FINAL AGENDA

REGULAR COUNCIL MEETING
TUESDAY
OCTOBER 15, 2019

COUNCIL CHAMBERS
211 WEST ASPEN AVENUE
4:30 P.M. AND 6:00 P.M.

4:30 P.M. MEETING

Individual Items on the 4:30 p.m. meeting agenda may be postponed to the 6:00 p.m. meeting.

1. CALL TO ORDER

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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

2. 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

3. 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.

4. APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

A. **Consideration and Approval of Minutes**: City Council Work Session of October 30, 2018; Work Session of November 27, 2018; Regular Meeting of December 18, 2018; Special Meeting (Executive Session) of September 3, 2019; Special Meeting (Executive Session) of September 30, 2019; and Special Meeting (Executive Session) of October 1, 2019

5. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. 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 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.

6. PROCLAMATIONS AND RECOGNITIONS

A. **Recognition:** Climate Action and Adaptation Plan award from Arizona Chapter of the American Planning Association

B. **Recognition:** Climate Action and Adaptation Plan honor of distinction from Arizona Forward

7. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body...., pursuant to A.R.S. §38-431.03(A)(1).

A. **Consideration of Appointments:** Parks and Recreation Commission.

STAFF RECOMMENDED ACTION:

Make two appointments to terms expiring August 2022.

8. LIQUOR LICENSE PUBLIC HEARINGS

A. **Consideration and Action on Liquor License Application:** Lynda Apple "Single Speed Coffee Cafe," 2 S. Beaver Street #170, Series 12 (restaurant), New License.

STAFF RECOMMENDED ACTION:

Open the public hearing.
Receive citizen input.
Close the public hearing.

The City Council has the option to:
(1) Forward the application to the State with a recommendation for approval;
(2) Forward the application to the State with a recommendation for denial based on information from staff, the testimony received at the public hearing and/or

other factors.

9. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

A. **Consideration and Approval of Contract:** Ratify Flagstaff Watershed Protection Project Challenge Cost Share Agreement 19-CS-11030408-025 with the US Forest Service for Dry Lake Hills.

STAFF RECOMMENDED ACTION:

Ratify Challenge Cost Share Agreement 19-CS-11030408-025, Flagstaff Watershed Protection Project Phase II-Midway Project with the US Forest Service, Coconino National Forest.

10. ROUTINE ITEMS

A. **Consideration and Adoption of Ordinance No. 2019-34:** An ordinance of the City Council of the City of Flagstaff, relating to the financing of certain projects, 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 - Municipal Court Facilities)**

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-34by title for the first time
2) City Clerk reads Ordinance No. 2019-34 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-34 by title only for the final time
4) City Clerk reads Ordinance no. 2019-34 by title only (if approved above)
5) Adopt Ordinance No. 2019-34

B. **Consideration and Adoption of Ordinance No. 2019-35:** An ordinance of the City Council of the City of Flagstaff, (1) providing for the sale and issuance of City of Flagstaff, Arizona General Obligation Bonds, Series 2019 and for the annual levy of a tax for the payment of the bond; (2) approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the bonds; (3) delegating authority to the Management Services Director of the City to determine certain matters and terms with the respect to the foregoing; (4) adopting continuing disclosure procedures in connection with issuance of obligations of the City; and (5) 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; providing for severability, authority for clerical corrections, and establishing an effective date

(General Obligation Debt Authorization - Public Safety Communication Equipment and Municipal Court Facilities)

RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-35 by title for the first time
2) City Clerk reads Ordinance No. 2019-35 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-35 by title only for the final time
4) City Clerk reads Ordinance no. 2019-35 by title only (if approved above)
5) Adopt Ordinance No. 2019-35

C. **Consideration and Adoption of Ordinance No. 2019-33:** An ordinance of the City Council of the City of Flagstaff, approving the form and authorizing the execution and delivery of a loan agreement with the Water Infrastructure Financing Authority of Arizona from its Clean Water Revolving Fund program; delegating the determination of certain matters relating thereto to the Management Services Director of the City; providing the transfer of certain moneys and making certain covenants and agreements with respect thereto and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by such loan agreement; providing for severability, authority for clerical corrections, and establishing an effective date

(Water Infrastructure Loan Authorization - Flagstaff Watershed Protection Project)

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-33 by title for the first time
2) City Clerk reads Ordinance No. 2019-33 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-33 by title only for the final time
4) City Clerk reads Ordinance no. 2019-33 by title only (if approved above)
5) Adopt Ordinance No. 2019-33

D. **Consideration and Adoption of Ordinance No. 2019-30:** An ordinance of the City Council of the City of Flagstaff, dedicating certain City property as public right-of-way within the area of John Wesley Powell Boulevard and Shamrell Boulevard; delegating authority to complete the transactions and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the October 1, 2019 Council Meeting:
1) Read Ordinance No. 2019-30 by title only for the first time
2) City Clerk reads Ordinance No. 2019-30 by title only (if approved above)
At the October 15, 2019 Council Meeting:
3) Read Ordinance No. 2019-30 by title only for the final time
4) City Clerk reads Ordinance No. 2019-30 by title only (if approved above)
5) Adopt Ordinance No. 2019-30

E. **Consideration and Adoption of Resolution No. 2019-47:** A resolution of the Flagstaff City Council, approving an intergovernmental agreement between the Arizona Board of Regents, for and on behalf of Northern Arizona University, and the City of Flagstaff for the processing of organic material produced within City limits at the University's processing facility.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-47 by title only
2) City Clerk reads Resolution No. 2019-47 by title only (if approved above)
3) Adopt Resolution No. 2019-47

F. **Consideration and Adoption of Resolution No. 2019-51:** A resolution of the Flagstaff City Council, approving an Intergovernmental Agreement between the State of Arizona, Department of Transportation, and the City of Flagstaff for the advertising, bid, award, excavation and backfill of the channel under the Rio de Flag Bridge on the Interstate 40 Business Route.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-51 by title only
2) City Clerk reads Resolution No. 2019-51 by title only (if approved above)
3) Adopt Resolution No. 2019-51

RECESS

6:00 P.M. MEETING

RECONVENE

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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11. 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

12. PLEDGE OF ALLEGIANCE

13. PUBLIC PARTICIPATION

14. CARRY OVER ITEMS FROM THE 4:30 P.M. AGENDA

15. PUBLIC HEARING ITEMS

A. Consideration and Adoption of Resolution No. 2019-49 and Ordinance No. 2019-32: A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk and entitled "Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units"; and, an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code (Ordinance No. 2011-20), for the purpose of modifying chapters, divisions, and sections of Title 10, Flagstaff Zoning Code, including the sections of Division 10-20.30: Common Procedures, Division 10-20.40: Permits and Approvals, Division 10-30.60: Site Planning Design Standards, Division 10-40.30: Non-Transect Zones, Division 10-40.40: Transect Zones, Division 10-40.60: Specific to Uses, Division 10-50.30: Building Height, Division 10-50.40: Encroachments, Division 10-50.50: Fences and Screening, Division 10-50.60: Landscaping Standards, Division 10-50.100: Sign Standards, Division 10-50.90: Resource Protection Standards, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporate technical corrections and clarity, and to add new, and modify existing, requirements, provisions, and definitions.

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:
1) Hold public hearing
2) Read Resolution No. 2019-49 by title only
3) City Clerk reads Resolution No.2019-49 by title only (if approved above)
4) Read Ordinance No. 2019-32 by title only for the first time
5) City Clerk reads Ordinance No. 2019-32 by title only (if approved above)

At the November 5, 2019 Council Meeting:
6) Adopt Resolution No. 2019-49
7) Read Ordinance No. 2019-32 by title only for the final time
8) City Clerk reads Ordinance No. 2019-32 by title only (if approved above)
9) Adopt Ordinance No. 2019-32

B. **Consideration and Adoption of Resolution No. 2019-48 and Ordinance No. 2019-31:** A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk and entitled "Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units"; and, an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code (Ordinance No. 2011-20), for the purpose of modifying chapters, divisions, and sections of Title 10, Flagstaff Zoning Code, including the sections of Division 10-40.60: Specific to Uses, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporate technical corrections and clarity, and to add new and modify existing requirements, provisions, and definitions.

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Hold public hearing
2) Read Resolution No. 2019-48 by title only
3) City Clerk reads Resolution No.2019-48by title only (if approved above)
4) Read Ordinance No. 2019-31 by title only for the first time
5) City Clerk reads Ordinance No. 2019-31 by title only (if approved above)

At the November 5, 2019 Council Meeting:

6) Adopt Resolution No. 2019-48
7) Read Ordinance No. 2019-31 by title only for the final time
8) City Clerk reads Ordinance No. 2019-31 by title only (if approved above)
9) Adopt Ordinance No. 2019-31

16. REGULAR AGENDA

A. **Consideration and Adoption of Resolution No. 2019-45:** A resolution approving an Intergovernmental Agreement (IGA) between the Arizona Department of Economic Security and the City of Flagstaff to provide up to $150,000 in voluntary city funding to qualified developmental disability service providers within the city limits of Flagstaff, Arizona; and establishing an effective date.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-45 by title only
2) City Clerk reads Resolution No. 2019-45 by title only (if approved above)
3) Adopt Resolution No. 2019-45

B. **Consideration and Adoption of Resolution No. 2019-50:** A resolution of the Flagstaff City Council urging the United States Congress to ratify the United States-Mexico Agreement (USMCA).

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-50 by title only
2) City Clerk reads Resolution No. 2019-50 by title only (if approved above)
3) Adopt Resolution No. 2019-50

17. DISCUSSION ITEMS

A. Rio de Flag Flood Control Project - Update

18. COUNCIL LIAISON REPORTS

19. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. **Future Agenda Item Request (F.A.I.R.)** A Citizens' Petition requesting 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.

B. **Future Agenda Item Request (F.A.I.R.):** A request by Councilmember Whelan to place on a future agenda a discussion about the name Agassiz to see if the Agassiz designation in Flagstaff is named after biologist Louis Agassiz and, if so, look at renaming anything named after him due to accusations of racism.

C. **Future Agenda Item Request (F.A.I.R.):** A request by Councilmember Whelan to place on a future agenda a discussion regarding pocket parks.

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

21. 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 _____, 2019.

_____
Stacy Saltzburg, MMC, City Clerk

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Stacy Saltzburg, City Clerk

Date: 10/11/2019

Meeting Date: 10/15/2019

TITLE

Consideration and Approval of Minutes: City Council Work Session of October 30, 2018; Work Session of November 27, 2018; Regular Meeting of December 18, 2018; Special Meeting (Executive Session) of September 3, 2019; Special Meeting (Executive Session) of September 30, 2019; and Special Meeting (Executive Session) of October 1, 2019

RECOMMENDED ACTION:

Approve the minutes of the City Council Work Session of October 30, 2018; Work Session of November 27, 2018; Regular Meeting of December 18, 2018; Special Meeting (Executive Session) of September 3, 2019; Special Meeting (Executive Session) of September 30, 2019; and Special Meeting (Executive Session) of October 1, 2019.

EXECUTIVE SUMMARY:

Minutes of City Council meetings are a requirement of Arizona Revised Statutes and, additionally, provide a method of informing the public of discussions and actions being taken by the City Council.

INFORMATION:

Attachments:
10.30.2018.CCWS
11.27.2019.CCWS
12.18.2018.CCRM
09.03.2019.CCSMES
09.30.2019.CCSMES
10.01.2019.CCSMES

CITY COUNCIL WORK SESSION
TUESDAY, OCTOBER 30, 2018
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Work Session of the Flagstaff City Council held October 30, 2018, to order at 6:02 p.m.

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

The Council and audience recited the pledge of allegiance and Councilmember Putzova read the Mission Statement of the City of Flagstaff.

