2020A Certificates when all or some become due, any owner of the Taxable 2020A Certificates on which such Lease Payment was not paid will have a claim under the Policy for such payments. In the event the Certificate Insurer is unable to make Lease Payments as such payments become due under the Policy, the Taxable 2020A Certificates will remain payable solely from the amounts as described under "SECURITY FOR THE TAXABLE 2020A CERTIFICATES." In the event the Certificate Insurer becomes obligated to make payments with respect to the Taxable 2020A Certificates, no assurance will be given that such event will not adversely affect the market price of the Taxable 2020A Certificates and the marketability (liquidity) of the Taxable 2020A Certificates.

The long-term ratings on the Taxable 2020A Certificates will be dependent in part on the financial strength of the Certificate Insurer and its claims paying ability. The Certificate 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 Certificate Insurer and of the Taxable 2020A Certificates insured by the Certificate Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Taxable 2020A Certificates and the marketability (liquidity) of the Taxable 2020A Certificates.

The obligations of the Certificate Insurer will be general obligations of the Certificate Insurer, and in an event of default by the Certificate 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, or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Certificate Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Certificate Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make Lease Payments on the Taxable 2020A Certificates and the claims paying ability of the Certificate Insurer, particularly over the life of the investment.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the Taxable 2020A Certificates and with regard to the tax status of the Interest Portion (defined below) of the Taxable 2020A Certificates are subject to the legal opinion of Greenberg Traurig, LLP, 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 Taxable 2020A Certificates, will be delivered to the Underwriter at the time of original delivery of the Taxable 2020A Certificates.

The proposed text of the legal opinion is set forth as APPENDIX F – “FORM OF APPROVING LEGAL OPINION.” The legal opinion to be delivered may vary from the text of APPENDIX F 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 Taxable 2020A Certificates subsequent to the original delivery of the Taxable 2020A Certificates.

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 Taxable 2020A Certificates. 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 Taxable 2020A Certificates) issued prior to enactment.

The legal opinions to be delivered concurrently with the delivery of the Taxable 2020A Certificates 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 Taxable 2020A Certificates. By rendering a legal opinion, the provider of the legal opinion 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 PORTION OF EACH LEASE PAYMENT MADE BY THE CITY PURSUANT TO THE LEASE AGREEMENT AND DENOMINATED AS AND COMPRISING INTEREST PURSUANT TO THE LEASE AGREEMENT AND RECEIVED BY THE OWNERS OF THE TAXABLE 2020A CERTIFICATES IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT EXEMPT FROM TAXATION UNDER THE LAWS OF THE STATE. In general, prospective purchasers of the Taxable 2020A Certificates should consult their tax advisors regarding the federal, state, local, and foreign tax consequences of acquisition, ownership, and disposition of Taxable 2020A Certificates. For example, the legal defeasance of the Taxable 2020A Certificates may result in a deemed sale or exchange of the Taxable 2020A Certificates under certain circumstances, with concomitant tax consequences.

The following summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, a particular Owner of Taxable 2020A Certificates, and is generally limited to U.S. Owners. “U.S. Owners” are beneficial Owners of the Taxable 2020A Certificates that for U.S. federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state or the District of Columbia, and certain estates or trusts with specific connections to the United States. As used in this summary, the term “Non-U.S. Owner” means a beneficial Owner of Taxable 2020A Certificates that is not a U.S. Owner.

In particular, this summary does not address (a) special classes of taxpayers that are subject to special treatment under the federal income tax laws, such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the United States, broker-dealers, traders in securities, and tax-exempt organizations, (b) persons that own Taxable 2020A Certificates as a hedge against, or as obligations that are hedged against, currency risk, or that are part of a hedge, straddle, conversion, or other integrated transaction, or (c) persons whose functional currency is not the U.S. dollar. This summary also does not address the tax consequences to an Owner of Taxable 2020A Certificates held through a partnership or other pass-through entity treated as a partnership for federal income tax purposes.

Partnerships holding Taxable 2020A Certificates, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of an investment in the Taxable 2020A Certificates, including their status as U.S. Owners.

Further, this discussion is limited to persons purchasing the Taxable 2020A Certificates for cash in this original offering at the respective prices indicated on the inside front cover page of this Official Statement (the “issue prices”). Owners that purchase the Taxable 2020A Certificates at prices other than their respective issue prices or after their original execution and delivery should consult their tax advisors regarding other tax considerations, such as market discount, as to all of which Special Counsel expresses no opinion. This discussion assumes that the Taxable 2020A Certificates will be held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

Certain U.S. Federal Income Tax Consequences to U.S. Owners

Interest. In general, interest paid or accrued on the Taxable 2020A Certificates will be taxable to a U.S. Owner as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for federal income tax purposes. Under recently-enacted legislation known as the Tax Cuts and Jobs Act, U.S. Owners that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally is effective for tax years beginning after December 31, 2017 (or, for debt securities issued with original issue discount, for tax years beginning after December 31, 2018). Accrual method U.S. Owners should consult their tax advisors regarding the potential applicability of this rule to their particular situation.

Disposition of the Taxable 2020A Certificates. Upon the sale, exchange, retirement, or other taxable disposition of a Taxable 2020A Certificate, a U.S. Owner, in general, will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement, or other disposition and the Owner’s adjusted basis, or applicable portion of the adjusted basis, in the Taxable 2020A Certificate. The Owner’s adjusted basis generally will equal the Owner’s cost of the Taxable 2020A Certificate, reduced by any principal payments (and any other payments on the Taxable 2020A Certificates not treated as qualified stated interest). Any such gain or loss generally will be long-term capital gain or loss, provided that the Taxable 2020A Certificates have been held for more than one year at the time of disposition. Net long-term capital gain recognized by an individual U.S. Owner generally will be subject to tax at a lower rate than that for net short-term capital gain or ordinary income. The deductibility of capital losses is subject to limitations.

Additional Tax on Net Investment Income. An additional 3.8% tax is imposed on the “net investment income” of certain U.S. citizens and residents, and on the undistributed “net investment income” of certain estates and trusts. Among other items, “net investment income” generally includes gross income from interest and certain net gain from the sale, exchange, redemption, or other taxable disposition of a debt instrument that produces interest, minus certain deductions. **A U.S. Owner that is an individual, estate, or trust should consult its tax advisor regarding the applicability of this additional tax.**

Information Reporting and Backup Withholding. The Trustee must report annually to the IRS and to each U.S. Owner any interest payable to the U.S. Owner, subject to certain exceptions. A non-corporate U.S. Owner of the Taxable 2020A Certificates may be subject to backup withholding (currently at a rate of 24%) with respect to “reportable payments,” which include interest paid on the Taxable 2020A Certificates and the gross proceeds of a sale, exchange, redemption, or retirement of the Taxable 2020A Certificates, unless the Owner provides an accurate taxpayer identification number and certifies on an IRS Form W-9, under penalties of perjury, that the Owner is not subject to backup withholding and otherwise complies with applicable requirements of the backup rules or otherwise establishes an exemption.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Owners

Interest. Subject to the discussion below under “*Application of Foreign Account Tax Compliance Act*”, interest on any Taxable 2020A Certificate owned by a Non-U.S. Owner is generally not subject to U.S. federal income or withholding tax, provided that:

- the Non-U.S. Owner does not own, actually or constructively, 10% or more of the total combined voting power of all classes of voting stock of the City, and is not a controlled foreign corporation related to the City, directly or indirectly, through stock ownership;
- the Non-U.S. Owner is not a bank receiving such interest in the manner described in Section 881(c)(3)(A) of the Code; and
- the Non-U.S. Owner certifies on IRS Form W-8BEN or W-8BEN-E, under penalties of perjury, that it is not a United States person. Special certification rules apply to Taxable 2020A Certificates that are held through foreign intermediaries.

If, however, a Non-U.S. Owner is engaged in a trade or business in the United States, and if interest on the Taxable 2020A Certificates is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States), such interest will be subject to U.S. federal income tax in a manner similar to that for Taxable 2020A Certificates owned by a U.S. Owner, as described above, and, in the case of a Non-U.S. Owner that is a foreign corporation, may also be subject to an additional branch profits tax (currently imposed at a rate of 30%, or a lower applicable treaty rate) on its effectively connected earnings and profits, subject to adjustments. **Non-U.S. Owners should consult their tax advisors regarding the tax consequences of owning the Taxable 2020A Certificates.**

Disposition of the Taxable 2020A Certificates. Subject to the discussion below under “*Application of Foreign Account Tax Compliance Act*”, a Non-U.S. Owner generally will not be subject to U.S. federal income or withholding tax on any amount of gain recognized by the Non-U.S. Owner upon the sale, exchange, retirement, or other taxable disposition of a Taxable 2020A Certificate unless:

- the gain is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Owner (and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Owner in the United States); or
- in the case of an individual, the Non-U.S. Owner is present in the United States for 183 days or more in the taxable year in which the sale, exchange, retirement, or other taxable disposition takes place and certain other conditions are met.

Application of Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30% withholding tax on interest payments and gross proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA compliance, and (ii) non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied.

Under applicable Treasury Regulations and administrative guidance, a 30% FATCA withholding tax generally will be imposed, subject to certain exceptions, on payments of interest on Taxable 2020A Certificates where such payments are made to persons described in the immediately preceding paragraph. While FATCA withholding would also have applied to payments of gross proceeds from the sale or other disposition of Taxable 2020A Certificates on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

With respect to payments made to a “foreign financial institution” either as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a “FATCA Agreement”), or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an “IGA”), in either case to, among other things, collect and provide to the United States or other relevant tax authorities certain information regarding U.S. account holders of such institution. With respect to payment made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity provides to the withholding agent a certification that such entity does not have any “substantial” U.S. owner

(generally, any specified U.S. person that owns, directly or indirectly, more than a specified percentage of such entity) or identifies its “substantial” U.S. owners.

If the Taxable 2020A Certificates are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, subject to certain exceptions, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign institution) generally will be required to withhold the 30% FATCA tax on the payment of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests, or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement, and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding where the withholding described above under “*Information Reporting and Backup Withholding*” also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments made on Taxable 2020A Certificates because of a failure by the investor (or an institution through which an investor holds the Taxable 2020A Certificates) to comply with FATCA, none of the City, any paying agent, or any person would, pursuant to the terms of the Taxable 2020A Certificates, be required to pay additional amounts with respect to any Taxable 2020A Certificates because of the deduction or withholding of such tax. **Non-U.S. Owners should consult their tax advisors regarding the application of FATCA to the ownership or disposition of Taxable 2020A Certificates.**

RATINGS

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and Fitch Ratings, Inc. (“Fitch”) have assigned ratings of “[AA-]” and “[_]”, respectively, to the Taxable 2020A Certificates. Such ratings reflect only the view of S&P and Fitch, and any desired explanation of the significance of these ratings should be obtained from the rating agency furnishing the same at the following addresses: S&P at One California Street, 31st Floor, San Francisco, California 94111 and Fitch at One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings may subsequently be revised downward or withdrawn entirely by S&P and Fitch, respectively, if in their judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Taxable 2020A Certificates. The City has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any ratings relating to the Taxable 2020A Certificates. See “CONTINUING DISCLOSURE” and APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

UNDERWRITING

The Taxable 2020A Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase from the City the Taxable 2020A Certificates at an aggregate purchase price of \$_____ pursuant to a certificate purchase agreement between the City and the Underwriter. The aggregate purchase price reflects compensation to the Underwriter of \$_____. The Taxable 2020A Certificates may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Taxable 2020A Certificates 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 Taxable 2020A Certificates if any Taxable 2020A Certificates are purchased.

RELATIONSHIP AMONG PARTIES

Special Counsel has and continues to represent the Underwriter with respect to financings other than for the City and will continue to do so if requested in the future. Special Counsel has also previously acted as bond counsel or special counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future. Underwriter’s Counsel has also previously acted as bond counsel or underwriter’s counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future.

CONTINUING DISCLOSURE

As the “obligated person” with respect to the Taxable 2020A Certificates, the City will covenant for the benefit of certain owners of the Taxable 2020A Certificates to provide certain financial information and operating data relating to the City by no later than February 1 in each year commencing February 1, 2021 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports and the Notices of Listed Events will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access System (“EMMA”). The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events and the method of dissemination through EMMA are set forth in APPENDIX G — “CONTINUING DISCLOSURE UNDERTAKING,” attached hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission 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 Taxable 2020A Certificates in the secondary market. Also, pursuant to Arizona law the ability of the City to provide information pursuant to such covenants will be subject to annual appropriation of funds to cover the costs of, among other things, preparing and transmitting the Annual Reports and the Notices of Listed Events. Should the City not comply with such covenants due to a failure to appropriate, the City has covenanted to provide notice of such fact through EMMA. Absence of continuing disclosure due to a failure to comply with any such covenants or such non-appropriation could adversely affect the Taxable 2020A Certificates and specifically their market price and liquidity.

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. For fiscal years ending June 30, 2014 and June 30, 2015, certain information required by the Prior Undertakings was filed but not presented in the same format as within the official statements. The correctly formatted data was filed on EMMA on March 22, 2016 and May 26, 2016. The City did not file notices of the failure to provide the Prior Annual Report. The City did not provide a separate notice of defeasance in connection with the advance refunding in part of its General Obligation Bonds, Projects of 2004, Series A (2006). The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Taxable 2020A Certificates and future similar undertakings in all material respects.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2019 and for its fiscal year then ended, which are included as APPENDIX D of this Official Statement, have been audited by CliftonLarsonAllen LLP, as stated in their opinion which appears in APPENDIX D – “THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019.” The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include their report and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering their opinion on the financial statements.

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

CONCLUDING STATEMENT

The descriptions of certain provisions of the Taxable 2020A Certificates and the Financing Documents contained herein, and all references to other materials, are only brief descriptions of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is hereby made to the complete documents for further information, copies of which are available as set forth under “INTRODUCTION” herein. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set

forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing.

The execution and delivery of this Official Statement have been duly authorized and approved by the City.

CITY OF FLAGSTAFF, ARIZONA

By: _____
Management Services Director

APPENDIX A

CITY OF FLAGSTAFF, ARIZONA DEMOGRAPHIC AND ECONOMIC INFORMATION

THE TAXABLE 2020A CERTIFICATES WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADINGS “SOURCES OF PAYMENT OF THE TAXABLE 2020A CERTIFICATES” AND “SECURITY FOR THE TAXABLE 2020A CERTIFICATES.” THE TAXABLE 2020A CERTIFICATES WILL NOT BE A GENERAL OBLIGATION OF THE CITY.

General

The City is northern Arizona’s principal population, commerce and education center. The City 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), the City 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.

The City 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 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
2019 Estimated (a)	76,338	147,275	7,187,990
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) Estimates as of July 1, 2019 (data released December 2019).

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

Municipal Government

The City 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 the City is based primarily on government, small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University (“NAU”), the City 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 the City 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 the City. In addition, the City serves as the major trade and service center for a wide area of northern Arizona.

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	4,950
Flagstaff Medical Center	Healthcare	2,650
W.L. Gore & Associates	Medical Equipment Manufacturing	2,500
Flagstaff Unified School District	Education	1,800
Coconino County	Government	1,270
City of Flagstaff	Government	1,000
Grand Canyon Railways	Lodging and Travel	500
Wal-Mart	Retail	460
Coconino Community College	Education	370
Nestle Purina	Distribution Center	300

Source: City of Flagstaff, 2019 Comprehensive Annual Financial Report.

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
2020 (a)	4.4%	4.8%	6.4%	4.4%
2019	3.7	4.7	4.7	4.1
2018	3.9	4.8	5.5	3.9
2017	3.9	4.9	5.5	3.9
2016	4.2	5.3	6.0	4.2
2015	5.3	6.0	6.5	4.5

(a) Data through March 2020.

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

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 2014 into 2019.

LABOR FORCE AND NONFARM EMPLOYMENT
Coconino County, Arizona

	<u>2020 (a)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mining and construction	2,300	2,600	2,500	2,400	2,300	2,200
Manufacturing	3,800	3,700	4,400	4,300	4,400	4,300
Trade, transportation, and utilities	9,300	9,400	9,600	9,500	9,800	10,000
Information	400	400	400	500	400	400
Financial activities	1,500	1,500	1,400	1,400	1,400	1,300
Professional and business services	3,400	3,500	3,400	3,100	3,100	3,200
Educational and health services	9,600	9,500	9,300	9,500	9,600	9,400
Leisure and hospitality	14,800	15,800	15,400	15,000	14,000	13,200
Other Services	1,800	1,800	1,700	1,700	1,800	1,800
Government	20,300	19,900	20,100	19,800	19,600	19,700
	<u>67,200</u>	<u>68,100</u>	<u>68,200</u>	<u>67,200</u>	<u>66,400</u>	<u>65,500</u>

(a) Data through March 2020.

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

Commerce

The following table illustrates the past five years of sales tax collections.

SALES TAX COLLECTIONS
City of Flagstaff, Arizona
(\$000s omitted)

<u>Fiscal Year</u>	<u>Amount</u>
2018/19	\$20,508
2017/18	21,128
2016/17	21,174
2015/16	19,090
2014/15	17,845

Source: The Comprehensive Annual Financial Reports for the City.

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
2020 (a)	246,028	26,059	3,500	7,788	6,713
2019	5,974,411	376,254	108,379	156,104	187,059
2018	6,380,495	390,151	104,583	167,736	205,122
2017	6,254,238	398,174	119,454	165,134	236,454
2016	5,969,811	392,170	106,809	152,444	223,172
2015	5,520,736	416,635	182,203	153,322	212,828

(a) Data through January 2020.

Source: Arizona Office of Tourism.

APPENDIX B

CITY OF FLAGSTAFF, ARIZONA - FINANCIAL INFORMATION

THE TAXABLE 2020A CERTIFICATES WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADINGS “SOURCES OF PAYMENT OF THE TAXABLE 2020A CERTIFICATES” AND “SECURITY FOR THE TAXABLE 2020A CERTIFICATES.” THE TAXABLE 2020A CERTIFICATES WILL NOT BE A GENERAL OBLIGATION OF THE CITY.

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. During the August 2020 primary election, the City will seek voter approval for a permanent base increase to the City expenditure limitation by an estimated \$30.8 million in fiscal year 2021/22.

Budget Process

The annual budget serves as the foundation for the City’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 a resolution. The resolution 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.

The City’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 the City. 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.

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, the City builds a financial plan for five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

Strategic Capital Improvement Project Planning – The City’s 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’s 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 had a 15% fund balance in FY 2013 and made a commitment to increase the fund balance to 20% over the next few years. Since FY 2015, the City has adopted a General Fund budget with an excess of 20% fund balance in the five-year plan.

Economic Recession Plan – Commencing in October 2019, the City developed an Economic Recession Plan (the “Recession Plan”) that was subsequently adopted by the City Council on April 21, 2020. The Recession Plan sets forth guidelines for when certain measures are to be taken by the City based on five different levels of estimated revenue reductions. The five stages are: (1) Alert/Minor, which is an anticipated, unbudgeted, net reduction in available revenues up to two percent, (2) Moderate, which is a projected and unbudgeted reduction in revenues in excess of two percent but less than five percent, (3) Significant, which is a projected and unbudgeted reduction in revenues in excess of five percent but less than ten percent, (4) Major, which is a projected and unbudgeted reduction in revenues in excess of ten percent but less than twenty percent, and (5) Crisis, which assumes that revenues have been almost entirely depleted, with reductions in excess of twenty percent.

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, 2019” for the financial statements from the City’s June 30, 2019, Comprehensive Annual Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2018 Comprehensive Annual Financial Report as well as in each of the 25 preceding years.

TABLE 2**Current Year Statistics (For Fiscal Year 2019/20)**

City of Flagstaff, Arizona

Total General Obligation Bonds Outstanding and to be Outstanding	\$ 45,301,900
Total Certificates of Participation Outstanding and to be Outstanding	140,400,000* (a)
Total Water and Sewer Revenue Obligations Outstanding	29,447,127
Total Excise Tax Revenue Obligations Outstanding	18,005,000
Net Limited Assessed Property Value	868,806,647
Net Full Cash Assessed Value	1,007,367,854
Estimated Net Full Cash Value	8,379,831,685

The City's preliminary fiscal year 2020/21 Net Limited Assessed Property Value is estimated at \$925,765,090, a change of approximately 6.6% from the fiscal year 2019/20 Net Limited Assessed Property Value. The City's preliminary fiscal year 2020/21 Net Full Cash Assessed Value is estimated at \$1,123,106,392, a change of approximately 11.5% from the fiscal year 2019/20 Net Full Cash Assessed Value. The City's preliminary fiscal year 2020/21 Estimated Net Full Cash Value is estimated at \$8,406,423,117, a change of approximately 0.3% from the fiscal year 2019/20 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 17, 2020.

(a) Represents all certificates of participation outstanding and to be outstanding after issuance of the Taxable 2020A Certificates.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue, Property Tax Rates and Assessed Values, Arizona Tax Research Association, the City and Assessor of the County.

TABLE 3**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
2011	\$ 1,633,828	Water System	2031	\$1,015,318 (a)
2011	3,952,287	Public Safety Communications	2021	446,582
2013	11,460,000	Various Purposes	2028	6,735,000
2014A	6,600,000	Various Purposes	2034	5,070,000
2014B	8,270,000	Refunding	2021	2,205,000
2016	16,105,000	Various Purposes	2036	13,740,000
2020	11,090,000	Various Purposes	2028	11,090,000
2020	6,000,000	WIFA Loan	2039	5,000,000 (b)
Total General Obligation Bonded Debt Outstanding				<u>\$45,301,900 (c)</u>

* Preliminary, 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.*
- (b) *Net of a forgivable amount of \$1 million.*
- (c) *Does not include premium on the City's General Obligation Bonds, Series 2016 or the Series 2020 Bonds, which has been deposited for project cost use, and such amount reduces in equal amount the borrowing capacity of the City under the Arizona Constitution and the principal amount of general obligation bonds authorized. Such capacity (but not authorization) will be recaptured as premium is amortized.*

TABLE 4

Certificates of Participation Outstanding and to be Outstanding

Issue Series	Original Amount	Purpose	Final Maturity Date	Balance Outstanding and to be Outstanding
2018	\$3,880,000	Core Maintenance Facility	07/01/2043	\$ 3,705,000
2020	3,845,000	Municipal Court Building	08/01/2044	3,845,000
Total Certificates of Participation Bonded Debt Outstanding				\$ 7,550,000
Plus: The Taxable 2020A Certificates				132,850,000*
Total Certificates of Participation Bonded Debt Outstanding and to be Outstanding				<u>\$140,400,000*</u>

TABLE 5

Water and Wastewater Revenue Obligations Outstanding

The following chart lists the water and wastewater revenue obligations of the City that are currently outstanding. Certain of such financial obligations are through loan agreements with the Water Infrastructure Finance Authority of Arizona, a State revolving fund. Also see footnote (a) to TABLE 3.

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2008	\$ 8,500,000	Water Production Improvements & Acquisition	2028	\$ 4,169,878
2009	2,100,000	Water Feasibility Study	2029	1,104,692
2009	232,500	Well Improvements	2029	121,149
2009	1,100,000	Local Aquifer Study	2029	574,353
2010	594,950	Well Improvements Infrastructure	2029	275,055
2017	17,129,000	Utility System Refunding	2027	14,192,000
2019	9,585,000	Water and Sewer Improvements	2034	9,010,000
Total Water and Wastewater Revenue Obligations Outstanding				<u>\$29,447,127</u>

* Preliminary, subject to change.

TABLE 6

Excise Tax and/or State Shared Revenue Supported Debt Outstanding

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2010A	\$ 3,370,000	Construction of Business Incubator	2030	\$ 1,985,000 (a)
2016	8,930,000	Road Repair/Street Improvement Projects	2032	7,045,000
2018	9,700,000	Road Repair/Street Improvement Projects	2034	8,975,000
Total Excise Tax and/or State Shared Revenue Supported Debt Outstanding				<u>\$18,005,000</u>

(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.

TABLE 7**Other Obligations**

City of Flagstaff, Arizona

The City has entered into lease agreements that generally require annual payments and the lease terms vary from 5 to 21 years. The lease agreement amounts outstanding are listed as follows: capital lease agreement for renewable energy solar equipment related to governmental activities of \$699,679, heart monitors of \$42,752, copy machine of \$81,271 and parking meter assets of \$770,332. Capital lease agreements related to business-type activities consist of airport hangars of \$1,084,510, renewable energy solar equipment of \$1,335,446 and a compactor of \$560,956.

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.

Year Ending June 30	Government Activities	Business-type Activities
2020	\$276,628	\$557,873
2021	232,592	559,093
2022	230,773	560,363
2023	204,122	557,555
2024	204,839	403,164
2025-2029	642,483	793,280
Total future minimum lease payments	\$1,791,437	\$3,431,328
Less: interest costs	(197,403)	(450,416)
Present value of future minimum lease payments	<u>\$1,594,034</u>	<u>\$2,980,912</u>

Discussion of Fiscal Year Ending June 30, 2020 and Budget for Fiscal Year Ending June 30, 2021

As discussed under "RISK FACTORS – COVID-19" herein, in March 2020, the City began to realize the impact of COVID-19. Recognizing the economic impact of COVID-19, the City completed the Recession Plan and instituted the measures under the "Moderate" stage of the Recession Plan to address the shortfall in revenues expected for the remainder of fiscal year 2019/20. Based on current City estimates as shown on the subsequent page, these measures adequately addressed the fiscal year 2019/20 shortfalls.

On April 23, 2020 and April 24, 2020, the City Council held a budget retreat to discuss the fiscal year 2020/21 recommended budget (the “2020/21 Budget”), which was subsequently adopted by the City Council on June 16, 2020. The 2020/21 Budget is a balanced budget based on revenue estimates and resources as of February 2020 and without impacts related to COVID-19 or the potential recession the City may see in the coming months due to the impacts of COVID-19. The proposed budget represents the maximum allowable expenditures the City could spend in fiscal year 2020/21 but the City is using the Recession Plan as the guiding document while the City sees revenue declines.

On May 26, 2020, based on updated revenue estimates described in the next paragraph and table, the City Council adopted a resolution to place the City into the “Significant” stage of the Recession Plan. This stage is based on revised revenue estimates that demonstrate the City should see a shortfall in the General Fund revenues for fiscal year 2020/21 between five percent and ten percent. Measures within the “Significant” stage are set forth so that the adopted expenditures are reduced adequately to address the revenue shortfalls.

As shown in more detail in the table below, updated revenue estimates were projected using three scenarios that were then averaged. Scenario 1 demonstrates that the economy returns in August, but then another COVID19 event occurs for three months. Scenario 2 demonstrates a weak economy early in fiscal year 2020/21 then stronger recovery the remainder of the year. Scenario 3 demonstrates a weak economy with slow recovery. Scenario 4 is the average of the first three scenarios which shows a potential \$4.2M (6.4%) decline in General Fund revenues for fiscal year 2020/21 versus the 2020/21 Budget.

Category	Budget Adoption		Economy Returns, Then Another COVID		Weak Economy Early, Stronger Recovery		Weak Economy, Slow Recovery		Average of 3 Scenarios	
	FY 2020-21 Budget		Scenario 1 FY 2020-21		Scenario 2 FY 2020-21		Scenario 3 FY 2020-21		Scenario 4 FY 2020-21	
City Sales Taxes	\$	22,018,300	\$	20,313,800	\$	20,720,900	\$	19,614,600	\$	20,216,400
State Shared Revenues										
State Shared Sales Tax		7,486,400		7,190,500		7,116,400		6,905,000		7,070,700
State Shared Urban Revenue		10,669,600		10,700,000		10,700,000		10,700,000		10,700,000
Auto Lieu Tax		3,540,900		3,381,000		3,320,000		3,201,100		3,300,700
State Shared Total		21,696,900		21,271,500		21,136,400		20,806,100		21,071,400
Franchise Fees		2,471,500		2,357,900		2,414,100		2,414,100		2,395,300
Building Permits		1,702,500		1,650,000		1,500,000		1,250,000		1,466,700
Property Taxes		6,967,500		6,967,500		6,967,500		6,842,500		6,925,800
Other GF Revenues		10,439,932		9,353,400		9,808,712		7,945,121		9,035,700
		21,581,432		20,328,800		20,690,312		18,451,721		19,823,500
Total General Fund Revenues	\$	65,296,632	\$	61,914,100	\$	62,547,612	\$	58,872,421	\$	61,111,300
Change vs Prior Estimate			\$	(3,382,532)	\$	(2,749,020)	\$	(6,424,211)	\$	(4,185,332)
% Change vs Prior Estimate				-5.2%		-4.2%		-9.8%		-6.4%

City staff continues to monitor revenues on a weekly basis and shares this information with Budget Team. Most recent revenue estimates are as of [May 26, 2020].

GENERAL FUND

Below are the City's general fund revenues, expenditures and changes in fund balance for the budgeted fiscal year 2020/21, City estimates for fiscal year 2019/20 and audited fiscal years 2014/15 through 2018/19. **THIS INFORMATION IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS OF THE FINANCIAL AFFAIRS OF THE CITY.**

		Estimate				
	Budget (a)/(b)	Actuals (c)		Audited		
	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
FUND BALANCE AT BEGINNING OF YEAR	\$ 33,112,020	\$ 39,652,321	\$ 37,048,484	\$ 40,464,781	\$ 38,919,713	\$ 33,621,090
REVENUES						
Taxes	31,585,670	29,941,506	29,471,053	29,837,919	29,377,513	27,306,792
Intergovernmental	22,830,008	21,402,268	20,614,918	20,074,740	19,294,534	18,214,988
Grants and entitlements	5,571,482	3,877,713	1,678,455	1,535,930	1,209,967	1,217,424
Charges for services	3,280,813	2,914,337	3,502,921	3,445,482	3,454,567	2,916,164
Licenses and permits	2,886,264	4,206,880	3,290,089	3,473,740	2,839,407	3,153,135
Fines and forfeitures	1,458,855	1,215,639	1,416,062	1,350,689	1,430,686	1,524,856
Rents	1,402,602	1,113,791	1,104,357	1,163,215	1,602,727	1,615,190
Investment earnings	422,751	330,702	3,704,580	(1,255,945)	(1,081,720)	1,210,140
Contributions	10,406	10,303	365,219	496,159	421,444	566,242
Miscellaneous	353,603	476,520	281,818	534,494	719,684	390,086
TOTAL REVENUES	\$69,802,454	\$65,489,659	\$65,429,472	\$60,656,423	\$59,268,809	\$58,115,017
OTHER FINANCING SOURCES (USES)						
Issuance of capital debt	\$ -	\$ 360,000	\$ -	\$ -	\$ 133,531	\$ 204,956
Sale of capital assets	-	-	20,995	35,450	-	5,325
Transfers in	4,157,395	4,174,525	4,063,739	3,463,231	2,753,444	3,110,079
Transfers out	(4,461,427)	(2,486,479)	(4,328,867)	(8,457,705)	(5,546,718)	(2,063,183)
Reclassification of funds (b)				-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 102,610,442	\$ 107,190,026	\$ 102,233,823	\$ 96,162,180	\$ 95,528,779	\$ 92,993,284
EXPENDITURES						
Current						
Current governmental	\$ 15,884,634	\$ 10,739,731	\$ 11,779,639	\$ 11,774,767	\$ 9,899,937	\$ 9,007,957
Public safety	43,033,059	40,019,113	35,801,924	32,290,732	30,849,989	30,074,183
Public works	3,455,652	1,916,555	1,466,490	1,254,865	1,472,485	1,207,776
Economic and physical development	6,137,437	5,496,443	5,368,003	5,555,083	4,807,862	4,787,402
Culture and recreation	7,430,019	6,958,045	6,462,669	6,981,549	6,329,040	5,949,635
Highways and streets	-	-	133,681	36,570	35,663	500
Contingency	1,527,750	150,000	-	-	-	-
Debt service						
Principal retirement	198,342	177,792	170,461	161,727	138,775	998,203
Interest and other charges	142,302	25,303	31,795	37,420	38,381	55,632
Capital outlay	3,880,554	2,765,753	1,366,840	1,020,983	1,491,866	1,992,283
TOTAL EXPENDITURES	\$ 81,689,749	\$ 68,248,735	\$ 62,581,502	\$ 59,113,696	\$ 55,063,998	\$ 54,073,571
FUND BALANCE AT END OF YEAR	\$ 20,920,693	\$ 38,941,291	\$ 39,652,321	\$ 37,048,484	\$ 40,464,781	\$ 38,919,713

- (a) Reflects the City's budgeted figures for fiscal year 2020/21 which are unaudited and subject to change upon audit. These amounts are "forward looking" statements and should be considered with an abundance of caution.
- (b) Beginning fund balance varies due to budget basis adjustments related to 60 day sales tax accruals, unrealized gains/loss of investments and inventory.
- (c) City's estimates for fiscal year 2019/20 which are unaudited and subject to change upon audit. These amounts are "forward looking" statements and should be considered with an abundance of caution. These revenue estimates include estimated revenue losses related to the COVID-19 pandemic.

APPENDIX C

CITY OF FLAGSTAFF, ARIZONA - CITY EMPLOYEE RETIREMENT SYSTEM

Pension and Retirement Plans

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

Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the City and its employees; however the specific impact on the City’s and its employees’ future contributions cannot be determined at this time. With respect to PSPRS, see, however, “City Actions Related to PRPRS” below.

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

Starting on page 68 in APPENDIX D – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019” is information about the plans based on GASB’s Statements No.s 67 and 68. Please refer to APPENDIX D for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX D, the latter supercedes the former.

The Arizona State Retirement System. ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 600,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. [As of June 30, 2018, the unfunded liability for ASRS was \$15.6 billion with a funding ratio of 71.2% and an assumed earning rate of 7.5%.] As of June 30, 2019, the City reported a liability of \$46,485,015 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the City) and active members of ASRS are equal. For fiscal year 2020/21, the actuarially determined contribution rate for the City and active members of ASRS is 12.22% (12.04% for retirement and health insurance and 0.18% for long-term disability).

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

Fiscal year ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Actual Pension Contribution	Required Pension Contribution
June 30, 2021	12.04%	0.18%	12.22%	unavailable	unavailable	unavailable
June 30, 2020	11.94	0.17	12.11	unavailable	unavailable	unavailable
June 30, 2019	11.64	0.16	11.80	73.2%	\$3,627,657	\$3,627,657
June 30, 2018	11.34	0.16	11.50	73.4	3,478,329	3,478,329
June 30, 2017	11.34	0.14	11.48	69.9	3,357,591	3,357,591

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

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

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

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

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

[As of June 30, 2019, the unfunded liability for PSPRS was \$17.7 billion with a funding ratio of 47.7%. When calculating, an assumed earning rate of 7.3% for Tiers 1 and 2 and 7.0% for Tier 3 was used and an assumed rate of 1.75% was used for increases in the cost of living allowance ("COLA").] See "City Actions Related to PSPRS" for information about the City's share of this liability.

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS. As discussed under "City Actions Related to PSPRS" herein, the City has been making contributions in excess of the actuarially determined annual employer contribution rates shown below for the current and past four fiscal years. A portion of the proceeds of the sale of the Taxable 2020A Certificates will be used for that purposes. See "THE PLAN OF FINANCE" herein.

Police

	Fiscal Year Ended				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<u>Actuarially Determined Contribution Rates (a)</u>					
Tier 1/2 Defined Benefit Employer (b)	51.12%	48.09%	47.64%	54.73%	44.83%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (b)(c)	11.65%	11.65%	11.65%	11.65%	N/A
Tier 3 Defined Benefit Employer (b)(d)	49.22%	46.10%	45.43%	49.74%	N/A
Tier 3 Defined Benefit Employee (b)	9.94%	9.94%	9.94%	9.94%	N/A
Tier 3 Defined Contribution Employer (d)	49.69%	46.67%	46.00%	50.35%	N/A
Tier 3 Defined Contribution Employee	10.41%	10.51%	10.51%	10.55%	N/A
Pension Funded Status	N/A	N/A	38.5%	38.4%	38.1%
Health Funded Status	N/A	N/A	119.6%	110.2%	113.7%
Total City (Employer) Pension and Contribution	N/A	N/A	\$4,410,392	\$3,124,679 (e)	\$3,657,762
Total City (Employer) Pension Required Contribution	N/A	N/A	3,288,212	3,229,323	3,275,134

- (a) As of the June 30, 2019 actuarial report, the City has 76 Tier 1 members and Tier 2 members and 25 Tier 3 members.
- (b) Not applicable for Tier 2 for fiscal years prior to fiscal year 2017/18. Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
- (c) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (d) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.
- (e) The City was eligible for credits as the result of certain litigation, satisfying the remainder of its contribution due in this year.

Fire

	Fiscal Year Ended				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<u>Actuarially Determined Contribution Rates (a)</u>					
Tier 1/2 Defined Benefit Employer (b)	88.79%	83.03%	84.17%	75.11%	70.05%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (b)(c)	11.65%	11.65%	11.65%	11.65%	N/A
Tier 3 Defined Benefit Employer (b)(d)	84.70%	78.99%	80.08%	68.34%	N/A
Tier 3 Defined Benefit Employee (b)	9.94%	9.94%	9.94%	9.94%	N/A
Tier 3 Defined Contribution Employer (d)	85.17%	79.56%	80.65%	68.95%	N/A
Tier 3 Defined Contribution Employee	10.41%	10.51%	10.51%	10.55%	N/A
Pension Funded Status	N/A	N/A	36.5%	35.2%	35.5%
Health Funded Status	N/A	N/A	196.0%	174.1%	171.4%
Total City (Employer) Pension and Contribution	N/A	N/A	\$5,530,897	\$4,041,886 (e)	\$4,239,954
Total City (Employer) Pension Required Contribution	N/A	N/A	5,170,491	4,589,139	4,239,954

- (a) As of the June 30, 2019 actuarial report, the City has 69 Tier 1 members and Tier 2 members and 12 Tier 3 members.
- (b) Not applicable for Tier 2 for fiscal years prior to fiscal year 2017/18. Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit ("DB") members additionally participating in the defined contribution ("DC") plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
- (c) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (d) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.
- (e) The City was eligible for credits as the result of certain litigation, satisfying the remainder of its contribution due in this year.

The Elected Officials Retirement Plan. EORP is a multiple-employer defined benefit pension plan and a multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. (EORP is governed by the same Board of Trustees that manages PSPRS .) 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. Additionally, the amount of the members' contribution that exceeds 7% is not used to reduce the actuarially determined employer contribution. As of June 30, 2019, the City reported a liability of \$1,064,634 for its proportionate share of the net pension liability under EORP.

Participating EORP employers are required to annually contribute at an actuarially determined employer contribution rate. The basis for the employer rate is the covered payroll for all eligible elected officials and eligible judges employed by the employer. The actuarially determined rate for 2020/21 [for ASRS is 61.61% and for EODCRS (defined below) is 61.55]%. This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System ("EODCRS") and ASRS, depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution, by statute, for EODCRS participating members is 6.00%; the employer contribution for ASRS participating members is 12.22% for fiscal year 2020/21; all remaining employer contributions, up to the actuarially determined contribution rate of the covered payroll of all

elected officials and eligible judges, are remitted to EORP. EORP is additionally funded each year with designated state and municipal court fees and a \$5,000,000 appropriation from the State general fund.

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

City Actions Related to PSPRS. Since 2003, the City's unfunded actuarial liability for plans under PSPRS has grown to approximately \$112 million and, as of the June 30, 2019 valuation date, the City's plans under PSPRS had a funding ratio below 40%. The City has adopted several policies to provide additional contributions to PSPRS. Since fiscal year 2014/15, the City has annually taken several measures to provide additional excess contributions such as paying its annual contributions based on the budget at the beginning of each fiscal year which allows PSPRS to invest at a higher rate of return and provides excess funding when vacancies exist. In June of 2019, the City Council adopted the City's first formal pension funding policy that outlined the measures to be taken by the City, including instituting an increase in the City's use tax rate to assist in paying annually approximately \$800,000 towards PSPRS liabilities. For fiscal year ended June 30, 2020, the City estimates providing \$2 million in excess contributions. In 2020, the City had several study sessions to address the City's growing unfunded liability. As a result of such study sessions, the City decided to execute and deliver the Taxable 2020A Certificates and to use a portion of the proceeds of the sale to attempt to reach a funding ratio of its current unfunded liability of 100%. Depending on future events that cannot be predicted at this time, additional unfunded liability could occur, savings resulting from the payment to PSPRS described herein could be less than projected or projected savings may not materialize and a loss could occur. See below under "Risks of Using Debt for Pension Payment".

City Contingency Reserve Funds. A portion of the proceeds of the Taxable 2020A Certificates will be deposited into the City Contingency Reserve Funds, which will be held by the City, not the Trustee. The City Contingency Reserve Funds will allow the City to mitigate the impact of market risk and changes in actuarial assumptions. The monies on deposit within the City Contingency Reserve Funds will not be pledged to the payment of the Taxable 2020A Certificates.

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

Risks of Using Debt for Pension Payment. Using debt, such as the Taxable 2020A Certificates, to make pension payments carries three types of risks for the City: (i) actuarial risk, (ii) market risk and (iii) other risks. Actuarial risks relate to the risks associated with alterations to projections and contributions due to changes in assumptions such as investment returns, payroll increase, COLA, mortality, early retirement and benefit payments. Market risk is the risk associated with the Taxable 2020A Certificates and long-term investment return performance. Other risks include, but not limited to, variance from the anticipated investment return, payroll increase, COLA, mortality, early retirement, covered payroll and other assumptions. Anticipated savings are based on achieving rates assumed in actuarial reports and other documents and such savings could be greater or less than projected and could even result in a loss.

Other Post-Employment Retirement Benefits

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB Statement No. 75 addresses reporting by governments that provide

OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan.

The City provides post-retirement healthcare insurance benefits for its retirees as a single employer defined benefit OPEB plan which is administered through Northern Arizona Public Employee Benefit Trust. Eligible retirees and their beneficiaries up to the age of 65 are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees, the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire. Substantially, all 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 ASRS and elect coverage at date of retirement. At June 30, 2019, the City reported a net OPEB liability of \$9,625,155. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability were determined from the actuarial valuations as of July 1, 2018. The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

APPENDIX D

**CITY OF FLAGSTAFF, ARIZONA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

APPENDIX E

SUMMARIES OF LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Financing Documents together with certain definitions in the Financing Documents not defined elsewhere in this Official Statement. These summaries are not intended to be definitive and should be read in conjunction with the additional information about the contents of the indicated documents included under the heading “THE TAXABLE 2020A CERTIFICATES” and “SECURITY FOR THE TAXABLE 2020A CERTIFICATES - Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds” and “- Events of Default or Termination Pursuant to the Lease Agreement.” Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in this Official Statement under the heading “INTRODUCTION.”

CERTAIN DEFINITIONS

“Additional Certificates” means any certificates executed and delivered pursuant to the Trust Agreement.

“Additional Rent” means any payments requested to be made as described hereinbelow under the subheading “LEASE AGREEMENT - Additional Rent.”

“Aggregate Value” means, with respect to any Certificates, the Outstanding principal amount thereof.

“Business Day” means a day of the year other than (i) a Saturday or Sunday or (ii) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed.

“Certificates” means the Taxable 2020A Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

“Defeasance Obligations” has the meaning provided in the Trust Agreement.

“Delivery Costs Fund” means the fund by that name established and held by the Trustee pursuant to of the Trust Agreement.

“Event of Default” means an event of default described in the Lease Agreement.

“Fiscal Period” means a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period that may be established hereafter as the fiscal year of the City for budgeting and appropriation purposes.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to of the Trust Agreement.

“Net Proceeds” means any insurance proceeds (other than proceeds of any insurance policy resulting from liability to a third person for damages for bodily and personal injury, death or property damage connected with the construction or operation of the Leased Property) or condemnation award in excess of \$25,000, paid with respect to the Leased Property, or any proceeds resulting from the re-renting, re-leasing or sale of all or any portion of the Leased Property following an Event of Default, remaining after payment therefrom of all expenses incurred in the collection thereof.

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

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates that are deemed paid and no longer Outstanding as provided in the Trust Agreement;

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

(d) For the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, the Certificates 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 Certificates held in any pension or retirement fund).

“Owner” or any similar term, when used with respect to any Certificate means the person in whose name such Certificate is registered.

“Permitted Encumbrances” means, as of any particular time (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Lease Agreement, permit to remain unpaid, (b) the Lease Agreement, (c) the Trust Agreement, (d) the Ground Lease, (e) easements, leases encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist as of the date of execution and delivery of the applicable Certificates and that the City certifies in writing does not materially impair the use of the Leased Property, and (f) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Trustee and the City consent in writing.

“Permitted Investments” means and includes (to the extent permitted by law):

(i) Defeasance Obligations.

(ii) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America including, but not limited to, the following: (A) the Export-Import Bank of the United States, (B) the Rural Economic Community Development Administration, (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA’s), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.

(iii) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), (B) obligations of the Resolution Funding Corporation (REFCORP) and (C) senior debt obligations of the Federal Home Loan Bank System.

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(v) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase.

(vi) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P.

(vii) Pre-refunded Municipal Obligations, defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any

such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (ii) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(viii) Municipal Obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P.

“Prepayment” means any payment of the principal portion of any Lease Payments, in whole or in part, pursuant to the Lease Agreement prior to the scheduled payment dates.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to Article III of the Trust Agreement.

“Qualified Self-Insurance” means any program of self-insurance regarding which the Trustee has received a written evaluation of an independent insurance consultant or actuarial consultant having a favorable reputation for skill and experience and an opinion of such consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability.

GROUND LEASE

Pursuant to the Ground Lease, the City leases the Leased Property to the Trustee and the Trustee leases the Leased Property from the City for the period commencing as of the date of the Ground Lease and terminating on August 2, 2039*; *provided*, that in no event shall the Ground Lease of the Leased Property terminate before the termination of the Lease Agreement.

Fee title to the Leased Property shall at all times remain with the City.

The Trustee will prepay its rental payments pursuant to the Ground Lease upon execution and delivery of the Ground Lease concurrently with the initial execution and delivery of the Taxable 2020A Certificates.

The City has the right to terminate the Ground Lease upon written notice to the Trustee upon (a) defeasance of the Lease Agreement and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the City of its option to purchase the Leased Property pursuant to the Lease Agreement and defeasance of the Trust Agreement as permitted thereunder.

LEASE AGREEMENT

Additional Rent

In addition to Lease Payments, the City has agreed to pay when due as Additional Rent (a) all costs and expenses of the Trustee to comply with the provisions of the Trust Agreement, (b) compensation and expenses of the

* Preliminary, subject to change.

Trustee, (c) certain indemnification amounts, (d) all costs and expenses of auditors, engineers and legal counsel other than costs and fees incurred in connection with the execution and delivery of the Certificates, (e) all rent for any holdover period during which the City stays in possession of the Leased Property after termination of the Lease Agreement, (f) amounts due with respect to certain environmental covenants in the Lease Agreement and (g) amounts due with respect to continuing disclosure compliance.

Maintenance, Utilities, Taxes and Modifications

The City, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Trustee has no responsibility for such repair. The City has the power to make additions, modifications and improvements to the Leased Property that do not damage or reduce its value to a value substantially less than that which existed before such modification or improvement. The City must pay or cause to be paid all taxes, other governmental charges and utility charges with respect to the Leased Property, as well as any taxes and assessments, if any, that it is legally obligated to pay.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained the following insurance against risk or physical damage to the Leased Property and other risks for the protection of the Trustee:

(a) General Liability. The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, either a standard commercial general liability insurance policy or policies, with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such types and in such amounts as are then customary for similar institutions carrying on similar activities.

(b) Fire and Extended Coverage, Vandalism and Malicious Mischief. The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, insurance against loss or damage to any structure or equipment constituting any part of the Leased Property by fire and lightning with extended coverage and malicious mischief insurance. Coverage shall be in an amount equal to 100 percent of the replacement cost of the Leased Property. Such insurance may be subject to deductible clauses of not to exceed \$25,000 for any one loss.

The insurance described in paragraphs (a) and (b) may be maintained as part of or in conjunction with any other liability or fire and extended coverage for insurance, respectively, carried or required to be carried by the City and may be maintained in the form of acceptable self-insurance, meeting certain standards provided in the Lease Agreement.

All policies of insurance or any Qualified Self-Insurance must provide that the Net Proceeds thereof shall be payable to the Trustee. The Net Proceeds of fire and extended coverage insurance shall be deposited in the Insurance and Condemnation Fund and applied to restore, replace, repair, modify or improve the Leased Property or to the prepayment of Lease Payments and the corresponding prepayment of Certificates. See "TRUST AGREEMENT - Funds - Insurance and Condemnation Fund." The Net Proceeds of general liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The City has agreed to pay or cause to be paid when due the premiums on all insurance policies and to furnish evidence of any such payments promptly to the Trustee.

In the event the City maintains Qualified Self-Insurance for general liability insurance and fire and extended coverage insurance required pursuant to the Lease Agreement, the City shall cause to be delivered to the Trustee annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance, if any.

Option to Purchase Leased Property

The City may on any date secure the payment of Lease Payments with respect to the Leased Property by deposit with the Trustee of Defeasance Obligations and cash, if required, in such amount as shall, in the opinion of an

independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of the moneys or Defeasance Obligations then on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund related to such Leased Property, be fully sufficient to pay all unpaid Lease Payments with respect to such Leased Property on the respective Lease Payment Dates as the City instructs at the time of said deposit.

Assignment; Subleases

The City may not assign any of its rights in the Lease Agreement, and may not sublease the Leased Property without the written consent of the Trustee and satisfaction of the conditions contained in the Lease Agreement, including the condition that any such sublease not adversely affect the exclusion of the interest components of the Lease Payments from federal gross income when paid to the Owners of the Taxable 2020A Certificates.

Release or Exchange of Property

If, during the term of the Lease Agreement, the City desires to acquire legal title to any of the Leased Property, unencumbered by the terms and conditions of the Lease Agreement, the Trustee will sell to the City any of such property so desired by the City, provided the following conditions are met, to wit:

- (a) Contemporaneously with any such sale by the Trustee (i) the City delivers to the Trustee the net sale proceeds or (ii) the City sells to the Trustee substitute property ("substitute property") for the property the City wishes to acquire;
- (b) The sale or exchange of property will not cause any decrease in the total Lease Payments required under the Lease Agreement or any change in the interest component or principal component thereof;
- (c) Any substitute property shall be subject to all the terms and conditions of the Lease Agreement and shall be subjected to the lien of the Trust Agreement; and
- (d) All costs and expenses incurred in connection with the exchange of property must be borne by the City.

Any proceeds delivered to the Trustee pursuant to subsection (a)(i) above shall be applied to acquire, construct or improve additional Leased Property, or be applied to Lease Payments as directed by the Lessee, subject to any restrictions contained in the opinion of Special Counsel delivered pursuant to subsection (c) above.

Events of Default

Each of the following constitutes an "Event of Default" described in the Lease Agreement:

- (a) Except when not paid due to the City not having lawfully available funds budgeted therefor, failure by the City to make any Lease Payment or other payment required under the Lease Agreement when due and continuation of such failure for five days;
- (b) Failure by the City to comply with any covenant, agreement or condition contained in the Lease Agreement or the Trust Agreement, other than default described in (a) above, and the continuance of such failure or default for a period of 30 days after written notice thereof has been given to the City by the Trustee or the Owners of not less than five percent in aggregate principal amount evidenced by Certificates then Outstanding; provided, if the failure stated in the notice can be corrected, but not within such 30 day period, the Trustee or such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within such 30 day period and diligently pursued until the default is corrected; or
- (c) Certain events relating to bankruptcy of the City or the inability of the City to pay its debts.

Notwithstanding the foregoing, if, by reason of force majeure (as defined in the Lease Agreement), the City is unable to perform or observe any agreement, term or condition of the Lease Agreement, other than any obligation to make Lease Payments or Additional Rent, the City shall not be deemed to be in default during the continuance of such inability. However, the City shall promptly give notice to the Trustee of the existence of any event of force majeure and shall use its best efforts to remove the effects thereof; *provided* that the settlement of strike or labor disturbances shall be entirely within the City's discretion.

Upon the occurrence and continuance of any Event of Default or a termination because of a failure to budget and appropriate Lease Payments by the City as described under the subheading "SECURITY FOR THE TAXABLE 2020A CERTIFICATES - Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds," the Trustee may elect to terminate the Lease Agreement or, with or without such termination, to re-enter and take possession of the Leased Property and relet or sell its leasehold interest in the Leased Property; *provided, however*, that notwithstanding anything in the Lease Agreement or the Trust Agreement to the contrary there shall be no right to accelerate the Lease Payments. Any amounts collected by the Trustee from the reletting of the Leased Property shall be credited towards the City's unpaid Lease Payments. Any Net Proceeds of sale, re-lease or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date.

TRUST AGREEMENT

Pledge and Security

Pursuant to the Trust Agreement, the Trustee is authorized and directed to acquire, to receive and to hold as security for the Owners the following:

(a) All right, title and interest of the Trustee in and to the Ground Lease and the Lease 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 revenues, receipts and other sums of money payable or receivable pursuant thereto, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things that the Trustee is or may become entitled to do thereunder.

(b) All right, title and interest of the Trustee in and to amounts on deposit from time to time in certain funds created pursuant to the Trust Agreement.

The Trust Agreement also represents an agreement by the Trustee that it holds the above rights and interests in trust for the benefit of the Owners.

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to execute and deliver the Certificates and to act as a depository of amounts held pursuant thereto. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the provisions thereof.

Funds

The Trust Agreement creates the Project Fund, the Delivery Costs Fund, the Lease Payment Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Project Fund. There shall be deposited into the Project Fund amounts necessary to finance the payment to PSPRS. Moneys deposited in the Project Fund will be disbursed by the Trustee, upon the written order of the City representative, to make the payment to PSPRS.

Delivery Costs Fund. There shall be deposited in the Delivery Costs Fund the amount necessary to pay costs relating to the execution, sale and delivery of Taxable 2020A Certificates, which amounts shall be disbursed by the Trustee upon the written order of the City.

Lease Payment Fund. There shall be deposited into the Lease Payment Fund, when received by the Trustee, all Lease Payments and Prepayments. Moneys on deposit in the Lease Payment Fund shall be used to pay principal, prepayment premiums, if any, and interest evidenced by Certificates.

Insurance and Condemnation Fund. Any Net Proceeds of insurance or condemnation awards shall be deposited in the Insurance and Condemnation Fund. See "THE TAXABLE 2020A CERTIFICATES - Prepayment Provisions - Extraordinary Prepayment" for a description of how such amounts are to be applied.

Net Proceeds of a condemnation award shall be used as follows: (a) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such eminent domain proceedings have not materially affected the operation of the Leased Property or the City's ability to meet its obligations pursuant to the Lease Agreement, and if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund as a credit against Lease Payments, (b) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceedings have not materially affected the operations of any of the Leased Property or the City's ability to meet its obligations pursuant to the Lease Agreement and such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the order of the City such portion of the proceeds required for such repair, rehabilitation or replacement, (c) to prepay Lease Payments and redeem Certificates if less than all of the Leased Property is taken and the Trustee determines that such proceedings have materially affected the operation of the Leased Property, or (d) if all of the Leased Property is taken, to prepay Lease Payments and thereby redeem Certificates.

Additional Certificates

So long as no Event of Default or termination of the Lease Agreement as described under the heading "SECURITY FOR THE TAXABLE 2020A CERTIFICATES - Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds" has occurred and will continue after execution and delivery of any Additional Certificates, the Trustee may execute and deliver, at the direction of the City, Additional Certificates from time to time to provide funds to [expand or improve the Projects or to pay the costs of refunding Outstanding Certificates].

Before the Trustee shall deliver any Additional Certificates executed pursuant to a supplement authorized by the Indenture, the following items shall have been received by the Trustee:

(i) Original executed counterparts of any amendments or supplements to the Lease Agreement and the Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates that are necessary or advisable, in the opinion of Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of the Trust Agreement.

(ii) A written opinion of Special Counsel, reasonably satisfactory to the Trustee, to the effect that (A) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of this Trust Agreement, (B) any filings required to be made pursuant to the Trust Agreement have been made, and (C) all conditions precedent to the delivery of the Additional Certificates have been fulfilled.

(iii) A written opinion of Special Counsel (who also may be the counsel to whom or which reference is made in paragraph (ii) above), to the effect that (A) when executed and delivered by the Trustee, the Additional Certificates will be valid and binding in accordance with their terms and will be secured under the Trust Agreement equally and on a parity with all other Certificates at the time Outstanding under the Trust Agreement as to the assignment to the Trustee of the amounts pledged under the Trust Agreement.

(iv) A written opinion of Special Counsel (who also may be the counsel to whom or which reference is made in paragraph (ii) above), reasonably satisfactory to the Trustee, to the effect that any amendments or supplements to the Lease Agreement entered into in connection with the execution and delivery of the Additional Certificates have been duly authorized, executed and delivered by the City, and that the Lease Agreement, as amended or supplemented, constitutes a legal, valid and binding obligation of the City, enforceable in accordance with its terms, subject to exceptions reasonably satisfactory to the Trustee for bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(v) Evidence that the City has obtained the additional amount of insurance or self-insurance, if any, required to be maintained pursuant to the Lease Agreement as a result of the execution and delivery of the Additional Certificates.

(vi) Evidence satisfactory to the Trustee of confirmation that the ratings on any Outstanding Certificates will remain the same, immediately after execution and delivery of the Additional Certificates.

When the documents listed above have been received by the Trustee, the Trustee will execute and deliver the Additional Certificates to or on the order of the original purchaser thereof, but only upon payment of the agreed-upon purchase price for the Additional Certificates.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held pursuant to the Trust Agreement upon order of a representative of the City in Permitted Investments. Except as otherwise provided, any earnings on investment of moneys in the funds created pursuant to the Trust Agreement shall be held in the fund from which invested. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, shall be repaid to the City.

Rights, Duties and Responsibilities of Trustee

Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, the Lease Agreement and the Ground Lease; and in case an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Trust Agreement and such other agreements and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances. Except for the obligation (A) to make payment of principal, interest, or premium, if any, evidenced by the Certificates to the Owners thereof pursuant to the Trust Agreement or (B) to notify the Owners of any Event of Default pursuant to the Trust Agreement, no provision of the Trust Agreement or the other Financing Documents will require the Trustee to expend or risk 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 thereunder, or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity or other assurance against such risk or liability is not reasonably assured to it.

The Trustee may intervene on behalf of the Owners, and shall intervene if requested in writing to do so by an instrument or instruments in writing signed by the Owners of not less than a majority in Aggregate Value of the Certificates, in any judicial proceeding to which the Lessee is a party and that in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Owners of the Certificates. The rights and obligations of the Trustee for such purpose are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it before it takes action under the Trust Agreement.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Owners pursuant to the Trust Agreement, unless such Certificate Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction.

The Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

The Trustee will not be bound to ascertain or inquire as to the validity or genuineness of any collateral given or held by it. The Trustee will not be responsible for the recording or filing of any document or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect liens or security interests. The permissive right of the Trustee to do things instrumental in the Trust Agreement will not be construed as a duty, and the Trustee will not be answerable for other than its own negligence or willful misconduct.

It will not be the duty of the Trustee, except as provided in the Trust Agreement, to ascertain or inquire whether any duties and obligations in the Trust Agreement or in the other Financing Documents imposed upon the City are performed or whether the terms and conditions thereof are observed.

Removal and Resignation of the Trustee

The Trustee may resign at any time, or may be removed at any time by an instrument or instruments in writing signed by the City or the Owners of not less than a majority in Aggregate Value of the Certificates. Written notice of such resignation or removal will be given by the Trustee to the City and such resignation or removal will take effect only upon the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Trustee or the City may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the City will be entitled to appoint a successor trustee, unless an Event of Default has occurred and is continuing.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor trustee will (i) be a trust company or bank in good standing in the State, (ii) be duly authorized to exercise trust powers in the State and subject to examination by a federal or state authority, and (iii) maintain a reported capital and surplus of not less than \$75,000,000.

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 will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible as a successor Trustee pursuant to the Trust Agreement in the case of the Trustee, will be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Trust Agreement to the contrary notwithstanding.

Event of Default; No Acceleration

The Trustee has the right to exercise such rights and remedies pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments, Additional Rent, Prepayments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise take any action to protect the interests of the Trustee or the Owners in an Event of Default.

Upon the occurrence of an Event of Default or a termination because of a failure to budget by the City as described under the subheading "SECURITY FOR THE TAXABLE 2020A CERTIFICATES - Lease Agreement; Termination of Lease Agreement Upon Failure to Annually Appropriate Funds," the Trustee (i) will take action to exclude the City from the Leased Property, and (ii)(A) may, and (B) upon the request of the Owners of at least a majority in Aggregate Value of the Certificates, will exercise any and all remedies available at law or pursuant to the Lease Agreement including the option to re-rent, re-lease or sell all or any portion of the Leased Property pursuant to the Trust Agreement. Notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary,

there will be no right under any circumstances to accelerate the Lease Payments or Additional Rent or otherwise declare any Lease Payments or Additional Rent not then in default to be immediately due and payable. Upon the occurrence of an Event of Default, all moneys received by the Trustee pursuant to any right given or action taken will be applied by the Trustee in the order following upon presentation of the Certificates, 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 ordinary and extraordinary fees and the costs and expenses of the Trustee in declaring and pursuing remedies in connection with such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel and the creation of a reasonable reserve for anticipated fees, costs and expenses and

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates, for principal and interest with interest on the overdue principal, and, to the extent lawful, installments of interest at the rate of ten percent 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 insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, 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.

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may and with the prior written consent of the Owners of a majority in Aggregate Value of the Certificates, will, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, the foreclosure of any lien granted in the Trust Agreement, or in aid of the execution of any power in the Trust Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Trust Agreement.

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 under the Trust Agreement, whether upon its own discretion or upon the request of the Owners of a majority in Aggregate Value of the Certificates, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, 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 the Owners of a majority in Aggregate Value of the Certificates.

The Owner of any Certificate may institute any suit, action, or other proceedings in equity or at law for the protection or enforcement of any right under the Lease Agreement or Trust Agreement if and only if (a) such Owner has given written notice to the Trustee of such Event of Default, (b) a majority of owners of Outstanding principal amount evidenced by the Owners have first notified the Trustee in writing of the Event of Default and made written request on the Trustee to exercise such powers, (c) the Trustee shall have been offered reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for 60 days following receipt of such written request and such tender of indemnity.

Limited Liability

Except for the payment of Lease Payments and Prepayments when due in accordance with the Lease Agreement, the payment of Additional Rent and the performance of the other covenants and agreements of the City contained in the Lease Agreement, including the payment of fees and expenses and indemnities of the Trustee, the City will have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Amendment

The Trust Agreement, the Lease Agreement and the Ground Lease may be amended by agreement among the parties thereto without the consent of the Owners but only (a) 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 Trust Agreement to the Trustee or the City, (b) to cure, correct or supplement any ambiguous or defective provision, or (c) in a manner, which does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners. Any other amendment shall require the approval of the Owners of a majority in principal amount evidenced by the Certificates then Outstanding; *provided* that no such amendment shall (a) extend the maturity or time of interest payment of, or reduce the interest rate, amount of principal, or premium payable with respect to, any Certificate without such Owner's consent, (b) reduce the percentage of Owners required to consent to any amendment or modification, or (c) modify any of the Trustee's rights or obligations without its consent.

Defeasance

If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) By well and truly paying or causing to be paid the principal and interest and prepayment premiums (if any) evidenced by such Certificates Outstanding, as and when the same become due and payable and all Additional Rent;

(b) By making an irrevocable deposit with the Trustee, in trust, at or before a scheduled payment date, of money that, together with the amounts then on deposit in the Lease Payment Fund is fully sufficient to pay such Certificates Outstanding, including all principal and interest and premium, if any, evidenced thereby and all Additional Rent;

(c) By making an irrevocable deposit with the Trustee, in trust, of Defeasance Obligations, together with money, if required, in such amount as will, in the opinion of an independent certified public accountant acceptable to the Trustee, together with the interest to accrue thereon, but without reinvestment thereof, and amounts then on deposit in the Lease Payment Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at their respective specified principal payment dates and pay all unpaid Additional Rent; or

(d) By making an irrevocable deposit with the Trustee, pursuant to an escrow deposit and trust agreement, of security for the payment of Lease Payments and Additional Rent as more particularly described in the Lease Agreement, said security to be held by the Trustee as agent for the Lessee to be applied by the Trustee to pay the Lease Payments and Additional Rent as the same become due and payable, pursuant to the Lease Agreement; notwithstanding that any Certificate shall not have been surrendered for payment; all obligations of the Trustee and the City with respect to such Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds deposited pursuant to paragraphs (b) through (d), to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d), the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments pursuant to the Lease Agreement.

Any Certificate or portion thereof in authorized denominations may be paid as provided in the preceding paragraph; *provided, however*, that if any such Certificate or portion thereof is to be prepaid, notice of such prepayment shall have been given in accordance with the provisions of the Trust Agreement or the City will have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be prepaid and as to the giving of notice of such prepayment; and *provided further*, that if any such Certificate or portion thereof is not scheduled to be paid or prepaid within 60 days of the deposit of the moneys or Defeasance Obligations, the Trustee shall give notice of such deposit by first class mail.

APPENDIX F

FORM OF APPROVING LEGAL OPINION

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

Zions Bancorporation, National Association
Phoenix, Arizona

Re: \$132,850,000* Certificates of Participation, Series 2020A (Taxable) Evidencing Undivided Proportionate Interests of the Owners Thereof in Lease Payments to be Made by City of Flagstaff, Arizona, as Lessee of Certain Property Pursuant to a Lease-Purchase Agreement, Dated as of August 1, 2020*

We have examined the transcript of proceedings (the "Transcript") relating to the initial execution and delivery by Zions Bancorporation, National Association, as trustee (the "Trustee"), of the captioned certificates of participation (the "Certificates"), pursuant to a Trust Agreement, dated as of August 1, 2020* (the "Trust Agreement"), by and between the Trustee and the City of Flagstaff, Arizona (the "City"). Each of the Certificates represents a fractionalized interest in obligations of the City pursuant to a Lease-Purchase Agreement, dated as of August 1, 2020* (the "Lease"), by and between the Trustee, in its separate capacity as lessor, and the City pursuant to which the City has agreed to lease certain property from the Trustee, in its separate capacity as lessor (the "Leased Property"). The real property comprising the Leased Property has been leased by the City to the Trustee, in its separate capacity as lessee, pursuant to a Ground Lease, dated as of August 1, 2020* (the "Ground Lease"). In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our 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 even date herewith as to the matters provided therein.

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

(1) The Certificates, the Trust Agreement, the Lease and the Ground Lease are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and to the extent that the enforceability thereof may be limited by the application of general principles of equity and subject to the qualification that the enforcement of indemnification provisions against the City may be limited by federal or State securities laws.

(2) The term of the Lease is originally to June 30, 2021*, and thereafter, at the option of the Mayor and Council of the City for such additional fiscal periods (July 1 through June 30) as are necessary to complete the anticipated term thereof through and including June 30, 2040*.

* Preliminary, subject to change.

(3) We express no opinion regarding the excludability of the portion of each lease payment made by the City pursuant to the Lease and denominated as and comprising interest pursuant to the Lease and received by the owners of the Certificates from gross income for federal or State of Arizona income tax purposes.

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 G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$132,850,000*
CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease-Purchase Agreement, dated as of August 1, 2020*

(CUSIP BASE NUMBER 338430)

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Flagstaff, Arizona (the “*City*”), in connection with the execution and delivery of \$132,850,000* aggregate principal amount of Certificates of Participation, Series 2020A (Taxable) (the “*Obligations*”) Evidencing Undivided Proportionate Interests of the Owners Thereof in Lease Payments to be Made by City of Flagstaff, Arizona, as Lessee of Certain Property Pursuant to a Lease-Purchase Agreement, dated as of August 1, 2020*. The Obligations are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2020* (the “*Trust Agreement*”), by and between the City and Zions Bancorporation, National Association, 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 the Audited Financial Statements.

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

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

Commission means the Securities and Exchange Commission.

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

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

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

Final Official Statement means the Final Official Statement relating to the Obligations, dated _____, 2020.

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

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

Lease Agreement means the Lease-Purchase Agreement, dated as of August 1, 2020*, by and between the City and the Trustee, in its separate capacity as “Lessor.”

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

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

MSRB means the Municipal Securities Rulemaking Board.

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

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

State means the State of Arizona.

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

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

CUSIP No. (Base 338430)	Maturity Date (August 1)
_____	_____

4. *Annual Financial Information Disclosure.* Subject to Section 8 of this Undertaking and annual appropriation of amounts necessary to pay costs of preparation and dissemination thereof, 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 D), 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 and annual appropriation of amounts necessary to pay costs of preparation and dissemination thereof, the City shall disseminate in a timely manner, but not more than ten (10) business days after occurrence of the event, 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 Lease 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; *provided, however*, that such performance would be subject to annual appropriation of amounts necessary to pay costs of preparation and dissemination of the information required hereby.

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 Listed Event.

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

[Signature page follows.]

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

Dated: [Closing Date]

CITY OF FLAGSTAFF, ARIZONA

By _____
Management Services Director

ATTEST:

City Clerk

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

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 final official statement need not be available from the Commission. The City shall clearly identify each such item of information included by reference.

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, but in no case later than the first business day in February of each year, commencing February 1, 2021. If Audited Financial Statements are not available by the first business day in February of each year, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

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

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

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

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CITY, SPECIAL COUNSEL, THE FINANCIAL ADVISOR OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Taxable 2020A Certificates. The Taxable 2020A Certificates 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 certificate will be issued for each maturity of the Taxable 2020A Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). 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 Taxable 2020A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Taxable 2020A Certificates on DTC's records. The ownership interest of each actual purchaser of each Taxable 2020A Certificate ("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 Taxable 2020A Certificates 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 Taxable 2020A Certificates, except in the event that use of the book-entry system for the Taxable 2020A Certificates is discontinued.

To facilitate subsequent transfers, all Taxable 2020A Certificates 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 Taxable 2020A Certificates 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 Taxable 2020A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Taxable 2020A Certificates 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 Taxable 2020A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Taxable 2020A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of Taxable 2020A Certificates may wish to ascertain that the nominee holding the Taxable 2020A Certificates 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Taxable 2020A Certificates 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 Taxable 2020A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Taxable 2020A Certificates will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Taxable 2020A Certificates at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, in the event that a successor depository is not obtained, Bond 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, Bond certificates will be printed and delivered to DTC.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE TAXABLE 2020A CERTIFICATES UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE TAXABLE 2020A CERTIFICATES; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE TAXABLE 2020A CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF TAXABLE 2020A CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Taxable 2020A Certificates, as nominee of DTC, references herein to "Owner" or registered owners of the Taxable 2020A Certificates (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Taxable 2020A Certificates.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City or the Trustee to DTC only.

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.

CERTIFICATE PURCHASE AGREEMENT

**\$(PAR)
CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease Purchase Agreement, Dated as of August 1, 2020**

July ____, 2020

City of Flagstaff, Arizona
c/o The Honorable Mayor and Council
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “*Underwriter*”), offers to enter into this Certificate Purchase Agreement (this “*Agreement*”) with the City of Flagstaff, Arizona (the “*City*”), which, upon written acceptance of this offer, will be binding upon the City and the Underwriter. This offer is made subject to written acceptance hereof by the City before 11:59 p.m., Arizona time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof. Terms not defined in this Agreement shall have the same meanings assigned to them in the Trust Agreement and the Official Statement (both defined herein).

1. *Purchase and Sale of the Certificates.*

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter shall purchase all, but not less than all, and the City shall cause Zions Bancorporation, National Association, as trustee (the “*Trustee*”), to execute, sell and deliver to the Underwriter all of the \$(PAR) principal amount of Certificates of Participation, Series 2020A (Taxable) (the “*Certificates*”), evidencing proportionate ownership interests in the Lease Payments to be made by the City.

(b) Inasmuch as this purchase and sale represents a negotiated transaction, the City acknowledges and agrees that: (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the City and the Underwriter and that the Underwriter has financial and other interests that differ from those of the City; (ii) the Underwriter is not acting as municipal advisor, financial advisor, or fiduciary to the City and 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); (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set

forth in this Agreement; and (iv) the City has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The Underwriter has been duly authorized to execute this Agreement and to act hereunder.

(c) The principal amount of the Certificates to be executed and delivered, the dated date thereof and the maturities, redemption provisions and interest rates and yields per annum therefor are set forth in the Schedule hereto. The Certificates shall be as described in, and shall be executed, delivered and secured under and pursuant to the provisions of, a Trust Agreement, dated as of August 1, 2020 (the “*Trust Agreement*”), between the City and the Trustee, and authorized by an Ordinance of the Council of the City (the “*Council*”) adopted on June 23, 2020 (the “*Ordinance*”).

(d) The Certificates represent undivided proportionate interests of the owners thereof in lease payments (the “*Lease Payments*”) to be received from the City pursuant to a Lease-Purchase Agreement, dated as of August 1, 2020 (the “*Lease*”), by and between the City and the Trustee, as the rental price for certain real property and improvements thereto (the “*Leased Property*”). The obligations of the City under the Lease will be payable exclusively from appropriated funds and will not be a general obligation or indebtedness of the City for any purpose.

(e) The purchase price of the Certificates shall be \$_____, which represents an aggregate principal amount of the Certificates of \$[PAR], plus original issue premium of \$_____, less an underwriting discount of \$_____. [For convenience, the Underwriter shall pay by the Closing (as defined herein), on behalf of the City, \$_____ from the proceeds of the Certificates to the Insurer (as defined herein) as payment of the bond insurance premium for the Policy (as defined herein).]

2. *Public Offering.* The Underwriter shall make a *bona fide* public offering of all of the Certificates at yields not less than the public offering yields set forth on the inside cover page of the Official Statement and may subsequently change such offering yields without any requirement of prior notice. The Underwriter may offer and sell Certificates to certain dealers (including dealers depositing Certificates into investment trusts) and others at yields higher than the public offering yields stated on the inside cover of the Official Statement.

3. *Reserved.*

4. *The Official Statement.*

(a) The Preliminary Official Statement dated _____, 2020 (including the cover page, the inside cover page and Appendices thereto, the “*Preliminary Official Statement*”), of the City relating to the Certificates, to be subsequently revised to reflect the changes resulting from the sale of the Certificates and including amendments or supplements thereto, is hereinafter called the “*Official Statement*.”

(b) The Preliminary Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Certificates. 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 Certificates 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 appropriate officials of the City have reviewed and approved the information in the Official Statement and that the Council has authorized 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 Certificates. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the acceptance by the City of this Agreement (but, in any event, not later than within seven (7) business days after the acceptance by the City 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”). The City hereby confirms that it does not object to the distribution of the Official Statement in electronic form.

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide the 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 twenty-five (25) days after the “end of the underwriting period” for the Certificates), 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 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 expense of the City (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) 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 hereinafter defined Closing Date.

5. *Representations, Warranties, and Covenants of the City.* The undersigned on behalf of the City, but not individually, represents and warrants to and covenants with, as applicable, the Underwriter that:

(a) The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State of Arizona (the “*State*”) with powers specifically required for purposes of this Agreement and has now and at the Closing Date will have full legal right, power and authority to cause the Ordinance to be adopted and (i) to enter into, execute and deliver the Ground Lease, dated as of August 1, 2020 (the “*Ground Lease*”), by and between the City and the Trustee, the Ordinance, the Trust Agreement, the Lease, this Agreement, and an Undertaking of the City which satisfies the requirements of Section (b)(5)(i) of the Rule (the “*Undertaking*” and such documents referred to in this clause (i) hereinafter collectively referred to as the “*City Documents*”), (ii) to cause the sale and execution and delivery of the Certificates as provided herein, and (iii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and the City has complied, and will at the Closing Date be in compliance in all material 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) the adoption of the Ordinance and the sale and execution and delivery of the Certificates, (ii) the approval, execution and delivery of, and the performance by the City of the obligations on its part contained in, the Certificates and the City Documents, and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the City Documents 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) The City Documents constitute legal, valid and binding obligations of the City, 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; the Certificates, when paid for and executed and delivered, in accordance with the Ordinance, the Trust Agreement and this Agreement, will constitute legal, valid and binding obligations of the City entitled to the benefits of the Trust Agreement 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 upon the execution and delivery of the Certificates as aforesaid, the Trust Agreement will provide, for the benefit of the holders, from time to time, of the Certificates, the legally valid and binding pledge of and lien it purports to create as set forth in 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, resolution, agreement or other instrument to which the City is a party or to which the City is 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 Certificates and the City Documents and the adoption of the Ordinance and compliance with the provisions on the part of the City contained herein and therein will not conflict with or constitute a 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 pledged to secure the Certificates or under the terms of any such law, regulation or instrument, except as provided by the Certificates and the Trust Agreement;

(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 and the Certificates have been duly obtained, except 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 Certificates;

(f) The Certificates conform to the descriptions thereof contained in the Official Statement under the caption “THE TAXABLE 2020A CERTIFICATES”; the proceeds of the sale of the Certificates will be applied generally as described in the Official Statement under the caption “PLAN OF FINANCE” and the Undertaking conforms to the description thereof contained in the Official Statement in Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING”;

(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 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 or execution and delivery of the Certificates or the appropriation of Lease Payments to pay the principal of and interest on the Certificates or in any way contesting or affecting the adoption of the Ordinance or the validity or enforceability of the Certificates or the City Documents, 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 Certificates, 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 Certificates or the City Documents;

(h) As of the date thereof and hereof, the Preliminary Official Statement (excluding information under the headings “TAX MATTERS,” “RATING” and “UNDERWRITING” and in Appendix H) 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) As of the date of the City’s acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement (excluding information under the headings “TAX MATTERS,” “RATING” and

“UNDERWRITING” and in Appendix H) 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 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently 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 (excluding information under the headings “TAX MATTERS,” “RATING” and “UNDERWRITING” and in Appendix H) 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 City will apply, or cause to be applied, the proceeds from the sale of the Certificates as provided in and subject to all of the terms and provisions of the Trust Agreement;

(l) 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 Certificates 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 Certificates 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 Certificates (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 Certificates 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 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 governmental accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted governmental accounting principles consistently applied throughout the periods covered (except as otherwise disclosed in the Official Statement or financial statements);

(n) Except as otherwise disclosed in the Official Statement, since June 30, 2019, the City has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, result of operations or condition, financial or otherwise, of the City that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business;

(o) 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 its knowledge, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City;

(p) 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, except in the ordinary course of business, without the prior approval of the Underwriter which shall not be unreasonably withheld;

(q) 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;

(r) The City has fully submitted the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Section 35-501(B), Arizona Revised Statutes, and shall file the information relating to the Certificates required to be submitted pursuant to Section 35-501(B), Arizona Revised Statutes, within sixty (60) days of the Closing Date; and

(s) Except as otherwise indicated in the Official Statement, the City has been and is in compliance in all material respects during the last five years with the terms of all continuing disclosure undertakings previously executed by the City pursuant to the Rule.

6. *Closing.*

(a) Before 10:00 a.m., Arizona time, on August __, 2020 (the “*Closing Date*”), or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter, the City will, subject to the terms and conditions hereof, cause the Certificates to be delivered to the Underwriter duly executed, 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 Certificates as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the City (the “*Closing*”). Payment for the Certificates as aforesaid shall be made at the offices of Greenberg Traurig, LLP (“*Special Counsel*”), or such other place as shall have been mutually agreed upon by the City and the Underwriter.

(b) Delivery of the Certificates 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 Trustee or by such other means as shall have been mutually agreed upon by the City and the Underwriter. The Certificates shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Certificate for each maturity of the Certificates, 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.

7. *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 and thereunder, both as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Agreement to purchase, to accept delivery of and to pay

for the Certificates 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 Closing Date, as if made on the Closing Date;

(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 Date;

(c) At the time of the Closing, (i) the City Documents, the hereinafter defined Trustee Documents and the Certificates 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 and in full force and effect in order for Special Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At or prior to the Closing, the Ordinance shall have been duly adopted and delivered by the City and the Trustee shall have duly executed and delivered the Certificates;

(e) 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 reasonable judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Certificates on the terms and in the manner contemplated in the Official Statement;

(f) At the Closing Date, no “event of default” shall have occurred or be existing under the City Documents or the Trustee Documents nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default under the City Documents or the Trustee Documents;

(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, and each supplement or amendment thereto, if any, executed on behalf of the City 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 City Documents and the Trustee Documents;

(3) the approving opinion of Special Counsel, dated the Closing Date, with respect to the Certificates, 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;

(4) a supplemental opinion of Special Counsel dated the Closing Date, addressed to the Underwriter, substantially to the effect that:

(i) the Ordinance has been duly adopted and is in full force and effect;

(ii) it is not necessary, in connection with the offering and sale of the Certificates, to register the Certificates under the Securities Act of 1933, as amended (the “*1933 Act*”) or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended (the “*Trust Indenture Act*”);

(iii) the information contained in the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of its date and as of the Closing Date, on the cover page thereof, under the headings entitled “INTRODUCTION,” “THE TAXABLE 2020A CERTIFICATES,” “SOURCES OF PAYMENT OF THE TAXABLE 2020A CERTIFICATES,” “SECURITY FOR THE TAXABLE 2020 CERTIFICATES,” “TAX MATTER” and “CONTINUING DISCLOSURE” (other than matters relating to the City’s compliance with prior undertakings as to which no opinion shall be expressed) therein, and in Appendices E, F and G thereto, insofar as such information summarizes certain provisions of the Certificates, the City Documents and certain provisions of Arizona and federal law, including the federal and Arizona income status of interest on the Certificates, 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 their entirety by, the complete documents which are summarized and, based solely on our participation in the transaction as Special Counsel, nothing has come to their attention that would lead them to believe that the information and statements in the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of the date hereof and as of the Closing Date, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that they express no view as to the financial statements of the City, any other financial forecast, technical or statistical data, and any information in the Preliminary Official Statement or the Official Statement regarding DTC.

They have not undertaken to review or determine independently, and assume no responsibility for, the accuracy or completeness of the information in the Preliminary Official Statement or the Official Statement except to the extent indicated hereinabove;

(iv) this Agreement has been duly authorized, executed and delivered by the City and (assuming due authorization and execution by the Underwriter) is a legal, valid and binding obligation of the City, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion;

(v) the Undertaking has been duly authorized, executed and delivered by the City and is a legal, valid and binding obligation of the City, enforceable in accordance with its terms; subject to customary exceptions for bankruptcy and judicial discretion;

(vi) the distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the City; and

(vii) 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 Ground Lease, the Lease, the Trust Agreement, the Undertaking and this Agreement) is required in connection with the execution, delivery and performance by the City of the Ground Lease, the Lease, the Trust Agreement, the Undertaking and this Agreement;

(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 Certificates, or the appropriation of Lease Payments to pay the principal of and interest on the Certificates, (iii) in any way contesting or affecting the validity or enforceability of the Certificates, the City Documents or any agreements entered into in connection therewith, (iv) contesting the use of the Leased Property as contemplated by the City Documents, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (vi) which may adversely affect the City or its properties; nor, to the best knowledge of such counsel, is there any reasonable basis therefor;

(6) An opinion of counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter to the effect that:

(i) the Certificates 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 Certificates, to register the Certificates under the 1933 Act and the Trust Agreement need not be qualified under the Trust Indenture Act;

(ii) the Undertaking meets the requirements of paragraph (b)(5)(i) of the Rule and

(iii) based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as counsel for the Underwriter and their participation at conferences at which the Preliminary Official Statement and the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of the date hereof and as of the date of Closing, 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 Preliminary Official Statement and the Official Statement and the information regarding DTC and its book-entry system [and the Insurer and the Policy], in each case as to which no view need be expressed);

(7) A certificate, dated the Closing Date, of appropriate representatives of the City to the effect that, to the best knowledge, information and belief of those executing the certificate:

(i) the representations and warranties of the City 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) except as otherwise described in the Official Statement, no litigation or proceeding against it is pending or threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the City to hold and exercise their respective positions, (b) contest the due organization and valid existence of the City, (c) contest the validity, due authorization and execution of the Certificates, the City Documents or the Trustee Documents, (d) attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and appropriating Lease Payments or other amounts, including payments on the Certificates pursuant to the City Documents or (e) which if resolved adversely to the City, would have a material adverse effect on (I) the functioning of the City, the operations of the City, its revenues or its properties, or payment by the City of the amounts due under the Lease in the manner and time required thereby or (II) the validity or enforceability of the Lease or the financial condition of the City or its operations;

(iii) the Ordinance has been duly adopted by the City, is in full force and effect and has not been modified, amended or repealed;

(iv) the audited financial statements included in the Official Statement were true and correct as of June 30, 2019, and the other financial statements and other financial statistical data included in the Official Statement are true and correct as of the date of such certificate; and

(v) no event affecting the City has occurred since the respective dates of the Preliminary Official Statement and the Official Statement which should be disclosed therein 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 date hereof with respect to the Preliminary Official Statement and as of the Closing Date with respect to the Official Statement, and the information contained in the Preliminary Official Statement and the Official Statement (excluding the information under the headings “TAX MATTERS,” “RATING” and “UNDERWRITING” and in Appendix H) is correct in all material respects and, as of its date and as of the date hereof with respect to the Preliminary Official Statement and as of its date and as of the Closing Date with respect to 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 made therein, in the light of the circumstances under which they were made, not misleading;

(8) Any other certificates and opinions required by the Ordinance or the Trust Agreement for the execution and delivery thereunder of the Certificates;

(9) A letter from S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC and Fitch Ratings, Inc. confirming that the Certificates have been assigned (i) an underlying rating of “___” and “___”, respectively, and (ii) a rating of “___” based on issuance of the Policy (the “*Ratings*”), and that the Ratings are then in effect;

(10) A certificate or certificates, dated the Closing Date, of an authorized officer of the Trustee that:

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America with the power and authority to exercise corporate trust powers in the State and has full power and authority to (A) acquire and hold title to or a leasehold interest in, as applicable, the Leased Property, and (B) execute and deliver and perform its obligations under the Certificates, the Ground Lease, the Lease and the Trust Agreement (such documents referred to in this clause (B) hereinafter collectively referred to as the “*Trustee Documents*”) and all other documents executed and delivered by the Trustee in connection with the issuance of the Certificates and the acquisition and the lease-purchase of the Leased Property;

(ii) The Trustee has by proper corporate action duly authorized (A) the acquisition of title to or a leasehold interest in, as applicable, the Leased Property, and (B) the execution and delivery of, and the due performance of its

obligations under the Trustee Documents and the taking of any and all other actions as may be required on the part of the Trustee to carry out, give effect to and consummate the transaction contemplated by such Trustee Documents;

(iii) The Trustee Documents (when executed and delivered by the other parties thereto) will be, legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and to the availability of equitable relief;

(iv) No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the “blue sky” laws of any jurisdiction) is required with respect to the Trustee in connection with the issuance and sale of the Certificates, the acquisition of title to or a leasehold interest in, as applicable, the Leased Property or the execution and delivery by the Trustee of, or the performance by the Trustee of its obligations under, the Trustee Documents;

(v) The execution and delivery by the Trustee of the Trustee Documents and the compliance by the Trustee with the provisions thereof do not and will not materially conflict with or result in a material breach or violation of any of the terms or provisions of, or constitute a default under any resolution, indenture, deed of trust, mortgage commitment, agreement or other instrument to which the Trustee is a party or by which the Trustee is bound, or any constitutional provision, existing law, administrative regulation, court order or consent decree to which the Trustee or its property is subject;

(vi) There is no litigation, action, suit or proceeding pending or threatened by or before any court, administrative agency, arbitrator or governmental body that challenges (A) the authority of the Trustee, its officers or its employees to acquire the Leased Property, (B) the proper authorization, execution and delivery of the Trustee Documents, (C) the assignment of its rights under the Lease, or (D) the ability of the Trustee to otherwise perform its obligations under the Trustee Documents and to carry out the transactions contemplated thereby; and

(vii) The representations and warranties of the Trustee set forth in the Trustee Documents are, and as of the Closing Date will be, true, accurate and complete as if made on the Closing Date;

(11) The filing copy of the information required to be submitted pursuant to Section 35-501(B), Arizona Revised Statutes;

(12) [Evidence that _____ (the “*Insurer*”) has issued its municipal bond insurance policy (the “*Policy*”) with respect to the Certificates as well as appropriate opinions and certifications from the Insurer relating to the Policy;]

(13) Evidence of insurance or Qualified Self-Insurance required by the Lease to be maintained on the Leased Property; and

(14) 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 Date, of the representations and warranties of the City 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 Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the City.