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.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR WHELAN	
COUNCILMEMBER BAROTZ	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER OVERTON	
COUNCILMEMBER PUTZOVA	

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

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.

Mayor Evans called for a moment of silence in recognition of the Tree of Life Synagogue mass shooting.

Andy Fernandez addressed Council with concerns about political propaganda with the upcoming election.

John Viktora addressed Council sharing his thoughts about the mass shooting at the Tree of Life Synagogue.

5. Review of Draft Agenda Items for the November 6, 2018 City Council Meeting.*

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

Mayor Evans reminded the Council and audience that there is no 6:00 p.m. meeting on November 6, 2018.

6. Council Listening Tour

Business Retention and Expansion Manager John Saltonstall stated that October is Manufacturing Month. As of September 2018, according to the Bureau of Labor Statistics, there were 12.7 million manufacturing jobs in the nation with an average hourly wage of $27 per hour. The March 2017 report of the Center for Manufacturing Research indicated that in Arizona, there were 159,000 manufacturing employees with an average wage of $81,000.

Mr. Saltonstall introduced Prent Thermoforming Plant Manager Andy Fallon who provided a PowerPoint presentation that covered the following:

PREGONT FAMILY
WHO IS PRENT CORPORATION
PRENT WORLDWIDE
FLAGSTAFF BUILDING INFO

EMPLOYEE INFO
BIGGEST CHALLENGE
RECENT ACCOMPLISHMENTS

Mr. Saltonstall then introduced Ross Taylor with Love You Foods.

Mr. Taylor showed a commercial for FBomb. He reported that Love You Foods began in a little office in NACET and is now grown into a 5600 square foot factory on Plaza Way with 16 fulltime employees and two more coming on after the first of the year. They have partnered with a number of stores nationwide to carry their products. Mr. Taylor indicated there are a couple of challenges, one of which is the lack of 24 hour public transit. Many of their employees commute in the early morning and late evening hours when transportation is not always available. The other challenge has been finding local offsite storage and fulfillment. They are currently outsourcing to the valley and would love to bring that part of the operation back to Flagstaff.

Mr. Saltonstall then introduced David Calley with Plant Ryder who provided a PowerPoint presentation that covered the following:

FOUNDER OF SOUTHWEST WINDPOWER
AT DYNAMICS TRAILER TAIL
CO-FOUNDER OF MOTOR EXCELLENCE
iWALK WITH MIT
AND RIGHT NOW…
NEXT INVENTION: REINVENTION OF BIKE DRIVES
ALSO…STRONG INTEREST IN ELECTRIC FLIGHT
THE PLANET RIDER

Mr. Saltonstall reminded the Council that there is a Council tour of these operations scheduled for Thursday, November 1, 2018 beginning at 8:45 a.m. at City Hall.

7. Discussion of a Sustainable Solid Waste Fund for the current and future needs of our community

Public Works Director Andy Bertelsen introduced Sustainability Specialist Dylan Lenzen and Solid Waste Manager Todd Hanson who provided a PowerPoint presentation that covered the following:

A SUSTAINABLE SOLID WASTE FUND
DISCUSSION
LEGAL MINIMUM FUND BALANCE
BUSINESS AS USUAL

Councilmember McCarthy asked why the City has waited ten years to talk about a rate increase. Mr. Bertelsen stated that 2008 was a recession period that everyone was trying to manage through. As a result, capital projects and maintenance were deferred. The discussion today is to move the City back to where it needs to be from an operational standpoint. Ms. Goodrich added that staff has also been very sensitive to the private competition in town; there are concerns that if the rates are increased

then the City would lose business. The reduction of materials accepted at the Materials Recovery Facility has also had an impact.

Mr. Hanson continued the presentation.

NEED FOR INCREASE IN RATES
MAJOR CAPITAL EXPENDITURES

Vice Mayor Whelan stated that the City has been out of the downturn for a while and asked why now was the right time for the rate increase. It is a big ask all at once and it focuses mainly on residential accounts. Mr. Hanson stated that the commercial operations and the landfill are a competitive business and the City has to compete with independent haulers and the landfill competes with Waste Management. With residential collection declining from 9% to 3% it is the area that needs the most help. The landfill has a fairly healthy margin, but residential collection does not. Garbage collection, recycle collection, free bulky pick up, free appliance collection, and free moving box collection are all services that are provided to residential customers. The rate increase would be about $1.33 per month for the first year. The rate change would also allow for the City to continue moving forward with the Rethink Waste program.

Mr. Hanson continued the presentation.

FUTURE NEEDS
RETHINK WASTE PLAN IMPLEMENTATION
RATE INCREASE BY CUSTOMER CLASS

Mayor Evans asked what the effect is of the loss of revenue and if that equates to extending the life of the landfill. Mr. Hanson explained that the impact on the life of the landfill is minimal compared to the loss of revenue.

Mayor Evans asked if the fund is balanced given the current residential rate. Mr. Hanson stated that the landfill almost subsidizes the collections fund. Mayor Evans asked if there is a profit on the commercial side that can be used to off-set the residential rates. Mr. Hanson stated that the profits are already being applied to residential. Losing any revenue in the program would reduce the City’s ability to implement the Rethink Waste program.

Mayor Evans asked how much life the landfill would gain through the full implementation of the Rethink Waste program. Mr. Hanson indicated that it is unknown; the landfill life fluctuates quite frequently. Having implemented volumetric pricing elsewhere, he has seen a 40-50% jump in recyclables and over time that should have an impact.

Mayor Evans stated that a chart that shows all the different fees and what they fund would be helpful. Showing the fees for the legally mandated programs separate from the other programs could help educate the public on where funding is being allocated.

Mr. Hanson continued the presentation.

RESIDENTIAL RATES
IMPACTS TO OTHER FEES
COMMERCIAL/MULTIFAMILY
LANDFILL FEES
FUND BALANCE AFTER PROPOSED RATE INCREASE

Mayor Evans asked if there has been an analysis of what services could be decreased to offset the rate increase. Mr. Hanson stated that staff has looked at options and something that other cities do is a reduced bulky pickup schedule. Currently, the cost for bulky pickup in Flagstaff is around $500,000 per year.

Mr. Bertelsen stated that the landfill gas collection is the biggest expense and a possible offset would be to sell it after collection.

Mr. Lenzen concluded the presentation.

PLAN FOR UTILIZING FUNDING
IMPLEMENTATION FOR VOLUMETRIC PRICING IN 2020-21
EXPANSION OF RECYCLING OUTREACH
OUTREACH
OTHER EFFORTS
ENSURING THE LONG-TERM SUCCESS OF SOLID WASTE PROGRAM
NEXT STEPS

Andy Fernandez addressed Council with concerns about Norton Environmental.

A break was held from 7:44 p.m. through 7:55 p.m.

8. Comprehensively look across policies, services, law enforcement policies and relationships regarding LGBTQ equality

Human Resources Director Shannon Anderson provided a PowerPoint presentation that covered the following:

LGBTQ EQUALITY & INCLUSION
MUNICIPAL EQUALITY INDEX (MEI)
NON-DISCRIMINATION LAWS
HOW CAN THE CITY IMPROVE?
MUNICIPALITY AS EMPLOYER
HOW CAN WE IMPROVE?
MUNICIPAL SERVICES
HOW CAN WE IMPROVE?
LAW ENFORCEMENT
LEADERSHIP IN LGBTQ EQUALITY
HOW CAN THE CITY IMPROVE?

Mayor Evans stated that looking at where the score was and where it is now shows that there has been a lot of work. Staff has been very proactive and it is commendable

that the Police Department has scored full points in their area.

Council was supportive of staff looking at other cities who have scored 100% to see what they are doing and if there are things Flagstaff can do to further increase its score.

9. **Discussion**: Roundtable discussion w/individuals working in Grand Canyon to discuss challenges and how the City can be more helpful.

Vice Mayor Whelan stated that she brought the item forward when there were concerns in the community about costs being raised at the Grand Canyon. She does not see the pressure happening now and does not see the need to move the item forward any further. She requested that the item be withdrawn.

A majority of Council agreed to withdraw from the item.

10. Public Participation

None

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

Vice Mayor Whelan reported on two projects discussed at a recent NAMWA meeting. The first project being proposed is the Big Chino Valley Pump Storage Project. It is a project located south of Kingman and the plan is to create two reservoirs of water to act as a battery. It is a very large project with a lot of water and could be one of the answers to storing wind and solar energy. The other project is Arizona's Drought Contingency Plan. Discussions are focusing around the trends surrounding the Little Colorado River Basin and how that source of water is really being challenged. The State is asking water users to leave their water in the lake rather than pulling it and storing it as they are trying to avoid a tier one status.

Councilmember Odegaard thanked staff for their work in taking the Council meeting on the road to Coconino Community College. He also thanked staff for their work in arranging General Semonite's visit to Flagstaff.

Councilmember Putzova requested a F.A.I.R. item to discuss developing a policy to prioritize water uses in times of shortage, in the context of public investment, and for community planning

Mayor Evans reported that she was in San Antonio, Texas last week attending the 64th annual International Downtown Association's Conference. She was joined by the Flagstaff Downtown Business Alliance Executive Director Terry Madeksza and Board Member Mark Lamberson. It was a great opportunity to learn about other communities and what they are doing in their downtown areas.

12. Adjournment

The Regular Meeting of the Flagstaff City Council held October 30, 2018, adjourned at 8:21 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL WORK SESSION
TUESDAY, NOVEMBER 27, 2018
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Work Session of the Flagstaff City Council held November 27, 2018, to order at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Councilmember Putzova read the Mission Statement of the City of Flagstaff.

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.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR WHELAN	
COUNCILMEMBER BAROTZ	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER OVERTON	
COUNCILMEMBER PUTZOVA	

Others present: City Manager Barbara Goodrich and Senior Assistant City Attorney Christina Rubalcava

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.

Mayor Evans called for a moment of silence in honor of former Streets Superintendent Mike O'Connor.

Steve Finch addressed the City Council concerning the Rio de Flag and the need for the City to have a contingency plan without the assistance of the Army Corp of Engineers.

5. Review of Draft Agenda for the December 4, 2018 City Council Meeting

Citizens wishing to speak on agenda items not specifically called out by the City Council may submit a speaker card for their items of interest to the recording clerk.

None

6. Discussion of the proposed Policy for the Display of Private Art at City Hall

Community Design & Redevelopment Manager Mark DiLucido addressed Council and asked for consideration and direction on a policy for the display of private art at City Hall. This is coming forward now because there has been an increase in requests and having standards and parameters in place would be helpful. He suggested a policy that is similar to the one that is in place for the library.

A majority of Council agreed that having a policy would be good and gave direction to bring back a draft policy for consideration and possible approval.

7. Water Conservation Strategic Plan Update

Water Conservation Manager Tamara Lawless introduced Lisa Maddaus of Maddaus Water Management, Inc. who has been the consultant on the strategic plan.

Ms. Lawless provided a PowerPoint presentation that covered the following:

OVERVIEW OF THE STRATEGIC PLAN
WATER RESOURCES PLANNING GRAPH
FLAGSTAFF OVERALL WATER CONSUMPTION (PAST 5 YEARS)
SINGLE FAMILY GALLONS PER DAY PER ADDRESS
CURRENT – PHASE 2 – MEASURE SELECTION

ACTION CATEGORY POSTERS
- WATER USED OUTSIDE
- GOVERNMENT CONSERVATION
- EDUCATION AND OUTREACH
- POLICIES AND ORDINANCES
- BUSINESS CONSERVATION
- WATER SAVING TECHNOLOGY
- RESIDENTIAL CONSERVATION

PHASE 3 – SCENARIO BUILDING
PHASE 4 – DRAFT PLAN
CITY COUNCIL INPUT

Councilmember Barotz suggested including information in the plan about costs related to new measures.