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 Certificates contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 9(c) hereof shall continue in full force and effect.

8. *Termination.* The Underwriter shall have the right to cancel its obligation to purchase the Certificates and to terminate this Agreement by written notice to the City if, between the date hereof and including the Closing Date, in the Underwriter’s sole and reasonable judgment any of the following events shall occur:

(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 interest received on obligations of the general character of the Certificates or, with respect to State taxation, of the interest on the Certificates 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 a 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 Certificates, 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 Certificates, 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 Certificates as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Certificates or as to obligations of the general character of the Certificates, 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 City, its property, income securities (or interest thereon), or the validity or enforceability of the Certificates;

(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) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis;

(j) any fact or event shall exist or have existed that, in the judgment of the Underwriter, requires or has required an amendment of or supplement to the Preliminary Official Statement or the Official Statement;

(k) there shall have occurred any withdrawal or downgrading, or any notice shall have been given of (A) any intended or potential withdrawal or downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the obligations of the City (including the rating to be accorded the Certificates) [or obligations insured by the Insurer]; and

(l) the purchase of and payment for the Certificates by the Underwriter, or the resale of the Certificates by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

9. *Expenses.*

(a) The Underwriter shall be under no obligation to pay, and the City shall pay, all 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 Certificates, the Preliminary Official Statement and the Official Statement and any amendment or supplement thereto; (ii) the fees and disbursements of Special Counsel, counsel to the Underwriter and Counsel to the Trustee; (iii) the fees and disbursements of the Trustee and the lessor pursuant to the Lease, and any engineers, accountants, and other experts, consultants or advisers retained by the City, if any; and (iv) the fees for the [Ratings and the Policy]. 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 and the execution and delivery of the Certificates, including miscellaneous closing costs.

(b) Except as provided for above, the Underwriter shall pay (from the expense component of the underwriting discount): (i) all advertising expenses in connection with the public offering of the Certificates; and (ii) all other expenses incurred by it in connection with its public offering and distribution of the Certificates.

(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" reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The City acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the execution and delivery of the Certificates.

10. *Notice Concerning Cancellation.* To the extent applicable by provision of law, this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein.

11. *Notices.* Any notice or other communication to be given under this Agreement must be given by delivering the same in writing to:

To the City:	City of Flagstaff, Arizona 211 West Aspen Avenue Flagstaff, Arizona 86001 Attention: Management Services Director
To the Trustee:	Zions Bancorporation, National Association <hr/> <hr/> Attention: Global Corporate Trust
To the Underwriter:	Stifel, Nicolaus & Company, Incorporated 2325 E. Camelback Road, Suite 750 Phoenix, Arizona 85016 Attention: Grant Hamill, Managing Director

12. *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 representations, warranties and agreements of the City 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 Certificates pursuant to this Agreement; and (iii) any termination of this Agreement.

13. *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.

14. *Choice of Law.* This Agreement shall be governed by and construed in accordance with the law of the State.

15. *Severability.* If any provision of this Agreement shall be held or deemed to, 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.

16. *Business Day.* For purposes of this Agreement, “business day” means any day on which the New York Stock Exchange is open for trading.

17. *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.

18. *Counterparts; Electronic Signature.* 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. The electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. For purposes hereof: (i) "electronic signature" means a manually signed original signature that is then transmitted by electronic means; and (ii) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format (pdf) or other replicating image attached to an email or internet message.

[Signature page follows.]

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 Agreement shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED,**
Underwriter

By: _____
Name: Mark Reader
Title: Managing Director

Accepted and agreed at _____ .M,
MST, this _____ day of _____ 2020
CITY OF FLAGSTAFF, ARIZONA

By: _____
Name: Rick Tadder
Title: Management Services Director

[Signature page to Certificate Purchase Agreement]

SCHEDULE

\$(PAR)
CERTIFICATES OF PARTICIPATION, SERIES 2020A (TAXABLE)
Evidencing Undivided Proportionate Interests of the Owners Thereof in
Lease Payments to be Made by
CITY OF FLAGSTAFF, ARIZONA,
as Lessee of Certain Property Pursuant
to a Lease Purchase Agreement, Dated as of August 1, 2020

DATED DATE: CLOSING DATE

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

Optional Redemption. The Certificates payable as to principal before or on August 1, 20__ will not be subject to optional prepayment. The Certificates payable as to principal on or after August 1, 20__ will be subject to optional prepayment, at the direction of the City, on any date on or after August 1, 20__, in whole or in part, at a prepayment price equal to the principal amount evidenced thereby plus interest with respect thereto to the prepayment date, without premium.

Mandatory Prepayment. The Certificates payable as to principal on August 1 in the years 20__ (the “*Term Certificates*”), are subject to mandatory prepayment and shall be paid on August 1 in the respective years set forth below, in the amounts set forth below, by payment of a prepayment price equal to the principal amount of such Term Certificates called for prepayment plus the interest accrued to the date fixed for prepayment, but without premium.

Term Certificates Maturing August 1, 20__

*Maturity

Extraordinary Redemption. The Certificates will be subject to prepayment on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds that are deposited in the Lease Payment Fund for such purpose as provided in the Lease, at a prepayment price equal to the principal amount evidenced thereby, plus interest to the prepayment date, without premium.

TRUST AGREEMENT

by and between

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Trustee,**

and

**CITY OF FLAGSTAFF, ARIZONA,
as Lessee**

Dated as of _____ 1, 2020

relating to

\$____,000

**Certificates of Participation, Series 2020A (Taxable)
Evidencing Undivided Proportionate Interests of the Owner Thereof in
Lease Payments to be Made by
City of Flagstaff, Arizona,
as Lessee of Certain Property Pursuant
to a Lease-Purchase Agreement, dated as of _____ 1, 2020**

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EXHIBIT A: Form of 2020 Certificate

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TRUST AGREEMENT

THIS TRUST AGREEMENT dated as of _____ 1, 2020 (this "*Trust Agreement*"), by and between ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee (the "*Trustee*" or "*Lessor*"), and CITY OF FLAGSTAFF, ARIZONA (the "*Lessee*"), a municipal corporation duly organized and existing pursuant to the laws of the State of Arizona;

WITNESSETH:

WHEREAS, the Lessee and the Trustee have entered into a Ground Lease, dated as of even date herewith, pursuant to which the Lessee has leased certain real property (the "*Leased Land*"), to the Lessor, and the Lessor has leased the Leased Land from the Lessee; and

WHEREAS, in order to fund all or a portion of the Lessee's unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System and one or more contingency reserve funds with respect to pension and related liabilities (the "*Project*"), the Lessee and the Lessor have entered into a Lease-Purchase Agreement, dated as of even date herewith (the "*Lease Agreement*"), whereby the Lessor has agreed to lease its interest in the Leased Land together with improvements now or hereafter existing on the Leased Land (collectively, the "*Leased Property*") to the Lessee and the Lessee has agreed to lease the Leased Property from the Lessor; and

WHEREAS, for the purpose of obtaining moneys in an amount sufficient to finance the Project, the Trustee has agreed to execute and deliver the herein described 2020 Certificates, evidencing undivided proportionate interests in the Lease Agreement and the Lease Payments and Prepayments (as such terms and other capitalized terms used herein are hereinafter defined) to be made by the Lessee pursuant thereto,

GRANTING CLAUSES

NOW, THEREFORE, in order to secure (i) all Certificates executed, delivered and Outstanding pursuant to this Trust Agreement, (ii) the payment of the principal and interest evidenced by the Certificates, and (iii) the rights of the Owners of the Certificates and the performance and observance of the covenants and conditions contained in the Certificates, the Lease Agreement, the Ground Lease and herein, the Trustee is hereby directed to acquire, to receive and to hold as security for the Owners of the Certificates and does hereby declare an irrevocable trust and acknowledge its acceptance of all right, title and interest in and to, the following described property (the "*Trust Estate*") and the Trustee and the Lessee hereby agree as thereafter provided:

GRANTING CLAUSE FIRST

All right, title and interest of the Lessor in and to the Ground Lease and the Lease Agreement and the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable pursuant to the Lease Agreement, (ii) to bring actions and proceedings pursuant

thereto or for the enforcement thereof, and (iii) to do any and all things that the Lessor is or may become entitled to do pursuant thereto; provided that this clause shall not transfer, impair or diminish any right of the Lessor pursuant to any of the assigned instruments for indemnification, reimbursement of fees, costs and expenses or to receive notices or approve amendments, and

GRANTING CLAUSE SECOND

All right, title and interest of the Lessor in and to 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.

All such rights and interest held by the Trustee pursuant hereto shall be exercised, held and administered according to the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners from time to time of Certificates.

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the following meanings:

“2020 Certificates” means the \$____,000 aggregate principal amount of Certificates of Participation, Series 2020A (Taxable) Evidencing Undivided Proportionate Interests of the Owners Thereof in Lease Payments to be made by City of Flagstaff, Arizona, as Lessee of Certain Property Pursuant to a Lease-Purchase Agreement dated as of _____ 1, 2020, to be executed and delivered in denominations of \$5,000 denominated as principal or integral multiples thereof payable as to interest semiannually as provided in Article II hereof.

“2020 Underwriter” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the 2020 Certificates.

“Additional Certificates” means any certificates executed and delivered pursuant to Section 2.11 hereof.

“Additional Rent” means any payments to be made pursuant to Section 4.7 of the Lease Agreement in addition to the Lease Payments.

“Aggregate Value” means, with respect to any Certificates, the Outstanding principal amount thereof.

“Authorized Denominations” means \$5,000 denominated as principal and any integral multiple thereof.

“*Bankruptcy Code*” means the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

“*Beneficial Owner*” means any person on behalf of whom a DTC Participant holds an interest in the 2020 Certificates.

“*Business Day*” means a day of the year other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed.

“*Certificates*” means, jointly, the 2020 Certificates and any Additional Certificates executed and delivered pursuant hereto.

“*Closing Date*” means _____, 2020.

“*Code*” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any regulations promulgated pursuant thereto.

“*Costs*” means the costs incurred in financing the Project.

“*Defeasance Obligations*” means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause), and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A) U.S. treasury obligations, (B) all direct or fully guaranteed obligations, (C) Farmers Home Administration, (D) General Services Administration, (E) Guaranteed Title XI financing, (F) Government National Mortgage Association (GNMA), and (G) State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the execution, sale and delivery, as applicable, of the Ground Lease, the Lease Agreement, this Trust Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Lessor, legal fees and charges, accountants’ verification fees, insurance fees and charges, costs of any title insurance policy, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and any other costs, expenses, fees and charges in connection with the foregoing.

“*Delivery Costs Fund*” means the fund by that name established and held by the Trustee pursuant to Section 3.2 hereof.

“DTC” means The Depository Trust Company, New York, New York, and any successor corporation.

“DTC Participant” means those broker-dealers, banks and other financial institutions reflected on the books of DTC as holding beneficial interests in the 2020 Certificates.

“Electronically” or “Electronic” notice means notice transmitted through email, a time-sharing 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 Bankruptcy” means the commencement of a case by or against the Lessee pursuant to the Bankruptcy Code or pursuant to any other domestic bankruptcy act or any similar act which hereafter may be enacted (other than such proceedings initiated by the Lessee against third parties other than the Lessee), unless such case shall have been dismissed and such dismissal shall be final and not subject to appeal.

“Event of Default” means an event of default described in Section 9.1 of the Lease Agreement.

“Fiscal Period” means a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period that may be established hereafter as the fiscal year of the Lessee for budgeting purposes.

“Ground Lease” means the Ground Lease, dated as of even date herewith, by and between the Lessor and the Lessee, relating to the Leased Land, together with any duly authorized and executed amendment thereto permitted hereunder.

“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 Lessor, the Trustee or the Lessee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to Article VII hereof.

“Interest Payment Date” means, with respect to the 2020 Certificates, August 1 and February 1 of each year, commencing _____ 1, 20__, or, if any such date is not a Business Day, the next succeeding Business Day and (b) with respect to any Additional Certificates, the date or dates specified in the supplement to this Trust Agreement authorizing the execution and delivery of such Additional Certificates.

“Lease Agreement” means the Lease-Purchase Agreement, dated as of even date herewith, by and between the Lessee and the Lessor, together with any duly authorized and executed amendment thereto permitted hereunder.

“Lease Payment” means all payments required to be paid by the Lessee on any date pursuant to Section 4.4 of the Lease Agreement, as set forth in Exhibit A thereto.

“*Lease Payment Fund*” means the fund by that name established and held by the Trustee pursuant to Article V hereof.

“*Leased Land*” means that certain real property located in Coconino County, Arizona, described in the Lease Agreement which is being leased by the Lessee to the Lessor pursuant to the Ground Lease.

“*Leased Property*” means the Leased Land, together with all improvements now and hereafter existing thereon, which is being leased by the Lessor to the Lessee pursuant to the Lease Agreement.

“*Lessee*” means City of Flagstaff, Arizona.

“*Lessee Representative*” means the Management Services Director of the Lessee, or any other person designated by the Management Services Director of the Lessee to act on behalf of the Lessee pursuant to or with respect to this Trust Agreement and the Lease Agreement by a certificate filed with the Trustee containing the specimen signature of such person signed by the Management Services Director of the Lessee.

“*Lessor*” means Zions Bancorporation, National Association, solely in its capacity as trustee, and its successors and assigns pursuant to the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor nationally recognized securities rating agency.

“*Net Proceeds*” means any insurance proceeds (other than proceeds of any insurance policy maintained pursuant to Section 5.3 of the Lease Agreement) or condemnation award in excess of \$25,000, paid with respect to the Leased Property, or any proceeds resulting from the re-renting or re-leasing of all or any portion of the Leased Property pursuant to Section 9.2(c) of the Lease Agreement, remaining after payment therefrom of all expenses incurred in the collection thereof.

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

- (i) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

- (ii) Certificates that are deemed paid and no longer Outstanding as provided herein;

- (iii) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions hereof relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

- (iv) For the purposes described in Section 10.3 hereof, the Certificates described in said Section 10.3.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate, means the person in whose name such Certificate shall be registered.

“Paying Agent” means the Trustee.

“Permitted Encumbrances” mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or that the Lessee may, pursuant to provisions of Article V of the Lease Agreement, permit to remain unpaid; (ii) the Lease Agreement; (iii) this Trust Agreement; (iv) the Ground Lease; (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist as of the Closing Date and that the Lessee certifies in writing will not materially impair the use of the Leased Property; and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the Lessee consent in writing.

“Permitted Investments” means and includes (to the extent permitted by law):

- (a) Defeasance Obligations;
- (b) Obligations of any federal agencies, which obligations represent the full faith and credit of the United States of America, including, but not limited to, the following:
 - (i) Export-Import Bank,
 - (ii) Rural Economic Community Development Administration,
 - (iii) U.S. Maritime Administration,
 - (iv) Small Business Administration,
 - (v) U.S. Department of Housing & Urban Development (PHAs),
 - (vi) Federal Housing Administration, and
 - (vii) Federal Financing Bank;
- (c) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (i) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
 - (ii) Obligations of the Resolution Funding Corporation (REFCORP),and

(iii) Senior debt obligations of the Federal Home Loan Bank System;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase; provided, however, ratings on holding companies are not considered as the rating of the bank;

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(g) Pre-refunded "Municipal Obligations", defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (ii) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; and

(h) Municipal Obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P.

"Prepayment" means any payment made, in whole or in part, pursuant to Article X of the Lease Agreement as a prepayment of the Lease Payments.

"Project" means the "Project" to be financed with the proceeds of the sale of the Certificates as described in this Trust Agreement.

“*Project Fund*” means the fund by that name established and held by the Trustee pursuant to Section 3.1 hereof.

“*Qualified Self-Insurance*” means any program of self-insurance regarding which the Trustee has received a written evaluation of an independent insurance consultant or actuarial consultant having a favorable reputation for skill and experience and an opinion of such consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability.

“*Register*” means the registration books maintained by the Trustee or the Registrar pursuant to Section 2.7(b) hereof.

“*Registrar*” means the Trustee.

“*Regular Record Date*” means the close of business on the 15th day of the month preceding an Interest Payment Date.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or any successor nationally recognized securities rating agency.

“*Special Counsel*” means any law firm, acceptable to the Lessee Representative and the Trustee, having a national reputation in the field of law relating to municipal bonds whose opinions are generally accepted by purchasers of municipal obligations.

“*Special Interest Payment Date*” means the Business Day established by the Trustee for the payment of overdue interest evidenced by the 2020 Certificates pursuant to Section 2.2 hereof.

“*Special Record Date*” means the Business Day established by the Trustee for determination of the registered Owners entitled to receive overdue interest evidenced by the 2020 Certificates pursuant to Section 2.2 hereof.

“*State*” means the State of Arizona.

“*Term*” or “*Term of the Lease Agreement*” means the time during which the Lease Agreement is in effect, as provided in Section 4.2 of the Lease Agreement.

“*Trust Agreement*” means this Trust Agreement, together with any amendments or supplements hereto permitted to be made pursuant hereto.

“*Trustee*” means Zions Bancorporation, National Association, and any successor thereto acting as trustee pursuant to this Trust Agreement.

Section 1.2 Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.3 Interpretation.

(a) Any reference herein to the Lessor, Trustee or Lessee or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Any terms not defined herein, but defined in the Lease Agreement shall have the same meaning herein.

(d) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 1.4 Execution and Delivery of 2020 Certificates. To accomplish the financing of the Project, the 2020 Certificates shall be executed and delivered in an amount sufficient to pay costs of the Project and other costs incurred in connection with the execution and delivery of the 2020 Certificates as set forth in this Trust Agreement.

Section 1.5 Notices for 2020 Certificates Held by a Depository. Notwithstanding the provisions hereof which provide for notices to Owners by mail, so long as the 2020 Certificates are held by DTC or any other securities depository, such notices may be given by Electronic means in lieu of mailed notice.

ARTICLE II

THE 2020 CERTIFICATES; ADDITIONAL CERTIFICATES

Section 2.1 Authorization of the 2020 Certificates.

(a) The Trustee is hereby authorized and directed to prepare and execute and deliver or cause to be delivered to the 2020 Underwriter the 2020 Certificates, in an aggregate amount denominated as principal of \$____,000. The 2020 Certificates shall evidence undivided proportionate interests in the Lease Agreement and in the Lease Payments and the Prepayments to be made pursuant thereto.

(b) Except as provided in Section 2.11 hereof, the Trustee shall not at any time while the Certificates are Outstanding execute and deliver additional certificates payable from the Lease Payments or secured by a lien and charge upon the Leased Property on a parity with or prior to the lien and charge securing the Outstanding Certificates hereunder.

Section 2.2 Date of the 2020 Certificates. Each 2020 Certificate shall bear the dated date of the date of initial execution and delivery thereof, and interest evidenced by each

2020 Certificate shall be payable from such dated date and then from the Interest Payment Date next preceding the date of execution thereof, unless (i) it is executed as of an Interest Payment Date, in which event interest evidenced thereby shall be payable from such date of execution or (ii) it is executed after a Regular Record Date and before the following Interest Payment Date, in which event interest evidenced thereby shall be payable from such Interest Payment Date; provided, however, that if, as of the date of execution of any 2020 Certificate, interest evidenced by any Outstanding 2020 Certificate is in default, interest evidenced by such 2020 Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding 2020 Certificates unless it is executed after a Special Record Date and before the following Special Interest Payment Date, in which event interest evidenced thereby shall be payable from the scheduled Interest Payment Date next preceding such date of execution.

In the event there are insufficient funds available on any Interest Payment Date to pay the interest then due on the 2020 Certificates, the Regular Record Date shall no longer be applicable with respect to the 2020 Certificates. If sufficient funds for the payment of such interest thereafter become available, the Trustee shall immediately establish a Special Interest Payment Date for the payment of the overdue interest and a Special Record Date for determining the Owners entitled to such payments. Notice of the establishment of any such Special Interest Payment Date and Special Record Date shall be mailed by the Trustee to each Owner not less than ten days before the Special Record Date nor more than 30 days before the Special Interest Payment Date. Such overdue interest shall be paid on the Special Interest Payment Date to the Owners of the 2020 Certificates as of the Special Record Date.

Section 2.3 Terms of the 2020 Certificates. The 2020 Certificates shall be executed and delivered only in fully registered form, without coupons, and shall be numbered from one upwards, in the order of their execution, with any other designation as the Trustee deems appropriate. The 2020 Certificates shall be in Authorized Denominations, except that no 2020 Certificate may evidence principal scheduled for payment on more than one date, and shall be payable as to principal on the dates and in the amounts, and interest evidenced thereby shall be computed at the rates, as shown below:

Scheduled Payment Date <u>(August 1)</u>	<u>Amount</u>	Interest <u>Rate</u>
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Interest evidenced by the 2020 Certificates shall be payable on the Interest Payment Dates. Said interest shall represent the portion of Lease Payments designated as interest and paid during the six month or shorter period preceding each Interest Payment Date with respect to the 2020 Certificates. The proportionate share of the Lease Payments designated as interest with respect to any 2020 Certificate shall be computed by multiplying the portion of the Lease Payments designated as principal evidenced by such 2020 Certificate by the rate of interest applicable to such 2020 Certificate (on the basis of a 360-day year consisting of twelve 30-day months).

Section 2.4 Form of the 2020 Certificates. The 2020 Certificates and the assignment to appear thereon shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein with necessary or appropriate variations, omissions and insertions.

Section 2.5 Execution. The 2020 Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or representative of the Trustee. If any such officer or representative whose signature appears on any 2020 Certificate ceases to be such officer or representative before the date of delivery thereof, such signature shall nevertheless be as effective as if the officer or representative had remained as such until such date of delivery. Any 2020 Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2020 Certificate shall be the proper officer or representative of the Trustee although at the nominal date of such 2020 Certificate such person shall not have been such officer or representative of the Trustee.

Section 2.6 Application of Proceeds and Other Moneys. The proceeds received by the Trustee from the sale of the 2020 Certificates shall forthwith be set aside by the Trustee in the following respective amounts and funds:

- (a) \$_____ into the Delivery Costs Fund; and
- (b) \$_____ into the Project Fund.

Section 2.7 Registration, Transfer and Exchange of 2020 Certificates.

(a) All 2020 Certificates executed and delivered hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the 2020 Certificates.

(b) So long as any 2020 Certificates are Outstanding, the Trustee shall maintain at its designated office the Register and shall provide for the registration and transfer of any 2020 Certificate pursuant to such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering 2020 Certificates in accordance with the provisions hereof.

(c) Each 2020 Certificate shall be transferable only upon the Register by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner thereof or his duly authorized attorney. Upon surrender for transfer of any 2020 Certificate, the Trustee shall authenticate and deliver, in the name of the transferee, one or more new 2020 Certificates of the same aggregate principal amount and scheduled payment date as the surrendered 2020 Certificate.

(d) Any 2020 Certificate, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the Owner thereof or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged

for an equal aggregate principal amount of 2020 Certificates with the same scheduled payment date of any other Authorized Denominations.

(e) All 2020 Certificates surrendered in any exchange or transfer of 2020 Certificates shall forthwith be canceled by the Trustee in accordance with the customary practices of the Trustee and applicable retention laws.

(f) In connection with any such exchange or transfer of 2020 Certificates, 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 with respect to such exchange or transfer.

(g) The Trustee may but shall not be obligated to exchange or register the transfer of any 2020 Certificate (i) that has been called or selected for call for prepayment in whole or in part, or (ii) during a period of 15 days preceding the giving of a notice of prepayment. If the transfer of any 2020 Certificate that has been called or selected for call for prepayment in whole or in part is registered, any notice of prepayment that has been given to the transferor shall be binding upon the transferee and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the 2020 Certificate or 2020 Certificates.

Section 2.8 Mutilated, Lost, Destroyed and Stolen Certificates. If (i) any mutilated 2020 Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any 2020 Certificate, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to hold it harmless, then, in the absence of written notice to the Trustee that such 2020 Certificate has been acquired by a bona fide purchaser and upon the Owner paying the reasonable expenses of the Trustee, the Trustee shall cause to be executed and shall authenticate and deliver, in exchange for such mutilated 2020 Certificate or in lieu of such destroyed, lost or stolen 2020 Certificate, a new 2020 Certificate of like principal amount, date and tenor. If the principal amount evidenced by any such mutilated, destroyed, lost or stolen 2020 Certificate has become, or will on or before the next Interest Payment Date become, due and payable, the Trustee may, in its discretion, pay such 2020 Certificate when due instead of delivering a new 2020 Certificate.

Section 2.9 Payment. Payment of interest evidenced by any 2020 Certificate on any Interest Payment Date or any Special Interest Payment Date shall be made to the person appearing on the Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date or, if applicable, the Special Record Date immediately preceding such Special Interest Payment Date, such interest to be paid by (i) check or draft mailed to such Owner at his address as it appears on the Register or at such other address as he may have filed with the Trustee for that purpose, or (ii) to any Owner of \$1,000,000 or more in aggregate principal amount evidenced by 2020 Certificates as of the close of business of the Trustee on the Regular Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a Special Interest Payment Date, by wire transfer in immediately available funds sent (at such Owner's expense) on the Interest Payment Date or Special Interest Payment Date in accordance with written notice from such Owner containing the wire transfer address (which shall be in the United States) to which such Owner wishes to have such wire

transfer directed, which written notice is received not later than ten days before the Regular Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for a Special Interest Payment Date, it being understood that such notice may refer to multiple interest payments.

Section 2.10 Execution of Documents and Proof of Ownership. 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 2020 Certificate 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 2020 Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2020 Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(i) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate of an officer of any bank or trust company located within the United States of America, which need not be acknowledged or verified. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership or limited liability company on behalf of such corporation, association, partnership or limited liability company, such certificate shall also constitute sufficient proof of his authority.

(ii) The fact of the ownership of 2020 Certificates by any person and the amount, the scheduled payment date and the numbers of such 2020 Certificates and the date of his holding the same shall be proved by the Register maintained pursuant to Section 2.7(b) hereof.

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 that the Trustee may deem sufficient. Any request or consent of the Owner of any 2020 Certificate shall bind every future Owner of the same 2020 Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.11 Execution and Delivery of Additional Certificates. So long as no Event of Default or termination of the Lease Agreement pursuant to Section 4.2(b) of the Lease Agreement has occurred and will continue after execution and delivery of any Additional Certificates, the Trustee may execute and deliver, at the direction of the Lessee, Additional Certificates from time to time to provide funds to pay the costs of refunding Outstanding Certificates.

Before the Trustee shall deliver any Additional Certificates executed pursuant to a supplement authorized by Article X hereof, the following items shall have been received by the Trustee:

(i) Original executed counterparts of any amendments or supplements to the Lease Agreement and of this Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates that are necessary or advisable, in the opinion of Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of this Trust Agreement.

(ii) A written opinion of Special Counsel, reasonably satisfactory to the Trustee, to the effect that (A) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of this Trust Agreement, (B) any filings required to be made pursuant to Section 11.4 of this Trust Agreement have been made, and (C) all conditions precedent to the delivery of the Additional Certificates have been fulfilled.

(iii) A written opinion of Special Counsel (who also may be the counsel to whom or which reference is made in paragraph (ii) above), to the effect that when executed and delivered by the Trustee, the Additional Certificates will be valid and binding in accordance with their terms and will be secured hereunder equally and on a parity with all other Certificates at the time Outstanding hereunder as to the assignment to the Trustee of the amounts pledged hereunder.

(iv) A written opinion of Special Counsel (who also may be the counsel to whom or which reference is made in paragraph (ii) above), reasonably satisfactory to the Trustee, to the effect that any amendments or supplements to the Lease Agreement entered into in connection with the execution and delivery of the Additional Certificates have been duly authorized, executed and delivered by the Lessee, and that the Lease Agreement, as amended or supplemented, constitutes a legal, valid and binding obligation of the Lessee, enforceable in accordance with its terms, subject to exceptions reasonably satisfactory to the Trustee for bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(v) Evidence that the Lessee has obtained the additional amount of insurance or self-insurance, if any, required to be maintained pursuant to Sections 5.3 and 5.4 of the Lease Agreement as a result of the execution and delivery of the Additional Certificates.

(vi) Evidence satisfactory to the Trustee of confirmation that the ratings on any Outstanding Certificates will remain the same, immediately after execution and delivery of the Additional Certificates.

When the documents listed above have been received by the Trustee, the Trustee shall execute and deliver the Additional Certificates to or on the order of the original purchaser thereof, but only upon payment of the agreed-upon purchase price for the Additional Certificates.

Section 2.12 Book-Entry-Only System. The 2020 Certificates shall be initially executed and delivered in the form of a single fully registered certificate for each scheduled principal payment date of the 2020 Certificates. Upon initial execution and delivery, the ownership of such 2020 Certificates shall be registered in the Register in the name of Cede &

Co., as nominee of DTC, and except as hereinafter provided, all of the Outstanding 2020 Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to the 2020 Certificates registered in the Register in the name of Cede & Co., as nominee of DTC, the Trustee shall have no responsibility or obligation to any DTC Participant or to any Beneficial Owner, nor any responsibility or obligation to any DTC Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the 2020 Certificates pursuant to or through DTC or any DTC Participant, or any other person with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the payment by DTC or any DTC Participant of any amount in respect of the 2020 Certificates, (iii) the giving of any notice that is permitted or required to be given to Owners pursuant to this Trust Agreement, or (iv) any consent given or other action taken by DTC as an Owner.

Notwithstanding any other provision of this Trust Agreement to the contrary, the Trustee shall be entitled to treat and consider the person in whose name each 2020 Certificate is registered in the Register as an absolute Owner of such 2020 Certificate for the purpose of payment, for the purpose of giving notices of prepayment with respect to any 2020 Certificate, for the purpose of registering transfers with respect to such 2020 Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by any 2020 Certificate only to or upon the order of the respective 2020 Certificate Owners, as shown in the Register as provided in this Trust Agreement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the 2020 Certificates to the extent of the sum or sums so paid. No person other than a 2020 Certificate Owner, as shown in the Register, shall receive a 2020 Certificate evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Trust Agreement.

Notwithstanding any other provision of this Trust Agreement or the 2020 Certificates, so long as the 2020 Certificates are held in book-entry form and registered in the name of Cede & Co., as nominee of DTC, or registered in the name of any successor securities depository, or its nominee, the following provisions shall apply:

(i) Presentation of 2020 Certificates to the Paying Agent at prepayment or at scheduled payment date, or delivery of 2020 Certificates to the Paying Agent in connection with a purchase of tendered 2020 Certificates, shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2020 Certificates through DTC or a DTC Participant is transferred by DTC on its books.

(ii) DTC may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners pursuant to this Trust Agreement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2020 Certificates through DTC or DTC Participants.

The 2020 Certificate Owners have no right to a depository for the 2020 Certificates. Subject to the consent of DTC or the DTC Participants, the Lessee or the Trustee

may remove DTC or any successor thereto for any reason at any time. In such event, the Trustee shall (i) appoint a successor securities depository qualified to act as such pursuant to Section 17(i) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate 2020 Certificates to such successor securities depository, or (ii) notify DTC of the availability through DTC of 2020 Certificates and transfer one or more separate 2020 Certificates to DTC Participants having 2020 Certificates credited to their DTC accounts as directed by DTC. In such event, the 2020 Certificates shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving 2020 Certificates shall designate, in accordance with the provisions of this Trust Agreement. The Lessee and the Trustee may conclusively rely upon (i) a certificate of the DTC as to the identity of the DTC Participants and (ii) a certificate of such DTC Participants as to the identity of, and the respective principal amounts of 2020 Certificates beneficially owned by, the beneficial owners.

The Trustee and the Lessee may execute the letter of representations in connection with the execution and delivery of the 2020 Certificates. The letter of representation is for the purpose of effectuating the book-entry-only system only and shall not be deemed to amend, supersede or supplement the terms of this Trust Agreement that are intended to be complete without reference to the letter of representation. In the event of any conflict between the terms of the letter of representations and the terms of this Trust Agreement, the terms of this Trust Agreement shall control. DTC may exercise the rights of a 2020 Certificate Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

ARTICLE III

PROJECT FUND AND DELIVERY COSTS FUND

Section 3.1 Project Fund. The Trustee shall establish a special fund designated the “*Project Fund*”. The Trustee shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided herein and in the Lease Agreement. Proceeds from the sale of the 2020 Certificates shall be deposited in the Project Fund as described in Section 2.6(b) hereof.

The Trustee shall make disbursements from the Project Fund to pay or reimburse any Costs that may be approved as provided herein. Each of the payments referred to in this Section 3.1 shall be made only upon a written order signed by the Lessee Representative substantially in the form attached hereto as Exhibit B entitled “Order for Disbursement.” The Trustee may rely conclusively on any such Order for Disbursement received and shall have no obligation to make an independent investigation in connection therewith. Any amount remaining in the Project Fund on _____ 1, 20__, and after provision for payment of any necessary and related Costs as authorized herein which are then due and payable, shall be immediately transferred to the Lease Payment Fund.

The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the Lessee Representative, of the moneys held in the Project Fund in Permitted Investments and the disbursement thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by any Lessee Representative in connection with disbursements made pursuant to this Section.

Section 3.2 Delivery Costs Fund. The Trustee shall establish a special fund designated the “*Delivery Costs Fund*.” The Trustee shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided herein and in the Lease Agreement. Proceeds from the sale of the 2020 Certificates shall be deposited in the Delivery Costs Fund as described in Section 2.6(a) hereof.

The Trustee shall make disbursements from the Delivery Costs Fund only upon a requisition signed by the Lessee Representative, substantially in the form attached hereto as Exhibit B entitled “Order for Disbursement”, setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or persons to whom such amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund. The Trustee may rely conclusively on any such Order for Disbursement received and shall have no obligation to make an independent investigation in connection therewith. Amounts remaining in the Delivery Costs Fund after _____ 1, 2020, or such earlier date as the Lessee has notified the Trustee that all Delivery Costs relating to the 2020 Certificates have been paid, shall be transferred to the Lease Payment Fund.

The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the Lessee Representative, of the moneys held in the Delivery Costs Fund in Permitted Investments and the disbursement thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by the Lessee Representative in connection with disbursements made pursuant to this Section.

ARTICLE IV

PREPAYMENT OF 2020 CERTIFICATES

Section 4.1 Right to Prepay Certificates. The 2020 Certificates shall be subject to prepayment at such times, to the extent and in the manner provided herein.

Section 4.2 Prepayment.

(a) The 2020 Certificates scheduled for payment on or after August 1, 20__, are subject to optional prepayment prior to such dates, at the direction of the Lessee, on any date on or after August 1, 20__, in whole or in part, in any order designated by the Lessee (or by the Trustee by lot in the event that no designation accompanies the direction of the Lessee to prepay the 2020 Certificates pursuant to this Section 4.2(a)) and by lot within a scheduled payment date, at a prepayment price equal to the principal amount evidenced by the 2020

Certificates to be prepaid plus interest accrued with respect thereto to the date fixed for prepayment, without premium.

(b) (1) The 2020 Certificates scheduled for payment on August 1 of the following years shall be subject to mandatory prepayment prior to their stated payment dates on August 1 of the years set forth below and in the amounts set forth below, at a prepayment price equal to the principal amount thereof plus interest accrued to the date fixed for prepayment, without premium.

2020 Certificates Payable August 1, 20

Prepayment Date

Principal Amount

*

* Stated Payment Date

(2) Whenever 2020 Certificates subject to mandatory prepayment are purchased, redeemed (other than because of mandatory prepayment) or are delivered by the Lessee to the Trustee for cancellation, the principal amount of the 2020 Certificates represented thereby so retired shall satisfy and be credited against the mandatory prepayment therefor in any order specified by the Lessee.

(c) The 2020 Certificates are subject to prepayment on any August 1 or February 1, in whole or in part, from the Net Proceeds, which Net Proceeds have been deposited in the Lease Payment Fund and credited towards the Prepayment made by the Lessee pursuant to Section 10.3 of the Lease Agreement, in any order designated by the Lessee (or by the Trustee by lot in the event that no such designation is received by the Trustee at the time such Net Proceeds are deposited with the Trustee) and by lot within a scheduled payment date, at a prepayment price equal to the principal amount evidenced by the 2020 Certificates to be prepaid plus accrued interest with respect thereto to the date fixed for prepayment, without premium.

Section 4.3 Selection of Certificates to be Prepaid. If less than all of the 2020 Certificates of the same scheduled payment date are to be prepaid hereunder, the Lessee may timely select the 2020 Certificates to be prepaid or, if the Lessee does not so select, the Trustee shall select the 2020 Certificates to be prepaid by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each 2020 Certificate as evidencing that number of 2020 Certificates of \$5,000 denominations as is obtained by dividing the principal amount evidenced by such 2020 Certificate by \$5,000.

Section 4.4 Partial Prepayment of Certificates. Upon the selection and call for prepayment of, and the surrender of, any 2020 Certificate for prepayment in part only, the Trustee shall cause to be executed and delivered to or upon the written order of the Owner thereof, at the expense of the Lessee, a new 2020 Certificate or 2020 Certificates of Authorized

Denominations in an aggregate principal amount equal to the unrepaid portion of the 2020 Certificate surrendered, in accordance with instructions received from the Owner thereof, with one 2020 Certificate being delivered in the absence of such instructions.

Section 4.5 Effect of Call for Prepayment. On the date designated for prepayment by notice given as herein provided, the 2020 Certificates so called for prepayment shall become and be payable at the prepayment price provided for prepayment of such 2020 Certificates on such date. If on the date fixed for prepayment moneys for payment of the prepayment price and accrued interest are held by the Trustee as provided herein, interest evidenced by the 2020 Certificates so called for prepayment shall cease to accrue, such 2020 Certificates shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Trustee and the amount of such 2020 Certificates so called for prepayment shall be deemed paid and no longer Outstanding.

Section 4.6 Notice of Prepayment.

(a) Whenever prepayment of 2020 Certificates is to be made, the Trustee shall give notice of the prepayment of such 2020 Certificates, which notice shall specify the prepayment date, the prepayment price and the place or places where such prepayment price will be payable and, if less than all of the 2020 Certificates are to be prepaid, the numbers or other distinguishing marks of such 2020 Certificates so to be prepaid, and, in the case of 2020 Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amounts thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each 2020 Certificate to be prepaid the price of such 2020 Certificate or the specified portion thereof in the case of a 2020 Certificate to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable on such 2020 Certificate or portion thereof so to be prepaid. In the case of an optional prepayment pursuant to Section 4.2(a) hereof, such notice shall further state that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the prepayment, with the Trustee no later than the prepayment date and such notice and optional prepayment shall be of no effect if such moneys are not so deposited.

(b) Such notice shall be given by mailing a copy of such notice, first class United States mail postage prepaid, not less than 30 days nor more than 60 days before the prepayment date, to all Owners of any 2020 Certificates or portions of 2020 Certificates that are to be prepaid at their last addresses appearing upon the Register, but failure so to mail any such notice, or a defect in such notice, as to any 2020 Certificate shall not affect the validity of the proceedings for the prepayment of any other 2020 Certificate.

(c) In addition to the notice called for in subsections (a) and (b), further notice shall be given by the Trustee as set out below, but no defect in said further notice or any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment or result in a breach of trust by the Trustee of notice thereof given as above prescribed:

(i) Each further notice of prepayment given hereunder shall contain the information required above for an official notice of prepayment plus (A) the CUSIP numbers of all 2020 Certificates being prepaid; (B) the date of execution and delivery of the 2020 Certificates as originally executed and delivered; (C) the rate of interest borne by each 2020 Certificate being prepaid; (D) the specified principal payment date of each 2020 Certificate being prepaid; and (E) any other descriptive information needed to identify accurately the 2020 Certificates being prepaid.

(ii) Each further notice of prepayment shall be sent at least 35 days before the prepayment date, by Electronic means, to all registered securities depositories that are registered owners of the 2020 Certificates then in the business of holding substantial amounts of obligations of types such as the 2020 Certificates (such as, at the time of execution and delivery of this Trust Agreement, DTC) and to one or more national information services that disseminate notices of prepayment of obligations such as the 2020 Certificates (such as, at the time of execution and delivery of this Trust Agreement, the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board).

(d) A second notice of prepayment shall be given within 60 days after the prepayment date in the manner required above to each of the Owners of the 2020 Certificates designated for prepayment that have not been presented for payment within 30 days after the prepayment date.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.1 Rights in Lease Agreement. The Trustee acknowledges and agrees that its right, title and interest as lessor in and to the Lease Agreement, including but not limited to the rights of the Lessor to receive and collect Lease Payments, Additional Rent, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, is held in trust pursuant to the provisions hereof. All Lease Payments, Additional Rent and Prepayments to which the Trustee, as lessor, may at any time be entitled shall be received, held and disposed of by the Trustee pursuant to the provisions of this Trust Agreement for the benefit of the Owners from time to time of the Certificates.

Section 5.2 Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated the "*Lease Payment Fund*." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Lease 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.

Section 5.3 Deposits. There shall be deposited in the Lease Payment Fund all Lease Payments and Prepayments received by the Trustee, including any moneys received by the

Trustee for deposit therein pursuant to Section 4.4 or Articles VI, IX or X of the Lease Agreement, all income and gain on investments of the Lease Payment Fund and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to this Trust Agreement.

Section 5.4 Application of Moneys. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and prepayment premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof.

Section 5.5 Transfers of Investment Earnings to Lease Payment Fund. All income and gain on investments of the Project Fund shall be retained therein until the completion of the financing of the Project, and any balance in the Project Fund on such date shall be transferred to the Lease Payment Fund. All income and gain on investments of the Delivery Costs Fund shall be retained therein until _____ 1, 2020, and any balance in the Delivery Costs Fund on such date shall be transferred to the Lease Payment Fund.

Section 5.6 Surplus. Any surplus remaining in the Lease Payment Fund, after prepayment and payment of all Certificates, including premiums and accrued interest (if any) and payment of any Additional Rent, 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 Lessee.

ARTICLE VI

[RESERVED TO PRESERVE NUMBERING SCHEME]

ARTICLE VII

INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 7.1 Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Leased Property collected by the Lessee in the event of any such accident or destruction shall be transferred to the Trustee pursuant to Section 6.2 of the Lease Agreement and deposited by the Trustee in a special fund designated the “*Insurance and Condemnation Fund*” to be applied and disbursed by the Trustee as provided in Section 6.2(a) of the Lease Agreement.

Section 7.2 Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee determines, based upon a report of an independent engineer or other independent professional, that (A) such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the ability of the Lessee to meet any of its obligations pursuant to the Lease Agreement, and (B) that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the Prepayments required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

(ii) If the Trustee determines, based upon a report of an independent engineer or other independent professional, that (A) such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the ability of the Lessee to meet any of its obligations pursuant to the Lease Agreement, and (B) such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the Lessee, or to its order, from said proceeds such amounts as the Lessee may expend for such repair, rehabilitation or replacement, upon the filing of requisitions of the Lessee Representative, certificates of architects or engineers and other documents as the Trustee may at its discretion request. The Trustee may rely conclusively on any such requisition received and shall have no obligation to make an independent investigation in connection therewith.

(iii) If (A) less than all of the Leased Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the Trustee determines, based upon a report of an independent engineer or other independent professional, that such eminent domain proceedings have materially affected the operation of any of the Leased Property, or (B) all of the Leased Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Article IV hereof.

The Lessee shall be required to obtain, at its own expense, and provide to the Trustee the report of an independent engineer or other independent professional consultant before the Trustee is required to make any determination pursuant to this Section 7.2. Any such determination by the Trustee shall be made within 45 days after the conclusion of such eminent domain proceeding and shall be final.

Section 7.3 Cooperation. The Trustee shall cooperate fully with the Lessee at the request and expense of the Lessee in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any part thereof.

ARTICLE VIII

MONEYS IN FUNDS; INVESTMENT

Section 8.1 Held in Trust. Except as otherwise provided in Section 8.8 hereof, the moneys and investments held by the Trustee pursuant to this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, 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 Lessor, the Trustee or the Lessee or any Owner of Certificates.

Section 8.2 Investments Authorized. Permitted Investments acquired hereunder, 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 is specifically authorized to purchase or invest in shares of any investment company provided that such investments are Permitted Investments and at the time of such investment, such investment company (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial, or other services for compensation), (ii) invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States, and (iii) maintains a constant asset value per share. The Trustee is specifically authorized to implement its automated cash investments system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

Section 8.3 Accounting. The Trustee shall quarterly, or at such other intervals as the Trustee and the Lessee shall from time to time agree upon (but in no event less frequently than semiannually or more frequently than monthly), prepare and furnish to the Lessee an accounting of all moneys received and all payments, expenditures and investments made by the Trustee hereunder since the last previous accounting. 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 Sections 8.2 and 8.6 hereof. Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the City shall confirm that the investment transactions identified therein accurately reflect the investment directions of the City, unless the City notifies the Trustee in writing to the contrary within thirty (30) days of the date of such statement.

Section 8.4 Allocation of Earnings. Any loss on investments shall be charged to the respective funds from which such investments were made, and any interest, income or profit on any deposit of funds shall be deposited and transferred as provided in Sections 5.3, 5.5 and 8.8 hereof.

Section 8.5 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 fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. The Trustee shall value certificates of deposit and bankers' acceptances at the face amount thereof plus accrued interest thereon. The value of any investment not specified above shall be established by prior agreement among the Lessee and the Trustee.

The Trustee may sell at the best price reasonably obtainable, or present for prepayment, 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 8.6 Deposit and Investment of Moneys in Funds.

(a) Moneys in all funds held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated office, to the fullest amount possible in Permitted Investments as directed, in writing, by the Lessee; provided that the maturity date or the date on which such Permitted Investments may be prepaid at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds for which the investments were made will be required for the purposes thereof. In the absence of direction from the Lessee, the Trustee shall invest in investments permitted pursuant to paragraph (f) of the definition of Permitted Investments.

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

(c) The Trustee may make any investment permitted by this Section, through or with its own investment department or that of its affiliates or subsidiaries, unless otherwise directed by the Lessee, and may charge its ordinary and customary fees for such trades, including cash sweep account fees.

(d) The Trustee shall sell at the best price reasonably obtainable, or present for prepayment, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund for which such investment was made.

Section 8.7 Liability of Trustee for Investments. The Trustee shall not be liable for any loss resulting from the making of any investment made in accordance with the provisions hereof, except for its own negligence, willful misconduct or breach of trust.

ARTICLE IX

THE TRUSTEE

Section 9.1 Certain Duties and Responsibilities.

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

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement, the Lease Agreement and the Ground Lease (collectively referred to herein as the “*Agreements*”), and no implied covenants or obligations shall be read into the *Agreements* against the Trustee; and

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

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement and the other *Agreements*, including those described in (a) above, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances in the conduct of such person’s own affairs in exercising the rights or remedies or performing any of its duties hereunder.

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

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

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

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with

the direction of the Owners of the Outstanding Certificates as provided herein 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, pursuant to this Trust Agreement or the other Agreements; and

(iv) Except for the obligation (A) to make payment of principal, interest, or premium, if any, evidenced by the Certificates to the Owners thereof pursuant to Section 5.4 hereof or (B) to notify the Owners of any Event of Default pursuant to Section 13.9 hereof, no provision of this Trust Agreement or the other Agreements shall require the Trustee to expend or risk 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 thereunder, 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 adequate indemnity or other assurance against such risk or liability is not reasonably assured to it. Without limiting the generality of the foregoing, such other assurance may include, but shall not be limited to, environmental audits or other evidence satisfactory to the Trustee that it will not incur liability by reason of any remedial action taken pursuant hereto. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the Lessee for all reasonable costs, expenses, including attorneys' fees and expenses, and other fees, and all other reasonable disbursements, including its own fees, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

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

(e) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("*unavoidable delay*") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other occurrences beyond the control of the Trustee; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(f) The Trustee shall accept and act upon facsimile transmissions of written instructions and/or directions pursuant to this Trust Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions and (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions.

Section 9.2 Certain Rights of Trustee. Except as otherwise provided in Section 9.1 hereof:

(a) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Lessee mentioned herein shall be sufficiently evidenced by a certificate of a Lessee Representative, and any action of the Mayor and Council of the Lessee may be sufficiently evidenced by a copy of a resolution certified by the City Clerk of the Lessee to have been duly adopted by the Mayor and Council of the Lessee and to be in full force and effect on the date of such certification and delivered to the Trustee.

(c) Whenever in the administration of this Trust Agreement the Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely conclusively upon a certificate of a Lessee Representative.

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

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(f) The Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers hereunder or performing any duties hereunder or pursuant to the other Agreements and shall not be liable for the negligence or misconduct of such agents and attorneys so long as the Trustee exercises due care in the selection thereof.

(g) The Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder or pursuant to the other Agreements in good faith and in reliance thereon.

(h) The Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to the Agreements or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect liens or security interests. 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 negligence or willful default.

(i) The Trustee shall have no responsibility with respect to any information, statement or recital in any preliminary official statement, official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Certificates.

(j) Notwithstanding any other provision of this Trust Agreement to the contrary, any provision relating to the conduct of, intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee, shall be interpreted to include any action of the Trustee, whether it is deemed to be in its capacity as Trustee, Registrar, or Paying Agent.

(k) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to the extent permitted by law, to inspect any and all books, papers and records of the City pertaining to the Leased Property and the Certificates, and to take such memoranda from and in regard thereto as may be desired.

Section 9.3 Employment of Experts. The Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Trustee), as it reasonably may deem necessary to assist it to carry out any of its obligations hereunder or pursuant to the other Agreements, and shall be reimbursed by the Lessee for all reasonable expenses and charges in so doing.

Section 9.4 Environmental Matters. The Trustee may inform any Owner of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or any portion thereof if the Trustee, in its discretion, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not been adequately indemnified.

Section 9.5 Enforcement of Performance by Others. It shall not be the duty of the Trustee, except as herein provided, to ascertain or inquire whether any duties and obligations herein or in the applicable Agreements imposed upon the Lessee are performed or whether the terms and conditions thereof are observed.

Section 9.6 Right to Deal in Certificates and Take Other Actions. The Trustee may, in its individual or other capacity, in good faith buy, sell or hold and deal in any Certificates with like effect as if it were not such Trustee and may commence or join in any action that an Owner is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee to engage in such business with the Lessee or any Owner. So engaging in such business shall not constitute a breach of trust on the part of the Trustee, but neither shall engaging in such business abrogate, alter or diminish any duty or obligation of the Trustee as Trustee hereunder.

Section 9.7 Removal and Resignation of the Trustee. The Trustee may resign at any time, or may be removed at any time by an instrument or instruments in writing signed by the Lessee or the Owners of not less than a majority in Aggregate Value of the Certificates. Written notice of such resignation or removal shall be given by the Trustee to the Lessee and such resignation or removal shall take effect only upon the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Trustee or the Lessee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the Lessee shall be entitled to appoint a successor Trustee, unless an Event of Default has occurred and is continuing.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall (i) be a trust company or bank in good standing in the State, (ii) be duly authorized to exercise trust powers in the State and subject to examination by a Federal or state authority, and (iii) maintain a reported capital and surplus of not less than \$75,000,000.

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Lessee an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall, upon payment of the fees and expenses owed to the predecessor, execute and deliver an instrument transferring to such successor Trustee all the rights, power and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

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 such company shall be eligible as a successor Trustee pursuant to this Section 9.6 in the case of the Trustee, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 9.8 Proof of Claim. The Trustee shall have the right and power to take actions in the name and place of the Lessee or Owners to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Owners.

Section 9.9 Trustee's Fees and Expenses. The Lessee shall (i) pay as Additional Rent to the Trustee reasonable compensation for all ordinary services rendered by it hereunder and pursuant to the other Agreements (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), (ii) in the event that it should become necessary for the Trustee to perform extraordinary services, reimburse as Additional Rent the Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Trust Agreement and the other Agreements (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust, and (iii) to the extent permitted by applicable law, indemnify and hold the Trustee harmless for, from and against any loss, liability or expense, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; provided, however, that such indemnification shall not extend to claims successfully brought against the Trustee for, or losses, liabilities or expenses incurred as a result of, the Trustee's negligence, bad faith, willful misconduct or breach of trust. The Trustee's rights to compensation, reimbursement and indemnity while serving as Trustee hereunder and in its respective capacity pursuant to the other Agreements shall survive resignation or removal of the Trustee or discharge of the Trust Agreement and the other Agreements.

Any provision hereof to the contrary notwithstanding, if the Lessee fails to make any payment properly due the Trustee for its reasonable fees, costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Trustee) incurred in performance of its duties or for which the Trustee is entitled to indemnity, the Trustee may reimburse itself from any surplus moneys on hand in any fund created pursuant hereto, provided that application of funds upon an Event of Default shall be governed by Section 13.3 hereof.

Section 9.10 Intervention by Trustee. The Trustee may, and shall intervene, if requested by an instrument or instruments in writing signed by the Owners of not less than a majority in Aggregate Value of the Certificates, in any judicial proceeding to which the Lessee is a party and that in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Owners of the Certificates. The rights and obligations of the Trustee pursuant to this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with Section 9.1 hereof before it takes action hereunder.

Section 9.11 Destruction of Certificates. Upon payment of or surrender to the Trustee for cancellation of any Certificate, the Trustee shall destroy such Certificate in accordance with its customary practices and applicable retention laws.

Section 9.12 Separate or Co-Trustee. At any time or times, solely for the purpose of meeting the legal requirements of any jurisdiction, the Lessee and the Trustee shall have power to appoint, and, upon the request of the Trustee or the Owners of at least a majority

in Aggregate Value of Certificates then Outstanding, the Lessee shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons, approved by the Trustee and, unless an Event of Default has occurred and is continuing by the Lessee, either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the pledged property, or to act as separate trustee or separate trustees of all or any part of the pledged property, and to vest in such person or persons, in such capacity, such title to the pledged property or any part thereof, and such rights, powers, duties, trusts or obligations as the Lessee and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

If the Lessee shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

The Lessee shall execute, acknowledge and deliver all such instruments as may reasonably be required by any such co-trustee or separate trustee for more fully and certainly vesting in such co-trustee or separate trustee the property, rights, powers and duties intended to be vested in such co-trustee or separate trustee. The Lessee shall be under no obligation to prepare any such instruments.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(i) The Certificates shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations hereby conferred upon the Trustee in respect to the custody, control and management of moneys, papers, securities and other personal property shall be exercised solely by the Trustee.

(ii) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, pursuant to the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(iii) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee and such co-trustee or separate trustee shall abide by such request.

(iv) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(v) The Trustee may at any time, by any instrument in writing, with the concurrence of the Lessee, accept the resignation of or remove any co-trustee or separate trustee appointed pursuant to this Section, and, in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Lessee. Upon the request of the Trustee, the Lessee shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. The Lessee shall be under no obligation to prepare, record or file any such instruments or agreements.

(vi) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(vii) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(viii) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it shall be vested jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) with such title to the pledged property or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment subject to all the terms hereof. Every such acceptance shall be filed with the Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee, its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the pledged property, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 9.13 Recitals and Representations. The recitals, statements and representations contained herein, in the Lease Agreement, the Ground Lease or in any certificate (excluding the Trustee's execution of the Certificates or any recitals or representations concerning the Trustee or its powers) shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Certificates, or the validity or sufficiency of insurance to be provided or, except as herein required, the filing or recording or registering of any document.

The Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such security. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Trustee of written notice of a default or an Event of Default from the Lessee or any Owner. As used herein, “*actual knowledge*” means the actual fact or state of knowing without any duty to make investigations with regard thereto.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed in connection with the execution and delivery of the Certificates.

ARTICLE X

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.1 Amendments Permitted. This Trust Agreement, the rights and obligations of the Owners of the Certificates, the Lease Agreement and the Ground Lease, and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement that shall become effective when the Owners of a majority in Aggregate Value of the Certificates, exclusive of Certificates disqualified as provided in Section 10.3 hereof, shall have been filed with the Trustee; provided, however, that no such modification or amendment shall (i) extend or have the effect of extending the scheduled principal payment date of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, reducing the amount of principal evidenced thereby or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, (ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease Agreement or this Trust Agreement, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.2 hereof.

This Trust Agreement, the rights and obligations of the Owners of the Certificates, the Lease Agreement and the Ground Lease, and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any Owners of the Certificates, but only to the extent permitted by law and only (w) 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 Lessor or the Lessee, (x) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (y) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and that shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Certificates, or (z) to provide additional terms and conditions in connection with the execution and delivery of Additional Certificates in accordance with Section 2.11 hereof and that shall not, in the opinion of Special Counsel, materially adversely

affect the interests of the Owners of the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 10.2 Procedure for Amendment with Written Consent of Certificate Owners. This Trust Agreement, the Lease Agreement and the Ground Lease may be amended by supplemental agreement as provided in this Section 10.2 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.1 hereof. A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by first class United States mail postage prepaid by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate Register maintained pursuant to Section 2.7(b) hereof, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in Aggregate Value of the Certificates (exclusive of Certificates disqualified as provided in Section 10.3 hereof) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of a Certificate shall be effective only if ownership of the Certificates for which such consent is given is proved in accordance with Section 2.10 hereof. Any such consent shall be binding upon the Owner of the Certificate 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 before the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Aggregate Value of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Aggregate Value of Certificates 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 agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of 60 days after the filing of the papers required by this Section, 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 such 60-day period.

Section 10.3 Disqualified Certificates. Neither Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with, the Lessee (except any Certificates held in any pension or retirement fund) shall be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates 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 that only Certificates which the Trustee knows to be so owned shall be disregarded unless all Certificates are owned by the Lessee or any affiliate thereof and/or held by the Trustee for the account of the Lessee and/or an affiliate thereof, in which case such Certificates shall be considered Outstanding for the purpose of such determination.

Section 10.4 Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement, the Lease Agreement or the Ground Lease, 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 Certificates 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 agreement shall be deemed to be part of the terms and conditions of this Trust Agreement, the Lease Agreement or the Ground Lease, as the case may be, for any and all purposes.

The Trustee may require each Certificate Owner, before his consent provided for in this Article X shall be deemed effective, to certify that the Certificates as to which such consent is given are not disqualified as provided in Section 10.3 hereof.

Section 10.5 Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X 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 Certificate Outstanding at such effective date and presentation of his Certificate for such purpose at the designated corporate trust office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, is necessary and such substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the designated corporate trust office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

Section 10.6 Amendatory Endorsement of Certificates. The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that proper notation thereof is made on such Certificates.

ARTICLE XI

COVENANTS

Section 11.1 Compliance With and Enforcement of Lease Agreement. The Lessee covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it pursuant to the Lease Agreement. The Trustee, as lessor pursuant to the

Lease Agreement, covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it pursuant to the Lease Agreement.

Subject to Section 4.2(b) of the Lease Agreement, the Lessee 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 a ground for cancellation or termination of the Lease Agreement by the Lessor thereunder. The Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting its estate in the Leased Property, which may or can in any manner affect such estate of the Lessee, will deliver the same, or a copy thereof, to the Trustee.

Section 11.2 Observance of Laws and Regulations. The Lessee 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 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 Lessee, including its right to exist as a body corporate pursuant to the laws of the State, 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 11.3 Prosecution and Defense of Suits. The Lessee shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify and save the Trustee and every Certificate Owner harmless for, from and against all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.4 Recordation and Filing. Except as provided in Section 14.11, the Lessee shall record and file the Lease Agreement, and all such documents as may be required by law (and shall take all further actions that 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 Certificate Owners.

Section 11.5 Further Assurances. The Trustee and the Lessee will 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 Lease Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 11.6 Action Upon Termination of Lease. In the event the Lease Agreement is terminated pursuant to Section 4.2(b) thereof, the Trustee shall take possession of the Leased Property on the day following the 45-day reinstatement period provided in Section 4.2(c) of the Lease Agreement or seek a judicial order excluding, or take other action preventing, the Lessee from using the Leased Property and use its best efforts to re-let or sell the same. This

covenant shall be enforceable by the Owners (subject to the requirements set forth in Section 13.8 hereof).

ARTICLE XII

LIMITATION OF LIABILITY

Section 12.1 Limited Liability of Lessee. Except for the payment of Lease Payments and Prepayments when due in accordance with the Lease Agreement, the payment of Additional Rent and the performance of the other covenants and agreements of the Lessee contained in said Lease Agreement, including the payment of fees and expenses and indemnities of the Trustee, the Lessee shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 12.2 No Liability of the Lessee for Trustee Performance. The Lessee shall not have any obligation or liability to any of the Trustee or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it pursuant to this Trust Agreement.

Section 12.3 Indemnification. To the extent permitted by law, the Lessee agrees to indemnify and save the Trustee harmless for, from and against (i) all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages and expenses, including attorneys fees, suffered or incurred by it as a result thereof, where and to the extent such claim, suit or action arises out of the actions of any other party to this Trust Agreement including but not limited to the ownership, operation or use of the Leased Property by the Lessee, and (ii) any taxes required to be paid by the Trustee as a result of the receipt of any amounts pursuant to the Lease Agreement. Such indemnification shall not extend to claims, suits and actions successfully brought against the Trustee for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to this Trust Agreement or for claims, suits and actions successfully brought for willful misconduct, negligence, or breach of duty pursuant to this Trust Agreement by the Trustee or its respective officers, agents, employees, successors or assigns. In the event the Lessee is required to indemnify the Trustee as herein provided, the Lessee shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 12.4 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, which counsel may be counsel to any of the parties hereto, or a certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying thereon so long as the Trustee exercises due care in the selection of such counsel.

Section 12.5 Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall

be construed to give any person other than the Lessee, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim pursuant to or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Trustee and said Owners.

Section 12.6 No Liability of the Trustee for Payment of Lease Payments by Lessee. Except as expressly provided herein, the Trustee shall have no obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by it in the Lease Agreement or the Ground Lease.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.1 Rights Pursuant to the Lease. The Trustee has the right to exercise such rights and remedies conferred on the Lessor pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments, Additional Rent, Prepayments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Lessor's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 13.2 Remedies. If an Event of Default or termination pursuant to Section 4.2(b) of the Lease Agreement, shall happen, then and in each and every such case during the continuance of such Event of Default or termination pursuant to Section 4.2(b) of the Lease Agreement, the Trustee (i) shall take action to exclude the Lessee from the Leased Property, and (ii)(A) may, and (B) upon request of the Owners of not less than a majority in Aggregate Value of the Certificates, shall, exercise any and all other remedies available pursuant to law or granted pursuant to the Lease Agreement including the option to re-rent or re-lease all or any portion of the Leased Property pursuant to Article IX thereof.

Section 13.3 Application of Funds. Upon an Event of Default, all moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XIII or Article IX of the Lease Agreement and any moneys held in the Trust Estate shall be applied by the Trustee in the order following upon presentation of the Certificates, 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 ordinary and extraordinary fees and the costs and expenses of the Trustee in declaring and pursuing remedies in connection with such Event of Default, including reasonable compensation to its or their agents, and attorneys and counsel's fees and expenses and the creation of a reasonable reserve for anticipated fees, costs and expenses, and

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates, for principal and interest with interest on the overdue principal, and, to the extent lawful, installments of interest at the rate of ten percent 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 Certificates, 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 13.4 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 Value of the Certificates shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, the foreclosure of any lien granted herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 13.5 Non-waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement or in the Certificates, shall affect or impair the obligation of the Lessee, which is absolute and unconditional, to pay or prepay the Lease Payments and Additional Rent as provided in the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or any Owner of any of the Certificates 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 XIII to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 13.6 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.7 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 Value of the Certificates, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, 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 the Owners of a majority in Aggregate Value of the Certificates.

Section 13.8 Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy pursuant to or upon this Trust Agreement, unless (i) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder, (ii) the Owners of at least a majority in Aggregate Value of all the Certificates shall have made written request upon the Trustee to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, (iii) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request and (iv) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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 Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right pursuant to 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 Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease 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.

Section 13.9 Notice of Default.

(a) Within 30 days after receipt, in writing or otherwise, by the Trustee of actual knowledge or notice of an Event of Default, the Trustee shall give written notice thereof by first-class mail to each Owner of a Certificate then Outstanding, unless such Event of Default shall have theretofore been cured; provided that, except in the case of a default in the payment of principal or interest evidenced by or the prepayment price of any of the Certificates, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Owners.

(b) The Trustee shall immediately notify the Lessee upon receipt by the Trustee of actual knowledge or notice, in writing or otherwise, of an Event of Default.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Defeasance. If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

- (a) By well and truly paying or causing to be paid the principal and interest and prepayment premiums (if any) evidenced by such Certificates Outstanding, as and when the same become due and payable and all Additional Rent;
- (b) By making an irrevocable deposit with the Trustee, in trust, at or before a scheduled payment date, of money that, together with the amounts then on deposit in the Lease Payment Fund is fully sufficient to pay such Certificates Outstanding, including all principal and interest and premium, if any, evidenced thereby and all Additional Rent;
- (c) By making an irrevocable deposit with the Trustee, in trust, of Defeasance Obligations, together with money, if required, in such amount as will, in the opinion of an independent certified public accountant acceptable to the Trustee, together with the interest to accrue thereon, but without reinvestment thereof, and amounts then on deposit in the Lease Payment Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at their respective specified principal payment dates and pay all unpaid Additional Rent; or
- (d) By making an irrevocable deposit with the Trustee, pursuant to an escrow deposit and trust agreement, of security for the payment of Lease Payments and Additional Rent as more particularly described in Section 10.1 of the Lease Agreement, said security to be held by the Trustee as agent for the Lessee to be applied by the Trustee to pay the Lease Payments and Additional Rent as the same become due and payable, pursuant to Section 10.1 of the Lease Agreement;

notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Lessor, the Trustee and the Lessee with respect to such Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the Lessee from funds deposited pursuant to paragraphs (b) through (d) of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section, the Certificates shall continue to evidence direct and proportionate interests of the Owners thereof in Lease Payments pursuant to the Lease Agreement.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) through (d) of this Section, that are not required for the payment to be made to

Owners, shall first be applied to the payment of Additional Rent and, thereafter, be paid over to the Lessee, subject to Section 9.8 hereof.

Any Certificate or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section; provided, however, that if any such Certificate or portion thereof is to be prepaid, notice of such prepayment shall have been given in accordance with the provisions hereof or the Lessee shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be prepaid and as to the giving of notice of such prepayment; provided further, that if any such Certificate or portion thereof will not be paid or prepaid as to principal within 60 days of the deposit referred to in paragraphs (b) through (d) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

If the Lessee prepays the Lease Payments and Additional Rent in full pursuant to Article X of the Lease Agreement, makes the advance deposit required by Section 10.1 of the Lease Agreement or pays all Lease Payments and Additional Rent during the term of the Lease Agreement as the same become due and payable, all right, title and interest of the Trustee and the Lessor in and to each element of the Leased Property shall be transferred to and vested in the Lessee. Title shall be vested in the Lessee hereunder without the necessity for any further instrument of transfer; but the Trustee and the Lessor agree to take any and all steps and execute and record any and all documents reasonably required by the Lessee to consummate such vesting of title.

Section 14.2 Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed pursuant to this Trust Agreement, which shall be available for inspection by the Lessee and any Owner, or the agent of any of them, at any time during regular business hours of the designated corporate trust office of the Trustee.

Current and prospective Owners and Beneficial Owners of the Certificates may examine the documents provided by the Lessee pursuant to Section 11.1 of the Lease Agreement at the designated corporate trust office of the Trustee and, at their expense, may obtain copies thereof upon request to the Trustee. The Trustee has no duty to review and evaluate the contents of such documents, to notify the Certificate Owners of the contents thereof or, except as set forth above, to send such documents to current or prospective Owners or Beneficial Owners of the Certificates.

Section 14.3 Notices. All written notices to be given pursuant to this Trust Agreement shall be given by mail, personal delivery or confirmed facsimile to the party entitled thereto at its address and/or facsimile set forth below, or at such address and/or facsimile 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 mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below or, in the case of facsimile notice, upon receipt at the facsimile number set forth below, except that notice to the Trustee shall be effective only upon receipt by an officer of the Trustee responsible for the administration of the trusts created pursuant to this Trust Agreement:

If to the Lessee:

City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001-5399
Attention: Management Services Director

If to the Lessor or the Trustee:

Zions Noncorporation, National Association
6001 North 24th Street, Building B
Phoenix, Arizona 85016
Attention: Corporate Trust Services

Section 14.4 Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State. Venue for any proceeding with respect to this Trust Agreement shall be in the Coconino County Superior Court.

Section 14.5 Binding Effect; 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 Lessor, the Lessee 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 Lessor, the Lessee or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.6 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 agreement.

Section 14.7 Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the Lessee of any Certificates, the Trustee may, upon the request of the Lessee Representative, in lieu of such cancellation and delivery, destroy such Certificates and deliver a certificate of such destruction to the Lessee.

Section 14.8 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 14.9 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 14.10 Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates 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 Certificates 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.

Section 14.11 Filing; Bills of Sale. The Trustee shall hold all bills of sale, and transfer same, as required by the provisions of this Trust Agreement.

Section 14.12 Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the Lessee may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee 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 Lessee within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, as amended, is provided by the Lessee. No basis exists for the Lessee to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as amended, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, 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, as amended. 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 Lessee 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 Lessee including granting the Lessee entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Lessee determines that the Trustee’s certification above is false or that it has breached such agreement, the Lessee may impose remedies as provided by law.

Section 14.13 Exchange of Leased Property; Release and Conveyance. If the Lessee exercises its rights to exchange or release Leased Property pursuant to Section 8.3 of the Lease Agreement, the Trustee shall, upon advice of counsel that all conditions contained in said Section 8.3 have been complied with and are satisfied, release the lien of the Trust Agreement from any Leased Property being conveyed to the Lessee in connection with such exchange or release, and shall accept the substitute Leased Property or moneys coming under the lien of the Trust Agreement. The Trustee shall take any and all steps and execute any and all documents reasonably required by the Lessee to consummate the transfer of title in connection with such exchange or release.

Section 14.14 Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by Electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Trustee

By
Authorized Representative

CITY OF FLAGSTAFF, ARIZONA, as Lessee

By
Mayor

ATTEST:

.....
City Clerk

EXHIBIT A

FORM OF 2020 CERTIFICATE

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE EXECUTED AND DELIVERED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR TO 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.

CERTIFICATE OF PARTICIPATION, SERIES 2020A (TAXABLE)

Evidencing an Undivided Proportionate Interest of the Owner

Hereof in Lease Payments to be Made by

CITY OF FLAGSTAFF, ARIZONA,

as Lessee of Certain Property Pursuant

to a Lease-Purchase Agreement, Dated as of _____ 1, 2020

No.

Denomination: \$.....

Interest Rate:

Principal Payment Date:

Dated Date:

CUSIP:

.....

August 1, 20.....

_____, 2020

338430

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate is the owner of an undivided proportionate interest in the Lease-Purchase Agreement, dated as of _____ 1, 2020 (the “*Lease Agreement*”), by and between, as trustee, as lessor (the “*Lessor*”), and City of Flagstaff, Arizona, as lessee (the “*Lessee*”), together with the right to receive certain “Payments” and “Prepayments” made pursuant thereto, which Payments and Prepayments and certain other rights and interests pursuant to the Lease Agreement are held by, as trustee (the “*Trustee*”).

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease Agreement, on the Principal Payment Date set forth above, the Principal Amount set forth above, evidencing a portion of Payments designated as principal coming due during the

preceding 12 months, and to receive on _____ 1, 20__, and semiannually thereafter on February 1 and August 1 of each year (the “*Interest Payment Dates*”) until payment in full of said portion of principal, the Registered Owner’s proportionate share of Payments designated as interest coming due during the six months or shorter period immediately preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Dated Date indicated above and then from the Interest Payment Date next preceding the date of execution of this Certificate (unless (i) this Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) this Certificate is executed after the close of business on the 15th day of the month preceding an Interest Payment Date, whether or not such 15th day is a Business Day (as defined in the hereinafter described Trust Agreement), in which event interest shall be payable from such Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any Certificates of the issue of which this is one, interest hereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment, unless this Certificate is executed after a Special Record Date (as defined in the Trust Agreement) and before the following Special Interest Payment Date (as defined in the Trust Agreement), in which event interest shall be payable from the scheduled Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of Payments designated as interest is the result of the multiplication of the aforesaid portion of Payments designated as principal by the rate per annum set forth above.

Said amounts evidencing the Registered Owner’s share of Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee to the Registered Owner at the close of business on the 15th day of the month preceding an Interest Payment Date (the “*Record Date*”), whether or not such 15th day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Payments designated as interest shall be made on the Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of \$1,000,000 or more in aggregate principal amount evidenced by Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner’s expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written request from such Registered Owner containing the wire transfer address (which shall be in the United States) to which such Registered Owner wishes to have such wire transfer directed, received not later than ten days before the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts evidencing the Registered Owner’s share of Payments designated as principal are payable when due upon surrender of this Certificate at the designated office of the Trustee.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement, dated as of _____ 1, 2020 (the “*Trust Agreement*”), between the Trustee and the Lessee, and is one of a series of certificates limited in aggregate principal

amount to \$____,000 (the “2020 Certificates”). The proceeds of sale of the 2020 Certificates will be used to fund all or a portion of the Lessee’s unfunded pension liabilities. The Lessee is authorized to enter into the Lease Agreement and the Trust Agreement pursuant to the laws of the State of Arizona. Reference is hereby made to the Lease Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2020 Certificates are delivered, the rights thereunder of the Registered Owners of the 2020 Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee pursuant to the Lease Agreement, to all of the provisions of which Lease Agreement and Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The obligation of the Lessee to pay Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Payments does not constitute a debt of the Lessee or the State of Arizona or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The term of the Lease Agreement is from the date thereof until the end of the Lessee’s then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including August 2, 20__, unless terminated prior thereto in accordance with the provisions of the Lease Agreement. If, on or before the third Business Day prior to the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period, the Lessee fails to adopt a budget containing an annual budgetary appropriation sufficient to make all Lease Payments coming due during the Fiscal Period for which such budgeting and appropriation are made, the Lessee will immediately notify the Lessor in writing of that fact. If, on the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period, no such proper budgeting and final appropriation by the Mayor and Council of the Lessee shall have been made all of the Lessee’s right, title and interest in and future obligations pursuant to the Lease Agreement shall terminate (subject to reinstatement as provided therein), effective as of the last day of the last Fiscal Period for which such budgetary appropriation was properly obtained, and the Lessee shall be relieved of any subsequent obligation pursuant to this Lease Agreement with respect thereto, other than to return the Lessor possession of all of the leased property as provided in the Lease Agreement and to pay any accrued and unpaid obligations. If the Lease Agreement terminates pursuant to the preceding sentence and if, within 45 days following such date of termination, amounts described in the preceding sentence are determined to be available that would have permitted the Lease Agreement to have continued in effect with respect to the leased property if such amounts had been determined to be available before the termination of the prior Fiscal Period, then the Lease Agreement shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination, and no such termination shall be deemed to have occurred.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Owners of a majority in Aggregate Value of the 2020 Certificates and may be amended without such Owners’ consent under certain circumstances but in no event such that the

interests of the Owners of the 2020 Certificates 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 Lease Payment or Prepayment thereof in accordance with such Owner's 2020 Certificate.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, 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 Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

As provided in the Trust Agreement, the 2020 Certificates scheduled for payment on or after August 1, 20__, are subject to optional prepayment at the direction of the Lessee, on any date on or after August 1, 20__, in whole or in part in any order designated by the Lessee or, under certain circumstances, by lot by the Trustee, and by lot within a scheduled payment date, at a prepayment price equal to the principal amount evidenced thereby to be prepaid plus interest accrued to the date fixed for prepayment, without premium.

As provided in the Trust Agreement, the 2020 Certificates scheduled for payment on August 1 of the following years shall be subject to mandatory prepayment prior to their stated payment dates on August 1 of the years set forth below and in the amounts set forth below, at a prepayment price equal to the principal amount thereof plus interest accrued to the date fixed for prepayment, without premium.

2020 Certificates Payable August 1, 20__

Prepayment Date

Principal Amount

*

* Stated Payment Date

Whenever 2020 Certificates subject to mandatory prepayment are purchased, redeemed (other than because of mandatory prepayment) or are delivered by the Lessee to the Trustee for cancellation, the principal amount of the 2020 Certificates represented thereby so retired shall satisfy and be credited against the mandatory prepayment therefor in any order specified by the Lessee.

The 2020 Certificates are subject to prepayment on any Interest Payment Date in whole, or in part in any order designated by the Lessee, or, under certain circumstances, by lot by

the Trustee, and by lot within any scheduled payment date, from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to the Lease Agreement, at a prepayment price equal to the principal amount evidenced thereby to be prepaid plus interest accrued to the date fixed for prepayment, without premium.

Notice of prepayment shall be mailed not less than 30 days nor more than 60 days before the date set for prepayment to each Registered Owner of a 2020 Certificate to be so prepaid at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2020 Certificate shall not affect the validity of the proceedings for the prepayment of any other 2020 Certificate. On the specified prepayment date all 2020 Certificates called for prepayment shall cease to bear or accrue interest and shall no longer be secured by the Trust Agreement provided funds for prepayment are on deposit at the place of payment at that time.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

....., as trustee

By
Its: Authorized Representative

ABBREVIATIONS

The following abbreviations, when used in the inscription on this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--	as tenants in common	UNIF GIFT/TRANS MIN ACT--
TEN ENT	--	as tenants by the Custodian entireties
			(Cust) (Minor)
JT TEN	--	as joint tenants with	Under Uniform Gifts/Transfers
		right of survivorship	to Minors Act
		and not as tenants in	(State)
		common	

Additional abbreviations may also be used, though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated

Signature Guaranteed:

.....
(Signature guarantee should be made by a guarantor institution participating in the securities transfer agents medallion program or in such other guarantee program acceptable to the Trustee.

.....
Note: The signature(s) on this assignment must correspond with the name(s) as written on the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

ORDER FOR DISBURSEMENT

Pursuant to Section [3.1/3.2] of the Trust Agreement, dated as of _____ 1, 2020 (the "*Trust Agreement*"), between, as trustee (the "*Trustee*") and City of Flagstaff, Arizona, as lessee (the "*Lessee*"), the undersigned Lessee Representative (as defined in the Trust Agreement) hereby requests and authorizes the Trustee pursuant to the Trust Agreement, as custodian of the [Project Fund/Delivery Costs Fund] created by the Trust Agreement, to pay to the Lessee or to the person(s) listed as payee out of the monies deposited in the [Project Fund/Delivery Costs Fund] the aggregate sum of \$..... to pay such person(s) or to reimburse the Lessee in full for the advances, payments and expenditures made by it.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

- (a) Each item for which disbursement is requested hereunder is properly payable out of the [Project Fund/Delivery Costs Fund] and none of these items has formed the basis for any disbursement heretofore made from said [Project Fund/Delivery Costs Fund].
- (b) Each such item is or was a necessary [Cost/Delivery Cost] as defined in the Trust Agreement.
- (c) This statement and all exhibits hereto shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.
- (d) This statement constitutes approval by the Lessee of the disbursement hereby requested and authorized.

Explanation of this Payment: Name and Address of Payee:

Account #

Claim to be paid on:

.....
Dated

.....
Lessee Representative

DRAFT
05/08/20
06/01/20
06/04/20
06/12/20

When recorded, please return to:

Paul M. Gales, Esq.
Greenberg Traurig, LLP
Suite 700
2375 East Camelback Road
Phoenix, Arizona 85016

EXEMPT FROM AFFIDAVIT AND FEE
PURSUANT TO SECTION 11-1134(A)(3),
ARIZONA REVISED STATUTES, AS
AMENDED

LEASE-PURCHASE AGREEMENT

by and between

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
solely in its capacity as trustee, as Lessor**

and

**CITY OF FLAGSTAFF, ARIZONA,
as Lessee**

Dated as of _____ 1, 2020

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LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT, dated as of _____ 1, 2020 (this “*Lease Agreement*”), by and between ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee, as lessor (the “*Lessor*”), and CITY OF FLAGSTAFF, ARIZONA, as lessee (the “*Lessee*” or the “*City*”), a municipal corporation duly organized and existing pursuant to the laws of the State of Arizona;

WITNESSETH:

WHEREAS, pursuant to a Ground Lease, dated as of even date herewith (the “*Ground Lease*”), the Lessee has leased to the Lessor certain real property, as more fully set forth on Exhibit B hereto (the “*Leased Land*”) and improvements thereon; and

WHEREAS, in order to facilitate the funding of all or a portion of the Lessee’s unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System and one or more contingency reserve funds with respect to pension and related liabilities (the “*Project*”), the Lessor has proposed to re-lease the Leased Land together with the improvements now or hereafter existing on the Leased Land (the “*Leased Property*”) to the Lessee, and the Lessee is authorized pursuant to the laws of the State of Arizona to enter into leasehold agreements for such purposes;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; EXHIBITS

Section 1.1 Definitions. Unless the context otherwise requires, the terms used herein shall have the meanings given to them in the Recitals hereto as well as the following:

“*2020 Certificates*” means the \$____,000 aggregate principal amount of Certificates of Participation, Series 2020A (Taxable) Evidencing Undivided Proportionate Interests of the Owners Thereof in Lease Payments to be made by City of Flagstaff, Arizona, as Lessee of Certain Property Pursuant to a Lease-Purchase Agreement dated as of _____ 1, 2020, to be executed and delivered in denominations of \$5,000 denominated as principal or integral multiples thereof payable as to interest semiannually as provided in Article II of the Trust Agreement.

“*2020 Underwriter*” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the 2020 Certificates.

“*Additional Certificates*” means any certificates executed and delivered pursuant to Section 2.11 of the Trust Agreement.

“*Additional Rent*” means any payments to be made pursuant to Section 4.7 of this Lease Agreement in addition to the Lease Payments.

“*Business Day*” means a day of the year other than (i) a Saturday or Sunday or (ii) a day on which banking institutions located in the city designated for the presentation and payment of Certificates are required or authorized to remain closed.

“*Certificates*” means, jointly, the 2020 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

“*Closing Date*” means _____, 2020.

“*Code*” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any regulations promulgated pursuant thereto.

“*Costs*” means the costs incurred in financing the Project.

“*Defeasance Obligations*” means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause), and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A) U.S. treasury obligations, (B) all direct or fully guaranteed obligations, (C) Farmers Home Administration, (D) General Services Administration, (E) Guaranteed Title XI financing, (F) Government National Mortgage Association (GNMA), and (G) State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the execution, sale and delivery, as applicable, of the Ground Lease, this Lease Agreement, the Trust Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Lessor, legal fees and charges, accountants’ verification fees, insurance fees and charges, costs of any title insurance policy, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and any other costs, expenses, fees and charges in connection with the foregoing.

“*Delivery Costs Fund*” means the fund by that name established and held pursuant to Section 3.2 of the Trust Agreement.

“*Fiscal Period*” means a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period that may be established hereafter as the fiscal year of the Lessee for budgeting purposes.

“Hazardous Substances” means any substance or material at the level defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous or toxic chemical, a hazardous, toxic or radioactive substance, petroleum or other similar term, by any federal, state or local environmental statute, regulation, or ordinance presently in effect or that may be promulgated in the future, as such statutes, regulations and ordinances may be amended from time to time, including, but not limited to, the statutes listed below:

Federal Resource Conservation and Recovery Act of 1976,
42 U.S.C. Sections 6901, et seq.

Federal Comprehensive Environmental Response, Compensation,
and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq.

Federal Emergency Planning and Community Right-to-Know Act
of 1986 42 U.S.C. Sections 11001, et seq.

Federal Clean Air Act, 42 U.S.C. Sections 7401-7642.

Federal Water Pollution Control Act, Federal Clean Water Act of
1977, 33 U.S.C. Sections 1251, et seq.

Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C.
Sections 136, et seq.

“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 Lessor or the Lessee.

“Insurance and Condemnation Fund” means the fund by that name established and held pursuant to Article VII of the Trust Agreement.

“Lease Payments” means the payments required to be paid by the Lessee in the amounts and on the dates as set forth in Exhibit A hereto.

“Lease Payment Fund” means the fund by that name established and held pursuant to Article V of the Trust Agreement.

“Lessee Representative” means the Management Services Director of the City, or any other person designated by the Management Services Director of the City to act on behalf of the Lessee pursuant to or with respect to the Trust Agreement and this Lease Agreement by a certificate filed with the Lessor containing the specimen signature of such person signed by the Management Services Director of the City.