Councilmember Overton noted that the plan is heavy on rebates and he has not always been of the mindset to put money into a rebate fund. He requested that staff work with the consultant to identify ideas that are not rebate heavy for inclusion in the plan.

Councilmember McCarthy suggested that there be a requirement in new residential and commercial buildings to have shower fixtures that control the volume of water being used.

Councilmember Putzova asked if there were other communities who have tried measures that target rental properties where the occupants do not have as much capacity to change fixtures. Ms. Maddaus stated that their plan is to bring case study examples from other communities. Those plans are typically focused on the activities the user and payer can use. It would require a release from the landlord but there are options available and that is something that can be looked at for possible options. Ms. Lawless added that the City provides water checkups for free, regardless of ownership status. This gives renters information that they can use to advocate to their landlord.

Vice Mayor Whelan indicated that she would like to see a focus on the water usage of City buildings and model the desired behavior. She offered the ideas of a rain barrel program or the xeriscaping of one facility each year.

Adam Shimoni addressed Council suggesting that the messaging be channeled through schools and social media to engage the youth more. He advocated for the City being a model to its citizens and lead the effort for change.

Mayor Evans requested that staff look at what can be done by way of incentives to residents and how to offset business improvements.

8. Sustainable Solid Waste Fund

Public Works Director Andy Bertelsen introduced Solid Waste Director Todd Hanson

who provided a PowerPoint presentation that covered the following:

A SUSTAINABLE SOLID WASTE FUND
OUTLINE
WHAT HAS HAPPENED SINCE THE LAST RATE ADJUSTMENT – 10 YEARS AGO
THREE RATE INCREASE OPTIONS ANALYZED
RATE INCREASE – OPTION 1
RESIDENTIAL SCENARIO – 7.5% ANNUAL INCREASE FOR 5 YEARS
RATE INCREASE – OPTION 2
RESIDENTIAL SCENARIO – 5% ANNUAL INCREASE FOR 5 YEARS
RATE INCREASE – OPTION 3
RESIDENTIAL SCENARIO – 3% ANNUAL INCREASE FOR 5 YEARS
IMPACTS TO OTHER FEES
NOVEMBER 2018 RATES IN ARIZONA
HOW DO FLAGSTAFF RATES CURRENTLY COMPARE
CAPITAL IMPROVEMENT PLAN – OPTION 1 – 7.5% ANNUAL INCREASE
REINVESTING IN BUSINESS
BENEFITS OF THE RATE PROPOSAL
CAPITAL IMPROVEMENT PLAN – OPTION 2 – 5% ANNUAL INCREASE
POLICY DECISIONS
CAPITAL IMPROVEMENT PLAN – OPTION 3 – 3% ANNUAL INCREASE
POLICY DECISIONS
OTHER POTENTIAL COST REDUCTIONS
FUTURE CONSIDERATIONS

Councilmember Barotz stated that she is supportive of the 7.5% annual increase for five years as it allows for the accomplishments of many of the critical things.

Councilmember McCarthy stated that rates have not been increase in ten years and he is supportive of Option 1 as well.

Councilmember Putzova expressed her support of Option 1.

Vice Mayor Whelan expressed frustration with the options stating that the decision is in contrast to recommendations of the Climate Action and Adaptation Plan. An increase of 7.5% is a lot over five years.

Councilmember Odegaard stated that over the last few months the Council has been approached with a number of requests to raise fees and sales taxes. He expressed disappointment with the timing of the request and indicated that it should have come forward much earlier in 2019.

Councilmember Overton stated that the City is providing a service for a good price to the citizens and are probably doing too much for what is charged; he believes that the proposed cutbacks in service are reasonable. His biggest concern is with the Materials Recycling Facility and what recycling looks like in the future.

Mayor Evans offered that she understands the frustration on the timing of the request for an increase in rates but the recession caused a lot of things to be put on hold and they are unfortunately now catching up. It is difficult to balance regulatory needs with desired needs and what is willing to be given up. As the City moves forward balancing

all those needs with the Climate Action and Adaptation Plan there will be important and difficult decisions that will need to be made.

Council gave direction to staff to move forward with Option 1.

9. **Discussion**: Sending a letter to APS asking for the utility to refrain from influencing electoral politics

Mayor Evans declared a conflict of interest and excused herself from the dais.

Councilmember Putzova stated that the item was brought forward before the election when there was a lot of money being spent by APS for ballot measures and other campaigning. The City facilitate APS's monopoly in Flagstaff since people do not other options to consider for electric power. APS is spending resident's money on lobbying, and campaigning is inappropriate. She requested that the Council submit a letter to APS expressing its dissatisfaction with the way APS revenues are being used to influence elections.

Councilmember Barotz indicated that she is supportive of the letter being sent.

Vice Mayor Whelan offered concern about policing agencies that the City has no jurisdiction over.

Councilmember Odegaard stated that he is not interested in using tax dollars to generate a letter that will not garner a response.

Adam Shimoni addressed Council in support of a letter to APS.

A majority of Council was in support of moving forward with a letter to APS.

10. **Discussion**: Policies related to the life of the landfill and the organic waste that goes there

Mayor Evans returned to the dais.

Vice Mayor Whelan stated that she has done some research on the use of organic products to extend the life of the landfill. She is requesting that staff bring back a discussion on the cost to implement a composting program.

Sustainability Manager Nicole Antonopoulos stated that this type of programming is included in the Climate Action and Adaptation Plan.

The following individuals addressed Council in support of moving forward with a composting program:

- Margie Goulden
- Adam Shimoni

The following comments were received:

- Too much food waste is thrown away.
- Not enough has been done to address food waste and alternative uses.

- Perhaps food waste could be collected and sold back to the community.

A majority of Council was supportive of moving forward with the analysis of possible programs.

11. Public Participation

None

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

Vice Mayor Whelan offered thanks to Parks and Recreation staff for taking action on the perceived fire danger in Thorpe Park.

Vice Mayor Whelan also reported that she has received calls and emails about predatory towing in Flagstaff and asked if there is any information available from staff. Ms. Goodrich explained that the research has indicated that it is a civil matter between the citizen and the towing company. She offered that the City Attorney's office may be able to provide information in a confidential legal memo to Council concerning the matter.

Ms. Goodrich reported that the City is expecting its first snowstorm Thursday and Friday. She also reminded the Council that there is a Joint City/County Work Session on Monday, December 3, 2018.

13. Adjournment

The Flagstaff City Council Work Session of November 27, 2018, adjourned at 8:11 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL REGULAR MEETING
TUESDAY, DECEMBER 18, 2018
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. CALL TO ORDER

Mayor Evans called the meeting of the Flagstaff City Council held December 18, 2018, to order at 6:01 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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

2. ROLL CALL

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

PRESENT:	ABSENT:
MAYOR EVANS	COUNCILMEMBER BAROTZ
VICE MAYOR WHELAN	COUNCILMEMBER OVERTON
COUNCILMEMBER MCCARTHY	COUNCILMEMBER PUTZOVA
COUNCILMEMBER ODEGAARD	

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

3. SWEARING IN OF MAYOR AND COUNCILMEMBERS

The Honorable Judge Chotena administered the Oath of Office to the newly re-elected Mayor Coral Evans and Councilmembers Austin Aslan, Adam Shimoni, and Regina Salas.

4. SELECTION OF VICE MAYOR

Moved by Vice Mayor Jamie Whelan, **seconded by** Councilmember Charlie Odegaard to appoint Adam Shimoni as Vice Mayor.

Vote: 4 - 0 - Unanimously

At this time Vice Mayor Shimoni, Councilmember Aslan, and Councilmember Salas took their seat at the Council dais.

5. COMMUNITY PRESENTATION

A community presentation was held to honor the incoming Mayor and Council. Presentations were provided by Dorothy Gishie, Flagstaff High School Choir, and Girl Scout Troop 6525.

6. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

The Council and audience recited the pledge of allegiance and Councilmember Whelan read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

7. ROLL CALL

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

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

8. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. 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 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.

Gabor Kovacs addressed Council welcoming the new members and thanked them for stepping up to serve.

Michael Caulkins with Friends of Flagstaff's Future addressed Council introducing himself and his organization. He welcomed the new Councilmembers and expressed excitement about new opportunities that come with new members.

Charlie Silver addressed Council regarding a the upcoming conversation about Thorpe Park. He provided a brief background on the history of Thorpe Park and the desire of the surrounding neighborhood to keep the property as a park.

Andy Fernandez addressed Council welcoming the new members and expressing appreciation for the welcome presentations.

Daniel Biodeau addressed Council with concerns about bio-sludge and solid waste and the need to find better solutions for how to deal with the City's waste.

Bryan Bates addressed Council with concerns about water. There is not a major replenishable groundwater source. Responsible management of this water source will ensure a healthy community. He encouraged the Council to allocate additional funding for the Water Conservation program, edit the building code to require current and future developers to identify their water sources, and make reclaimed water biologically safe.

Frank Mand addressed the Council to report that he is walking across America learning from community leaders both in and out of government and would love the opportunity to speak with members of the Council about challenges they face and the lessons you could teach.

Joe Farnsworth addressed Council offering congratulations and best wishes to the new Councilmembers. He expressed concern about it being difficult to hear in the Council Chambers during the meetings.

9. PUBLIC HEARING ITEMS

A. Public Hearing, Consideration, and Possible Adoption of Ordinance No. 2018- 46: An annexation ordinance extending and increasing the corporate limits of the City of Flagstaff by annexing certain land totaling approximately 1.87 acres located at 5595 N. Dakota Street, and establishing city zoning for said land as Highway Commercial, HC. **(Annexation of property to facilitate the redevelopment of a retail sales convenience store with fuel sales.)**

Mayor Evans opened the public hearing.

Planning Development Manager Elaine Averitt provided a PowerPoint presentation that covered the following:

ANNEXATION REQUEST
ANNEXATION EXHIBIT
VICINITY – 5595 N DAKOTA ST

SUBJECT SITE – LOOKING NORTH
CIRCLE K STORES
ZONING CLASSIFICATION
COCONINO COUNTY ZONING
EXISTING CITY ZONING
FLAGSTAFF REGIONAL PLAN 2030 CONFORMANCE
COMMUNITY BENEFITS
APPROVED CIRCLE K SITE PLAN
ANNEXATION FINDINGS
STAFF RECOMMENDATION
NEXT STEPS

Councilmember Whelan asked what the conditions are. Ms. Averitt explained that the applicant must conform to the approved site plans and adhere to the resource protection plan.

Vice Mayor Shimoni asked about the public feedback and engagement of the community. Ms. Averitt stated that there was no public engagement with the request. No one addressed the Planning and Zoning Commission during their public hearing and there was one phone call that had general questions about the request.

Councilmember Odegaard asked the applicant Michael Scarborough if the plan is to completely tear down the existing Circle K. Mr. Scarborough stated that the plan is to demolish and rebuild.

Councilmember Aslan asked about dark sky compliance. Ms. Averitt stated that the outdoor lighting plan was reviewed and the location is in Zone 3 which allows up to 100,000 lumens per acre; they have 3.5 acres which results in about 350,000 max lumen allowance and they are proposing roughly half the amount. All the fixtures are fully shielded and the quality of light is narrow spectrum lights on all parts of the structure.