“Lessor Representative” means any officer properly designated in writing to act as such by an appropriate document of the governing body of the Lessor filed with the Lessee containing the specimen signature of such person.

“*Net Proceeds*” means any insurance proceeds (other than proceeds of any insurance policy maintained pursuant to Section 5.3 of this Lease Agreement) or condemnation award in excess of \$25,000, paid with respect to the Leased Property, or any proceeds resulting from the re-renting, re-leasing or sale of all or any portion of the Leased Property pursuant to Section 9.2(c) of this Lease Agreement, remaining after payment therefrom of all expenses incurred in the collection thereof.

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

- (i) Certificates theretofore canceled or delivered for cancellation;
- (ii) Certificates that are deemed paid and no longer Outstanding as provided herein;
- (iii) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions hereof relating to Certificates destroyed, stolen or lost, unless satisfactory evidence has been received that any such Certificate is held by a bona fide purchaser; and
- (iv) For the purposes described in Section 10.3 of the Trust Agreement, the Certificates described in said Section 10.3.

“*Owner*” or “*Owner of a Certificate*,” or any similar term, when used with respect to a Certificate, means the person in whose name such Certificate shall be registered.

“*Permitted Encumbrances*” mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or that the Lessee may, pursuant to provisions of Article V of this Lease Agreement, permit to remain unpaid; (ii) this Lease Agreement; (iii) the Trust Agreement; (iv) the Ground Lease; (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist as of the Closing Date and that the Lessee certifies in writing will not materially impair the use of the Leased Property; and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the Lessee consent in writing.

“*Prepayment*” means any payment made, in whole or in part, pursuant to Article X of this Lease Agreement as a prepayment of the Lease Payments.

“*Project Fund*” means the fund by that name established and held pursuant to Section 3.1 of the Trust Agreement.

“*Special Counsel*” means any law firm, acceptable to the Lessee Representative and the Lessor, having a national reputation in the field of law relating to municipal bonds whose opinions are generally accepted by purchasers of municipal obligations.

“*State*” means the State of Arizona.

“*Term*” or “*Term of this Lease Agreement*” means the time during which this Lease Agreement is in effect, as provided in Section 4.2 of this Lease Agreement.

“*Trust Agreement*” means the Trust Agreement, dated as of even date herewith, by and between the Lessor, in its separate capacity as trustee, and the City, together with any amendments or supplements thereto permitted to be made pursuant thereto.

Section 1.2 Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

Exhibit A: The schedule of the Lease Payments.

Exhibit B: The description of the Leased Land.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1 Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants and warrants, as applicable, to the Lessor as follows:

(a) The Lessee is a municipal corporation duly organized and existing in accordance with the laws of the State.

(b) The Constitution and the laws of the State authorize the Lessee to enter into this Lease Agreement, the Ground Lease and the Trust Agreement and to enter into the transactions contemplated by, and to carry out its obligations pursuant to, all of the aforesaid agreements, and the Lessee has duly authorized and executed all of the aforesaid agreements.

(c) Neither the execution and delivery of this Lease Agreement, the Ground Lease 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 law, regulation, court order, restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound, or constitutes a default with respect to any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the Lessee, or upon the Leased Property, except Permitted Encumbrances.

(d) The Lessee has duly authorized, executed and delivered this Lease Agreement in accordance with the laws of the State and upon such execution and delivery this Lease Agreement will be a valid and binding agreement of the Lessee.

(e) The Lessee has an immediate need for, and expects to make immediate use of, all of the Leased Property, which need is not temporary or expected to diminish in the foreseeable future, and there are no circumstances presently affecting the Lessee that could alter its foreseeable need for the Leased Property or adversely affect its ability or

willingness to budget funds for the payment of Lease Payments, Additional Rent and other payments due hereunder.

(f) The Leased Property shall be used during the Term of this Lease Agreement only by the Lessee to carry out the governmental purposes of the Lessee.

(g) The Lessee shall perform all obligations and duties imposed on it pursuant to this Lease Agreement, the Ground Lease and the Trust Agreement. Immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting its estates in the Leased Property, the Lessee will deliver the same, or a copy thereof, to the Lessor.

(h) The Lessee shall promptly, upon request of the Lessor or any assignee, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall, to the extent permitted by applicable law, indemnify and save the Lessor and every assignee harmless for, from and against all loss cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

(i) Except as disclosed in writing to the Lessor prior to the date hereof, the Lessee has not been informed of, nor does the Lessee have any knowledge of (A) the presence of any Hazardous Substances on any of the Leased Property, or (B) any spills, releases, threatened releases, discharges or disposal of Hazardous Substances that have occurred or are presently occurring on or onto any of the Leased Property or any properties adjacent to any of the Leased Property, or (C) any spills or disposal of Hazardous Substances that have occurred or are presently occurring on any other properties as a result of any construction on or operation and use of any such Leased Property.

(ii) In connection with the construction on or operation and use of any of the Leased Property, there has not been any failure to comply with any applicable local, state or federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, treatment, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Substances.

(iii) The Lessee has not given any release or waiver of liability that would impair any claim based upon Hazardous Substances to a previous owner of any of the Leased Property or to any party who may be potentially responsible for the presence of Hazardous Substances thereon nor has it made promises of indemnification regarding Hazardous Substances on or associated with any of the Leased Property to any person other than the Lessor.

(iv) In the event that the Lessee becomes aware of the release of any Hazardous Substances on, or other environmental condition, problem or

liability with respect to, any of the Leased Property, the Lessee shall promptly notify the Lessor in writing of such condition. The Lessee further agrees to take actions to investigate and clean up the release of any Hazardous Substances on, or other environmental condition, problem or liability affecting, any of the Leased Property, promptly after the Lessee becomes aware of any such condition and to keep the Lessor advised of all such actions taken by the Lessee. If the presence of any Hazardous Substance on the Leased Property caused or permitted by the Lessee results in contamination of the Leased Property, or if contamination of the Leased Property by any Hazardous Substance otherwise occurs for which the Lessee is legally liable for damage resulting therefrom, then the Lessee shall include as an Additional Rent any amount necessary to reimburse the Lessor for legal expenses incurred to defend the Lessor from claims for damages, penalties, fines, costs, liabilities or losses.

(i) With respect to the execution and delivery of the 2020 Certificates, the Lessee shall, subject to annual appropriation to cover the costs of preparation and mailing thereof, comply with the applicable reporting requirements for obligated persons included in Rule 15c2-12 adopted pursuant to the Securities Exchange Act of 1934, as amended, or any successor provision, including entering into a continuing disclosure undertaking or agreement, if necessary, in form and substance satisfactory to the 2020 Underwriter for such purpose.

Section 2.2 Representations, Covenants and Warranties of the Lessor. The Lessor represents, covenants and warrants, as applicable, to the Lessee as follows:

(a) The Lessor is a national banking association with full power and authority to enter into and perform this Lease Agreement, the Ground Lease and the Trust Agreement and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Lessor shall not pledge the Lease Payments, Additional Rent or other amounts derived from the Leased Property or from its other rights pursuant to this Lease Agreement and will not transfer, mortgage or encumber its interest in the Leased Property, except as provided pursuant to the terms of this Lease Agreement and the Trust Agreement.

(c) To the knowledge of the Lessor, none of (i) the execution and delivery of this Lease Agreement, the Ground Lease or the Trust Agreement, (ii) the fulfillment of or compliance with the terms and conditions hereof or thereof, or (iii) 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 the Lessor is now a party or by which the Lessor is bound, or constitutes a default with respect to 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 the Lessor, or upon the Leased Property, except Permitted Encumbrances.

(d) Except as provided herein, the Lessor shall not assign this Lease Agreement, its right to receive Lease Payments, Additional Rent or other amounts derived from the Leased Property or from its other rights pursuant to this Lease Agreement or its duties and

obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

ARTICLE III

DEPOSIT OF MONEYS; ADDITIONAL CERTIFICATES

Section 3.1 Deposit of Moneys. On the Closing Date, the proceeds of sale of the 2020 Certificates shall be deposited as provided in Section 2.6 of the Trust Agreement for disbursement pursuant to the Trust Agreement.

Section 3.2 [Reserved to preserve numbering scheme.]

Section 3.3 Payment of Delivery Costs. Payment of the Delivery Costs relating to the 2020 Certificates shall be made from the moneys deposited in the Delivery Costs Fund as provided in Section 3.1 hereof, which moneys shall be disbursed for this purpose in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.4 Unexpended Proceeds and Other Moneys. All excess moneys remaining in the Project Fund and the Delivery Costs Fund and not required for payment of Costs payable from such fund and Delivery Costs relating to the 2020 Certificates, respectively, shall be transferred to the Lease Payment Fund pursuant to Section 3.1 and Section 3.2 of the Trust Agreement and applied to pay the next-succeeding Lease Payments as the same become due and payable.

Section 3.5 Additional Certificates. The Lessor, in its separate capacity as Trustee, upon the request of the City, may, in its discretion, execute and deliver Additional Certificates upon the terms and conditions provided herein and in Section 2.11 of the Trust Agreement. Additional Certificates may be executed and delivered to the extent permitted by law and to provide funds to pay the costs of refunding Outstanding Certificates. In the event of the execution and delivery of Additional Certificates for such purpose, the amount of Additional Certificates executed and delivered may include all applicable Delivery Costs as shall be approved by Special Counsel. Before any Additional Certificates are executed and delivered (a) the City and the Lessor shall have entered into an amendment to this Lease Agreement, to provide, among other things, for additional Lease Payments in an amount at least sufficient to pay the principal and interest represented by the Additional Certificates when due, and (b) the City and the Lessor shall have otherwise complied with the provisions herein and in Section 2.11 of the Trust Agreement with respect to the execution and delivery of such Additional Certificates.

ARTICLE IV

AGREEMENT TO LEASE; TERMINATION OF LEASE AGREEMENT; LEASE PAYMENTS; TITLE TO THE LEASED PROPERTY

Section 4.1 Lease. The Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the Leased Property upon the terms and conditions set forth in this Lease Agreement.

Section 4.2 Term of Agreement; Termination.

(a) The Term of this Lease Agreement shall commence on the date hereof, and continue until the end of the current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the Term, being the time through and including August 1, 20__, unless terminated prior thereto. If, before August 1, 20__, the Trust Agreement shall be discharged in accordance with its terms, the Term of this Lease Agreement shall thereupon terminate.

(b) If, on or before the third Business Day prior to the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period, the Lessee fails to adopt a budget containing an annual budgetary appropriation sufficient to make all Lease Payments coming due during the Fiscal Period for which such budgeting and appropriation are made, the Lessee will immediately notify the Lessor in writing of that fact. If, on the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period, no such proper budgeting and final appropriation by the Mayor and Council of the Lessee shall have been made, then all of the Lessee's right, title and interest in and future obligations pursuant to this Lease Agreement shall terminate (subject to reinstatement as provided in subsection (c)), effective as of the last day of the last Fiscal Period for which such budgetary appropriation was properly obtained, and the Lessee shall be relieved of any subsequent obligation pursuant to this Lease Agreement with respect thereto, other than to return to the Lessor possession of the Leased Property as provided in this Lease Agreement and to pay any accrued and unpaid obligations.

(c) If this Lease Agreement terminates pursuant to subsection (b) hereof and if, within 45 days following such date of termination, amounts described in subsection (b) are determined to be available that would have permitted this Lease Agreement to have continued in effect with respect to the Leased Property if such amounts had been determined to be available before the termination of the prior Fiscal Period, then this Lease Agreement shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination, and no such termination shall be deemed to have occurred.

Section 4.3 Possession. After execution and delivery of the Ground Lease, the Lessee shall take immediate possession of the Leased Property. The Lessee agrees to surrender possession of the Leased Property upon termination of this Lease Agreement for any reason (i) on the day following the 45 day reinstatement period provided in Section 4.2(c) hereof, or (ii) on the date set by the Lessor pursuant to Section 9.2(c) hereof. To the extent permitted by law, the Lessee agrees to hold the Lessor harmless for, from and against any costs, loss or

damage whatsoever arising from or occasioned by any removal of property by the Lessor due to such termination.

Section 4.4 Lease Payments; Additional Rent; Other Payments.

(a) Subject to the provisions of Section 4.2 and Articles VI and X hereof, the Lessee shall pay to the Lessor, its successors and assigns, as rental for the use and occupancy of the Leased Property, the Lease Payments in the respective principal and interest amounts specified in Exhibit A, to be due and payable on the respective Lease Payment Dates specified in Exhibit A. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than (i) amounts resulting from the Prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof, and (ii) amounts required for payment of past due principal or interest evidenced by any Certificates not presented for payment) shall be credited towards the Lease Payments then due and payable, and no Lease Payments need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund (other than (y) amounts resulting from the Prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof, and (z) amounts required for payment of past due principal or interest evidenced by any Certificates not presented for payment) are at least equal to the Lease Payments then required to be paid. Lease Payments for each Fiscal Period shall be for the use of the Leased Property during such Fiscal Period.

The obligations of the Lessee to pay Lease Payments and Additional Rent as required in this Lease Agreement and the performance and observance of the other covenants and agreements on the Lessee's part contained herein shall be absolute and unconditional in all respects, except as specifically otherwise provided herein with respect to termination upon nonappropriation. During the Term hereof, the Lessee (A) shall not suspend or discontinue payment of the Lease Payments or Additional Rent, and (B) shall perform and observe all of its agreements contained herein and, other than pursuant to Section 4.2(b), will not terminate this Lease Agreement for any reason, including, without limitation, any acts or circumstances that may constitute destruction of or damage to the Leased Property, frustration of purpose, any failure of the Lessor to perform and observe any agreement whether express or implied or any duty, liability or obligation arising out of or connected with this Lease Agreement.

The Lessor acknowledges that, pursuant to State law, the Lessee's obligation to make Lease Payments is a current expense of the Lessee, payable exclusively from budgeted and appropriated funds during each Fiscal Period, and is not a general obligation or indebtedness of the Lessee or the State.

(b) In the event that the Lessee prepays all remaining Lease Payments and Additional Rent in full pursuant to Article X hereof, the obligations of the Lessee pursuant to this Lease Agreement shall thereupon cease and terminate, including but not limited to the obligation of the Lessee to pay Lease Payments pursuant to this Section. In the event the Lessee prepays less than all of the remaining Lease Payments and Additional Rent pursuant hereto, the principal and interest components of the remaining Lease Payments shall be reduced proportionately such that the remaining Lease Payments correspond to the remaining payments of principal and interest evidenced by the Outstanding Certificates (determined by reference to the Trust Agreement).

(c) In the event the Lessee should fail to pay any of the Lease Payments and Additional Rent required in this Section 4.4, the payment in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate of 10 percent per annum.

(d) The Lease Payments and Additional Rent for each rental payment period during the Term of this Lease Agreement shall constitute the total rental for the Leased Property for such rental payment period and shall be paid by the Lessee in each rental payment period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The parties hereto have agreed and determined that the total Lease Payments and Additional Rent represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the appraised value of the Leased Property, other obligations of the parties pursuant to this Lease Agreement, the uses and purposes of which may be served by the Leased Property and the benefits therefrom that will accrue to the Lessee and the general public.

(e) All interest of the Lessor in and to this Lease Agreement and in and to the Lease Payments and Additional Rent to be paid pursuant hereto for the Leased Property are held in trust pursuant to the Trust Agreement for the benefit of the Owners from time to time of the Certificates. The Lessor hereby directs the Lessee, and the Lessee hereby agrees to pay at the designated corporate trust office, all Lease Payments and Additional Rent payable by the Lessee pursuant to this Lease Agreement.

Section 4.5 Quiet Enjoyment. During the Term of this Lease Agreement, the Lessee shall have quiet use and enjoyment of the Leased Property, and the Lessee shall during such Term peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Lessor, except as expressly set forth in this Lease Agreement. The Lessor will, at the request of the Lessee and at the Lessee's cost, join in any legal action in which the Lessee asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor have the right to inspect the Leased Property as provided in Section 7.1 hereof.

Section 4.6 Title. Title to the Leased Land will remain with the Lessee pursuant to Section 3 of the Ground Lease.

If the Lessee prepays the Lease Payments and Additional Rent in full pursuant to Article X hereof or makes the advance deposit required by Section 10.1 hereof, or pays all Lease Payments and Additional Rent during the Term of this Lease Agreement as the same become due and payable, all right, title and interest of the Lessor in and to the Leased Property shall be transferred to and vested in the Lessee clear of this Lease Agreement. Such title shall be vested in the Lessee hereunder without the necessity of any additional payments or of any further instrument of transfer. The Lessor agrees, at the Lessee's expense, to take any and all steps and execute and record any and all documents reasonably required by the Lessee to confirm such vesting of title.

Section 4.7 Additional Rent. In addition to the Lease Payments described in Section 4.4 hereof, the Lessee shall pay when due (i) all costs and expenses incurred by the Lessor to comply with the provisions of the Trust Agreement, (ii) compensation, expenses and any other amounts payable pursuant to Section 9.8 of the Trust Agreement, (iii) all amounts payable by the Lessee pursuant to Section 7.2 hereof, (iv) all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding Delivery Costs (which shall be paid by the Lessor from moneys deposited in the Delivery Costs Fund), (v) all rent for any holdover period during which Lessee stays in possession of the Leased Property after termination of this Lease Agreement, which rent shall be calculated as: (A) number of days of holdover divided by (B) 365 multiplied by (C) the Lease Payments for such Fiscal Period, (vi) amounts due from the Lessee to the Lessor in accordance with the final sentence of Section 2.1(h)(iv) hereof, and (viii) amounts required for compliance with the provisions of Section 2.1(i) hereof.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; OTHER MATTERS

Section 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, the Lessee shall keep in good repair and maintain the Leased Property, and the Lessee shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the Lessee or any assignee or sublessee thereof. In exchange for the Lease Payments and Additional Rent herein provided, the Lessor agrees to provide only the Leased Property, as herein provided.

The Lessee also shall pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Lessor or the Lessee affecting the Leased Property, the respective interests or estates therein or the taxability of any payments pursuant to this Lease Agreement; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The Lessee or any sublessee may, at the Lessee's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Lessor shall notify the Lessee or such sublessee that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Lessor in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Lessee or such sublessee shall promptly pay such taxes, assessments or charges or provide the Lessor with full security against any loss that may result from nonpayment, in form satisfactory to the Lessor.

Section 5.2 Modification of Leased Property. The Lessee and any sublessee shall, at their own expense, have the right to remodel any portion of the Leased Property or to make additions, modifications and improvements to any portion of the Leased Property. All such additions, modifications and improvements which cannot be removed without damaging the Leased Property shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property or cause it to be used for purposes other than those authorized pursuant to the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall be of a value that is not substantially less than the value of such Leased Property immediately before the making of such additions, modifications and improvements. The Lessee shall not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the Lessee or any sublessee or assignee pursuant to this Section; provided that if any such lien is established and the Lessee shall first notify or cause to be notified the Lessor of the Lessee's or any sublessee's intention to do so, the Lessee or any sublessee may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Lessor shall notify the Lessee or such sublessee that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Lessor in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Lessee or such sublessee shall promptly pay such lien or shall provide the Lessor with full security against any loss or forfeiture that might arise from the nonpayment of any such item, in form satisfactory to the Lessor. The Lessor shall cooperate fully in any such contest, upon the request and at the expense of the Lessee or such sublessee.

Section 5.3 General Liability Insurance. The Lessee shall maintain or cause to be maintained, throughout the Term of this Lease Agreement, a standard commercial general insurance policy or policies or Qualified Self-Insurance (as defined in the Trust Agreement), with a responsible insurance company or companies authorized pursuant to the laws of the State to assume such risks, of such types and in such amounts as are determined by the Lessee to be customary for similar institutions carrying on similar activities. Said policy or policies, or any Qualified Self-Insurance as discussed below, shall name the Lessor as an additional insured and loss payee and shall provide for coverage against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Leased Property. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Lessee and may be maintained in the form of Qualified Self-Insurance by the Lessee. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid.

Section 5.4 Fire and Extended Coverage Insurance. The Lessee shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, insurance or Qualified Self-Insurance against loss or damage to any structures or

equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance then in existence. Such insurance shall be in an amount equal to 100 percent of the replacement cost of the Leased Property then in existence. Such insurance may be subject to deductible clauses of not to exceed \$25,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee and may be maintained in the form of Qualified Self-Insurance by the Lessee. Said policy or policies, or any Qualified Self-Insurance, shall provide for insuring the Lessor and the Lessee against such loss or damage and name the Lessor as the loss payee. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof.

Section 5.5 Insurance Net Proceeds; Form of Policies. Each policy of insurance required by Sections 5.3 and 5.4 hereof shall provide that all proceeds thereunder shall be payable to the Lessor and such proceeds shall be applied as provided in Section 6.2 hereof. The Lessee shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Lessor shall be given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Lessor shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Lessee. The Lessee shall cause to be delivered annually to the Lessor a certificate stating that the insurance policies required by this Lease Agreement are in full force and effect. In the event the Lessee maintains self-insurance for the insurance required by Sections 5.3 and 5.4 hereof, the Lessee shall cause to be delivered annually to the Lessor the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance.

Section 5.6 Advances. If the Lessee shall fail to perform any of its obligations pursuant to this Article, the Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Lessee shall be obligated to repay all such advances as Additional Rent as soon as possible, with interest at the rate of 10 percent per annum from the date of the advance to the date of repayment.

Section 5.7 Installation of Lessee's Equipment. The Lessee and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of such party, in which the Lessor shall not have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the Lessee and any sublessee from purchasing or leasing items to be installed in accordance with this Section pursuant to any lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

Section 5.8 Liens. The Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Lessor and the Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The Lessee shall reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.9 Delivery of Leased Property Upon Termination. The Lessee shall, (i) subject to Section 4.2(c) hereof, upon the early termination of the full Term of this Lease Agreement pursuant to Section 4.2(b) hereof, or (ii) on the date set by the Lessor pursuant to Section 9.2(c) hereof, deliver the Leased Property to the Lessor, or another person, as directed by the Lessor, in at least as good condition and repair as when delivered to Lessee, ordinary wear and tear excepted. The Leased Property shall be delivered to the Lessor, or another person, as directed by the Lessor, as herein required, free and clear of all liens, encumbrances and rights of others except Permitted Encumbrances (other than this Lease Agreement).

Section 5.10 Disclaimer of Warranties. THE LESSOR HAS NOT MADE AND WILL NOT MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. THE LESSEE HEREBY ACKNOWLEDGES AND DECLARES THAT THE LESSEE IS SOLELY RESPONSIBLE FOR THE OPERATION OF THE LEASED PROPERTY, AND THAT THE LESSOR HAS NO RESPONSIBILITY THEREFOR. For the purpose of enabling the Lessee to discharge such responsibility, the Lessor constitutes and appoints the Lessee as its attorney in fact for the purpose of asserting and enforcing, at the sole cost and expense of the Lessee, all manufacturer's warranties and guaranties, express or implied, with respect to the Leased Property, as well as any claims or rights the Lessor may have in respect of the Leased Property against any manufacturer, supplier, contractor or other person. Except as otherwise provided in this Lease Agreement, the Lessor shall not be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of this Lease Agreement or the existence, furnishing, functioning or use by the Lessee of any item, product or service provided for herein except that nothing shall relieve the Lessor's liability for any claims, damages, liability or court awards, including costs, expenses and attorney fees, directly caused by the Lessor's actions or omissions constituting negligence or willful misconduct of the Lessor or its employees.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1 Eminent Domain. If all of the Leased Property shall be taken permanently pursuant to the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken and the Net Proceeds shall be deposited pursuant to Section 7.2 of the Trust Agreement. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, pursuant to the power of eminent domain, (i) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments hereunder as provided in Section 6.3 hereof.

The Lessee agrees, to the extent permitted by law, that it shall use its best efforts to effect any condemnation award in an amount at least equal to the principal amount of the then Outstanding Certificates plus accrued interest thereon.

Section 6.2 Application of Net Proceeds.

(a) The Net Proceeds of any insurance award resulting from any damage to or destruction of any Leased Property by fire or other casualty shall be deposited in the Insurance and Condemnation Fund created pursuant to Article VII of the Trust Agreement promptly upon receipt thereof and, if the Lessee determines, within 45 days following such deposit, that the replacement, repair, restoration, modification or improvement of such Leased Property is not economically feasible (e.g., the Net Proceeds together with any additional funds from other available sources are insufficient therefor) or is not in the best interest of the Lessee, then, upon receipt of written notice of such determination by the Lessee Representative, such Net Proceeds shall be promptly transferred to the Lease Payment Fund and applied as provided in Section 10.3 hereof; provided, however, in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund to be applied as provided in Section 10.3 hereof only if sufficient, together with other moneys available therefor, to cause the prepayment of all Outstanding Certificates; provided further, however, if the Net Proceeds are not sufficient to cause the prepayment of all Outstanding Certificates, the Lessee shall have an option to purchase the Leased Property for a price representing the difference between the amount of Net Proceeds received and available for transfer to the Lease Payment Fund and the amount required to redeem all Outstanding Certificates. If the Lessee exercises its option to purchase the Leased Property as described in the preceding sentence, the proceeds from said sale and the Net Proceeds shall then be deposited in the Lease Payment Fund and applied as provided in Section 10.3 hereof. Except in the event of damage or destruction of the Leased Property in full, all Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the Lessee, upon

receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Lessor may rely conclusively on any such requisition received and shall have no obligation to make an independent investigation in connection therewith. Any balance of the Net Proceeds remaining in the Insurance and Condemnation Fund because (A) the Leased Property was damaged or destroyed in full and the Net Proceeds, together with other available moneys, were insufficient to cause the prepayment of all Outstanding Certificates, or (B) after all work to replace, repair, restore, modify or improve the Leased Property has been completed, shall be deposited in the Lease Payment Fund and applied toward subsequent Lease Payments.

(b) The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be deposited in the Insurance and Condemnation Fund to be held and applied pursuant to Section 7.2 of the Trust Agreement.

(c) The parties hereto agree that the provisions of this Section 6.2 are not intended and shall not be construed in any way to apply to the proceeds of any insurance or condemnation award less than or equal to \$25,000. Such proceeds shall be paid to the Lessee and applied by the Lessee in its sole discretion.

Section 6.3 Reduction of Rental in the Event of Prepayment of Lease Payments. In the event the Net Proceeds of any insurance or condemnation awards are deposited in the Lease Payment Fund and credited towards Prepayments pursuant to Section 10.3 hereof, the amount of remaining Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments will correspond to the remaining payments of principal and interest evidenced by the Outstanding Certificates (after any prepayment of Certificates pursuant to Section 4.2 of the Trust Agreement resulting from such Prepayments), which resulting Lease Payments are hereby deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not taken, damaged or destroyed. In the event of any such reduction, this Lease Agreement shall continue in full force and effect and the Lessee waives any right to terminate this Lease Agreement by virtue of any damage or destruction of the Leased Property causing such reduction of Lease Payments.

ARTICLE VII

ACCESS TO LEASED PROPERTY

Section 7.1 Access to the Leased Property. The Lessor and any Lessor Representative shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Leased Property. The Lessee further agrees that the Lessor, any Lessor Representative and the Lessor's successors or assigns shall have such rights of access to the

Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the Lessee to perform its obligations hereunder.

Section 7.2 Release and Indemnification Covenants. To the extent permitted by law, the Lessee shall indemnify and save the Lessor harmless for, from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the ownership, use, maintenance, condition or management of, or from any work or thing done on, the Leased Property, including any environmental condition relating to the Leased Property, (ii) any breach or default on the part of the Lessee in the performance of any of its obligations pursuant to this Lease Agreement or of any of its representations or warranties pursuant to this Lease Agreement, (iii) any act or negligence of the Lessee or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, (iv) any act or negligence of any sublessee of the Lessee with respect to the Leased Property, or (v) the financing of the Project, the execution and delivery of this Lease Agreement and the Trust Agreement, the acceptance and/or the administration of the Trust created by the Trust Agreement, and the execution, delivery and sale of the Certificates. No indemnification is provided pursuant to this Section or elsewhere in this Lease Agreement for claims, suits and actions successfully brought against the Lessor for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to this Lease Agreement, or for claims, suits and actions successfully brought for willful misconduct, negligence, or breach of duty pursuant to this Lease Agreement by the Lessor or its respective officers or employees. The indemnification provided herein shall survive the termination or expiration of this Lease Agreement, the prepayment or defeasance of the Certificates and the resignation or removal of the Lessor.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1 Assignment and Subleasing by the Lessee. This Lease Agreement may not be assigned by the Lessee. The Leased Property may be subleased only with the written consent of the Lessor, which consent shall not be unreasonably withheld, and subject to all of the following conditions:

(i) This Lease Agreement and the obligation of the Lessee to make Lease Payments hereunder shall remain obligations of the Lessee;

(ii) The Lessee shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Lessor a true and complete copy of such sublease; and

(iii) No such sublease by the Lessee shall cause any of the Leased Property to be used for a purpose other than a governmental or proprietary function authorized pursuant to the provisions of the Constitution and laws of the State.

Section 8.2 Amendment of this Lease Agreement. Neither the Lessor nor the Lessee will alter, modify or (subject to Section 8.3 hereof) cancel, or agree or consent to alter, modify or (subject to Section 8.3 hereof) cancel this Lease Agreement, excepting only such alteration or modification as may be permitted by Article X of the Trust Agreement.

Section 8.3 Release or Exchange of Property. If, during the Term of this Lease Agreement, the Lessee desires to acquire legal title to any of the improvements on the Leased Land and the related portion of the Leased Land, unencumbered by the terms and conditions of this Lease Agreement, the Lessor shall sell to the Lessee any of such improvements on the Leased Land and portion of the Leased Land so desired by the Lessee, provided the following conditions are met, to wit:

(a) Contemporaneously with any such sale by the Lessor (i) the Lessee delivers to the Lessor the net proceeds from the sale of such improvements on the Leased Land and related portion of the Leased Land, or (ii) the Lessee sells to the Lessor substitute property (“substitute property”) for the Leased Property which the Lessee wishes to acquire from the Lessor;

(b) The sale or exchange of property will not cause any decrease in the total Lease Payments required pursuant to this Lease Agreement or any change in the interest component or principal component thereof;

(c) The Lessee furnishes to the Lessor an opinion of Special Counsel acceptable to the Lessor that the sale or exchange of property will not adversely affect the exclusion of the interest payable on any Additional Certificates (sold on the basis of the interest thereon being excluded from gross income for federal income tax purposes) from the federal gross income of the owners thereof;

(d) Any substitute property shall be subject to all the terms and conditions of this Lease Agreement and shall be subjected to the lien of the Trust Agreement; and

(e) All costs and expenses incurred in connection with the sale or exchange of property contemplated by this Section shall be borne by the Lessee.

Any proceeds delivered pursuant to subsection (a)(i) above shall be applied to acquire, construct or improve additional Leased Property, or be applied to Lease Payments as directed by the Lessee, subject to any restrictions contained in the opinion of Special Counsel delivered pursuant to subsection (c) above.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be “events of default” for the purposes of this Lease Agreement and the terms “events of default” and

“default” means, whenever they are used in this Lease Agreement, with respect to the Leased Property, any one or more of the following events:

(i) Except when not paid due to the Lessee not having lawfully available funds budgeted therefor, failure by the Lessee to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of five days.

(ii) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed pursuant to the Trust Agreement or this Lease Agreement, other than as referred to in clause (i) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Owners of not less than five percent in aggregate principal amount evidenced by Certificates then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, none of the Lessor or such Owners shall unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted pursuant to the provisions of the federal bankruptcy statute, as amended, or pursuant to any similar acts that may hereafter be enacted.

Notwithstanding the foregoing, if, by reason of force majeure, the Lessee is unable to perform or observe any agreement, term or condition of this Lease Agreement, other than any obligation to make Lease Payments or Additional Rent required pursuant to this Lease Agreement, the Lessee shall not be deemed in default during the continuance of such inability. However, the Lessee shall promptly give notice to the Lessor of the existence of any event of force majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strike or labor disturbances shall be entirely within the Lessee’s discretion.

Section 9.2 Remedies on Default and Failure to Budget.

(a) Whenever any event of default described in Section 9.1 hereof or a termination pursuant to Section 4.2(b) hereof shall have occurred and be continuing, the Lessor may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that notwithstanding anything herein or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or Additional Rent or otherwise declare any Lease Payments or Additional Rent not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the Lessee is expressly made a condition and upon the breach thereof the Lessor

may terminate this Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided.

(b) If, upon the occurrence and continuation of an event of default described in Section 9.1 hereof or a termination pursuant to Section 4.2(b) hereof, the Lessor does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subsection (c) of this Section, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee to enter upon the Leased Land and relet the Lessee's interests in the Leased Property and to remove all personal property not constituting Leased Property whatsoever situated upon the Leased Land and the Leased Property and to place such property in storage or other suitable place in Coconino County, Arizona, for the account of and at the expense of the Lessee, and, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any such entry upon and reletting of the Leased Property and the removal and storage of personal property by the Lessor or its duly authorized agents in accordance with the provisions herein contained. The Lessee hereby waives any and all claims for damages caused or that may be caused by the Lessor in reentering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the Lessee that may be in or upon the Leased Property.

The Lessee agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Lessor to re-rent the Leased Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Lessor in effecting such re-renting or re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing or re-renting is made or the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the Lessee the right to terminate this Lease Agreement shall vest in the Lessor to be effected in the sole and exclusive manner hereinafter provided for in subsection (c) of this Section.

(c) Upon the occurrence and continuation of an event of default described in Section 9.1 hereof or a termination pursuant to Section 4.2(b) hereof, the Lessor at its option may terminate this Lease Agreement and re-rent or re-lease all or any portion of its interests in the Leased Property. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Lessor shall of itself operate to terminate this Lease Agreement and no termination of this Lease Agreement on account of default by the Lessee shall be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the Lessee of the election on the part of the Lessor to terminate this Lease Agreement. The Lessee covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. Additionally, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any removal of the

Leased Property by the Lessor or its duly authorized agents in accordance with the provisions contained in this Lease Agreement.

Section 9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default in the performance of any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, to the extent permitted by law, the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of Proceeds. All Net Proceeds received from the sale, re-lease or other disposition of the Leased Property pursuant to this Article IX, and all other amounts derived by the Lessor as a result of an event of default hereunder, shall be applied as provided in the Trust Agreement.

Section 9.7 Lessor to Exercise Rights. Such rights and remedies as are given to the Lessor pursuant to this Article IX shall be exercised by the Lessor and the Owners of the Certificates as provided in the Trust Agreement.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1 Security Deposit. Notwithstanding any other provision of this Lease Agreement, the Lessee may on any date secure the payment of Lease Payments by a deposit of (i) an amount of cash that, as required by the Trust Agreement, together with amounts on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, is sufficient to pay all unpaid Lease Payments and Additional Rent, including the principal and interest components thereof, in accordance with the Lease Payment Schedule set forth in Exhibit A hereto, or (ii) Defeasance Obligations, together with cash, if required, in such amount as will, in

the opinion of an independent certified public accountant pursuant to the terms of the Trust Agreement, together with interest to accrue thereon but without reinvestment thereof and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, be fully sufficient to pay all unpaid Lease Payments and Additional Rent on their respective Lease Payment Dates, as the Lessee shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section and upon the defeasance of all the Certificates pursuant to Section 14.1 of the Trust Agreement, all obligations of the Lessee pursuant to this Lease Agreement (except those that survive termination of this Lease Agreement), and all security provided by this Lease Agreement for said obligations, shall cease and terminate, excepting only the obligations of the Lessee to make, or cause to be made, Lease Payments and Additional Rent from the deposit made by the Lessee pursuant to this Section, and title to the Leased Property shall vest in the Lessee on the date of said deposit automatically and without further action by the Lessee or the Lessor. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments and Additional Rent in accordance with the provisions of this Lease Agreement.

Section 10.2 Optional Prepayment. The Lessee may prepay the Lease Payments, in whole or in part, at any time. Such Prepayments shall be deposited in the Lease Payment Fund and applied to the payment or prepayment of Certificates as provided in Articles II and IV of the Trust Agreement or, if the Certificates are not subject to prepayment at the time of such deposit, shall be applied as provided in Section 14.1 of the Trust Agreement to provide for the payment of Certificates as directed by the Lessee.

Section 10.3 Mandatory Prepayment From Net Proceeds. The Lessee shall be obligated to prepay the Lease Payments allocable to the Leased Property, in whole or in part, on any January 15 or July 15 with respect to the Lease Payments specified on Exhibit A or the next succeeding Business Day if such date is not a Business Day, from and to the extent of any Net Proceeds theretofore deposited in the Lease Payment Fund. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the Lessee's obligations pursuant to this Section and shall be applied to the mandatory prepayment of Certificates required by Section 4.2 of the Trust Agreement or similar provision of any supplement to the Trust Agreement executed in connection with Additional Certificates.

Section 10.4 Credit for Amounts on Deposit. In the event of Prepayment of the principal components of the Lease Payments and Additional Rent in full pursuant to this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such Prepayment, all amounts then on deposit in the Lease Payment Fund or the Insurance and Condemnation Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon deposit in the United States mail postage prepaid, except that notice to the Lessor shall be effective only

upon receipt by an officer of the Lessor responsible for the performance of the duties and obligations pursuant to this Lease Agreement:

If to the Lessee:

City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001-5399
Attention: Management Services Director

If to the Lessor:

Zions Bancorporation, National Association
6001 North 24th Street, Building B
Phoenix, Arizona 85016
Attention: Corporate Trust Services

The Lessor and the Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Lessor and the Lessee and their respective successors and assigns.

Section 11.3 Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4 Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a “net-net-net lease,” and the Lessee hereby agrees that the Lease Payments shall be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, irrespective of any defense or any right of recoupment or counterclaim that the Lessee may have against the Lessor.

Section 11.5 Further Assurances and Corrective Instruments. The Lessor and the Lessee agree that they will, from time to time, at the Lessee’s expense, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be for carrying out the expressed intention of this Lease Agreement.

Section 11.6 Execution in Counterparts. This Lease 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 instrument.

Section 11.7 Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State. The venue for any proceedings on any and

all controversies arising from the terms and provisions of this Lease Agreement will be Coconino County, Arizona.

Section 11.8 Lessor and Lessee Representatives. Whenever pursuant to the provisions of this Lease Agreement the approval of the Lessor or the Lessee is required, or the Lessor or the Lessee is required to take some action at the request of the other, such approval or such request shall be given for the Lessor by a Lessor Representative and for the Lessee by a Lessee Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.9 Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

Section 11.10 Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the Lessee, a political subdivision of the State, may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee 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 Lessor covenants not to employ as an employee, an agent or, with respect to the subject matter of this Lease Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Lease Agreement on behalf of the Lessee within three years from the execution of this Lease Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, as amended, is provided by the Lessee. No basis exists for the Lessee to cancel this Lease Agreement pursuant to Section 38-511, Arizona Revised Statutes, as amended, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, the Lessor 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, as amended. The breach by the Lessor of the foregoing shall be deemed a material breach of this Lease Agreement and may result in the termination of the services of the Lessor. The Lessee retains the legal right to randomly inspect the papers and records of the Lessor to ensure that the Lessor is complying with the above-mentioned warranty. The Lessor shall keep such papers and records open for random inspection during normal business hours by the Lessee. The Lessor shall cooperate with the random inspections by the Lessee including granting the Lessee entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Lessor hereby certifies that it is not currently engaged in, and for the duration of this Lease Agreement

shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Lessee determines that the Lessor’s certification above is false or that either has breached such agreement, the Lessee may impose remedies as provided by law.

Section 11.11 Lessor’s Disclaimer. It is expressly understood and agreed that (a) this Lease Agreement is executed by Zions Bancorporation, National Association solely in its capacity as Trustee under the Trust Agreement, and (b) nothing herein shall be construed as creating any liability on Zions Bancorporation, National Association other than in its capacity as Trustee under the Trust Agreement. All financial obligations of the Lessor under this Lease Agreement, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate (as defined in the Trust Agreement). The Lessor shall not be accountable for the use of the proceeds from the Certificates, and it shall not be responsible for any statement of the Lessee in this Lease Agreement, the Certificates, or any document issued in connection therewith. The Lessor makes no representations with respect to the effectiveness or adequacy of this Lease Agreement or the Certificates.

Section 11.12 Electronic Transactions. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

[Signature page follows.]

IN WITNESS WHEREOF, the Lessor has caused this Lease Agreement to be executed in its corporate name by its duly authorized officer, and the Lessee has caused this Lease Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, solely in its capacity as trustee, as
Lessor

By
Authorized Representative

CITY OF FLAGSTAFF, ARIZONA, as Lessee

By
Mayor

ATTEST:

.....
City Clerk

STATE OF ARIZONA)
) ss:
COUNTY OF MARICOPA)

On this, the day of 2020, before me, the undersigned Notary Public, personally appeared, who acknowledged himself/herself to be an Authorized Representative of Zions Bancorporation, National Association, and that he/she, as such officer, being authorized so to do, executed the foregoing Lease Agreement for the purposes therein contained by signing the name of such entity by himself/herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....
Notary Public

My Commission Expires:

.....

STATE OF ARIZONA)
) ss:
COUNTY OF COCONINO)

On this, the day of 2020, before me, the undersigned Notary Public, personally appeared Coral Evans and Stacy Saltzburg, who acknowledged themselves to be the Mayor and City Clerk, respectively, of the City of Flagstaff, Arizona, a municipal corporation, and that they, as such officers, being authorized so to do, executed the foregoing Lease Agreement for the purposes therein contained by signing the name of the municipal corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....
Notary Public

My Commission Expires:

.....

Notice required by A.R.S. Section 41-313: The foregoing notarial certificate(s) relate(s) to the Lease-Purchase Agreement, dated as of _____ 1, 2020, executed by the City of Flagstaff, Arizona, an Arizona municipal corporation, and Zions Bancorporation, National Association, a national banking association (the "Notarized Document"). The Notarized Document contains a total of pages.

[Notary page to Lease-Purchase Agreement]

EXHIBIT A

SCHEDULE OF LEASE PAYMENTS EVIDENCED BY 2020 CERTIFICATES

The following are the Lease Payments evidenced by the 2020 Certificates to be paid pursuant to the Lease Agreement.

[illegible]

EXHIBIT B

DESCRIPTION OF LEASED LAND

[Legal descriptions to be added on finalization of property to be leased.]

Fire Station 1
Fire Station 2
Fire Station 3
Fire Station 5
Fire Station 6
City Hall
Library
Aquaplex
Ice Rink/J Lively Activity Center
Flagstaff Youth Center
Visitors Center
Milligan House
Police Storage Warehouse

DRAFT
05/08/20
06/01/20
06/04/20
06/12/20

When recorded, please return to:

Paul M. Gales, Esq.
Greenberg Traurig, LLP
Suite 700
2375 East Camelback Road
Phoenix, Arizona 85016

EXEMPT FROM AFFIDAVIT AND FEE
PURSUANT TO SECTION
11-1134(A)(3), ARIZONA REVISED
STATUTES, AS AMENDED

GROUND LEASE

by and between

**CITY OF FLAGSTAFF, ARIZONA,
as Lessor**

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
solely in its capacity as trustee, as Lessee**

Dated as of _____ 1, 2020

GROUND LEASE

THIS GROUND LEASE, dated as of _____ 1, 2020 (this “*Ground Lease*”), by and between CITY OF FLAGSTAFF, ARIZONA, as lessor (the “*Lessor*” or the “*City*”), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee, as lessee (the “*Lessee*”);

WITNESSETH:

WHEREAS, the Lessor owns the parcels of real property situated in Coconino County, Arizona, and more fully described in the Exhibit hereto (collectively, the “*Leased Land*”); and

WHEREAS, pursuant to the laws of the State of Arizona (the “*State*”), the Lessor may lease such property owned by the Lessor; and

WHEREAS, in connection with the funding of all or a portion of the City’s unfunded liabilities with respect to the Arizona Public Safety Personnel Retirement System and one or more contingency reserve funds with respect to pension and related liabilities, the City and the Lessee will execute and deliver a Lease-Purchase Agreement, dated as of even date herewith (the “*Lease Agreement*”), pursuant to which the Leased Land and the improvements thereon (collectively, the “*Leased Property*”) will be leased by the Lessee, as lessor, to the City, as lessee, and the City has concurrently herewith entered into a Trust Agreement, dated as of even date herewith (the “*Trust Agreement*”), with the Lessee, pursuant to which the Lessee will execute and deliver \$____,000 aggregate principal amount of “Certificates of Participation, Series 2020A (Taxable) Evidencing Undivided Proportionate Interests of the Owners Thereof in Lease Payments to be Made by City of Flagstaff, Arizona, as Lessee of Certain Property Pursuant to a Lease-Purchase Agreement, dated as of _____ 1, 2020” (the “*Certificates*”), and cause payment of the proceeds of the sale thereof to be deposited into various funds established pursuant to the Trust Agreement; and

WHEREAS, in order to effect such financing it is necessary to set forth the terms and provisions to be in effect hereafter; and

WHEREAS, the Lessor and the Lessee have entered into the Lease Agreement, pursuant to which the Lessee, as lessor, has agreed to lease the Leased Property to the Lessor, as lessee, and the Lessor acknowledges that, as provided in the Lease Agreement, if an event of default or termination occurs under the Lease Agreement by the Lessor, the Lessee shall have the right to relet or otherwise dispose of its interest in the Leased Property or portions thereof as to which such event relates without affecting or terminating this Ground Lease;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

Section 1. Term. The Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the Leased Property for the period commencing as of the date hereof and

terminating on August 2, 20___. This Ground Lease shall be subject to earlier termination in accordance with Section 5 hereof.

Section 2. Merger. No merger of the leasehold estates of the Lessor shall occur by operation of law by reason of this Ground Lease and the Lease Agreement, and more particularly (i) the leasehold interest granted by the Lessor to the Lessee pursuant to this Ground Lease is and shall be independent of the Lease Agreement, (ii) the Lease Agreement shall not be deemed to be an assignment or surrender of the leasehold interest granted to the Lessee by this Ground Lease, and (iii) the Lease Agreement shall not operate as a merger or extinguishment of the leasehold interest granted to the Lessee by this Ground Lease.

Section 3. Title to Leased Land. Title to the Leased Land shall at all times remain with the Lessor.

Section 4. Rent. A one-time lease payment is being paid to the Lessor, in an amount equal to the proceeds of the sale of the Certificates, which represents fair market rental value for the Leased Land. The Lessee shall not be responsible for any additional payments hereunder, including any lease, insurance or real estate taxes levied with respect to this Ground Lease or the transactions contemplated hereby.

Section 5. Early Rights of Termination by Lessor. The Lessor shall have the right to terminate this Ground Lease upon written notice to the Lessee after the defeasance of both (i) the Lease Agreement in accordance with Article X thereof, and (ii) the Trust Agreement in accordance with Section 14.1 thereof.

Section 6. Surrender. Upon the expiration or termination of this Ground Lease, the Lessee shall surrender to the Lessor the Leased Land together with all improvements thereon. At the time of such surrender, the Leased Land shall be free and clear of all liens and encumbrances other than (i) those existing on the date hereof, and (ii) those placed upon the Leased Land by the Lessor.

Section 7. Trustee's Disclaimer. It is expressly understood and agreed that (i) this Ground Lease is executed by Zions Bancorporation, National Association solely in its capacity as Trustee under the Trust Agreement, and (ii) nothing herein shall be construed as creating any liability on Zions Bancorporation, National Association other than in its capacity as Trustee under the Trust Agreement. All financial obligations of the Trustee under this Ground Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate (as defined in the Trust Agreement).

Section 8. Notices. All notices to be given under this Ground Lease shall be made in writing and mailed by first class mail, postage prepaid, to the party at its address stated below or at such other address as the party may provide in writing from time to time:

If to Lessor:

City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001-5399
Attention: Management Services Director

If to Lessee:

Zions Bancorporation, National Association
6001 North 24th Street, Building B
Phoenix, Arizona 85016
Attention: Corporate Trust Services

Section 9. Incorporation of State Statutes.

(a) This Ground Lease is subject to cancellation by the Lessor pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein. No basis exists for the Lessor to cancel this Ground Lease pursuant to Section 38-511, Arizona Revised Statutes, as amended, as of the date hereof. The Lessee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Ground Lease, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Ground Lease on behalf of the Lessor within three years from execution of this Ground Lease, unless a waiver of Section 38-511, Arizona Revised Statutes, as amended, is provided by the Lessor.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, the Lessee 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, as amended. The breach by the Lessee of the foregoing shall be deemed a material breach of this Ground Lease. The Lessor retains the legal right to randomly inspect the papers and records of the Lessee to ensure that the Lessee is complying with the above-mentioned warranty. The Lessee shall keep such papers and records open for random inspection during normal business hours by the Lessee. The Lessee shall cooperate with the random inspections by the Lessor including granting the Lessor entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Lessee hereby certifies that it is not currently engaged in, and for the duration of this Ground Lease shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Lessor determines that the Lessee’s certification above is false or that either has breached such agreement, the Lessor may impose remedies as provided by law.

Section 10. Entire Agreement; Amendment; Headings; Severability.

(a) This Ground Lease, together with attachments, exhibits and other documents or instruments executed by the Lessor and the Lessee in connection with this Ground

Lease, constitutes the entire agreement between the parties with respect to the lease of the Leased Land.

(b) This Ground Lease may not be modified, amended, altered or changed except with the prior written consent of the Lessor and the Lessee.

(c) All section headings contained in this Ground Lease are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Ground Lease.

(d) If any provision of, or any covenants, obligation or agreement contained in, this Ground Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Ground Lease. That invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 11. Execution in Counterparts. This Ground Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Lessor has caused this Ground Lease to be executed in its name by its duly authorized officer, and the Lessee has caused this Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

CITY OF FLAGSTAFF, ARIZONA, as Lessor

By
Mayor

ATTEST:

.....
City Clerk

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, solely in its capacity as trustee, as
Lessee

By
Authorized Representative

STATE OF ARIZONA)
) ss:
COUNTY OF COCONINO)

On this, the day of 2020, before me, the undersigned Notary Public, personally appeared Coral Evans and Stacy Saltzburg, who acknowledged themselves to be the Mayor and City Clerk, respectively, of the City of Flagstaff, Arizona, a municipal corporation, and that they, as such officers, being authorized so to do, executed the foregoing Ground Lease for the purposes therein contained by signing the name of the municipal corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....
Notary Public

My Commission Expires:

.....

STATE OF ARIZONA)
) ss:
COUNTY OF MARICOPA)

On this, the day of 2020, before me, the undersigned Notary Public, personally appeared, who acknowledged him/herself to be an Authorized Representative of Zions Bancorporation, National Association, and that, as such officer, being authorized so to do, he/she executed the foregoing Ground Lease for the purposes therein contained by signing the name of such entity by him/herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....
Notary Public

My Commission Expires:

.....

Notice required by A.R.S. Section 41-313: The foregoing notarial certificate(s) relate(s) to the Ground Lease, dated as of _____ 1, 2020, executed by the City of Flagstaff, Arizona, an Arizona municipal corporation, and Zions Bancorporation, National Association, a national banking association (the "Notarized Document"). The Notarized Document contains a total of pages.

EXHIBIT

DESCRIPTION OF LEASED LAND

[Legal descriptions to be added on finalization of property to be leased.]

Fire Station 1
Fire Station 2
Fire Station 3
Fire Station 5
Fire Station 6
City Hall
Library
Aquaplex
Ice Rink/J Lively Activity Center
Flagstaff Youth Center
Visitors Center
Milligan House
Police Storage Warehouse

Pension Certificates of Participation

June 16, 2020



Pension COP

Consideration of an
Ordinance to authorize
issuance of Pension
Certificates of
Participation (COP) Debt



- Introduction
- The Team
- PSPRS Pension Information
- Goals for the Pension COP
- Certificates of Participation
- Sizing the Pension COP
- Timeline
- Council Questions/Comments



Pension COP



The Team



STIFEL





Pension COP

The Team

- City of Flagstaff
 - Greg Clifton, Rick Tadder, Brandi Suda
- Public Safety Personnel Retirement: Mike Townsend
- Public Policy Partners, LLC: Dianne McCallister
- Greenberg Traurig
 - Michael Cafiso, Paul Gales
- Stifel, Nicolaus & Company, Inc
 - Phoenix: Mark Reader, Erika Coombs, Randie Stein, Jack Leeper
 - Chicago: Omar Daghestani, Rushda Mustafa, Jenai Booker



Pension COP

PSPRS Pension Information

- Plan information
 - Multi-employer pension plan, managed by PSPRS
 - City of Flagstaff has two trust funds, one for police and one for fire employees
- Current status and funding ratios

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Flagstaff Police	\$ 32,642,259	\$ 84,860,189	\$ 52,217,930	38.5%
Flagstaff Fire	\$ 34,260,196	\$ 93,870,030	\$ 59,609,834	36.5%
City of Flagstaff Totals	\$ 66,902,455	\$ 178,730,219	\$ 111,827,764	37.4%



Pension COP

Goals for the Pension COP

- Reaffirm 100% Funded PSPRS Plans for Police and Fire
- Reaffirm incorporate a Contingency Reserve Fund to manage future liability changes due to market and actuarial changes
- Total amortization period 20 or 21 years
- Level debt funding to manage General Fund expenses



Pension COP



Certificates of Participation – Financing Structure

- Annual budget appropriation nature of COP financing requires real property to serve as collateral – unlike revenue bonds where specific revenues are pledged
- Previous COP financings completed by the City include the Core Facilities and Court Facility
- Common to have value of real property approximate principal amount of the COPs – current real property approximates 40%-45%



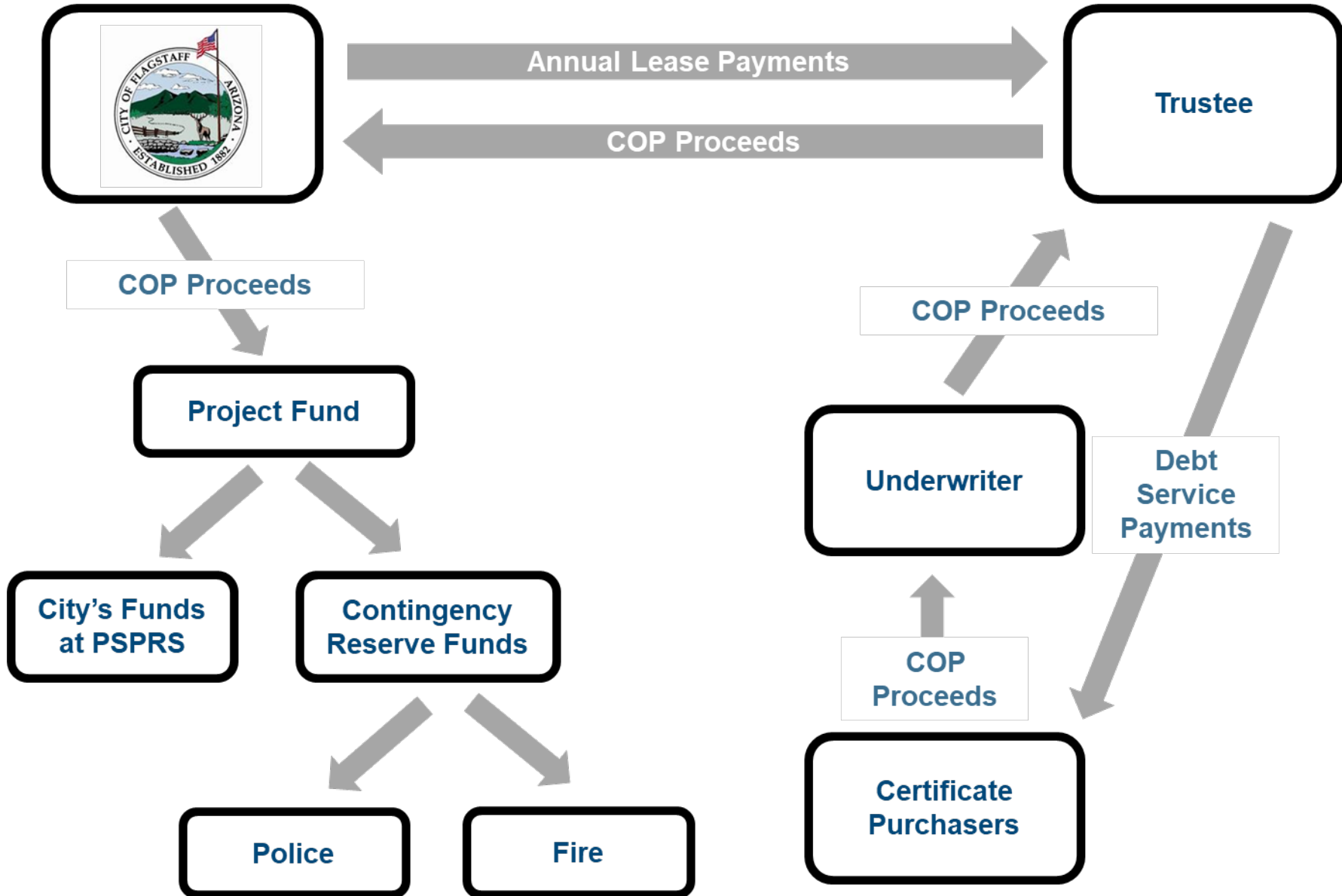
Pension COP

Certificates of Participation – Financing Structure

- Real property being pledged for the Pension COP
 - Current underlying credit ratings (AA-) and confidence by our Underwriter will require reasonable / essential real property
 - Fire Stations, City Hall, Library, Milligan House, Aquaplex, Jay Lively Activity Center, Visitor Center, Youth Center, Police Warehouse
 - Final real property pledge to be finalized with goal to minimize amount of property



Pension COP





Pension COP

Sizing the Pension COP

- Approval not to exceed \$135 million
- PSPRS Funding (\$112M-\$120M)
 - Considers 6/30/19 actuarial
 - Adjustments for market changes related to COVID-19 Pandemic
 - Fiscal Year 2019-20 contributions
- Contingency Reserve Funds (\$14.2M)
 - Considers future risk to mitigate-Market and Actuarial Changes



Pension COP

Certificates of Participation – Estimated Sources and Uses

- The City's proposed structure allows ongoing cost savings while shortening the pension amortization, creating budgetary certainty with level debt payments and provisioning for future contingencies
- 100% funded pension plans at the close of the transaction
- \$14.2 million deposit to Contingency Reserve Fund (CRF)
- Creates level budgetary payments over 20 years
- Shortens amortization of City's pension debt

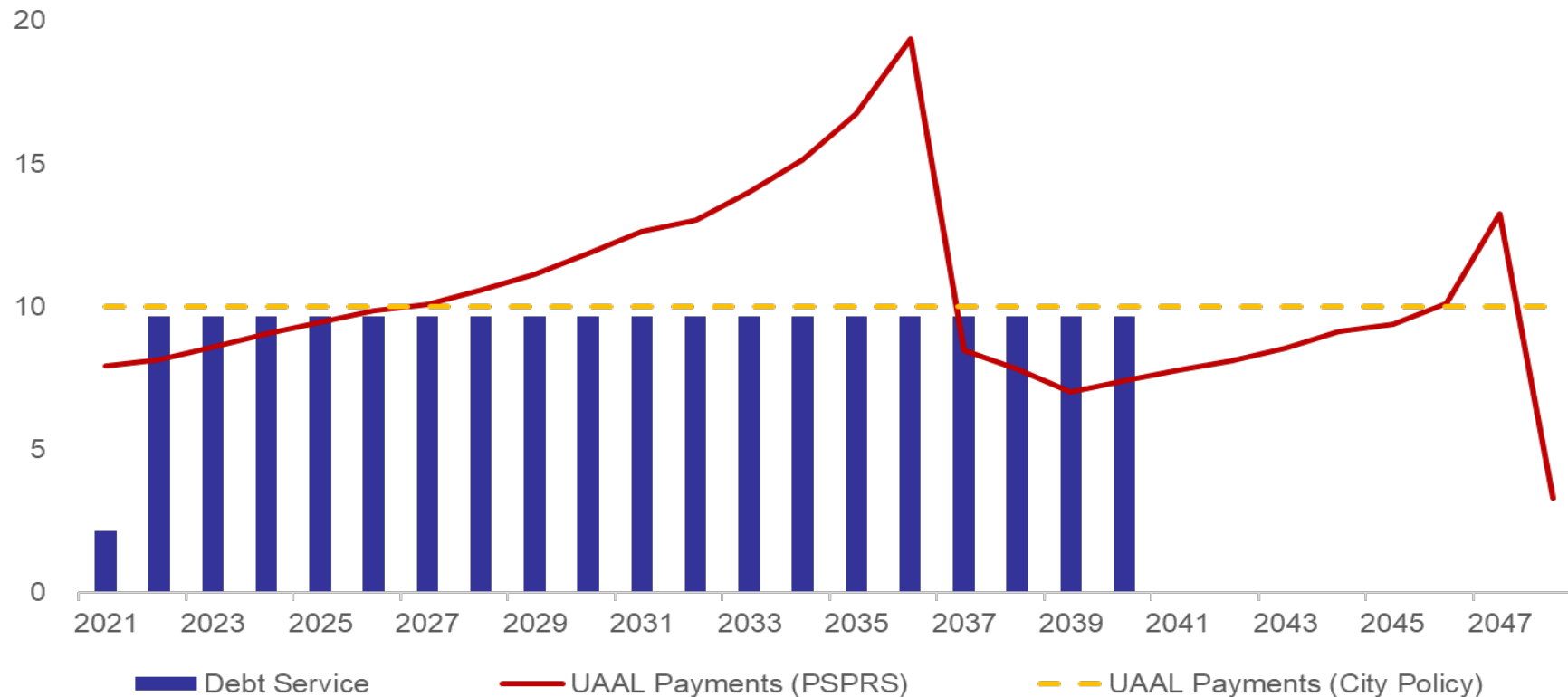
COPS SERIES 2020A (TAXABLE)	
	Total
Dated Date	8/1/2020
Final Maturity Date	5/1/2040
All-In TIC	3.63%
Average Life	11.52 years
Bond Par Amount	\$131,540,000
Sources and Uses of Funds	
Issue Par Amount	\$131,540,000
Pension Fund	\$116,060,000
Contingency Reserve Fund	\$14,239,000
Cost of Issuance	\$365,000
Underwriter's Discount	\$874,900
Rounding	\$1,100
Total Sources and Uses	\$131,540,000



Pension COP

Certificates of Participation

- Targeting Annual Debt Service of Less Than \$10 Million Per Year, the City can refinance its pension liability by FY2040 and generate approximately \$64.2 million (48.32%) of NPV savings





Pension COP



Timeline

- June 16th: 1st Read of the Pension COP Ordinance
- June 23rd: 2nd Read and Adoption of the Pension COP Ordinance
- June 30th: Print and Post the Preliminary Offering Statement
- June 30-July 20: Marketing of Pension COP
- Week of July 20th: Pricing of Pension COP
- Mid August: Closing of Pension COP, distribution on funds
- December: PSPRS 6/30/20 report, request mid-term report



Pension COP



Council Direction

- Amortization Period 20-21 Years
- Level of General Fund savings
- Properties under consideration
- Size of debt issuance



Pension COP



Questions?

PSPRS Unfunded Liability Talking Points

Function

- The PSPRS (Public Safety Personnel Retirement System) provides a statewide retirement system for public safety personnel.¹

Management

- The Board of Trustees oversee the system's policies, operations, and investments.
- The board consists of nine members, each serving five-year terms.²

Funding

- PSPRS money comes from employee contributions, employer contributions, and net investment income.³ The equation is as follows:

Contributions + Investment Earnings = Benefits Payments + Expenses in Administration

Funding Ratios of PSPRS across AZ

- An employer's funding ratio indicates the amount of assets that are already available in the trust to present value of future benefits.
- For example, a funding ratio of 100% (commonly called being "fully funded") means there are enough assets in the trust to pay 100% of future expected benefits.⁴
- The majority of employers participating in the PSPRS within AZ are not fully funded.⁵
- As of June 30, 2019, Flagstaff's Fire Department was funded at 36.5% (there are enough assets to pay for 36.5% of present value of future expected benefits).¹
- As of June 30, 2019, Flagstaff's police department was funded at 38.5% (there are enough assets to pay for 38.5% of present value of future expected benefits).⁶
- Other cities also experience this problem:
 - The Bisbee Fire Department was funded in 2019 at 8.1% and its Police Department at 14.3%

Unfunded Liabilities across AZ

- Funding ratios of less than 100% create to unfunded liabilities.
- Unfunded liability is debt.
- Flagstaff's PSPRS unfunded liability in 2019 (police and fire) approx. \$112 million.⁷

¹ <http://www.psprs.com/investments--financials/funding-ratios>

- Other cities around AZ have higher unfunded liabilities:
 - For example, Mesa's is \$599 million as of 6/30/18.⁸
 - Tempe's is \$496 million as of 6/1/2017⁹

Paying down Unfunded Liabilities (increased contributions)

- Some jurisdictions have successfully contributed toward paying down the unfunded liability to reach a higher funding ratio:
- Coconino County has paid \$20M into the fund to lower its unfunded liability and is now subject to a funding ratio of 80%. The County used cash balances from Jail District and Capital Facilities Fund.¹⁰
 - In paying down the unfunded liability, jurisdictions are able to realize more investment earnings; Coconino County has realized \$5M in investment earnings subsequent to paying down the unfunded liability
 - Paying down the unfunded liability can free up monies otherwise encumbered in the General Fund
 - The City of Flagstaff's PSPRS employer contributions of \$11.3M currently equals 19% of total labor costs in the General Fund; see below matrix

General Fund	Expense	Percentage
Total Labor	59,326,283.00	
Total Pension	13,897,209.00	23%
Total PSPRS	11,277,607.00	19%
Unfunded Portion of PSPRS	8,800,000.00	15%

How Did We Get Here?

- The PSPRS Board of Trustees gives several reasons for the fund's problems
 1. The 2008 financial market crash greatly reduced the value of PSPRS assets.¹¹¹²¹³
 2. Up until 2016, the Pension Benefit Increase (PBI) formula used was financially unsustainable.¹⁴¹⁵¹⁶
 - i. When PSPRS produced a positive return greater than 9%, retirees received a PBI. This was basically using one-time money for compounding, permanent ongoing benefits for retirees.
 - ii. This caused the system to lose money.
 - iii. Arizona voters passed a 2016 proposition that changed this formula to make it more sustainable.¹⁷
 3. PSPRS lost two lawsuits that were filed in response to pension reforms where judges ruled that states can't change a person's retirement benefits after their hiring.

- i. This meant that PSPRS had to refund about a quarter of a billion dollars, which negatively impacted municipalities' unfunded liabilities.¹⁸
4. The assumed earnings rate calculated by PSPRS has decreased over past years; It is currently at 7.3%.
5. There has been a change in mortality assumptions with public safety specific mortality table which show retirees living longer.¹⁹
6. Payroll growth is another assumption that is changing, with a downward adjustment being anticipated in the months ahead. It is currently at 3.5%. The City of Flagstaff falls significantly short of this.

What Flagstaff is Doing – Council PSPRS Funding Policy

- Flagstaff only controls the contribution part of the equation, not how the resources are invested and how benefits are paid out.²⁰
- Flagstaff City Council has a PSPRS Pension Funding Policy (Resolution 2019-32)
 - In addition to paying its Annual Required Contribution, Council is also taking additional measures to reduce its unfunded liability, including:
 - Pre-paying the annual contribution at the beginning of each fiscal year to maximize interest payments
 - Making extra contributions when possible:
 - Use tax revenues approved in 2019 will be used as increased contributions starting this year; these increased annual contributions are estimated to be \$ 850,000.
 - If, at the end of the year, the required annual contribution is lower than the pre-paid amount, the City will leave the overpayment with PSPRS (an extra contribution).
 - In a year with the minimum contribution rate is calculated to be lower than prior year, the City will maintain contribution rates at least equal to the prior year's contribution rate.
 - Flagstaff pays the employer contribution for the deferred retirement option plan (DROP) even though not required by PSPRS.
 - Flagstaff pays excess contributions of approximately \$630,000 for the PSPRS Police plan to reduce the amortization period.

What Are Other Municipalities Doing?

- City of Prescott - Dedicated 0.75% sales tax to pay down PSPRS, lasts for about 10 years.²¹
- Some cities, such as Oro Valley, Wilcox, are looking at Pension Bonds²²

What additional steps should the City of Flagstaff consider

- City staff are consulting with financial advisers to develop funding strategies for the City Council to consider
- City staff are looking at financially prudent measures to pay down the unfunded liability with bond opportunities.
 - There is opportunity with historically low interest rates that make a bond issuance highly favorable to pay down our unfunded liability with lower risk at this time.
 - Bond issuance does not have to be predicated upon increased taxes; other tools may be available such as the issuance of certificates of participation

¹ https://azlibrary.gov/sla/agency_histories/public-safety-personnel-retirement-system-psprs>

² <http://www.psprs.com/about/board-of-trustees>

³ http://cityweb.flagstaffaz.gov/agendaquick/docs/2020/CCWS/20200203_988/4491_Budget_Retreat_Presentation_February_2020.pdf

⁴ <http://www.psprs.com/investments--financials/funding-ratios>

⁵ *ibid*

⁶ *ibid*

⁷ http://cityweb.flagstaffaz.gov/agendaquick/docs/2020/CCWS/20200203_988/4491_Budget_Retreat_Presentation_February_2020.pdf

⁸ <https://www.mesaaz.gov/Home/ShowDocument?id=34449>

⁹ <http://documents.tempe.gov/sirepub/cache/1207/tspiqhiewr2cwts4dhmvjhek/2478314903102020035403879.PDF>

¹⁰ <https://www.flagstaffbusinessnews.com/addressing-the-public-safety-personnel-retirement-system/>

¹¹ https://www.tucsonlocalmedia.com/news/article_95185368-86f2-11e9-b9b6-eb53585dc6b1.html

¹² https://www.paysonroundup.com/news/arizona_state/police-fire-pensions-pose-a-fiscal-hazard-for-counties-towns/article_f7a63c0e-c659-52c3-9c90-00ac16488ded.html

¹³ https://www.pewtrusts.org/-/media/assets/2015/07/pewstates_statepensiondebttbrief_final.pdf?la=en&hash=F1A74DF4CF2CF0B0F272C986B48101A30BD65E3A

¹⁴ https://www.tucsonlocalmedia.com/news/article_95185368-86f2-11e9-b9b6-eb53585dc6b1.html

¹⁵ https://www.paysonroundup.com/news/arizona_state/police-fire-pensions-pose-a-fiscal-hazard-for-counties-towns/article_f7a63c0e-c659-52c3-9c90-00ac16488ded.html

¹⁶ https://www.pewtrusts.org/-/media/assets/2015/07/pewstates_statepensiondebttbrief_final.pdf?la=en&hash=F1A74DF4CF2CF0B0F272C986B48101A30BD65E3A

¹⁷ https://www.tucsonlocalmedia.com/news/article_95185368-86f2-11e9-b9b6-eb53585dc6b1.html

¹⁸ *ibid*

¹⁹ *ibid*

²⁰ http://cityweb.flagstaffaz.gov/agendaquick/docs/2020/CCWS/20200203_988/4491_Budget_Retreat_Presentation_February_2020.pdf

²¹ https://www.tucsonlocalmedia.com/news/article_95185368-86f2-11e9-b9b6-eb53585dc6b1.html

²² http://cityweb.flagstaffaz.gov/agendaquick/docs/2020/CCWS/20200203_988/4491_Budget_Retreat_Presentation_February_2020.pdf

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Rick Tadder, Management Services Director

Co-Submitter: Brandi Suda, Finance Director

Date: 06/19/2020

Meeting Date: 06/23/2020



TITLE:

Consideration and Adoption of Ordinance No. 2020-15: An ordinance of the City Council of the City of Flagstaff, adopting a Public Safety Personnel Retirement System Contingency Reserve Fund Policy; providing for repeal of conflicting ordinances, severability, and establishing an effective date.

STAFF RECOMMENDED ACTION:

- 1) Read Ordinance No. 2020-15 by title only for the final time
- 2) City Clerk reads Ordinance No. 2020-15 by title only (if approved above)
- 3) Adopt Ordinance No. 2020-15

Executive Summary:

The City is considering issuing Certificates of Participation debt to fund our Public Safety Personnel Retirement System (PSPRS) unfunded liability for our Police and Fire plans. Our goal is to fund our plans at or near 100%. The City will also be setting up PSPRS Contingency Reserve Funds (CRF) to help manage and mitigate future risks associated with pension plans. Staff is recommending that the Council adopt a policy to assure we are managing the reserve funds while there is outstanding debt.

The Background section of this staff summary has been updated with the dollar amounts for the Market and Actuarial reserve amounts. The PSPRS Contingency Reserve Fund Policy has also been updated with these figures.

Financial Impact:

A PSPRS Contingency Reserve Fund provides the City with an improved financial stability for the organization as it will assist in mitigating financial impacts related to changes in the PSPRS plans for market changes and actuarial adjustments in the future.

Policy Impact:

The City will be issuing debt to set up the PSPRS Contingency Reserve Fund. The City could choose not to set up the PSPRS Contingency Reserve Fund and manage the risks in the future years as they occur or look to other funding sources to set up the funds.

Connection to Council Goal, Regional Plan, CAAP, and/or Strategic Plan:

Strategic Plan for Team Flagstaff

- Foster a resilient and economically prosperous city: Enhance the organization's fiscal stability and resourcefulness.

Key Community Results

- High Performing Governance: Enhance the organization's fiscal stability and increase efficiency and effectiveness
- High Performing Governance: Implement innovative local government programs, new ideas and best practices; be recognized as a model for others to follow

Has There Been Previous Council Decision on This:

On April 23, 2020, at the April Council Budget Retreat, staff presented the consideration for issuing Certificate of Participation debt to address the unfunded actuarial accrued liability of the Police and Fire PSPRS plans. Council provided direction to move forward with this debt issuance.

Options and Alternatives:

- Approve the Ordinance as written to adopt a PSPRS Contingency Reserve Fund Policy.
- Recommend changes to the Ordinance modifying PSPRS Contingency Reserve Fund Policy.
- Do not approve the PSPRS Contingency Reserve Fund Policy and provide staff direction.

Background/History:

Council will be considering the approval of an ordinance to authorize the issuance of Certificates of Participation debt to provide funding of our PSPRS Plan. As part of that authorization is the consideration of issuing the debt to include funding for a PSPRS Contingency Reserve Fund to assist in mitigating risks associated with pension plans.

Market Risk. All pension plans are subject to changes in market conditions and year-over-year investment return performance. The assumed earnings rate of return should ideally approximate a plan's long-term historical average returns. While this is the long-term average, any given year there may be economic reasons that the market greatly underperforms. Staff is recommending a ~~\$X,XXX,XXX~~ \$2,836,000 initial deposit for the Police plan, and a ~~\$X,XXX,XXX~~ \$3,170,000 initial deposit for the Fire plan for the market risk component. This calculation is based on a 10% market decline in a given year and will assist in managing three years of a potential new unfunded actuarial liability.

Actuarial Risk. Actuarial risk is inherent to all pension funds, and all projections of future contributions and payouts. Any retirement system's independent actuaries calculate projections for plan assets and liabilities, and these projections are premised on a variety of assumptions such as investment returns, payroll increase, COLA, mortality, early retirement, and benefit payments. Annual employer contributions are calculated based on these assumptions. Staff is recommending a PSPRS Contingency Reserve Fund to mitigate the assumed earning rate changes, changes in payroll growth, and changes in mortality tables. Currently, the PSPRS plans have an assumed earnings rate of 7.3% which was reduced from 7.4% for the June 30, 2019, actuarial plans. Staff is recommending a ~~\$X,XXX,XXX~~ \$4,014,000 initial deposit for the Police plan, and a ~~\$X,XXX,XXX~~ \$4,219,000 initial deposit for the Fire plan for the actuarial risk component.

Staff is recommending that the Council adopt, by ordinance, a PSPRS Contingency Reserve Fund Policy. This policy creates an assurance that the Contingency Reserve Funds are managed under the guidelines set forth to provide the best financial practices and impacts related to changes in the PSPRS plans for market changes and actuarial adjustments in the future.

Community Involvement:

Inform

Attachments: Ord. 2020-15
PSPRS CRF Policy
Presentation

ORDINANCE NO. 2020-15

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ADOPTING A PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM CONTINGENCY RESERVE FUND POLICY; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City is a member of the state Public Safety Personnel Retirement System ("PSPRS"); and

WHEREAS, the City makes employer contributions to the pension plan for the Flagstaff Police and Fire Departments ("Pension Plans"); and

WHEREAS, the Pension Plans are invested and administered by PSPRS; and

WHEREAS, the City is responsible for the Pension Plans' assets and liabilities; and

WHEREAS, the City intends to issue pension bonds, and deposit a portion proceeds in the Pension Plan Funds so they are appropriately funded at or near 100%; and

WHEREAS, the City intends to issue pension bonds, and deposit a portion of the proceeds in the PSPRS Contingency Reserve Funds for the Pension Plans' and

WHEREAS, the City desires to establish a PSPRS Contingency Reserve Fund Policy, to ensure the City will have adequate funding available to mitigate risks associated with pension plans such as change in market conditions and actuarial assumptions; and

WHEREAS, the City will have authority to invest Contingency Reserve Funds consistent with A.R.S. § 35-323 and the rules of investments set by this policy.

ENACTMENTS:

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

SECTION 1. In General.

The City of Flagstaff hereby adopts the Public Safety Personnel Retirement System Contingency Reserve Fund ("CRF") Policy attached hereto as Exhibit 1.

The City Treasurer and his designees are hereby delegated authority to establish and manage funding for the Contingency Reserve Funds per the CRF Policy.

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. Severability.

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 16th day of June, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:

Public Safety Personnel Retirement System Contingency Reserve Fund Policy

City of Flagstaff



Public Safety Personnel Retirement System ("PSPRS") Contingency Reserve Fund ("CRF") Policy June 2020

1. Background

- a. The City desires to fully fund its PSPRS Flagstaff Police and Fire Plans ("Plans"). As of June 2020, Plans constitute a debt of the City. The City has determined it is financially prudent to appropriately fund these pension plans and help improve the long term finances of the City.
- b. The City is issuing Pension Certificates of Participation (COPS) encumbering certain City real properties and will deposit a portion of the proceeds in the PSPRS Flagstaff Police and Fire pension funds and a portion for two Contingency Reserve Funds.
- c. The City has the goal to be at or near 100% funded for both Plans.

2. Purpose of the Contingency Reserve Funds

- a. The purpose of this policy is to set forth the rules of managing the CRF effectively. The goal is to mitigate the impact of 1) investment return volatility and 2) changes in select actuarial assumptions (as defined herein) made within the PSPRS plans for Flagstaff Police and Flagstaff Fire ("Plans").

3. Establishment of Contingency Reserve Funds and Initial Deposits

- a. The City is establishing separate contingency reserve funds for Police and Fire, because each Plan is independently managed by PSPRS.
- b. The initial deposit for the Police CRF and the initial deposit for the Fire CRF will be funded with COPS proceeds. Sizing of the Contingency Reserve Funds is discussed further below in this policy.
- c. The City will manage each CRF separately and the deposits and draws will be managed based on each Plan's changes. Each Plan's changes are summarized by PSPRS actuaries on an annual basis at the end of the fiscal year, and the City receives a copy of the annual report.

4. Rules for Investments

- a. The City will be managing and investing the CRFs. Investments made by the must comply with the requirements found in Arizona Revised Statutes Section 35-323 and the City's Investment Policy.
- b. Investments shall be principal protected so that the City does not lose value in the deposited amounts.
- c. Gross funded by principal deposits, not to include expected investment earnings.
- d. Investments shall be invested in no more than one-year increments to allow for liquidity in the 1st quarter of each calendar year.

- e. Proceeds should only be invested in liquid and/or short-term products to ensure prompt availability of funds.
- f. The City will prioritize the investments of these funds with a local bank.
- g. City may have the opportunity to utilize a pension stabilization trust to manage investment of CRF proceeds. These are irrevocable trusts created under Internal Revenue Service Section 115.

5. Rules for Contingency Reserve Funds Draws

- a. The City will establish a minimum fund balance threshold based on the initial deposit into the CRF.
- b. Draws will first be made from investment income only, while the principal balance remains untouched.
- c. Establish a funded ratio threshold, where if the CRF balance rises 5% above the minimum fund balance and the pension plan is fully funded, the City may draw all or a portion of the 5% to supplement the City's annual required employer contribution for the Plans.
- d. Market Draw: The City may draw from a CRF when investment return for the Plans for the prior fiscal year is below the actuarial rate of return.
- e. Actuarial Draw: The City may draw from a CRF when the PSPRS annual report for the Plans show a revision of the assumed earnings rate assumption, changes to payroll growth assumption, and/or revisions to mortality assumption occur and cause an impact on Unfunded Actuarial Accrued Liability for the Plans in excess of a defined threshold.

6. Rules of Replenishment for the Contingency Reserve Funds

- a. After the fiscal year of bond issuance and for the following five fiscal years of the bonds, the City shall only commit savings derived from the issuance of the COPS to help pay one time operational costs of the General Fund so that should the CRF fall below minimum fund requirements in a given fiscal year, savings may be used to replenish the CRF.
- b. The City will review unspent budget appropriations for PSPRS pension expenditures annually and may consider adding to the CRF.
- c. Should the CRF balance fall below the minimum fund balance, the City will prioritize making replenishments over no more five years.

7. Sizing of Contingency Reserve Funds

- a. The City will review the CRF funding levels at least every five years to assure adequate reserves.
- b. Police CRF
 - i. Size initial deposit to manage "worst case" scenario of all permitted draw events (market volatility and actuarial changes) occurring in one valuation
 - ii. Market. \$2,836,000; size initial deposit to calculated on the average of a 10% market loss and up to three years of new Unfunded Actuarial Accrued Liability ("UAAL") payments that would be created if PSPRS experienced 20% loss

compared to the average earnings rate in year 1 of issuing pension bonds.

- iii. Actuarial. \$4,014,000; size initial deposit to manage up to three years of new UAAL payments that would be created if the assumed earnings rate was revised to 7%, payroll growth increased and/or PSPRS adopted a new mortality table.

c. Fire CRF

- i. Size initial deposit to manage “worst case” scenario of all permitted draw events (market volatility and actuarial changes) occurring in one valuation
- ii. Market. \$3,170,000; size initial deposit to calculated on the average of a 10% market loss and up to three years of new UAAL payments that would be created if PSPRS experienced 20% loss compared to the average earnings rate in year 1 of issuing pension bonds.
- iii. Actuarial. \$4,219,000; size initial deposit to manage up to three years of new UAAL payments that would be created if the assumed earnings rate was revised to 7%, payroll growth increased and/or PSPRS adopted a new mortality table.

8. Rules to Dissolve Contingency Reserve Funds

- a. Upon the repayment of the final debt service payment for the Pension COPS, staff will seek Council direction to dissolve or continue the CRF. The City could dissolve the CRF and apply the remaining balance of funds to other retiree benefits, other post-employment benefits (OPEB), annual required contributions or General Fund.

PSPRS Contingency Reserve Fund Policy

June 16, 2020





Contingency Reserve Fund Policy

Section 1: Background

Section 2: Purpose

- The purpose of this policy is to mitigate the impact of 1) investment return volatility and 2) changes in select actuarial assumptions (as defined herein) on Pension COPS proceeds deposited with PSPRS plans for Flagstaff Police and Flagstaff Fire (“Plans”).

Section 3: Establishment of Funds and Initial Deposit

- Defines two CRF Funds for Police and Fire
- Impacts to each fund managed separately



Contingency Reserve Fund Policy

Section 4: Rules for Investments

- Follows State Statute and Investment Policy
- Defines investments will be principal protected and gross funded
- Defines investment period to assure liquidity when needed
- Allows for future option of ACT 151 Trust fund should the State Legislature allow



Contingency Reserve Fund Policy

Section 5: Rules for Draws

- Establishes the minimum balance
- Restrict to interest earnings portion first
- Allows for funds above 5% may supplement Annual Required Contribution only if PSPRS plan is fully funded
- Market draws are based on investment returns
- Actuarial draws are based on actuarial changes to assumed earnings rate, payroll growth, and/or changes to mortality tables



Contingency Reserve Fund Policy

Section 6: Rules for Replenishment

- Restricts General Fund savings from financing to only be used for replenishment of the fund or one-time expenditures for five fiscal years
- Utilizes annual unspent PSPSR appropriations
- Sets a 7 year requirement to replenish the CRF



Contingency Reserve Fund Policy

Section 7: Sizing of the Contingency Reserve Funds

- Provides for review of sizing at least every five years
- Determines initial deposits for Police and Fire CRFs
 - Market:
 - Sizes the initial deposit base on 10% investment loss
 - Funds 3 years of the increased unfunded actuarial liability change
 - Actuarial
 - Sizes the initial deposit to mitigate actuarial changes to assumed earnings rate, payroll growth changes, and mortality table changes
 - Funds used to address increases in the unfunded actuarial liability



Contingency Reserve Fund Policy

Section 8: Rules to Dissolve Fund

- Upon the repayment of the final debt service payment, staff will seek Council direction to the disposition or continuance of the CRF.
- The City could redirect the CRF to apply to fund OPEB or other retiree benefits, or General Fund.



Contingency Reserve Fund Policy

Staff Recommendation

- Adopt the ordinance to set forth a PSPRS Contingency Reserve Fund Policy

Questions/Comments?

CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Tiffany Antol, Planning Director
Date: 06/03/2020
Meeting Date: 06/23/2020



TITLE

Discussion: When and how the City might negotiate an agreement to disallow short term rentals.

STAFF RECOMMENDED ACTION:

Council Direction.

EXECUTIVE SUMMARY:

Councilmember McCarthy made a Future Agenda Item Request on November 5, 2019, which was supported by the required number of councilmembers. The item is now before the Council for discussion and direction to staff.

INFORMATION:

A vacation or short-term rental is generally defined as a transient dwelling unit that is offered for rent for less than thirty days. These types of rentals can be found in both single-family and multi-family housing. The types of vacation and short-term rentals vary dramatically. These rentals can be an entire dwelling unit, a room or rooms within an occupied dwelling unit, or an accessory dwelling unit with an occupied primary dwelling. The City of Flagstaff Zoning Code currently states that accessory dwelling units may not be rented for a period of less than 30-days. This requirement, however, predates recent changes to the Arizona Revised Statutes.