Mayor Evans closed the public hearing.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jamie Whelan to read Ordinance No. 2018-46 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, EXTENDING AND INCREASING THE CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, STATE OF ARIZONA, PURSUANT TO THE PROVISIONS OF TITLE 9, CHAPTER 4, ARIZONA REVISED STATUTES, BY ANNEXING CERTAIN LAND TOTALING APPROXIMATELY 1.87 ACRES LOCATED AT 5595 N. DAKOTA STREET, WHICH LAND IS CONTIGUOUS TO THE EXISTING CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, AND ESTABLISHING CITY ZONING FOR SAID LAND AS HIGHWAY COMMERCIAL, HC

10. REGULAR AGENDA

A. Consideration and Approval of Cooperative Contract: Approve the Cooperative Purchase Contract with Exerplay, Inc. for replacement playground equipment for Cheshire Park.

Parks Manager Amy Hagin provided a PowerPoint presentation that covered the following:

CHESHIRE PARK PLAYGROUND EQUIPMENT
HISTORY, MAPS, DESIGNS, AND FORUM RESULTS
VICINITY MAP
LAYOUT OF PLAYGROUND EQUIPMENT
CONCEPT DESIGN

Mayor Evans asked about the adaptability of the equipment. Ms. Hagin stated that the design is adaptable for all with low lying access and low approach to the equipment.

Councilmember Aslan asked about the age of the park and how it is determined that it is too old. Ms. Hagin stated that the park is 22 years old. The determination is based on parts availability and public safety. As equipment ages it becomes difficult to find replacement parts which can make repairs and maintenance very difficult. Without proper replacement a structure can be deemed unsafe and therefore unusable; closing parks for continued or long term maintenance can be problematic. The Parks Section keeps old structures in their maintenance yard so parts for aging equipment are able to be repurposed if possible.

Councilmember Aslan asked how many parks are nearing the 20-year mark. Ms. Hagin stated that there are about five that were installed in the late 1990s and a few others installed in early 2000.

Councilmember Whelan asked about any plans to install a more permanent restroom facility at the park. Ms. Hagin explained that there are no current plans but it is something that could be looked at in the future.

Mayor Evans stated that regardless of the age, the advancements that have been made for accessibility for people of various abilities allows a broader use of the parks for all kids. That is an element that should be considered heavily as well.

Moved by Councilmember Regina Salas, **seconded by** Councilmember Jim McCarthy to approve the Cooperative Purchase Contract with Exerplay, Inc. for replacement playground equipment for Cheshire Park.

Vote: 7 - 0 - Unanimously

B. **Consideration and Approval of Contract:** Award of Contract for Professional Services to Burgess & Niple, Inc. for the Transit Route Assignment and General Model Update

FMPO Manager Dave Wessel provided a PowerPoint presentation that covered the following:

FMPO TRANSIT ASSIGNMENT MODEL UPDATE
FLAGSTAFF METROPOLITAN PLANNING ORGANIZATION
COUNCIL ACTION REQUESTED
THE FMPO MODEL
FMPO MODEL AFTER THE UPDATE
ACCURACY
CAPABILITIES
REPORTING
BENEFITS OF THE FMPO MODEL UPDATE

Councilmember Aslan asked about the connection with the Climate Action and Adaptation Plan. Mr. Wessel explained that Proposition 419 will allow for bike and pedestrian improvement projects and they are looking to promote more dense and compact development.

Andy Fernandez addressed the Council in opposition of the contract.

Councilmember Odegaard asked when the information should be available. Mr. Wessel stated that it is a six month process. He also stated that the information will be considered with the Arizona Department of Transportation's Master Plan and Transit Plan.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to approve the award of Contract for Professional Services to Burgess & Niple, Inc. for the Transit Route Assignment and General Model Update.

Vote: 7 - 0 - Unanimously

C. **Consideration and Adoption of Ordinance No. 2018-44:** An ordinance of the Flagstaff City Council approving an Intergovernmental Agreement between the State of Arizona and the City of Flagstaff and authorizing the acquisition of a utility easement for the design and construction of a sewer line relocation located along Milton Rd. just north of McConnell Dr.

Traffic Engineering Project Manager Stephanie Sarty provided a PowerPoint presentation that covered the following:

ADOT IGA
AREA MAP
DETAILS
BACKGROUND/HISTORY
FINANCIALS

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Regina Salas to read Ordinance No. 2018-44 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE FLAGSTAFF CITY COUNCIL APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE STATE OF ARIZONA AND THE CITY OF FLAGSTAFF AND AUTHORIZING THE ACQUISITION OF A UTILITY EASEMENT FOR THE DESIGN AND CONSTRUCTION OF A SEWER LINE RELOCATION LOCATED ALONG MILTON RD JUST NORTH OF MCCONNELL DR

11. COUNCIL LIAISON REPORTS

Councilmember McCarthy reported that the FMPO appointed Jeff Meilbeck as the new Executive Director. The appointment was supported by a unanimous vote. Mr. Meilbeck retired a few months ago from NAIPTA and will be a good addition to the organization.

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

Councilmember Odegaard thanked Mayor Evans and Councilmembers Salas and Whelan for their participation at the pantry on Sunday. He indicated that he will be speaking with NAIPTA about a partnership that would provide a vehicle for food transportation to the pantry. He welcomed the new Councilmembers to the dais and wished everyone a Merry Christmas.

Councilmember McCarthy welcomed the new Councilmembers and expressed appreciation for the outgoing members. He welcomes new discussions and building a team that works together with different opinions and points of view.

Councilmember Whelan reported that she attended the Stronger as One meeting with local students and she is excited about moving the effort forward and hearing their ideas and voices. She welcomed the new Councilmembers and expressed excitement about working with them. She congratulated Mayor Evans on her reelection.

Vice Mayor Shimoni thanked City staff for all their support for getting him ready to come into his position. He enjoyed the celebration and performances of the evening. He thanked the current Council for welcoming the new members and the assistance provided to get everyone settled in their new roles. He is looking forward to great conversations and maintaining mutual respect.

Councilmember Salas express gratitude for the warm welcome and she thanked City staff for their assistance. She shared that she is looking forward to working hard and together for the City of Flagstaff.

Ms. Goodrich welcomed the new members of Council, she noted that there is great energy among the group, and she is pleased to have Mayor Evans leading the organization. She wished everyone Happy Holidays.

Mayor Evans welcomed the new Councilmembers and requested that a thank you card be sent to the various presenters of the evening. She concluded the meeting by wishing everyone Happy Holidays.

13. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held December 18, 2018, adjourned at 8:00 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on November 6, 2018. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 15th day of October, 2019.

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, SEPTEMBER 3, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 1:00 p.m.

2. Roll Call

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

PRESENT:	ABSENT:
MAYOR EVANS COUNCILMEMBER ASLAN COUNCILMEMBER MCCARTHY COUNCILMEMBER ODEGAARD COUNCILMEMBER SALAS COUNCILMEMBER WHELAN	VICE MAYOR SHIMONI

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Regina Salas to recess into Executive Session.

Vote: 6 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 1:01 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body; and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4), respectively.

i. Potential IGA with Flagstaff Metropolitan Planning Organization

ii. Hopi/Snowbowl Litigation and Other Water Issues

iii. Hopi-Snowbowl Attorney's Fees mediation at Court of Appeals

B. Discussion or consideration of employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee of any public body, except that, with the exception of salary discussions, an officer, appointee or employee may demand that the discussion or consideration occur at a public meeting. The public body shall provide the officer, appointee or employee with written notice of the executive session as is appropriate but not less than twenty-four hours for the officer, appointee or employee to determine whether the discussion or consideration should occur at a public meeting, pursuant to A.R.S. Section 38-431.03(A)(1).

i. City Manager Discussion

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held September 3, 2019, reconvened into Open Session at 4:15 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
MONDAY, SEPTEMBER 30, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
9:00 A.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 9:01 a.m.

2. Roll Call

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

PRESENT:	ABSENT:
MAYOR EVANS COUNCILMEMBER ASLAN COUNCILMEMBER MCCARTHY COUNCILMEMBER ODEGAARD COUNCILMEMBER SALAS	VICE MAYOR SHIMONI COUNCILMEMBER WHELAN

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to recess into Executive Session.

Vote: 5 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 9:02 a.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Coconino County Flood Control District

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held September 30, 2019, reconvened into Open Session at 10:18 a.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, OCTOBER 1, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:30 P.M.

1. Call to Order

Councilmember Aslan called the Special Meeting (Executive Session) to order at 3:32 p.m.

2. Roll Call

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

PRESENT:	ABSENT:
COUNCILMEMBER ASLAN COUNCILMEMBER MCCARTHY COUNCILMEMBER ODEGAAR COUNCILMEMBER WHELAN	MAYOR EVANS VICE MAYOR SHIMONI COUNCILMEMBER SALAS

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Jamie Whelan to recess into Executive Session.

Vote: 4 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:33 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal advice regarding Notice of Claim served by Theatrikos Inc.

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held October 1, 2019, reconvened into Open Session at 3:57 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Fobar, Deputy City Clerk
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration of Appointments: Parks and Recreation Commission.

STAFF RECOMMENDED ACTION:

Make two appointments to terms expiring August 2022.

Executive Summary:

The Parks and Recreation Commission consists of seven (7) citizen members. The Parks and Recreation Commission makes recommendations to the Council regarding City parks and recreational programs, the annual budget and capital improvements for the Parks and Recreation Divisions. There are currently two available seats. It is important to fill vacancies on Boards and Commissions quickly so as to allow the Commission to continue meeting on a regular basis.

There are five applications on file for consideration by the Council, they are as follows:

Brian Bloom (current commissioner)
Mark Cox (new applicant)
Bert Crockett (current commissioner)
Jessica Simmons (new applicant)
Julie Sokol (new applicant)

In an effort to reduce exposure to personal information the commission roster, applicant roster and applications will be submitted to the City Council separately.

COUNCIL APPOINTMENT ASSIGNMENT: Councilmember Aslan and Councilmember Whelan

Financial Impact:

These are voluntary positions and there is no budgetary impact to the City of Flagstaff.

Policy Impact:

None

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

There is no Council goal that specifically addresses appointments to Boards and Commissions; however, boards and commissions do provide input and recommendations based on City Council goals that may pertain to the board or commission work plan.

Has There Been Previous Council Decision on This:

None

Options and Alternatives:

1) Appoint two Commissioners: By appointing two members at this time, the commission will be at full membership and able to continue to meet and provide recommendations to the City Council.
2) Table the action to allow for further discussion or expand the list of candidates.

Community Benefits and Considerations:

The City's boards, commissions, and committees were created to foster public participation and input and to encourage Flagstaff citizens to take an active role in city government.

Community Involvement:

INFORM: The vacancies are posted on the City's website and individual recruitment and mention of the openings by Board members and by City staff have occurred, informing others of these vacancies through word of mouth.

Attachments: Parks and Recreation Commission Authority

CHAPTER 2-03
PARKS AND RECREATION COMMISSION

SECTIONS:

2-03-001-0001 COMMISSION CREATED; MEMBERS:
2-03-001-0002 TERMS; VACANCIES; COMPENSATION:
2-03-001-0003 ORGANIZATION AND RULES:
2-03-001-0004 POWERS AND DUTIES:

2-03-001-0001 COMMISSION CREATED; MEMBERS:

There is hereby created a Parks and Recreation Commission for the City, consisting of seven (7) members appointed by the City Council. (Ord. No. 2007-11, Amended 02/06/2007; Ord. 2014-28, Amended, 11/18/2014)

2-03-001-0002 TERMS; VACANCIES; COMPENSATION:

Terms of the appointed members shall be for three (3) years.

The Council shall fill vacancies for the unexpired term of any of the members of the Commission and no member of the Commission shall receive compensation for services thereon. (Ord. 1475, 2-3-87)

2-03-001-0003 ORGANIZATION AND RULES:

Upon the taking effect of this Chapter, and when appointed, the members shall meet and organize and elect a Chairman to serve for one year with a new Chairman being elected each succeeding year. The Commission may adopt by-laws, procedures and standards for the operation of the Commission not inconsistent with the provisions of this Chapter. A quorum shall consist of four (4) voting members. The Commission shall meet not less than four (4) times each year.