In 2017, Arizona State Legislature enacted A.R.S. §9-500.39 which eliminated the ability of local cities and towns to regulate vacation or short-term types of rentals based solely on their classification or use. Consequently, these rentals are allowed, by state law. However, A.R.S. §9-500.39 does not preclude the ability for Home-Owner or Property-Owner Associations to regulate or restrict these types of uses.

Except in neighborhoods where Home-Owner or Property-Owners Associations restrict or regulate these types of rentals, vacation or short-term rentals are allowed by-right in all neighborhoods, subject to the following:

- All dwelling units and any accessory dwelling unit must be rented or offered for rent together and may not be rented or offered for rent independently of one another.
- All dwelling units transient in nature, including vacation and short-term rentals, shall have a maximum occupancy of ten (10) persons unless the building meets the International Building Code requirements for an R-1 occupancy.
- Non-residential uses, including retail, restaurant, banquet space, event center, or other similar uses are prohibited.

The City's ability to regulate vacation or short-term rentals is limited to protecting the public health and safety in accordance with Arizona law as well as to ensure that property owners register their rentals and the appropriate tax is collected for this type of commerce. Neighborhoods may be able to regulate short-term rentals through voluntary private agreements made between neighbors. These agreements, commonly referred to as private deed restrictions, are regulations that the City is not a party to nor can it enforce them or provide advice on how to implement them.

Attachments:

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Nicole Antonopoulos, Sustainability Manager
Date: 06/05/2020
Meeting Date: 06/23/2020



TITLE:

Consideration and Adoption of Resolution No. 2020-09: A resolution endorsing the declaration of a climate emergency for the City of Flagstaff, and requesting regional collaboration on an equitable transition and urgent mobilization efforts to restore a safe climate.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-09 by title only
- 2) City Clerk reads Resolution No. 2020-09 by title only (if approved above)
- 3) Adopt Resolution No. 2020-09

Executive Summary:

Flagstaff community members gathered signatures for the Climate Emergency Declaration at the September 20, 2019 Global Climate Strike. Petition 2019-02 was submitted to the City on September 24, 2019. The petition was heard as a F.A.I.R. item on October 15, 2019 and approved by Council at their January 28, 2020 meeting to move forward as a resolution. The declaration requests regional collaboration on an equitable transition, urgent mobilization efforts to restore a safe climate, and advancing the City's Climate Action and Adaptation Plan to carbon neutrality by 2030.

Financial Impact:

Committing to a carbon neutrality goal will require a shift in budgetary priorities. If the resolution is approved, staff will return to City Council in 120 days with a plan of action.

Policy Impact:

Committing to carbon neutrality by 2030 will require significant changes to internal processes. All policies will need to consider greenhouse gas emission impacts and incorporate actions to mitigate them including:

- Budget
- City Council decisions
- Purchasing
- Capital improvement projects
- City operations
- Zoning and land use
- Building codes

Connection to Council Goal, Regional Plan, CAAP, and/or Strategic Plan:

Take meaningful climate change action.

- High performing governance
- Safe and healthy community
- Inclusive and engaged community
- Sustainable, innovative infrastructure
- Robust resilient economy
- Livable community

- Goal E.1. Increase energy efficiency.
- Goal E.2. Expand production and use of renewable energy.
- Goal E&C.1. Proactively improve and maintain the region's air quality.
- Goal E&C.2 Reduce Greenhouse gas emissions.
- Goal E&C.3 Strengthen community and natural environment resiliency through climate adaptation efforts.
- Goal E&C.4. Integrate the best available science into all policies governing the use and conservation of Flagstaff's natural resources.

Yes, on January 28, 2020 the City Council discussed the Citizen's petition and directed staff to proceed with a resolution.

The Flagstaff community submitted Citizen Petition 2019-02 on September 24, 2019, following the global Climate Strike. The Flagstaff community has been actively involved in climate discussion and action. Since the passing of the Climate Action and Adaptation Plan Sustainability staff have engaged nearly 4,000 community members in climate and resiliency conversations.

Attachments: Res. 2020-09
 Climate Emergency Declaration Presentation
 Citizen Petition 2019-02

RESOLUTION NO. 2020-09

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, ENDORSING THE DECLARATION OF A CLIMATE EMERGENCY FOR THE CITY OF FLAGSTAFF, AND REQUESTING REGIONAL COLLABORATION ON AN EQUITABLE TRANSITION AND URGENT MOBILIZATION EFFORT TO RESTORE A SAFE CLIMATE

RECITALS:

WHEREAS, in November of 2018 the City adopted a Climate Action and Adaptation Plan that included input from citizens of the community and addressed carbon offset strategies, carbon neutral buildings, livable neighborhoods, renewable energy, local agriculture, zero waste, and transportation; and

WHEREAS, as embodied in the Flagstaff Climate Action and Adaptation Plan, Flagstaff has committed to meeting the Paris Agreement goals, an international agreement pledging to work towards keeping average future warming “well below 3.6°F above pre-industrial levels” and to “pursue efforts to limit the temperature increase to 2.7°F”; and

WHEREAS, the United Nations November 2019 Emissions Gap Report finds that countries collectively failed to stop the growth in emissions, meaning that deeper and faster cuts are now required. In order to stay on track to meeting the Paris agreement goals, the UN calls for immediate and aggressive action to achieve carbon neutrality by 2030; and

WHEREAS, by way of example, the Flagstaff Climate Action and Adaptation Plan identifies an 80% reduction in carbon emissions by 2050; and

WHEREAS, if we want to have a 66% chance of staying below 2.7 degrees warming by 2030, we’re not on track to hit that target; and

WHEREAS, according to recent studies, global warming of approximately 1.8°F is already threatening or causing detrimental effects on Earth’s human, physical, biological, and hydrological systems as attested by increased and intensifying wildfires, floods, rising seas, diseases, prolonged droughts, extreme weather events, loss of biodiversity, and climate refugees; and

WHEREAS, Flagstaff has experienced the predicted clear warming trend since 1995, with higher temperatures and fewer cold days per year, contributing to an overall drying trend; and

WHEREAS, Flagstaff and our region face significant risks of reduced water availability, increased wildfires, drought, and flooding, snowpack loss, and widespread forest loss. Recent models forecast average temperature increase in Flagstaff of 9.4°F by 2080, creating a climate similar to that experienced currently in Show Low; and

WHEREAS, average model estimates also indicate a likelihood of 25 days each summer with maximum daily high temperatures over 105°F; and

WHEREAS, a fair shift to an economy that is ecologically sustainable, equitable, and just for all

its members is a necessary step for the City of Flagstaff in the effort to address the climate emergency; and

WHEREAS, initiatives shifting from inefficient fossil energy systems to sustainable energy systems of energy production, conservation, and transportation, from landfills to zero waste, from industrial food systems to food sovereignty, from car-dependent sprawl and unbridled growth to smart urban development without displacement, and from destructive over-development to habitat and ecosystem restoration are essential to achieving necessary carbon reductions and a stable climate; and

WHEREAS, the unique threats that climate change poses present multiple opportunities for the City to benefit through swift actions. By declaring a climate emergency, we recognize the severity of the issue, while at the same time acting to solve the challenges presented by climate change locally. With coordinated actions and targeted investments from the City and our local higher education partners, we can be a leader in addressing climate change issues and at the same time invest in the mitigation and adaptation strategies outlined in our City's existing CAAP, thereby reducing future risks and costs.

ENACTMENTS:

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

SECTION 1. The City of Flagstaff declares that a climate emergency threatens our City, region, state, nation, civilization, humanity and the natural world, and recognizes the need for a dramatic increase in its ambition to combat climate change, so that it meets or exceeds the current recommendations of the foremost climate scientists working around the world.

SECTION 2. The City of Flagstaff commits to its own City-wide transition and climate emergency mobilization effort, utilizing Flagstaff's Climate Action and Adaptation Plan as the foundational framework in recognition of accelerating climate changes and prioritizing appropriate funding for its implementation.

SECTION 3. The City of Flagstaff commits to educating residents and especially Flagstaff's youth about the current climate emergency and inspiring action.

SECTION 4. The City of Flagstaff underscores the need for full community participation, and recognizes that the residents of Flagstaff, and community organizations and other such allies will be integral to and in the leadership of the mobilization effort.

SECTION 5. The City of Flagstaff commits to keeping the concerns of vulnerable communities central to all transition and climate emergency mobilization efforts and to facilitate the active participation of such communities.

SECTION 6. The City of Flagstaff joins a nationwide call for an emergency mobilization collaborative effort, in full partnership with surrounding Tribal nations and traditional agricultural communities, at all levels of government to prioritize adaptation and mitigation in relation to climate change while making all government decisions.

SECTION 7. The City of Flagstaff will take steps to revise the goals outlined in the Climate Action

and Adaptation Plan to be in alignment with the United Nations' November 2019 Emissions Gap Report, while maintaining equal emphasis on adaptation, mitigation, and equity, by advancing the Climate Action and Adaptation Plan's goals to achieve carbon neutrality by 2030.

SECTION 8. The City of Flagstaff calls on the State of Arizona, the United States of America, and all governments and peoples worldwide to initiate a transition and climate emergency mobilization effort to mitigate global warming and create high-quality, good-paying jobs with comprehensive benefits for those who will be impacted by this transition.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 23rd day of June, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Climate Emergency Declaration

June 23, 2020





Discussion

1. **Context** to the Climate Emergency Declaration
2. The Climate Emergency **Declaration**
3. A Climate Emergency **Mobilization**
4. **How** we move forward

1. The Context



Background

October 2018: The International Panel on Climate Change (IPCC) published the Special Report on Global Warming

- Compares warming scenarios of 1.5°C and 2.0°C.

November 2018: The Flagstaff Climate Action Adaptation Plan was passed.

- Noted the IPCC 1.5° C report and the need to return to this conversation

September 2019: Global Climate Strike catalyzes global and local climate action

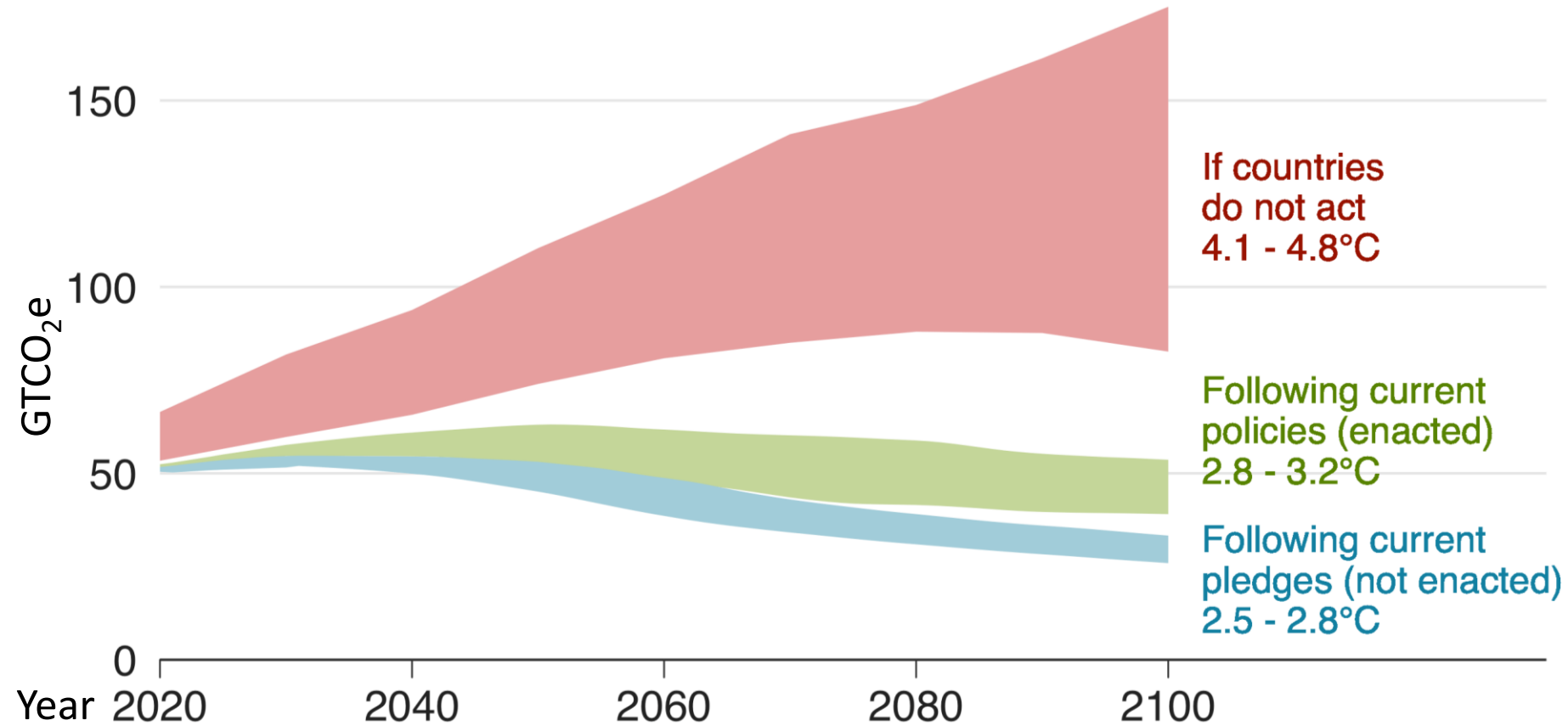
November 2019: The United Nations Emissions Gap Report clarified need for urgent action:

- Emissions must be reduced 7.6% every year until 2030, or we will miss a defining opportunity to limit the catastrophic impacts of climate change
- Current inadequate commitments will put us on track for devastating warming of 3.2°C - consequences are grave



Rationale for Increased Action

- The science calls for it
- The community is asking for it
- Bold and immediate action is needed
- Requires systems change



2. The Climate Emergency Declaration



Climate Emergency Declaration

- Flagstaff community members gathered signatures for the declaration at the September 20, 2019 Global Climate Strike
- Petition 2019-02 was submitted to the City on September 24, 2019
- It was heard as a F.A.I.R. item on October 15, 2019 and approved by Council on January 28, 2020 to move forward as a resolution

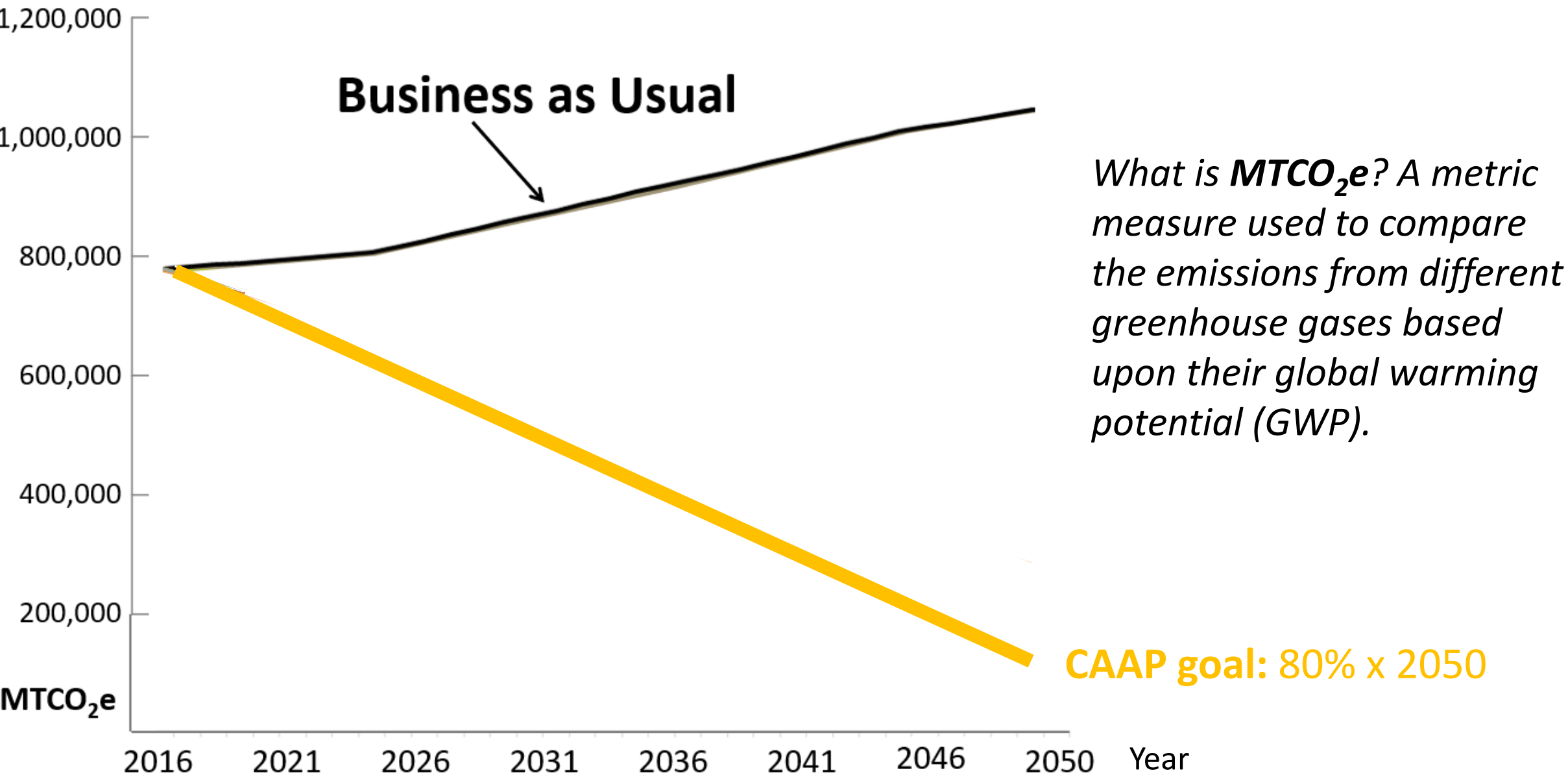




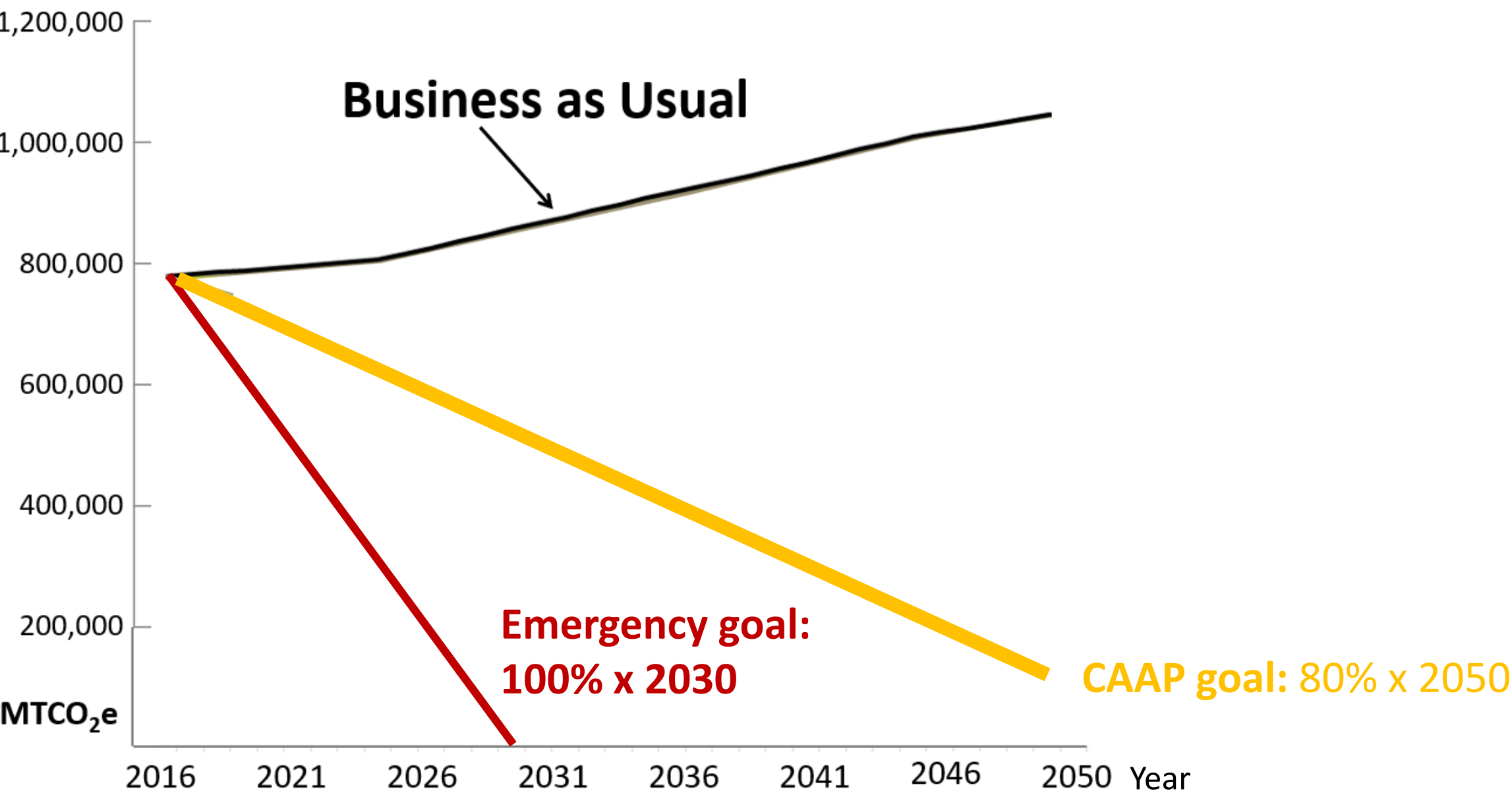
Climate Emergency Declaration

1. Dramatic increase in ambition to combat climate change
2. Commits to City-wide transition and climate emergency mobilization effort
3. Commits to educating residents and especially youth
4. Underscores the need for full community participation
5. Commits to keeping vulnerable communities at the forefront of decision making
6. Joins a nationwide call for mobilization
7. Advance goals of the Climate Action and Adaptation Plan
8. Calls on all governments to initiate a transition

CAAP GHG Emissions Goals



CAAP GHG Emissions Goals



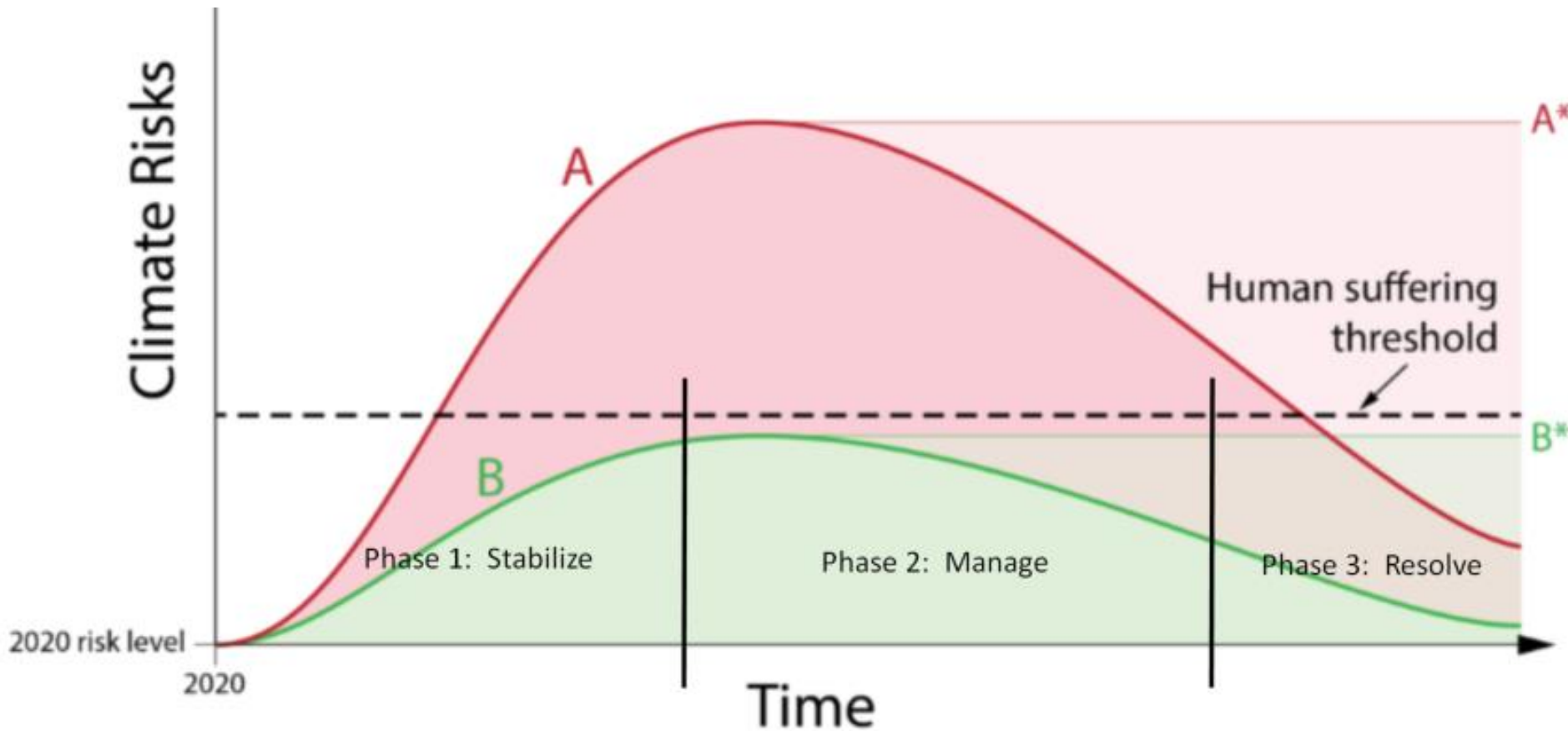
3. Mobilization



The Climate Emergency

- Requires sustained and focused commitment
- Requires re-aligning systems to respond to emergency at hand
- Requires bold action
 - Draw resources from every sector
 - Reimagine the future
 - Shift organizational strategies and operations
- Requires **mobilization**

Three Phases of Mobilization



Phase 1 – Stabilize

Drastic action, short term, to avoid overwhelming the capacity of the system.

Phase 2 – Manage

Continued monitoring and new actions based on evidence.

Phase 3 – Resolve

Determine when the situation has been adequately stabilized and managed. Move to post-emergent phases.



Climate Mobilization

Benefits

- Mobilizes resources – a war-time level of effort is needed
- Economic and job benefits to climate action
- Equity
- Protects infrastructure/City investments
- Adaptation

Challenges / Demands

- Significant resource commitment
- New criteria for all decision making
- Significant changes in operations at the City
- Significant changes in way of life in the community

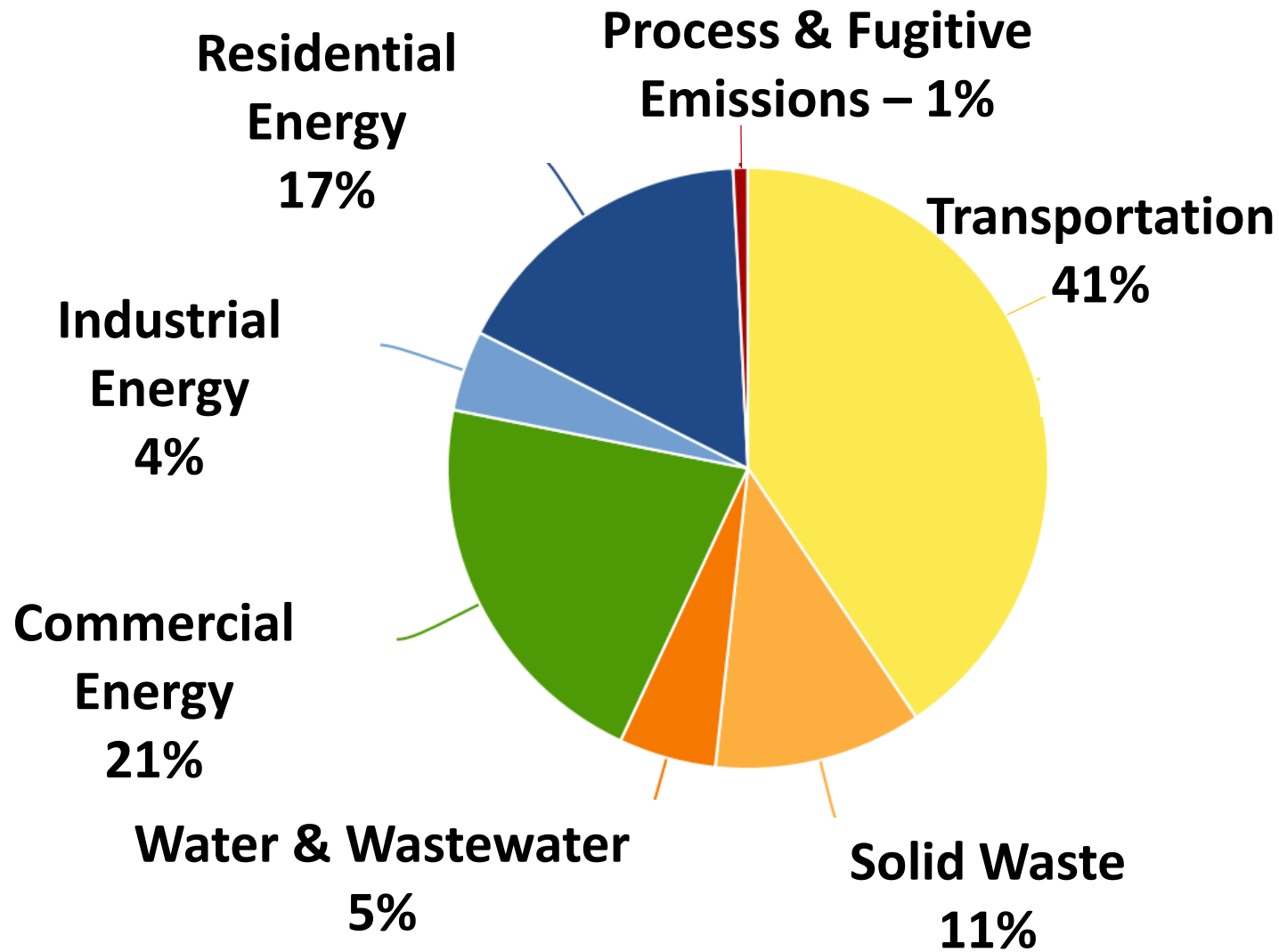
4. How We Move Forward

Flagstaff's Emissions

#1
Car Emissions



#2
Powering
Buildings



Immediate Next Steps

- Revise the Climate Action and Adaptation Plan
 - New mitigation goal: **Reduce emissions by 100% by 2030**
 - Revise all focus area goals
 - Identify strategies and actions that are needed to meet these goals
- Fast track calculations and impact scenarios
- Bring amended goals and prioritized actions back to City Council in 120 days



Immediate Next Steps

- **Climate Action and Adaptation Plan Steering Committee**
 - Reignite the Committee
 - Invite organizers of Climate Emergency Declaration to participate
- **Climate Consultants**
 - Redirect base budget funding to work with previous consultants on impact scenarios
- **Community outreach:**
 - Solicit help from local climate action network
 - Focus on providing information



Preliminary Ideas

- Major changes to internal processes – need to consider greenhouse gas emissions impacts:
 - Budget
 - City Council decisions
 - Capital improvement projects
 - City operations
 - Zoning and land use
 - Building codes
- Update and consistently use the sustainable living/climate decision matrix to guide
 - Align with Performance Base Budgeting
- Accelerate existing CAAP actions



Preliminary Ideas

- Carbon sequestration
- 100% renewable energy
- Building retrofits/electrifications
- Changes to our land use and transportation systems
 - ~50% of all trips will need to be taken via walking, biking, busses
 - Growth will need to come through dense housing, with little parking
 - Rapid electric vehicle adoption
- Shift in budget allocation and prioritization



Envision a Flagstaff that ...

has zero emissions from:

- Transportation
- Waste
- Buildings
- Water

is resilient.

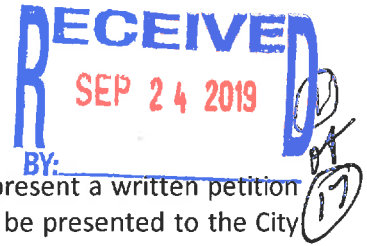
embraces equity.



This is
possible.
Questions?



PETITION TO FLAGSTAFF CITY COUNCIL
Pursuant to Flagstaff City Charter Article II Section 17
and Flagstaff City Code Title I Chapter 12



Pursuant to the Flagstaff City Charter and the City Code, any citizen (resident) of the City may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City of Flagstaff, which shall be presented to the City Council.

Title of Issue: Flagstaff City Council's response to the Global Climate Crisis

Action Requested: We request that the Flagstaff City Council declare a Climate Emergency Resolution. This action should be followed by immediately elevating the Sustainability Section to Department status, so staff have the ability to expedite the Climate Action and Adaptation Plan and can then implement CAAP goals. This would be a significant positive step for the public safety of Flagstaff residents

Printed Name of Submitter: Joseph Shannon

(Submitter must also sign below and complete information)

Contact Information: 928 380 9537 jshannon278@gmail.com
(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/14/19	Joseph Shannon	2882 WEST NAVA ST 86001	Joseph Shannon
9/14/19	Diane Traylor	3833 N. STEVE'S FLAGSTAFF, AZ 86004	Diane Traylor
9/14/19	Valarie A. Bryant	1300 N. Indian Spring CN Flagstaff, AZ 86004	Valarie A Bryant
9/14/19	EVA PUTZOVA	1700 E LINDA VISTA DR	Eva Putzova
9/14/19	JEFF BALMUT	6741 E ANAZAZI PR FLAGSTAFF 86004	Jeff Balmut
9/14/19	CHARLES BAME	3335 N. MANOR RD, FLAGSTAFF AZ	Charles Bame
9-14-19	Joan Stonor	1825 E Arrowhead Flagstaff A	Joan Stonor
9-14-19	Cynthia L Jones	2601 N Eddy Dr Flagstaff, AZ 86001	Cynthia L Jones
9/14/19	Tallerita Tunney Rogers	2715 E Hemberg Dr Flagstaff 86004	Tallerita Tunney Rogers
9/14/19	Stephanie Abel	1713 E Mountain View Flagstaff, 86004	Stephanie Abel

RECEIVED BY CITY OF FLAGSTAFF

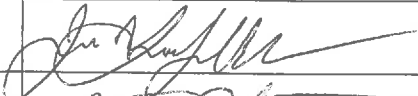


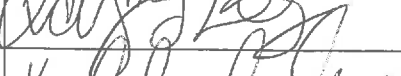
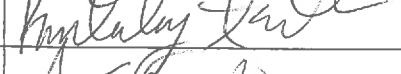
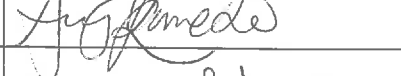
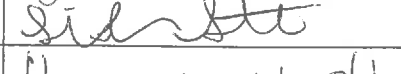
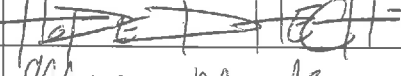
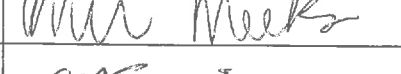
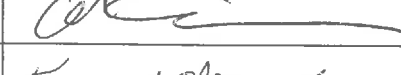
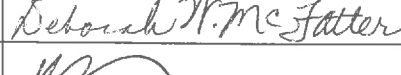

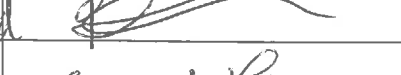

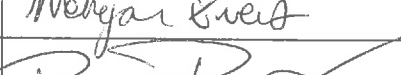
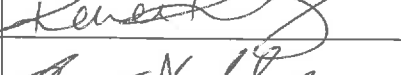
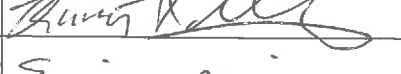






DATE RECEIVED	BY	COUNCIL MEETING DATE
9/24/19	Stacy Fobar	10/15/19

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/14/19	Cassidy Mott	695 S. Knolls Dr. Apt 301 Flagstaff, AZ 86011	Cassidy Mott
9/14/19	Mary McDowell	3720 N. Grandview Flagstaff, AZ 86004	Mary McDowell
9/14/19	James Guidotti	709 Old Munds Fl 29, 86005	James Guidotti
9/14/19	Sean Austin	1251 N Pine Cliffs Dr Flag AZ 86001	Sean Austin
9-14-19	Marcia Burns	801 W. Cherry Ave. Flag AZ	Marcia Burns
9-14-19	JAY Larson	3375 E. Lockoff Flag	JAY Larson
9-14-19	Tierra James	7601 S Lake Mary Rd Flagstaff, AZ	Tierra James
9-14-19	Tony Roybal	6910 Chris Ln.	Tony Roybal
9-14-19	Lynn Weller	4000 N. Luzern 86001	Lynn Weller
9-14-19	Dan Topping	4000 N. Luzern Cir 86004	Dan Topping
9/14/19	Jac Tolchin	2915 E Lewis Flag AZ 86004	Jac Tolchin
9/20/19	Sara Ryan	1160 N Rockridge Rd Flagstaff AZ 86001	Sara Ryan
9/20/19	Mara Anderson	2803 N Jamison Blvd Flagstaff 86004	Mara Anderson
9/20/19	Erika Elz	4 UNIVERSITY DR 46 ALLEN HALL 257	Erika Elz
9/20/19	ERIK RAND	2536 W PIKE PEAK DR FLAGSTAFF AZ 86001	ERIK RAND
9/20/19	GABRIEL REY-GOODLATE	2536 W Pikes Peak Dr Flagstaff AZ 86001	GABRIEL REY-GOODLATE
9/20/19	Ethan Tsitouris	5285 Pumphill Rd AZ	Ethan Tsitouris
9/20/19	JO + JILL PEREZ	10013 Northline Dr	JO + JILL PEREZ
9/20/19	Gabriel Morias	2404 N. Cortland blvd #122	Gabriel Morias
9/20/19	Robert Wallace	4410 Shawnee Rd Flagstaff AZ 86005	Robert Wallace
9/20/19	ORION REY	2536 W. PIKE PEAK DRIVE FLAGSTAFF AZ 86001	ORION REY

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20	Jesse Goodfellow	517 S Agassiz #3	
9-20-19	Elizabeth Martinez	1225 Piedra Ln	
9/20/19	Kathryn Beagle	1362 E Hatch dr	
9/20/19	Tacey Heebberg	875 E Pine Knoll Dr.	
9/20/19	Kimberly Anderson	3747 W. State Ave Phx	
9/20/19	Sofia Ramcke	406 S. LEXKRAV	
9/20/19	Sierra Stewart	997 E Pine Knoll Dr.	
9/20/2019	Hope Hecht	1350 S. KNOLES DR #227	
9/20/19	Christina Meeks	1350 S. KNOLES DR #401	
9/20/19	Claire Simchuk	1185 W. University Ave #18	
9/20/19	Deborah W McFatter	1678 N Sky View St #16	
9.20.19	Mason Wiggins	323 N Bonito St.	
9/20/19	Brooke Apana	2800 S Highland Mesa Rd	
9/20/19	Emily Lashbrook	2800 S. Highland Mesa Tucson, AZ	
9/20/19	Meagan Owens	4161 N. Birdchuchi Dr.	
9/20/19	Renee Dimeis	1350 S KNOLES DR Unit #130-i	
9/20/19	Ramón DL Alatorre	1340 S. Lone Tree Rd Apt 1	
9/20/19	ERIN ZWIER	1340 S Lone Tree Rd	
9/20/2019	Marco Alatorre	1120 N Manzanita Way	
9/20/2019	Valentine Sargent	575 S. Seville Ln. 205 E. Dodge St.	
9/20/19	Erica McIlwraith	2535 E. Jeffrey LP.	
9/20/19	Ann Schepper	2401 W Rte 66 #28 #19	
9/20/19	Elizabeth Dannenbrink	4868 S. Elvas Chasun Trl.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis

PAGE

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OF

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Thomas Kaiser	211 W Cottage Ave #4	Tom Kaiser
9/20/19	Ben Flory	6258 W. Camino de Oro	Ben Flory
9/20/19	CYNTHIA HAUSERMAN	210 Navajo Trail #334	Cynthia Hauserman
9/20/19	Kyle Thomas	2195 W. Reading Court	Kyle Thomas
9/20/19	Emily Aithen	2195 W Reading Ct	Emily Aithen
9/20/19	Catherine Clark	1201 E Ponderosa Hwy	Catherine Clark
9/20/19	Breanna Fimbres	20708 W. Ridge Rd	Breanna Fimbres
9/20/19	Leo Crowder	555 W Forest Meadows St	Leo Crowder
9/20/19	ERIL BROWN	1011 N. ELIZABETH	Eril Brown
9/20/19	Cecilia Baschili	5. San Francisco	Cecilia Baschili
9/20/19	Donald Hepburn	825 W Route 66 #204	Donald Hepburn
9/20/2019	Paul Keene	1303 E. Dunrover 86004	Paul Keene
9/20/19	Olivia Kruse	901 S O'Leary St apt 13	Olivia Kruse
9/20/19	Mackenzie Roberts	901 S O'Leary St. apt 13	Mackenzie Roberts
9/20/19	Julia Smith	51 S Maricopa St. 902	Julia Smith
9/20/19	Cassidy Mott	695 S. Knolls Dr, Flagstaff AZ, 86001 Apt. 301	Cassidy Mott
9/20/19	Kalah Knight	6870 Bean Blvd Flagstaff	Kalah Knight
9/20/19	Samantha Schwartz	313 Cryden Ave Rockville, MD	Samantha Schwartz
9/20/19	N. J. CARLILE	PO BOX 1803 FLAGSTAFF, AZ 86002	N. J. Carlile
9/20/19	Alc Garcia	2566 S Hutter Lane, Flagstaff, AZ	Alc Garcia
8/20/19	Nancy Scheneman Grehm	925 N. Sinagoga Flagstaff Hts. Dr. 86004	Nancy Scheneman Grehm
9/20/19	Kyle Thomas	850 S Knolls Dr. Flagstaff, AZ 86001	Kyle Thomas
9/20/19	David Hosking	2726 W Adirondack AVE	David Hosking

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Kalima Nameth	555 W. Forest Meadows St	Kalima Nameth
9/20/19	Alexa Portman	555 W. Forest Meadows St	Alexa Portman
9/20/19	Jacqui Foreman	219 E. Zuni Drive	Jacqui Foreman
9/20/19	Bianca Dillard	4015 Beaver Creek	Bianca Dillard
9/20/19	Kim Curtis	1805 N. Beaver St	Kim Curtis
9/20/19	Elliott Greenberg	520 Forest Rd	Elliott Greenberg
9/20/19	Sierra Bryan	2800 S. Highland Mesa Rd ^{*7-2019}	Sierra Bryan
9/20/19	Kelsey Blakley	1750 N Vista Dr	Kelsey Blakley
9/20/19	Michael Daugherty	240 W. Saunders Dr #162	Michael Daugherty
9/20/19	Ethan Tsitoulis	5285 Pumpkin Patch Rd	Ethan Tsitoulis
9/20/19	Esiah Contreras	1807 N. Main St.	Esiah Contreras
9/20/19	JoAnna Perea	10013 North Linder	JoAnna Perea
9/20/19	Gabriel Macias	2404 N. Cortland	Gabriel Macias
9/20/19	Joseph Perea	10013 North Linder	Joseph Perea
9/20/19	Daniela Hernandez	13 E Dupont Ave	Daniela Hernandez
9/20/19	Camila Hernandez	450 W. Kaibab Ln.	Camila Hernandez
9/20/19	Dorothy Hoagland	2530 N. Sweet Clover Way	Dorothy Hoagland
9/20/19	Larry Brett Larson	2398 N Keystone Dr	Larry Brett Larson
9/20/19	Isabelle morse	813 W. university ave	Isabelle morse
9/20/19	William Gallegos	8920 Olive St NE	William Gallegos
9/20/19	Amber Hoagland	2530 N Sweet Clover Way	Amber Hoagland
9/20/19	Tiffany Sweeney	1971 North Meteor Dr.	Tiffany Sweeney
9/20/19	annadelmiing	2800 S highland mesa rd.	annadelmiing

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)



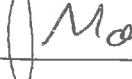




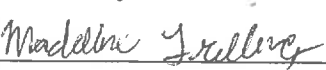





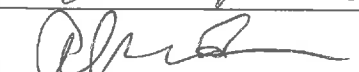







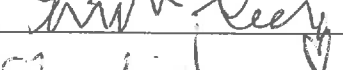
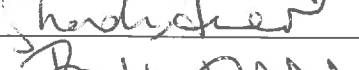
TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis

PAGE



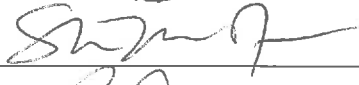

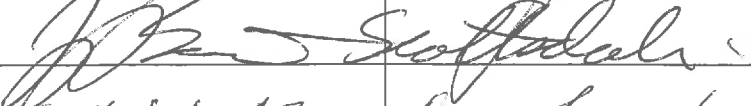
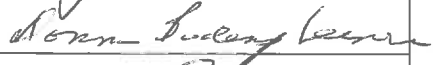



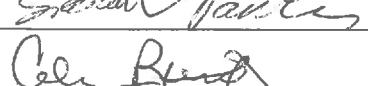
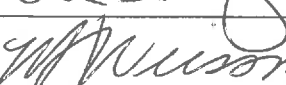
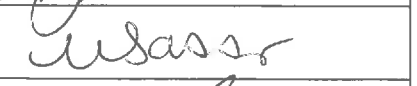
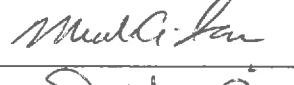

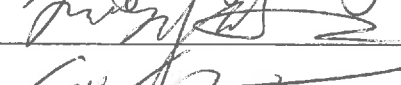

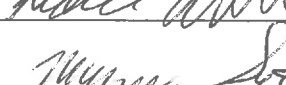
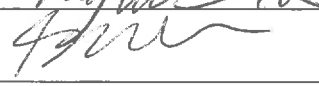
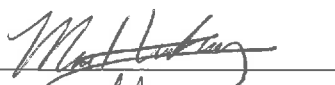




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OF

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
20 Sep 19	Bruce Hungate	1730 N. Kittredge Rd Flagstaff	
9/20/19	Jane Marks	1730 N. Kittredge Rd Flagstaff	
9/20/19	Mo Allen	2928 W. Presidio Dr	
9/20/19	Em Bee	Idk	
9/20/19	Robin Tittelbaugh	3520 N. Eiger Mt. Rd.	
9/20/19	Sarah Tittelbaugh	3520 N. Eiger Mt. Rd.	
9/20/19	Mackenzie Spillman	416 N. Beckand St	
9/20/19	Madeline Trilling	2226 N. Lantern Ln Flag	
9/20/19	Zane Wahlen	4343 E. Solire Ave. Apt. 208	
9/20/19	Eden Fahy	2710 N. Fremont Ave.	
9/20/19	Ella Moore	1665 N. Turquoise Dr.	
9/20/19	PEARL GARNER	1931 N. CONTINENTAL	
9/20/19	Lucas Turner	3335 N. Estates St.	
9/20/19	Aleona Page	7980 Picture Canyon Trl.	
9/20/19	Grant Cernochous	496 E. Clover Creek Dr.	
9/20/19	Abigail Glazer	4995 S. Pyrite Rd	
9/20/19	Hyrum Hayner	3755 N. Park Dr	
9/20/19	Ronan Sullivan	2107 6x06i ave DA	
9/20/19	Indigo Conidae	1500 E. Linda Vista Dr.	
9/20/19	Jessi Quizar	1500 E. Linda Vista Dr.	
9/20/19	Timothy Shaga	4169 S. Orchard Lake Dr	
9/20/19	Shandiin Amado	5490 N Park Drive	
9/20/19	BROOKE PHILLIPS	2310 W. BLACKHAWK LN.	