(Ord. No. 2007-11, Amended 02/06/2007)

2-03-001-0004 POWERS AND DUTIES:

A. The duties of the Commission shall be to advise the Council, through periodic written reports to the Council, recommending policy direction on City lands, structures and facilities that are set aside or should be set aside or dedicated to recreational purposes, including but not limited to parks, swimming pools, playgrounds, playing and sports fields and golf courses. The scope of the activities of the Commission shall also include but not be limited to advising and recommending policy direction in activities involving recreational and cultural pursuits of the elderly and the young and to otherwise employ in constructive and wholesome manner leisure time of the citizens.

B. The City Council may consider the advice and recommendation of the Commission and thereafter give direction through the City Manager to implement the recreational program as they see fit.

C. The Commission shall review and make recommendation on the annual budget of the Parks Section and Recreation Section prior to the submittal thereof to the City Manager.

D. With respect to the parks and recreation portion of the Bed, Board and Booze Tax allocated under Chapter 3-06, Hospitality Industry Tax Revenues, the Commission shall make recommendations to the Council concerning the annual budgetary allocation of the parks and recreation portion of this tax, to include but not be limited to:

1. Developing parks and recreation facilities, and programs as needed to benefit the community and its visitors.

2. Funding for the Flagstaff urban trails system development and maintenance.

3. Developing, acquiring and distributing material to promote parks and recreation.

4. Retaining of appropriate staff to implement approved programs.

E. For purposes of subsection (D) of this section, "parks and recreation" means the development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the Flagstaff urban trail system. (Same meaning as set forth in Section 3-06-001-0001.) (Ord. 865, 12-12-72; Ord. 1335, 10-16-84; Ord. 2015-22, Amended, 01/05/2016)

8. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Fobar, Deputy City Clerk
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration and Action on Liquor License Application: Lynda Apple "Single Speed Coffee Cafe," 2 S. Beaver Street #170, Series 12 (restaurant), New License.

STAFF RECOMMENDED ACTION:

Open the public hearing.
Receive citizen input.
Close the public hearing.

The City Council has the option to:
(1) Forward the application to the State with a recommendation for approval;
(2) Forward the application to the State with a recommendation for denial based on information from staff, the testimony received at the public hearing and/or other factors.

Executive Summary:

The liquor license process begins at the State level and applications are then forwarded to the respective municipality for posting at the property and holding a public hearing, after which the Council recommendation is forwarded back to the State. A Series 12 license allows the holder of a restaurant license to sell and serve spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food. Single Speed Coffee Cafe is an existing business in Flagstaff applying for a new series 12 restaurant license. If approved it will be the 100th active series 12 license in Flagstaff. Series 12 licenses are non-quota licenses. To view surrounding liquor licenses, please refer to the online interactive Liquor License Map.

The property has been posted as required, and the Police and Community Development divisions have reviewed the application and provided their respective reports.

Financial Impact:

There is no budgetary impact to the City of Flagstaff as this is a recommendation to the State.

Policy Impact:

Not applicable.

Connection to Council Goal, Regional Plan and/or Team Flagstaff Strategic Plan:
Liquor licenses are a regulatory action and there is no Council goal that applies.

Has There Been Previous Council Decision on This:
Not applicable.

Key Considerations:
Because the application is for a new license, consideration may be given to both the location and the applicant's personal qualifications.

The deadline for issuing a recommendation on this application is October 31, 2019.

Community Benefits and Considerations:
This business will contribute to the tax base of the community.

Community Involvement:
The application was properly posted on September 24, 2019. No written protests have been received to date.

Attachments:
Single Speed Coffee Cafe - Letter to Applicant
Hearing Procedures
Series 12 Description
Single Speed Coffee Cafe - PD Memo
Single Speed Coffee Cafe - Zoning Memo
Single Speed Coffee Cafe - Map

OFFICE OF THE CITY CLERK

September 25, 2019

Single Speed Coffee Cafe
Attn: Lynda Jeanne Apple
2 S. Beaver Street #170
Flagstaff, AZ 86001

Dear Ms. Apple:

Your application for a new Series 12 Liquor License for Real Kitchen located at 2 S. Beaver St., was posted on September 24, 2019. The City Council will consider the application at a public hearing during their regularly scheduled City Council Meeting on **Tuesday, October 15, 2019 which begins at 4:30 p.m.**

It is important that you or your representative attend this Council Meeting and be prepared to answer any questions that the City Council may have. Failure to be available for questions could result in a recommendation for denial of your application. We suggest that you contact your legal counsel or the Department of Liquor Licenses and Control at 602-542-5141 to determine the criteria for your license. To help you understand how the public hearing process will be conducted, we are enclosing a copy of the City's liquor license application hearing procedures.

The twenty-day posting period for your liquor license application is set to expire on October 14, 2019 and the application may be removed from the premises at that time.

There is an $815 application fee which needs to be received prior to the hearing date. Payment can be made online at https://www.flagstaff.az.gov/2452/E--Services under Business Licensing Payment Online Services by clicking Liquor License Request Payment, in person at the payment window, or you can send a check to my attention at 211 W. Aspen Ave., Flagstaff, AZ 86001.

If you have any questions, please feel free to call me at 928-213-2077.

Sincerely,

Stacy M. Fobar
Deputy City Clerk

Enclosure

City of Flagstaff

Liquor License Application
Hearing Procedures

1. When the matter is reached at the Council meeting, the presiding officer will open the public hearing on the item.

2. The presiding officer will request that the Applicant come forward to address the Council regarding the application in a presentation not exceeding ten (10) minutes. Council may question the Applicant regarding the testimony or other evidence provided by the Applicant.

3. The presiding officer will then ask whether City staff have information to present to the Council regarding the application. Staff should come forward at this point and present information to the Council in a presentation not exceeding ten (10) minutes. Council may question City staff regarding the testimony or other evidence provided by City staff.

4. Other parties, if any, may then testify, limited to three (3) minutes per person. Council may question these parties regarding the testimony they present to the Council.

5. The Applicant may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of the Applicant.

6. City staff may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of City Staff.

7. The presiding officer will then close the public hearing.

8. The Council will then, by motion, vote to forward the application to the State with a recommendation of approval, disapproval, or shall vote to forward with no recommendation.

R19-1-702. Determining Whether to Grant a License for a Certain Location

A. To determine whether public convenience requires and the best interest of the community will be substantially served by issuing or transferring a license at a particular unlicensed location, local governing authorities and the Board may consider the following criteria:

1. Petitions and testimony from individuals who favor or oppose issuance of a license and who reside in, own, or lease property within one mile of the proposed premises;

2. Number and types of licenses within one mile of the proposed premises;

3. Evidence that all necessary licenses and permits for which the applicant is eligible at the time of application have been obtained from the state and all other governing bodies;

4. Residential and commercial population of the community and its likelihood of increasing, decreasing, or remaining static;

5. Residential and commercial population density within one mile of the proposed premises;

6. Evidence concerning the nature of the proposed business, its potential market, and its likely customers;

7. Effect on vehicular traffic within one mile of the proposed premises;

8. Compatibility of the proposed business with other activity within one mile of the proposed premises;

9. Effect or impact on the activities of businesses or the residential neighborhood that might be affected by granting a license at the proposed premises;

10. History for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant received a detailed report of the violations and criminal activity at least 20 days before the hearing by the Board;

11. Comparison of the hours of operation at the proposed premises to the hours of operation of existing businesses within one mile of the proposed premises; and

12. Proximity of the proposed premises to licensed childcare facilities as defined by A.R.S. § 36-881.

B. This Section is authorized by A.R.S. § 4-201(I).

License Types: Series 12 Restaurant License

Non-transferable
On-sale retail privileges
Note: Terms in **BOLD CAPITALS** are defined in the glossary.

PURPOSE:
Allows the holder of a restaurant license to sell and serve spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food.

ADDITIONAL RIGHTS AND RESPONSIBILITIES:
An applicant for a restaurant license must file a copy of its restaurant menu and Restaurant Operation Plan with the application. The Plan must include listings of all restaurant equipment and service items, the restaurant seating capacity, and other information requested by the department to substantiate that the restaurant will operate in compliance with Title 4.

The licensee must notify the Department, in advance, of any proposed changes in the seating capacity of the restaurant or dimensions of a restaurant facility.

A restaurant licensee must maintain complete restaurant services continually during the hours of selling and serving of spirituous liquor, until at least 10:00 p.m. daily, if any spirituous liquor is to be sold and served up to 2:00 a.m.

On any original applications, new managers and/or the person responsible for the day-to-day operations must attend a basic and management training class.

A licensee acting as a **RETAIL AGENT**, authorized to purchase and accept **DELIVERY** of spirituous liquor by other licensees, must receive a certificate of registration from the Department.

A **PREGNANCY WARNING SIGN** for pregnant women consuming spirituous liquor must be posted within twenty (20) feet of the cash register or behind the bar.

A log must be kept by the licensee of all persons employed at the premises including each employee's name, date and place of birth, address and responsibilities.

Bar, beer and wine bar, and restaurant licensees must pay an annual surcharge of $20.00. The money collected from these licensees will be used by the Department for an auditor to review compliance by restaurants with the restaurant licensing provisions of ARS 4-205.02.

FLAGSTAFF POLICE DEPARTMENT
911 SAWMILL RD • FLAGSTAFF, ARIZONA 86001• (928) 779-3646
ADMIN FAX (928)213-3372
TDD 1-800-842-4681

Chief of Police
Kevin D. Treadway

MEMORANDUM

Memo #19-067

TO: **Chief Kevin Treadway**

FROM: **Sgt. Collin Seay**

DATE: **September 25th, 2019**

RE: **LIQUOR LICENSE APPLICATION – SERIES 12- FOR "Single Speed Cafe"**

On September 25th, 2019, I initiated an investigation into an application for a series 12 (restaurant) liquor license filed by Lynda Apple (Controlling Person and Agent), Peter Montoya (Controlling Person), and Amy Smith-Montoya (Controlling Person). Single Speed Cafe is located at 2 S. Beaver St, and they have been operating out of this location for the past three years without serving liquor or applying for a license. This is an application for a new series 12 license # 74003.

I conducted a query through local systems and public access on Lynda, Peter, and Amy, and no derogatory records were found. Lynda reported that she has completed the mandatory courses from Arizona Department of Liquor Control and provided proof with her application. Lynda said this was her first liquor license application, and I was able to confirm this with a public records check. Lynda reported they are looking to extend their menu by offering a limited amount of alcohol beverages with their breakfast and lunch menus.

Lynda confirmed she would attend the council meeting on October 15th, 2019, and she advised they would be serving alcohol between 6:30 am and 4:00 pm each day of the week.