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Connie Bullis	4760 Bright Angel Trl	Connie Bullis
9/20/19	Meagan Owens	4161 N. Bidahochi Dr.	Meagan Owens
9/20/19	Jacob Meadams	1500 S San Francisco St	Jacob Meadams
9/20/19	Alana Nichols	1362 E Hatcher Dr	Alana Nichols
9/20/19	Sara Kubisty	575 S Seville Ln	Sara Kubisty
9/20/19	Lucy Bayle	991 E. Pine Knoll Dr. #623	Lucy Bayle
9-20-19	Roseanne Fulcher	150 E Camille Dr.	Roseanne Fulcher
9.20.19	Dorothy Arissel	150 E Camille Dr	Dorothy Arissel
9/20/19	Sody Clements	809 W Riordan Rd #100-341	Sody Clements
09/20/2019	Andrew Vitz	520 S. Verde St	Andrew Vitz
9/20/19	Peter P. Atkinson	2104 2104 GOLD RUSH LANE COCHISEWOOD	Peter P. Atkinson
9/20/19	Mary McKell	111 E Oak Ave #114	Mary McKell
9/20/19	Kathy Flacus	1021 N Hopi	Kathy Flacus
9/20/19	Shawn Newell	3308 N. Grandview Dr.	Shawn Newell
9/20/19	Kelser Hontz	602 N Leroux Street	Kelser Hontz
9/20/19	Josh Ostby	624 W Bonnie Ln	Josh Ostby
9/20/19	Manique Schnap	henshaw	Manique Schnap
9/20/19	Cora M. Phillips	3100 N Kyle Loop	Cora M. Phillips
9/20/19	melinda calnimpewa	442 Picadilly Ln.	melinda calnimpewa
9/20/19	Karis Begaye	442 Picadilly LN	Karis Begaye
9/20/19	Caitlyn Burford	417 W. Cedar Ave, FLG	Caitlyn Burford
9/20	Matthew Muchne	417 W. Cedar Ave, #	Matthew Muchne
9/20/19	Kara Koenitzer Tate	2398 N. Keystone Dr. 86004	Kara Koenitzer Tate

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Monty Glaser	901 S. Cleary Rd	
9/20/19	Shonte Begay	603 W. Birch #1 Flagstaff, AZ 86001	
9/20/19	Shelley Jones	851 N. Glen View St Flagstaff, AZ 86004	
9/20/19	Rox Jones	ME 507 4128 N. S. St. AS	
9/20/19	John Bodensteiner	Scottsdale AZ	
9/20/19	Donna Bodensteiner	Scottsdale AZ	
9/20/19	TRUMAN SHOAF	2418 TORREVA PL FLAG, AZ	
9/20/19	Zachary Hansen	817 celilo mountainine	
9/20/19	Rachel McCormick	1655 E Appalachian Rd	
9/20/19	Sarah VanEss	1855 E Eagle Crest Dr	
9/20/19	Celia Barok	3354 N. Crest 86001	
9/20/19	MARILEN WASSMAN	1055 E. APPLE WAY FLAGSTAFF, AZ 86001	
9/20/19	Nicole Sasser	3160 S. Troxler Cir. FLAGSTAFF, AZ 86005	
9/20/19	michele A. James	713 W. Grand Canyon Ave. Flagstaff, AZ 86001	
9/20/19	Sydney Grey	McConnell Hall	
09/20/19	Kara Valenzuela	McConnell Hall	
9/20/19	Comila Hestnerstoth	3960 N. AIOSON Way 86004, Flagstaff AZ	
9/20/19	Grace Martin		
9/20/19	Megan Smith	2772 W Pico del Monte Civ, Flagstaff AZ 86001	
9/20/19	Sophie Fuller		
9/20/19	Mia Hickey		
9/20/19	Ali Henes		
9/20/19	Rhyka Nelson	4940 E Halfmoon Dr	


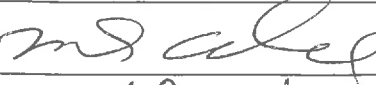


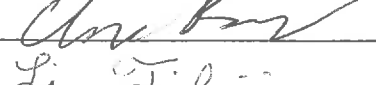
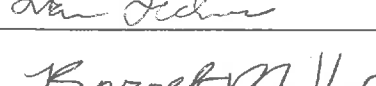
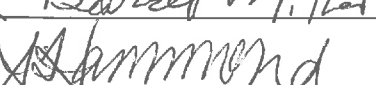
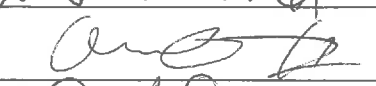

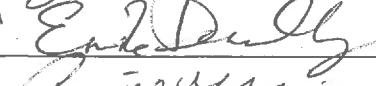
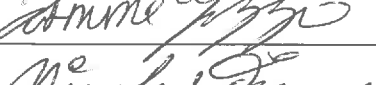
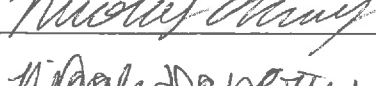

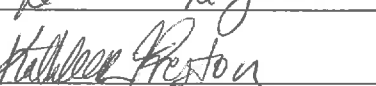
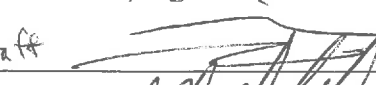

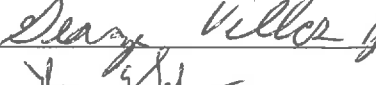
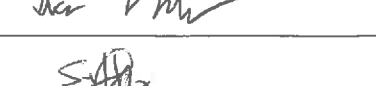

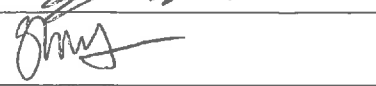


PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis

PAGE

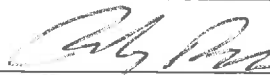



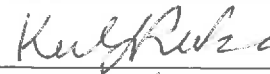


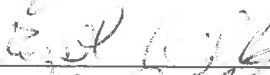
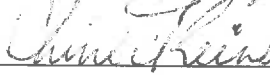
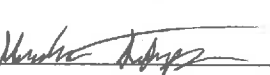

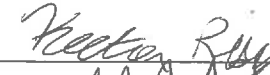


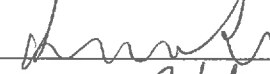





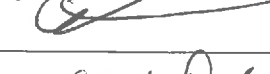


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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
09-20	Xi Jackewitz	2470 Adobe Ln.	Xi Jackewitz
9-20	Jack Cahill	1500 S. S. Fm 20 St	Jack Cahill
9-20	Gregory Fournier	3110 N. Flagstaff Rd	Gregory Fournier
9/20	Hugo Brown	1355 N. Koppel Dr	Hugo Brown
9/20	Brad Bernier	7 W University 427	Brad Bernier
9/20	Dana Marks-Martin	3328 N. Manor Rd.	Dana Marks-Martin
9/20	Natalie Jacobs	604 N. San Francisco	Natalie Jacobs
9/20	Elliot Kennedy	638 E David Dr	Elliot Kennedy
9/20	Shaun Willson	20701 N. Sedgwick Rd	Shaun Willson
9/20	Andrew Fockler	2518 E Miller Dr.	Andrew Fockler
9/20	Olivia Garcia	1732 N Lakeview In	Olivia Garcia
9/20	Kennedy Heck	3535 West Nicole Lane	Kennedy Heck
9/20	Olivia Jardine	7700 N. Snowboard Rd	Olivia Jardine
11/20	Maya Webner	707 W Tombstone Ave	Maya Webner
9/20	Peyton Ellis	2301 E. 5th Ave	Peyton Ellis
9/20	Gabriella Garcia	1732 N Lakeview In	Gabriella Garcia
9/20	Emily Noce	7 Mountain View Dr.	Emily Noce
9/20	Ashley Hansen	7 E University Dr	Ashley Hansen
9/20	Adeline Jones	7 E University Dr	Adeline Jones
9/20	Patrick Cunningham	3400 Lake Mary Rd	Patrick Cunningham
9/20	Julia Freeborn	215 W Dupont Ave	Julia Freeborn
9/20	Sarah Jacobson	4 E University Dr	Sarah Jacobson
9/20	Josh Dries	301 N Skyview St	Josh Dries

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	ERIC SOLDERS	7880 N. ^{Valley Rd} Flagstaff	
9/20/19	MARK ALEXANDER	7860 B. GEMINI DR.	
9-20-19	DARREN DEGENA	144 W. GOLD RUSH	
9/20/19	Sana Gachname	601 E. Piccadilly Dr. 33	
9/20/19	Clayson Benally	6026 Columbine Blvd ^{Flag AZ}	
9/20/19	Liam Friedrich	713 W. Grand Canyon ^{Flag}	
9/20/19	Barrett Miller	3160 S. Trovador Circle	
9/20/19	STEPHANIE HAMMOND	11160 RODEO Rd. ^{86001 Flagstaff AZ}	
9/20/19	Aiden Buckstead	11160 Rodeo Rd	
9/20/19	Crystal Kelly	Po Box 5279, Leupp ^{AZ 86035}	
9/20/19	Enka Benally	1720 E Thunderbird Rd ^{#1031073 Phoenix AZ}	
9/20/19	Jasmine Yazzie	3391 N Christensen ^{85022 dr. 86004}	
9.20.19	Nicolas Jimmy	1109 E Ponderosa Pkwy	
9/20/19	Nicole Doherty	3505 NW Rainier Loop	
9/20/19	Dawn Dyer	2478 Kachina Tr.	
9/20/19	Kathleen Preston	1624 N. San Francisco St.	
9/20/19	Steve Zavadnyk	1408 N. Lomala Lane Flagstaff	
9-20-19	Michelle Schaffer	9576 Lunar DR	
9-20-19	George Villas	9576 Lunar Dr.	
9 20 19	Lukas Eddy	Tuba City ^{S Tamarac St #1010}	
9 20 19	Suhei Eddy	Tuba City ^{S Tamarac St #1010}	
9-20-19	George Villas	3705 Pinal Dr. ^{Flagstaff AZ 86005}	
9/20/19	Tonya Garcia	8729 N Rogers Road	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis PAGE 11 OF 2017

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Andy Bessler	1255 N Kukuluk Way	
9/20/19	Harry Spencer	1401 N. 1st Ave. Dr.	
9/20/19	Evan Bell-Meyer	3027 Arroyo Dr	
9/20/19	Jessica Berlin	8615 Jupiter Ln.	
9/20/19	Kelly Roberson	1401 N 4th St	
9/20/19	Bella Barr	1131 Linda Vista	
9/20/19	Wyatt Runge	1275 N Fanning Dr	
9/20/19	Paul Galloway	3023 N Paradise R	
9/20/19	Chloe Reinshagen	3121 N park dr.	
9/20/19	Marlee Stephens	2805 N. Lantern L	
9/20/19	Samuel Rhodes	3710 W. Mountain Dr.	
9/20/19	Kestra Bippus	3022 N Peabody Ave	
9/20/19	Milo Nash-Hayes	58 W Separation ^{common} _{tr}	
9/20/19	Florence MacPhee	822 W. Santa Fe Ave.	
9/20/19	Ronan James	8601 S Yavapai Ave	
9/20/19	Nora Hungate	1730 N Kittredge rd	
9/20/19	Sascha Palafirjull	2812 W Hale dr	
9/20/19	Téa Tucci	3335 N Estates St.	
9/20/19	Christopher Clark	2524 E Miller Dr	
9/20/19	Jonathan Clark	2524 E Miller Dr.	
9/20/19	Archi Filai	2275 E Harbuz Dr	
9/20/19	Isaias Beltrán	3212 N Childress St	
9/20/19	Henry Jordan	1510 N Bandeira Rd	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis PAGE 12 OF 19

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Noah Bessler	1255 N Hemlock way	Noah Bessler
9/20/19	Zandra Vaiza	2721 St	Zandra Vaiza
9/20/2019	Ambera Bippus	Twilight Way	Ambera Bippus
9/20/19	Alina Skrocki	2636 N Doves Nest Lane	Alina Skrocki
9/20	Maayan Cohen	721 W. Aspen	Maayan Cohen
9/20	Sydney Gray	McConnell Hall	Sydney Gray
9/20	Karla Vellazquez	McConnell Hall	Karla Vellazquez
9/20	Ronie Wareham	8605 Arroyo Tr.	Ronie Wareham
9-20	Elizabeth Bixen	2147 N. Bellevue Ln.	Elizabeth Bixen
9-20	Veela Fowler	116 N. Aztec St.	Veela Fowler
9-20	Kaylee Elson	1980 N Venus Dr	Kaylee Elson
9/20	Emmi Hagen	4090 N Shobera Ln	Emmi Hagen
9/20	Caroline Jordan	5150 N Bandtail Rdg	Caroline Jordan
9/20	Shane Reagan	Turtle Creek Cir.	Shane Reagan
9/20	Jim Hodge	3809 E Mallard Ln.	Jim Hodge
9-20-19	Ignacia Vaiza	2721 N. Stevens Blvd	Ignacia Vaiza
9/20/19	Nicole Hamburger	413 E Edison	Nicole Hamburger
9/20/19	Conrad Mitchell-St. John	321 N Park St #C	Conrad Mitchell-St. John
9/20/19	Joe Weasiller	2184 S. Lincoln Ct	Joe Weasiller
9/20/19	Edward Sullivan	9183 N. Lurard Dr	Edward Sullivan
9/20/19	Christy Bobroni	520 W Birch #1	Christy Bobroni
9/20/19	Carrie Gabelman	8675 Arroyo Trail	Carrie Gabelman
9/20/19	Hannah Abuzaineh	2809 N. Fox Run Dr.	Hannah Abuzaineh

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20	Evangelina Chappas	407 Comanche St	Evangelina Chappas
9/20	Hira Fitz-thesler	1990 N. Meteor Dr.	Hira Fitz-thesler
9/20	Hartow Kenney	1121 W. Azure Dr.	Hartow Kenney
9/20	Sandra Lubarsky	1021 N. Navajo Dr.	Sandra Lubarsky
9/20	Marcus Ford	1021 N. Navajo	Marcus Ford
9/20/19	Naima Schuller	103 N. Hilltop Dr.	Naima Schuller
9/20/19	ETHAN AUMACK	1140 PINECLIFF DR.	Ethan Aumack
9/20/19	Amelia Hill	1547 Daydream Dr	Amelia Hill
9/20	MO CONNEY	3205 W. Brenda Loop	MO CONNEY
9/20/19	Mathias C-N	997 E. Pine Knoll Dr.	Mathias
9/20/19	Abby Sperr	138 W. Mexican Hat	Abby Sperr
9/20/19	MICA SONG	3117 N. Meadow Brook Drive	Mica Song
9/20	Maryn Coute	1821 N. Deer Crossing	Maryn Coute
9/20	Kevin Ketcher	3450 South Debbie St	Kevin Ketcher
9/20	Mike Taylor	2020 E Chisholm Trl	Mike Taylor
9/20	Laura Taylor	2020 E Chisholm Trail	Laura Taylor
9/20	Tatiana Gillick	5200 N Magdalena Rd	Tatiana Gillick
9/20	ASTORIA	1670 N CENTRAL ST	ASTORIA
9/20	Susan Gillick	5200 N. Magdalena Rd	Susan Gillick
9/20	Andy Gould	2458 N Earle Dr 86004	Andy Gould
9/20	Rachel C. Tso	8960 Princess Ave Flagstaff, AZ 86004	Rachel C. Tso
09/20/2015	John Marvel	2096 W. Fresh Air St. FL	John Marvel
09/20/2015	Kristine Marvel	"	Kristine Marvel

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20	ABBIE LETOURNEAU	400 E Pineknoll	Dr. Abbie Letourneau
9/20	Elizabeth Meyshu	824 W. Route 66	Elizabeth Meyshu
9/20	Megan White	400 E. Pine Knoll Dr.	Megan White
9/20	Kerry Nugent	2393 W. Mission Timberline	Kerry Nugent
9/20	Theresa Prichard	615 N. Apollo Wy	Theresa Prichard
09/20	Stevie LaFacer	9185 GARFIELD	Stevie LaFacer
9/20	LIANE GIUNTA	4343 E. SOLIERE AVE	Liane Giunta
9/20	BILL ANDERSON	7980 RIO RANCHO	Bill Anderson
9/20	Linda Fox	2654 W. Jacyn Dr.	Linda Fox
9/20	Mackenzie Roberts	901 S. O'Leary Street 1B apt	Mackenzie Roberts
9/20	Tim Aydelott	9758 Lunar Drive	Tim Aydelott
9/20/19	Christine Brown	2675 N. Nelson Dr	Christine Brown
9/20/19	Frederica Hall	5001 Wayward Way	Frederica Hall
9/20/19	Oceanna Boulanger	1075 S. Beaver St.	Oceanna Boulanger
9/20/19	Emma Cole	1830 S Milton Rd	Emma Cole
9/20/19	Hallie Calhan	1075 S. Beaver St	Hallie Calhan
9/20/19	Soledad Garcia	3330 Sitzer Ln.	Soledad Garcia
9/20/19	Kavlika Jansen	E. High University Dr.	Kavlika Jansen
9/20/19	Emily Segovia Maza	E. University Dr.	Emily Segovia Maza
9/20/19	Marissa Largo	1924 N St	Marissa Largo
9/20/19	ENGA LOKEY	675 W. C12	Enga Lokey
9/20/19	Asianah Carrera	3465 E Longhorn Dr	Asianah Carrera
9/20/19	Matalynn Slatten	7 E. University Dr.	Matalynn Slatten

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis PAGE 15 OF 17

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Remy Phillips	204 N. Elden St	Remy Phillips
9/20/19	Veronica Luckert	4120 E. Coburn Dr.	Veronica Luckert
9/20/19	Zoe Lytle	2015 S. Tumbach	Zoe Lytle
9/20/19	Emma Duskicz	3016 W. Foothills Way	Emma Duskicz
9/20/19	Ed Kabotie	3101 N. Ft Valley Rd	Ed Kabotie
9/20/19	Matthew Satchen	4343 E. Solisue Blvd	Matthew Satchen
9/20/19	ELIZABETH HAMM	Geo N. Curbing Smth	Elizabeth Hamm
9/20/19	Carson Woodcraft	3212 W. Cooper Dr.	Carson Woodcraft
9/20/19	Kyle Eisen	1040 N Venus Dr	Kyle Eisen
9/20/19	Cecilia Harrington	7712 Saturn Dr	Cecilia Harrington
9/20/19	Preston Harrington	7712 Saturn Dr	Preston Harrington
9/20/19	David Harrington	7712 Saturn Dr	David Harrington
9/20/19	Mehrdad Khatibi	1020 W. Coy Drive	Mehrdad Khatibi
9/20/19	Kimberly Lyons	1613 N West St	Kimberly Lyons
9/20/19	NATHAN RENN	2220 E HEMBERG DR	Nathan Renn
9/20/19	Emily Renn	2220 E Hemberg Dr.	Emily Renn
9/20/19	Kelso Hundt	322 N Summit Ave	Kelso Hundt
9.20.19	Alicyn Gittlin	116 S. Spring St.	Alicyn Gittlin
9/20/19	Susan Bischoff	3200 S. LITZNER DR apt 7-130 Flag 86005	Susan Bischoff

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis PAGE 17 OF 17

[illegible]

Title of issue:

Flagstaff City Council's response to the Global Climate Crisis

Action Requested:

We request that the Flagstaff City Council declare a Climate Emergency Resolution. This action should be followed by immediately elevating the Sustainability Section to Department status, so staff have the ability to expedite the Climate Action and Adaptation Plan and can then act on CAAP goals. This would be a significant positive step for the public safety of Flagstaff residents.



CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Nicole Antonopoulos, Sustainability Manager
Date: 06/09/2020
Meeting Date: 06/23/2020



TITLE:

Consideration and Adoption of Resolution No. 2020-41: A resolution urging the Arizona Corporation Commission to adopt a statewide clean energy standard.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-41 by title only
- 2) City Clerk reads Resolution No. 2020-41 by title only (if approved above)
- 3) Adopt Resolution No.2020-41

Executive Summary:

A transition from conventional fossil fueled electricity generation to clean energy offers several benefits—particularly the growth of new clean energy industries and associated jobs, diversification of energy supply, and reductions in the public health and environmental damages (especially from air pollution) associated with conventional electricity generation. Given the benefits of clean energy and the dependence of substantial growth in clean energy generation on new policies, Arizona policymakers have returned their attention to clean energy standards (CES). A CES is a type of electricity portfolio standard for electric utilities. The CES currently being considered would set aggregate targets for the level of clean energy that electric utilities would need to sell while giving electric utilities flexibility by: (1) defining clean energy more broadly than just renewables, and (2) allowing for market-based credit trading to facilitate lower-cost compliance.

Arizona's current renewable energy standard, completed more than 10 years ago, is 15% by 2025, which is lower than the goals of several neighboring states. The Arizona Corporation Commission's mission is to ensure safe, reliable, and affordable utility services. In furtherance of that mission, the Commission directed their staff on March 25, 2020 to develop a set of rules to achieve 100% clean energy by 2050. If the Commission approves a new CES it could join 16 other states and territories that have targets of 100% clean or renewable electricity by 2050 or sooner.

If approved, the resolution would urge the Arizona Corporation Commission to adopt a statewide clean energy standard.

Financial Impact:

Financial impacts of this resolution will result in renegotiating the contract with the City's State Lobbyist to expand the scope of work to include the Arizona Corporation Commission.

Policy Impact:

Urging the Arizona Corporation Commission to adopt a statewide clean energy standard will accelerate climate action in Arizona and support Flagstaff's climate action goals.

Connection to Council Goal, Regional Plan, CAAP, and/or Strategic Plan:

Council Goals:

Take meaningful climate change action.

Strategic Priorities:

High performing governance

Safe and healthy community

Inclusive and engaged community

Sustainable, innovative infrastructure

Robust resilient economy

Livable community

Regional Plan:

Goal E.1. Increase energy efficiency.

Goal E.2. Expand production and use of renewable energy.

Goal E&C.1. Proactively improve and maintain the region's air quality.

Goal E&C.2 Reduce Greenhouse gas emissions.

Goal E&C.3 Strengthen community and natural environment resiliency through climate adaptation efforts.

Goal E&C.4. Integrate the best available science into all policies governing the use and conservation of Flagstaff's natural resources.

Has There Been Previous Council Decision on This:

On June 2, 2020 City Council approved bringing forward the resolution for consideration. On May 19, 2020 City Council approved a Memorandum of Understanding with APS to develop a Clean Energy Arizona Partnership, which supports APS' goals of transitioning to 100% clean energy by 2050.

Options and Alternatives:

Resolution 2020-41 has the option to urge a clean energy standard by 2050 or 2030. The 2030 target date is linked to the goals of the Climate Emergency Declaration resolution which will be heard on June 23, 2020, prior to Resolution 2020-41.

Attachments: Res. 2020-41
 Presentation

RESOLUTION NO. 2020-41

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, URGING THE ARIZONA CORPORATION COMMISSION ADOPT A STATEWIDE A CARBON-FREE CLEAN ENERGY STANDARD

RECITALS:

WHEREAS, Flagstaff has a long history of protecting natural resources and is committed to promoting sustainable practices in all spheres of life; and

WHEREAS, in November 2018, the Flagstaff City Council adopted its Climate Action & Adaptation Plan, which calls for a community-wide reduction in greenhouse gas emissions of 80% by 2050; and

WHEREAS, in May 2014, Flagstaff voters ratified the Flagstaff Regional Plan, which establishes goals to reduce greenhouse gas emissions, to expand production and use of renewable energy, and to proactively improve and maintain the region's air quality; and

WHEREAS, in February 2014, the Flagstaff City Council adopted Resolution 2014-09 requiring that the City incorporate sustainable building practices in the design, construction, and operation of all City-owned facilities; and

WHEREAS, in June 2012, the Flagstaff City Council adopted the Resiliency and Preparedness Study, which commits to prioritizing and integrating resiliency throughout City decisions, operations, and processes; and

WHEREAS, in July 2011, Flagstaff launched its Municipal Sustainability Plan, which strove to increase energy efficiency and energy performance and reduce greenhouse gas emissions of municipal operations; and

WHEREAS, in March 2010, the Flagstaff City Council adopted Resolution 2010-16 which committed Flagstaff to increased energy efficiencies and renewable energy production and purchases for City facilities and properties; and

WHEREAS, science demonstrates that the emissions released from the burning of fossil fuels can be substantially reduced by investing in energy efficiency and renewable energy sources; and

WHEREAS, Flagstaff recognizes the economic, environmental, and societal benefits of taking a lead role in adopting clean energy; and

WHEREAS, Flagstaff recognizes that a sustainable future requires statewide action and commitment; and

WHEREAS, climate change is an urgent threat that warrants immediate action; and

WHEREAS, the Arizona Corporation Commission is currently reviewing their Renewable Energy

Standard and Tariff.

ENACTMENTS:

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

SECTION 1. The Flagstaff City Council urges the Arizona Corporation Commission adopt a statewide clean energy standard that achieves 100% carbon-free clean energy by the year [2050 or 2030].

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 23 day of June, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Statewide Clean Energy Standard

June 23, 2020



Statewide Clean Energy Standard

Urge the Arizona Corporation
Commission to adopt a standard for
Arizona

- By 2030 or 2050
- Defines clean energy more broadly than just renewables
- Allows for market-based credit trading to facilitate lower-cost compliance.
- Accelerates climate action in Arizona
- Supports our partnership with APS ₂



Thank you. Questions?



CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Nicole Antonopoulos, Sustainability Manager
Date: 06/08/2020
Meeting Date: 06/23/2020



TITLE:

Consideration and Adoption of Resolution No. 2020-40: A Resolution of the Flagstaff City Council urging the United States Congress to pass carbon fee and dividend legislation.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2020-40 by title only
- 2) City Clerk reads Resolution No. 2020-40 by title only (if approved above)
- 3) Adopt Resolution No. 2020-40

Executive Summary:

On September 5, 2017 City Council adopted resolution 2017-31, which urged the United States Congress to pass legislation that would establish a revenue-neutral fee on carbon emissions. At the time resolution 2017-31 was adopted it did not identify specific federal legislation. Since then H. R. 763, the Energy Innovation and Carbon Dividend Act legislation, was introduced in the House on January 24, 2019.

Financial Impact:

H.R. 763 imposes a fee on the carbon content of fuels, including crude oil, natural gas, coal, or any other product derived from those fuels that will be used so as to emit greenhouse gases into the atmosphere. The fee is imposed on the producers or importers of the fuels and is equal to the greenhouse gas content of the fuel multiplied by the carbon fee rate. The rate begins at \$15 in 2019, increases by \$10 each year, and is subject to further adjustments based on the progress in meeting specified emissions reduction targets. The bill also imposes a specified fee on fluorinated greenhouse gases. The bill includes

- exemptions for fuels used for agricultural or non-emitting purposes,
- exemptions for fuels used by the Armed Forces,
- rebates for facilities that capture and sequester carbon dioxide, and
- border adjustment provisions that require certain fees or refunds for carbon-intensive products that are exported or imported.

The fees must be deposited into a Carbon Dividend Trust Fund and used for administrative expenses and dividend payments to U.S. citizens or lawful residents. The fees must be decommissioned when emissions levels and monthly dividend payments fall below specified levels. The bill also suspends certain regulations that limit greenhouse gas emissions. The suspensions expire if the emissions targets established by this bill are not reached after a specified time period.

Policy Impact:

The Flagstaff chapter of the Citizens' Climate Lobby requests that the United States Congress enact H. R. 763.

Connection to Council Goal, Regional Plan, CAAP, and/or Strategic Plan:

COUNCIL GOALS: Take meaningful climate action **REGIONAL PLAN:** Policy E&C.2.1. Encourage the reduction of all energy consumption, especially fossil-fuel generated energy, in public, commercial, industrial, and residential sectors. Policy E&C.2.2. Promote investments that strengthen climate resiliency. Policy E.1.10. Incentivize energy efficiency and renewable energy technologies in construction projects. Policy E.2.1. Promote renewable energy sources that reduce demand upon fossil fuels and other forms of generation that produce waste. Policy E.2.5. Pursue, promote, and support utility-scale renewable energy production such as biomass facilities, solar electricity, wind power, waste-to-energy, and other alternative energy technologies.

CAAP:

Reduce greenhouse gas emissions.

Has There Been Previous Council Decision on This:

Yes, City Council passed Resolution 2017-31 on September 5, 2017.

Attachments:

Res. 2020-40Resolution 2017-31

Resolution 2017-31 Staff Summary

Presentation

RESOLUTION NO. 2020-40

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL URGING THE UNITED STATES CONGRESS TO PASS CARBON FEE AND DIVIDEND LEGISLATION

RECITALS:

WHEREAS the City of Flagstaff's mission is to protect and enhance the quality of life of its citizens; and

WHEREAS the 2012 voter approved Flagstaff Regional Plan 2030 asserts that environmental health is inherent to individual and community health; and

WHEREAS prudent, fact-based stewardship of the economy and the environment is a critical responsibility in order to ensure that the resources of the City and its natural environment are available for future generations; and

WHEREAS there have been marked increases in extreme weather events impacting northern Arizona including drought, wildfires, wind and flooding, which are expected to further worsen; and

WHEREAS, if left unaddressed, the consequences of a changing climate, including severe weather events, have the potential to adversely impact all Flagstaff residents, harming productivity in key economic sectors such as construction, ranching, and tourism, saddling future generations with costly economic and environmental burdens, and imposing additional costs on City and County budgets that will further add to fiscal challenges; and

WHEREAS, the urgently needed transition from fossil fuels can be accomplished effectively with a market- based program, namely a revenue-neutral carbon fee and dividend; and

WHEREAS, on September 19, 2017, the Flagstaff City Council passed and adopted Resolution 2017-31, which urged the United States Congress to enact carbon fee and dividend legislation; and

WHEREAS, in November 2018, the Flagstaff City Council approved a community-wide Climate Action and Adaptation Plan, which calls for a community-wide reduction in greenhouse gas emissions, resiliency planning, and prioritizing those most impacted by climate change; and

WHEREAS, it is the responsibility and duty of the City Council to advocate for state and national policies that will protect all Flagstaff residents from events that could negatively impact their health, welfare, and safety, and

WHEREAS, on January 24, 2019, the Energy Innovation and Carbon Dividend Act of 2019 (H.R. 763) was introduced in the United States House of Representatives; and

WHEREAS, the City council wishes to renew its support for carbon fee and dividend legislation and urge Congress to pass H.R. 763.

ENACTMENTS:

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

SECTION 1. That the Council strongly urges the U.S. Congress to enact HR 763, the Energy Innovation and Carbon Dividend Act legislation, which:

- A. Levies an annually increasing fee on carbon dioxide (or greenhouse gas equivalent) emissions produced by fossil fuels at the point of production and importation;
- B. Returns to Americans on an equitable basis all of the net revenues generated from the fee; and
- C. Incorporates suitable carbon-content-based fees for imports from, and rebates for, exports to nations that have not taken an action like this.

SECTION 2. that the City Clerk is directed to forward a copy of this resolution to the delegation in the U.S. Congress representing Flagstaff within 30 days of enactment.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 23rd day of June, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

RESOLUTION NO. 2017-31

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL URGING THE UNITED STATES CONGRESS TO PASS CARBON FEE AND DIVIDEND LEGISLATION

RECITALS:

WHEREAS the City of Flagstaff's mission is to protect and enhance the quality of life for all; and

WHEREAS the 2012 voter approved Flagstaff Regional Plan 2030 asserts that environmental health is inherent to individual and community health; and

WHEREAS prudent, fact-based stewardship of the economy and the environment is a critical responsibility in order to ensure that the resources of the City and its natural environment are available for future generations; and

WHEREAS there have been marked increases in extreme weather events impacting northern Arizona including drought, wildfires, wind and flooding, which are expected to further worsen; and

WHEREAS, if left unaddressed, the consequences of a changing climate, including severe weather events, have the potential to adversely impact all Flagstaff residents, harming productivity in key economic sectors such as construction, ranching, and tourism, saddling future generations with costly economic and environmental burdens, and imposing additional costs on City and County budgets that will further add to fiscal challenges; and

WHEREAS, the urgently needed transition from fossil fuels can be accomplished effectively with a market-based program, namely a revenue-neutral carbon fee and dividend; and

WHEREAS, it is the responsibility and duty of the City Council to advocate for state and national policies that will protect all Flagstaff residents from events that could negatively impact their health, welfare, and safety.

ENACTMENTS:

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

SECTION 1. That the Council strongly urges the U.S. Congress to enact legislation that:

- A. Levies an annually increasing fee on carbon dioxide (or greenhouse gas equivalent) emissions produced by fossil fuels at the point of production and importation;
- B. Returns to Americans on an equitable basis all of the net revenues generated from the fee; and

- C. Incorporates suitable carbon-content-based fees for imports from, and rebates for, exports to nations that have not taken an action like this.

BE IT FURTHER RESOLVED that the City Clerk is directed to forward a copy of this resolution to the delegation in the U.S. Congress representing Flagstaff within 30 days of enactment.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of September, 2017.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From:

Date: 08/29/2017

Meeting Date: 09/05/2017



TITLE:

Consideration and Adoption of Resolution No. 2017-31: A resolution of the Flagstaff City Council urging the United States Congress to pass carbon fee and dividend legislation.

STAFF RECOMMENDED ACTION:

- 1) Read Resolution No. 2017-31 by title only
- 2) City Clerk reads Resolution No. 2017-31 by title only (if approved above)
- 3) Adopt Resolution No.2017-31

Executive Summary:

Staff is not taking a position on this item. The Flagstaff chapter of Citizens' Climate Lobby is requesting that the Flagstaff City Council pass Resolution 2017-31. This Resolution urges the United States Congress to pass legislation that will establish a revenue-neutral fee on carbon emissions. Proceeds from the proposed fee would then be returned to American households as a dividend.

Financial Impact:

Regional Economic Modeling, Inc. (REMI), an independent consulting firm, performed an economic analysis of the proposed legislation. The table below shows their projected dividend per Flagstaff household, assuming a 2-adult, 2-child household. Population estimates from the most recent US Census were utilized to calculate the monthly and annual totals for Flagstaff as a whole.

Year	Flagstaff average household monthly dividend	Flagstaff average household annual dividend	Flagstaff city monthly totals	Flagstaff city annual totals
1	\$ 34.22	\$ 410.63	\$ 787,237.71	\$ 9,446,852.55
2	\$ 67.02	\$ 804.25	\$1,541,880.52	\$18,502,566.30
3	\$ 96.97	\$1,163.59	\$2,230,802.10	\$26,769,625.16
4	\$124.05	\$1,488.66	\$2,854,002.43	\$34,248,029.14
5	\$149.72	\$1,796.63	\$3,444,430.71	\$41,333,168.55
6	\$169.68	\$2,036.22	\$3,903,770.81	\$46,845,249.71
7	\$185.37	\$2,224.44	\$4,264,617.62	\$51,175,411.43
8	\$199.63	\$2,395.56	\$4,592,692.38	\$55,112,308.57
9	\$212.47	\$2,549.59	\$4,887,995.10	\$58,655,941.16
10	\$222.45	\$2,669.34	\$5,117,576.57	\$61,410,918.86

11	\$233.85	\$2,806.19	\$5,379,930.09	\$64,559,161.13
12	\$242.40	\$2,908.84	\$5,576,739.52	\$66,920,874.27

Policy Impact:

PROPOSED FEDERAL LEGISLATION:

Citizens' Climate Lobby requests that the United States Congress enact legislation which will levy an annually increasing fee on carbon dioxide emissions produced by fossil fuels at the point of production and importation (mine, well, or port), and return all of the revenue from this fee to Americans on an equitable basis. The legislation would also incorporate suitable carbon-content-based fees/rebates for imports and exports to nations that have not taken a similar action.

RATIONALE BEHIND LEGISLATIVE ACTION:

The City of Flagstaff's mission is to protect and enhance the quality of life for its citizens. The voter approved Flagstaff Regional Plan 2030 asserts that environmental health is inherent to individual and community health and prudent, fact-based stewardship of the economy and the environment is a critical responsibility in order to ensure that the resources of the City and its natural environment are available for future generations.

There have been marked increases in extreme weather events impacting northern Arizona including drought, wildfires, wind, and flooding, which are expected to further worsen. If left unaddressed, the consequences of a changing climate, including severe weather events, have the potential to adversely impact all Flagstaff residents, threatening productivity in key economic sectors such as construction, ranching, and tourism, saddling future generations with costly economic and environmental burdens, and imposing additional costs on City and County budgets that will further add to fiscal challenges. The urgently needed transition from fossil fuels can be accomplished effectively with a market-based program, namely a revenue-neutral carbon fee and dividend. The Citizens' Climate Lobby believes it is the responsibility and duty of the City Council to advocate for state and national policies that will protect all Flagstaff residents from events that could negatively impact their health, welfare, and safety.

Other cities in our region that have passed resolutions calling on Congress to enact carbon fee-and-dividend include Salt Lake City, Santa Fe, Las Cruces, and Carbondale.

Connection to Council Goal, Regional Plan and/or TeamFlagstaff Strategic Plan:

COUNCIL GOALS:

Take meaningful climate action

REGIONAL PLAN:

Policy E&C.2.1. Encourage the reduction of all energy consumption, especially fossil-fuel generated energy, in public, commercial, industrial, and residential sectors.

Policy E&C.2.2. Promote investments that strengthen climate resiliency.

Policy E.1.10. Incentivize energy efficiency and renewable energy technologies in construction projects.

Policy E.2.1. Promote renewable energy sources that reduce demand upon fossil fuels and other forms of generation that produce waste.

Policy E.2.5. Pursue, promote, and support utility-scale renewable energy production such as biomass facilities, solar electricity, wind power, waste-to-energy, and other alternative energy technologies.

Has There Been Previous Council Decision on This:

The resolution was brought forward to City Council on January 16, 2016 for consideration. It did not pass. A second citizens petition was filed this year; on May 16, 2017, the petition came forward as a F.A.I.R. item and consensus of Council was to move it forward to a future agenda.

Attachments: Res. 2017-31
 Carbon Fee and Dividend Presentation

Federal Carbon Fee and Dividend Legislation



June 28, 2020





Carbon Fee and Dividend Legislation

In 2017 resolution 2017-31 was adopted. It urged Congress to pass legislation that would establish a revenue-neutral fee on carbon emissions

Resolution 2020-40 updates the 2017 resolution, referencing H.R. 763, the Energy Innovation and Carbon Dividend Act legislation

- Introduced in the House on January 24, 2019
- Imposes a fee on the carbon content of fuels, including crude oil, natural gas, coal, or any other product derived from those fuels
- Fees collected must be deposited into a Carbon Dividend Trust Fund and used for administrative expenses and dividend payments to U.S. citizens or lawful residents

Thank you. Questions?