Planning and Development Services Memorandum

To: Stacy Fobar, Deputy City Clerk

From: Reggie Eccleston, Code Compliance Manager

CC: Tiffany Antol, Planning Director

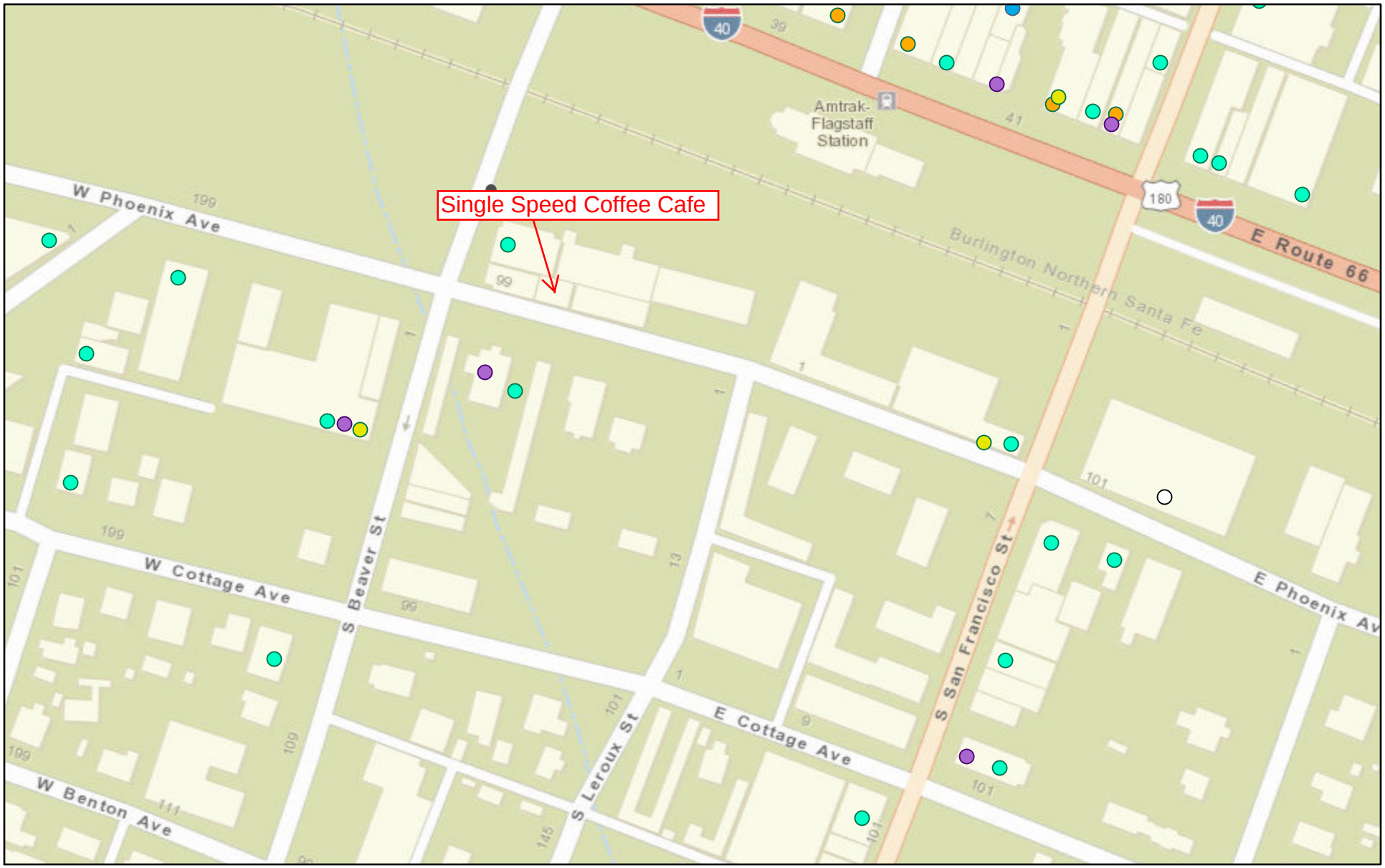
Date: Sept. 13, 2019

Re: Application for Liquor License #74003
2 S. Beaver St., Flagstaff, Arizona 86001
Assessor's Parcel Number 100-44-004D
Lynda Apple on behalf of Single Speed Coffee Cafe

This application is a request for a new Series 12 Restaurant liquor license by Lynda Apple on behalf of Single Speed Coffee Cafe. This business is located within the Community Service district. This district does allow for this use.

There are no active Zoning Code violations associated with the applicant or the property at this time.

Single Speed Coffee Cafe



9/25/2019, 1:46:59 PM

Liquor Licenses

- Bar
- Beer and Wine Bar
- Beer and Wine Store
- In State Microbrewery
- In State Craft Distillery
- Restaurant

1:2,257

0 0.01 0.03 0.06 mi

0 0.03 0.05 0.1 km

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),

Web AppBuilder for ArcGIS

Coconino County, County of Yavapai, Bureau of Land Management, Esri, HERE, Garmin, INCREMENT P, NGA, USGS |

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Paul Summerfelt, Wildland Fire Manager

Co-Submitter: Stacey Brechler-Knaggs

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Approval of Contract: Ratify Flagstaff Watershed Protection Project Challenge Cost Share Agreement 19-CS-11030408-025 with the US Forest Service for Dry Lake Hills.

STAFF RECOMMENDED ACTION:

Ratify Challenge Cost Share Agreement 19-CS-11030408-025, Flagstaff Watershed Protection Project Phase II-Midway Project with the US Forest Service, Coconino National Forest.

Executive Summary:

This Agreement obligates federal funds, thus allowing planned and necessary work within the Dry Lake Hills (DLH) to occur. Both the City and US Forest Service are partners in the Flagstaff Watershed Protection Project (FWPP) and engaged in on-going forest treatment work in the DLH area. The US Forest Service had allocated funds to do work in the area, some of which was necessitated by the Museum Fire, but needed to obligate the funds prior to the end of the federal fiscal year (Sept 30, 2019). They were unable to do so via their normal procurement/contract process prior to this date and thus risked losing these funds, but could obligate those funds to the City to undertake/oversee this work prior to the end-of-the fiscal year via this Challenge Cost Share (CCS) Agreement.

Financial Impact:

This Agreement provides for up to $700,000 of FWPP related work to be completed in the DLH, paid to the City by the US Forest Service, on a reimbursable basis. The City will provide $193,937 in match via in-kind salaries/labor and indirect/overhead costs.

Policy Impact:

Allows FWPP related forest treatment work within the DLH to continue, including some repair/rehabilitation activities related to the impacts from the Museum Fire. In addition, facilitates our continued partnership with the US Forest Service. Together, these ensure protection of our watershed and community and continues to address intent of the voters who approved the FWPP Bond.

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

COUNCIL GOALS: Forest Treatments . . .
Climate Change: improve/maintain forest ecosystems and positions them to better withstand change-agents such as climate change. The work on Observatory Mesa and elsewhere is science-based and a climate action-plan in operation.
Water Conservation: preserve water sources and prevent long-term damage to critical watersheds.
Environmental and Natural Resources: protect and sustain our natural environment, reducing catastrophic fire and post-fire flooding events and insect infestations, preserving valuable wildlife habitat, allowing for recreational ventures and business operations, and maintaining community well-being (to include public safety - first responders, residents, and visitors).
Community Outreach: demonstrate need for, and solutions to, our forest health crisis, allowing us to showcase work, conduct field tours, and encourage residents to take action to protect their neighborhood, property, and home.

REGIONAL PLAN:
Environmental Planning & Conservation – Vision for the Future: In 2013, the long-term health and viability of our natural resource environment is maintained through strategic planning for resource conservation and protection.
Policy E&C.3.3 – Invest in forest health and watershed protection measures.
Policy E&C.6.1 – Encourage public awareness that the region's ponderosa pine forest is a fire-dependent ecosystem and strive to restore more natural and sustainable forest composition, structure, and processes.
Policy E&C.6.3 – Promote protection, conservation, and ecological restoration of the region's diverse ecosystem type and associated animals.
Policy E&C.6.6 – Support collaborative efforts for forest health initiatives or practices, such as the Four Forest Restoration Initiative (4FRI), to support healthy forests and protect our water system.
Policy E&C.10.2 – Protect, conserve, and when possible, enhance and restore wildlife habitat on public land.

Has There Been Previous Council Decision on This:

Not on this specific issue/award. Council was, however, notified this Agreement would be forthcoming for consideration during the Sept 10 Work Session. In addition, Council did approve the bond issue to be presented to the voters (summer 2012), has approved other grant awards and contracts related to FWPP, and has been kept updated on issues throughout the overall effort.

Options and Alternatives:

Two exist:

1. Approve the Challenge Grant Agreement, permitting forest treatment work to proceed as planned. This obligates the federal funds to the City, permits full-use of the reimbursable amount, and prevents those funds from being lost for FWPP use at the end of the federal fiscal year (Sept 2019).
2. Pass on the Challenge Grant Agreement. This will result in planned/necessary work either being delayed as new federal funds are sought, or left undone if those funds can not be secured in upcoming federal appropriations.

Background/History:

Left unaddressed, damage and loss of our forests from destructive wildfire and to our community from post-fire flood events will remain an ever-present threat. Areas that have undergone proactive forest treatments (ie – thinning, debris disposal, and/or prescribed/managed fire) are not only healthier and more resilient to damaging agents, they also provide a barrier to the spread of these agents once they do become established. Such treated areas enhance public safety, ensure infrastructure protection, and safe-guard community well-being. Within our community and immediate area, the Woody Fire (2005), Hardy Fire (2010), and Slide Fire (2014) dramatically demonstrate the value of these treatments: the Schultz Fire (2010) shows what can happen when such treatments are not in-place. The various Statements of Work (SoW) within this Agreement are integral parts of the overall forest treatment effort and/or important post-Museum Fire repair/rehabilitation efforts.

Key Considerations:

There are six (6) SoW tasks in this Agreement. In no particular order or priority, they are:

- Slash relocation and/or disposal (movement of slash from treatment operations to safe disposal area);
- Log Deck relocation (movement of logs from FWPP area to designated staging/deck site in Schultz Burn area);
- Hazard Tree removal (designated trees adjacent to Mt Elden Road damaged/killed by Museum Fire);
- Firewood processing (if unable to sell log decks, buck/split wood for later distribution: wood ownership does not transfer to City);
- Road maintenance (Mt Elden and Schultz Pass roads: repair/maintain due to forest treatment activities/impacts); and
- Forest System Trail repair, rehab, maintenance (trails damaged by the Museum fire).

Much/most of the actual work will be contracted to 3rd parties. City procurement process will be utilized to solicit, evaluate, and award projects. City will manage, oversee, and approve work for payment to contractors (and will be reimbursed by US Forest Service. Should US Forest Service allocated funds prove insufficient to complete all SoW tasks, the City will not be required to fund the difference: those tasks, or aspects of tasks, not yet completed will be dropped. The order in SoW tasks will be offered to 3rd parties will be a matter for future discussion with the US Forest Service, and the sequencing will likely be dictated by operational pace and interaction of all treatment work in the area. This is a three (3) year agreement, and does not expire until Sept 30, 2022.

Expanded Financial Considerations:

None

Community Benefits and Considerations:

Multiple partners have been engaged in the FWPP effort since its inception, and these partnership efforts have continued throughout planned and completed work within DLH. In addition to the City and US Forest Service, these entities have included US Fish & Wildlife Service, NAU's Ecological Restoration Institute, The Nature Conservancy, Navajo Nation, Greater Flagstaff Forests Partnership, American Conservation Experience, and the AZ Conservation Corps. Completion of the various SoW tasks will protect adjacent neighborhoods, recreational opportunities, and wildlife habitat, while promoting forest resiliency and sustainability.

Community Involvement:

Inform – Following the 50 campaign events leading up to the bond election (Nov 2012), we have continued to work at keeping the community informed of what we are doing, and why. The Project website (www.flagstaffwatershedprotection.org) is one way: numerous news stories have also been crafted and/or otherwise reported. Impromptu and announced field trips are an on-going staple of the effort. City staff has interacted with numerous individuals hiking, running, or biking through the area, as well as with other community members interested in the work.

Consult – We've worked with US Forest Service and US Fish & Wildlife Service staff to protect habitat, and with adjacent neighborhoods and interest groups to manage traffic and access into the area.

Involve – Community members have been hired as seasonal crew members for American Conservation Experience, AZ Conservation Corps, and the Fire Dept crew and all have been engaged in conducting some of the work itself.

Empower – The planned forest treatments are part of a larger effort underway in our area and throughout northern AZ. We and our many partners have been engaged for ovr two decades in this work, on various jurisdictions and site conditions, and have utilized a variety of prescriptions and approaches to ensure we have a full-suite of treatments across the greater landscape. The work to be funded by this award is based upon credible and proven science-based forest restoration and hazard fuel management standards and knowledge. It adheres to guidelines established in the Greater Flagstaff Area Community Wildfire Protection Plan (City & County - 2005), is consistent with forest treatments designed and implemented by the Greater Flagstaff Forests Partnership (1999-present) and the City of Flagstaff Wildland Fire Management program (1998-present), meets the goals of the State of AZ 20-Year Strategy (2007), is consistent with the required actions identified in the Four Forests Restoration Initiative's and the Flagstaff Watershed Protection Project's Final Records of Decision (USFS - 2015). Further, it meets grant requirements for post-treatment conditions.

Expanded Options and Alternatives:

None

Attachments: CCS Agreement

FS Agreement No. 19-CS-11030408-025

Cooperator Agreement No. _____

CHALLENGE COST SHARE AGREEMENT
Between The
CITY OF FLAGSTAFF
And The
USDA, FOREST SERVICE
COCONINO NATIONAL FOREST

This CHALLENGE COST SHARE AGREEMENT is hereby made and entered into by and between the City of Flagstaff, hereinafter referred to as "The City," and the USDA, Forest Service, Coconino National Forest, hereinafter referred to as the "U.S. Forest Service," under the authority: Department of Interior and Related Agencies Appropriation Act of 1992, Pub. L. 102-154.

Background: The U.S. Forest Service and The City agreed to work together to proactively improve the health and resiliency of forests and watersheds critical for providing and delivering water to The City and its customers, protect The City from flooding and sedimentation, protect public safety, and provide for the economic vitality of The City and surrounding areas. The U.S. Forest Service and The City agreed to develop and prioritize joint projects in the Dry Lake Hills portion of the Rio de Flag Watershed and the entirety of the Lake Mary Watershed. This project is known as the Flagstaff Watershed Protection Project.

Title: Flagstaff Watershed Protection Project, Phase II - Midway Project

I. PURPOSE:

The purpose of this agreement is to document the cooperation between the parties to continue to support the Flagstaff Watershed Protection Project (FWPP) by implementing activities to reduce fuel loading, address safety concerns presented by hazard trees, and return trail conditions to U.S. Forest Service standards following FWPP activities in the Dry Lake Hills, Mount Elden portion of the FWPP footprint (see Project Area Map, Attachment A). Agreement activities will be accomplished as per the individual sections of the detailed Statement of Work (Attachment B), which includes, but is not limited to, the following: relocating the remaining slash piles in the landings to an agreed upon location or incinerating the slash and relocating any remaining log decks to an agreed upon location on-forest. Additional activities will include hazard tree falling along the Elden Lookout road and relocation of the felled trees. All log decks identified at the designated staging area will be processed as firewood and left onsite. Post-logging trail reconstruction and maintenance will also occur on designated trails to return the trails to U.S. Forest Service standards and protect them from further erosion. This agreement does not authorize the removal of forest product from National Forest System (NFS) lands.

This agreement authorizes the City to implement these activities on NFS lands via the use of qualified, professional contractors. The City is responsible for the daily administration of any contract; the U.S. Forest Service is responsible for daily oversight of the City's fulfillment of agreement tasks. All project work will occur on the Flagstaff Ranger District in accordance with the following provisions and the hereby incorporated Statement of Work and Financial Plan, attached as Attachments B and C, respectively.

II. STATEMENT OF MUTUAL BENEFIT AND INTERESTS:

The U.S Forest Service administers more than 1.8 million acres of NFS lands in northern Arizona within the Coconino National Forest. Nearly all of these lands are within watersheds that contribute to public water supplies and impact public safety and the economic vitality of the area. Management of the public lands for forest and watershed health is key to protecting the City from flooding and sedimentation, increasing public safety, and providing high quality water for municipal use. In the Organic Administration Act of 1897, a principal purpose for establishment of the Forest Reserves (predecessor to the National Forest System) was to, "secure favorable conditions of water flows."

The City serves high quality water via its Water Utility and promotes its efficient use to thousands of City residents and businesses, as well as millions of visitors each year. The City's Water Utility is funded by water rates, tap fees, and grants. In addition, The City funds a Wildland Fire Management organization within The City's Fire Department to manage City forested lands, contribute to the protection and management of those lands, and contribute to the fire and land management activities on federal and non-federal lands as appropriate and requested.

This project will be mutually beneficial for the parties. The "midway" activities achieved via this agreement will continue to reduce hazards to the watersheds surrounding Flagstaff and will restore resource conditions negatively impacted by the implementation of earlier FWPP project activities.

In Consideration of the above premises, the parties agree as follows:

III. THE CITY SHALL:

A. LEGAL AUTHORITY. The City shall have the legal authority to enter into this agreement, and the institutional, managerial, and financial capability to ensure proper planning, management, and completion of the project, which includes funds sufficient to pay the nonfederal share of project costs, when applicable.

B. Designate a qualified program manager that will consistently communicate with the designated U.S. Forest Service program manager on all issues related to the timely and successful achievement of agreement activities. If issues arise on-site when The City program manager is not present, The City will respond as soon as possible to the U.S. Forest Service program manager's in-person, telephone, or email communications.

C. Collaborate with the U.S. Forest Service in the preparation of a mutually acceptable, detailed work plan in compliance with U.S. Forest Service direction as well as the provisions of this agreement. All project work activities are described in individual sections of the detailed Statement of Work (#1-6; Attachment B).

D. Meet with the U.S. Forest Service program manager prior to beginning work to discuss project work, necessary tools, project locations, and safety specifications and requirements.

E. Provide quality control for all work done by its personnel and/or contractors and adhere to all U.S. Forest Service direction and project specifications outlined in that meeting, on-site, and in the detailed Statement of Work (#1-6; Attachment B). The City's progress on agreement activities will be monitored by the U.S. Forest Service.

F. Ensure project work is done within U.S. Forest Service regulations, standards, and specifications, to include project specifications as outlined in the relevant section of the detailed Statement of Work (Attachment B). Note the below list of project work is not in order of implementation; implementation schedule will be mutually agreed to by the parties prior to undertaking any work:

1. **#1: Slash relocation** and/or disposal via Air Curtain burner or similar incineration systems. Slash may also be processed into chips/shred and relocated to the staging area on Shultz Pass Road.
2. **#2: Log Deck Relocation** to the staging area located on the Shultz Pass Road.
3. **#3: Hazard Tree Removal** on the Elden Lookout Road and relocation to the staging area on Shultz Pass Road.
4. **#4: Firewood Processing** of approved logs at the Shultz Pass staging area.
5. **#5: Road Maintenance**, project restrictions and Emergency Fire Precautions.
6. **#6: Forest System Trail Rehabilitation, Maintenance, and Repair:** clearing, re-establishing of trail heads and water control systems reinforcement.

G. Provide weekly status updates on project work to the U.S. Forest Service project manager when work is ongoing. The City will provide this information proactively. The U.S. Forest Service project manager will contact the City as needed for more information.

H. Ensure the U.S. Forest Service is immediately informed of any hazards or concerns related to project work or site.

I. Provide no less than a twenty (20.00) percent match of the total value of the project as shown in the Financial Plan (Attachment C). The City may satisfy the matching requirement by providing non-cash contributions (cash, real or personal property, services), and/or in-kind contributions, such as volunteer labor.

J. Perform in accordance with attached Financial Plan (Attachment C).

IV. THE U.S. FOREST SERVICE SHALL:

A. PAYMENT/REIMBURSEMENT. The U.S. Forest Service shall reimburse The City for the U.S. Forest Service's share of actual expenses incurred, not to exceed **$700,000.00**, as shown in the Financial Plan. The U.S. Forest Service shall make payment upon receipt of The City's monthly invoice. Each invoice from The City must display the total project costs for the billing period, separated by U.S. Forest Service and The City share. In-kind contributions must be displayed as a separate line item and must not be included in the total project costs available for reimbursement. The final invoice must display The City's full match towards the project, as shown in the financial plan, and be submitted no later than 90 days from the expiration date.

Each invoice must include, at a minimum:

1. The City name, address, and telephone number.
2. Forest Service agreement number.
3. Invoice date.
4. Performance dates of the work completed (start & end).
5. Total invoice amount for the billing period, separated by Forest Service and The City share with in-kind contributions displayed as a separate line item.
6. Display all costs, both cumulative and for the billing period, by separate cost element as shown on the financial plan.
7. Cumulative amount of Forest Service payments to date.
8. Statement that the invoice is a request for payment by "reimbursement."
9. If using SF-270, a signature is required.
10. Invoice Number, if applicable.

The invoice shall be forwarded to:

EMAIL: SM.FS.ASC_GA@USDA.GOV
FAX: 877-687-4894
POSTAL: USDA Forest Service
Albuquerque Service Center
Payments – Grants & Agreements
101B Sun Ave NE
Albuquerque, NM 87109

Send a copy to: U.S. Forest Service Program Manager and Administrative Contacts.

B. Designate a U.S. Forest Service program manager that will consistently communicate with the designated City program manager on all issues related to the timely and successful achievement of agreement activities.

C. Collaborate with The City in the preparation of a mutually acceptable, detailed work plan in compliance with U.S. Forest Service direction as well as the provisions of this agreement.

D. Meet with The City program manager prior to beginning work to discuss project work, necessary tools, project locations, and safety specifications and requirements. Provide logistical needs (access, location maps, and Travel Management Rule guidance) necessary to complete project work.

E. Provide as needed, but no less than weekly, on-site monitoring and oversight of project progress completed by The City (and/or its contractors). If issues arise on-site with City or City contractor activities, the U.S. Forest Service program manager will notify the City immediately.

F. Contact The City as needed to receive status updates on City-implemented project work from The City program manager when work is ongoing.

G. Communicate to The City the importance of safely accomplishing the project work, including wearing appropriate personal protective equipment (PPE) while in the field. Respond appropriately to any notification from The City regarding any hazards or concerns related to project work or site.

H. Perform in accordance with Financial Plan (Attachment C).

V. IT IS MUTUALLY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES THAT:

A. PRINCIPAL CONTACTS. Individuals listed below are authorized to act in their respective areas for matters related to this agreement.

Principal Cooperator Contacts:

Cooperator Program Contact	Cooperator Administrative Contact
Paul Summerfelt, Wildland Fire Mgmt. Officer City of Flagstaff 211 W. Aspen Flagstaff, AZ 86001 Phone: 928-213-2509 FAX: 928-213-2599 Email: psummerfelt@flagstaffaz.gov	Stacey Brechler-Knaggs, Grants and Contracts Mgr. City of Flagstaff 211 W. Aspen Flagstaff, AZ 86001 Phone: 928-213-2227 FAX: 928-779-7656 Email: sknaggs@flagstaffaz.gov

Principal U.S. Forest Service Contacts:

U.S. Forest Service Program Manager Contact	U.S. Forest Service Administrative Contact
Jake Dahlin, FWPP Project Manager Coconino National Forest, Flagstaff RD 4373 S. Lake Mary Rd Flagstaff, AZ 86005 Phone: 928-928-2424 FAX: 928-527-8288 Email: Jacob.Dahlin@usda.gov	Emily Stoddard, Grants Mgmt. Specialist Southwestern Region, Acquisition Management 333 Broadway Blvd. SE Albuquerque, NM 87102 Phone: 928-527-3477 FAX: 928-527-3620 Email: emily.stoddard@usda.gov

B. ASSURANCE REGARDING FELONY CONVICTION OR TAX DELINQUENT STATUS FOR CORPORATE ENTITIES. This agreement is subject to the provisions contained in the Department of Interior, Environment, and Related Agencies Appropriations Act, 2012, P.L. No. 112-74, Division E, Section 433 and 434 as continued by Consolidated and Further Continuing Appropriations Act, 2013, P.L. No. 113-6, Division F, Title I, Section 1101(a)(3) regarding corporate felony convictions and corporate federal tax delinquencies. Accordingly, by entering into this agreement The City acknowledges that it: 1) does not have a tax delinquency, meaning that it is not subject to any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, and (2) has not been convicted (or had an officer or agent acting on its behalf convicted) of a felony criminal violation under any Federal law within 24 months preceding the agreement, unless a suspending and debarring official of the United States Department of Agriculture has considered suspension or debarment is not necessary to protect the interests of the Government. If The City fails to comply with these provisions, the U.S. Forest Service will annul this agreement and may recover any funds The City has expended in violation of sections 433 and 434.

C. NOTICES. Any communications affecting the operations covered by this agreement given by the U.S. Forest Service or The City are sufficient only if in writing and delivered in person, mailed, or transmitted electronically by e-mail or fax, as follows:

To the U.S. Forest Service Program Manager, at the address specified in the agreement.

To The City, at the address shown in the agreement or such other address designated within the agreement.

Notices are effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

D. PARTICIPATION IN SIMILAR ACTIVITIES. This agreement in no way restricts the U.S. Forest Service or The City from participating in similar activities with other public or private agencies, organizations, and individuals.

E. ENDORSEMENT. Any of The City's contributions made under this agreement do not by direct reference or implication convey U.S. Forest Service endorsement of The City's products or activities, and does not by direct reference or implication convey The City's endorsement of the U.S. Forest Service's products or activities.

F. USE OF U.S. FOREST SERVICE INSIGNIA. In order for The City to use the U.S. Forest Service insignia on any published media, such as a Web page, printed publication, or audiovisual production, permission must be granted from the U.S. Forest Service's Office of Communications (Washington Office). A written request will be submitted by the U.S. Forest Service, Coconino National Forest to the Office of Communications Assistant Director, Visual Information and Publishing Services prior to use of the insignia. The U.S. Forest Service, Coconino National Forest will notify The City when permission is granted.

G. NON-FEDERAL STATUS FOR COOPERATOR PARTICIPANT LIABILITY. The City agree(s) that any of their employees, volunteers, and program participants shall not be deemed to be Federal employees for any purposes including Chapter 171 of Title 28, United States Code (Federal Tort Claims Act) and Chapter 81 of Title 5, United States Code (OWCP), as The City hereby willingly agree(s) to assume these responsibilities.

Further, The City shall provide any necessary training to The City's employees, volunteers, and program participants to ensure that such personnel are capable of performing tasks to be completed. The City shall also supervise and direct the work of its employees, volunteers, and participants performing under this agreement.

H. MEMBERS OF U.S. CONGRESS. Pursuant to 41 U.S.C. 22, no member of, or delegate to, Congress shall be admitted to any share or part of this agreement, or benefits that may arise therefrom, either directly or indirectly.

I. NONDISCRIMINATION. In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice

and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

J. ELIGIBLE WORKERS. The City shall ensure that all employees complete the I-9 form to certify that they are eligible for lawful employment under the Immigration and Nationality Act (8 USC 1324a). The City shall comply with regulations regarding certification and retention of the completed forms. These requirements also apply to any contract awarded under this agreement.

K. SYSTEM FOR AWARD MANAGEMENT REGISTRATION REQUIREMENT (SAM). The City shall maintain current information in the System for Award Management (SAM) until receipt of final payment. This requires review and update to the information at least annually after the initial registration, and more frequently if required by changes in information or agreement term(s). For purposes of this agreement, System for Award Management (SAM) means the Federal repository into which an entity must provide information required for the conduct of business as a Cooperative. Additional information about registration procedures may be found at the SAM Internet site at www.sam.gov.

L. STANDARDS FOR FINANCIAL MANAGEMENT.

1. Financial Reporting

The City shall provide complete, accurate, and current financial disclosures of the project or program in accordance with any financial reporting requirements, as set forth in the financial provisions.

2. Accounting Records

The City shall continuously maintain and update records identifying the source and use of funds. The records shall contain information pertaining to the agreement, authorizations, obligations, unobligated balances, assets, outlays, and income.

3. Internal Control

The City shall maintain effective control over and accountability for all U.S. Forest Service funds. The City shall keep effective internal controls to ensure that all United States Federal funds received are separately and properly allocated to the activities described in the award/agreement and used solely for authorized purposes.

4. Source Documentation

The City shall support all accounting records with source documentation. These documentations include, but are not limited to, cancelled checks, paid bills, payrolls, contract documents. These documents must be made available to the U.S. Forest Service upon request.

M. INDIRECT COST RATES- PARTNERSHIP. Indirect costs are approved for reimbursement or as a cost-share requirement and have an effective period applicable to the term of this agreement.

1. If the Cooperator has never received or does not currently have a negotiated indirect cost rate, they are eligible for a de minimis indirect cost rate up to 10 percent of modified total direct costs (MTDC). MTDC is defined as all salaries and wages, fringe benefits, materials and supplies, services, travel, and contracts up to the first $25,000 of each contract.

2. For rates greater than 10 percent and less than 25 percent, the Cooperator shall maintain documentation to support the rate. Documentation may include, but is not limited to, accounting records, audit results, cost allocation plan, letter of indirect cost rate approval from an independent accounting firm, or other Federal agency approved rate notice applicable to agreements.

3. For a rate greater than 25 percent, the Forest Service may require that the Cooperator request a federally approved rate from the Cooperator's cognizant audit agency no later than 3 months after the effective date of the agreement. The Cooperator will be reimbursed for indirect costs or allowed to cost-share at the rate reflected in the agreement until the rate is formalized in the negotiated indirect cost rate (NICRA) at which time, reimbursements for prior indirect costs or cost-sharing may be subject to adjustment.

4. Failure to provide adequate documentation supporting the indirect cost rate, if requested, could result in disallowed costs and repayment to the Forest Service.

N. OVERPAYMENT. Any funds paid to The City in excess of the amount entitled under the terms and conditions of this agreement constitute a debt to the Federal Government. The following must also be considered as a debt or debts owed by The City to the U.S. Forest Service:

- Any interest or other investment income earned on advances of agreement funds; or

- Any royalties or other special classes of program income which, under the provisions of the agreement, are required to be returned;

If this debt is not paid according to the terms of the bill for collection issued for the overpayment, the U.S. Forest Service may reduce the debt by:

1. Making an administrative offset against other requests for reimbursement.
2. Withholding advance payments otherwise due to The City.
3. Taking other action permitted by statute (31 U.S.C. 3716 and 7 CFR, Part 3, Subpart B).

Except as otherwise provided by law, the U.S. Forest Service may charge interest on an overdue debt.

O. AGREEMENT CLOSEOUT. Within 90 days after expiration or notice of termination the parties shall close out the agreement.

Any unobligated balance of cash advanced to The City must be immediately refunded to the U.S. Forest Service, including any interest earned in accordance with 2 CFR Part 200, Subpart D, 200.305.

Within a maximum of 90 days following the date of expiration or termination of this agreement, all financial performance and related reports required by the terms of the agreement must be submitted to the U.S. Forest Service by The City.

If this agreement is closed out without audit, the U.S. Forest Service reserves the right to disallow and recover an appropriate amount after fully considering any recommended disallowances resulting from an audit which may be conducted later.

P. PROGRAM PERFORMANCE REPORTS The parties to this agreement shall monitor the performance of the agreement activities to ensure that performance goals are being achieved.

Performance reports must contain information on the following:

- A comparison of actual accomplishments to the goals established for the period. Where the output of the project can be readily expressed in numbers, a computation of the cost per unit of output, if applicable.

- Reason(s) for delay if established goals were not met.

- Additional pertinent information.

The City shall submit annual performance reports to the U.S. Forest Service Program Manager. These reports are due 90 days after the reporting period. The final performance report shall be submitted either with The City's final payment request, or separately, but not later than 90 days from the expiration date of the agreement.

Q. RETENTION AND ACCESS REQUIREMENTS FOR RECORDS. The City shall retain all records pertinent to this agreement for a period of no less than 3 years from the expiration or termination date. As used in this provision, records includes books, documents, accounting procedures and practice, and other data, regardless of the type or format. The City shall provide access and the right to examine all records related to this agreement to the U.S. Forest Service Inspector General, or Comptroller General or their authorized representative. The rights of access in this section must not be limited to the required retention period but must last as long as the records are kept.

If any litigation, claim, negotiation, audit, or other action involving the records has been started before the end of the 3-year period, the records must be kept until all issues are resolved, or until the end of the regular 3-year period, whichever is later.

Records for nonexpendable property acquired in whole or in part, with Federal funds must be retained for 3 years after its final disposition.

R. FREEDOM OF INFORMATION ACT (FOIA). Public access to agreement records must not be limited, except when such records must be kept confidential and would have been exempted from disclosure pursuant to Freedom of Information regulations (5 U.S.C. 552).). Requests for research data are subject to 2 CFR 215.36.

Public access to culturally sensitive data and information of Federally-recognized Tribes may also be explicitly limited by P.L. 110-234, Title VIII Subtitle B §8106 (2009 Farm Bill).

S. TEXT MESSAGING WHILE DRIVING. In accordance with Executive Order (EO) 13513, "Federal Leadership on Reducing Text Messaging While Driving," any and all text messaging by Federal employees is banned: a) while driving a Government owned vehicle (GOV) or driving a privately owned vehicle (POV) while on official Government business; or b) using any electronic equipment supplied by the Government when driving any vehicle at any time. All cooperators, their employees, volunteers, and contractors are encouraged to adopt and enforce policies that ban text messaging when driving company owned, leased or rented vehicles, POVs or GOVs when driving while on official Government business or when performing any work for or on behalf of the Government.

T. PUBLIC NOTICES. It is the U.S. Forest Service's policy to inform the public as fully as possible of its programs and activities. The City is encouraged to give public notice of the receipt of this agreement and, from time to time, to announce progress and accomplishments. Press releases or other public notices should include a statement substantially as follows:

"The Coconino National Forest of the U.S. Forest Service, U.S. Department of Agriculture and the City of Flagstaff are working together to improve watershed

conditions and protect the water supply for the City of Flagstaff residents, businesses, and visitors by..."

The City may call on the U.S. Forest Service's Office of Communication for advice regarding public notices. The City is/are requested to provide copies of notices or announcements to the U.S. Forest Service Program Manager and to U.S. Forest Service's Office of Communications as far in advance of release as possible.

U. FUNDING EQUIPMENT. Federal funding under this agreement is not available for reimbursement of The City's purchase of equipment. Equipment is defined as having a fair market value of $5,000 or more per unit and a useful life of over one year.

V. CONTRACT REQUIREMENTS. Any contract under this agreement must be awarded following The City's established procurement procedures, to ensure free and open competition, and avoid any conflict of interest (or appearance of a conflict). The City must maintain cost and price analysis documentation for potential U.S. Forest Service review. The City is encouraged to utilize small businesses, minority-owned firms, and women's business enterprises.

W. GOVERNMENT-FURNISHED PROPERTY. The City may only use U.S. Forest Service property furnished under this agreement for performing tasks assigned in this agreement. The City shall not modify, cannibalize, or make alterations to U.S. Forest Service property. A separate document, Form AD-107, must be completed to document the loan of U.S. Forest Service property. The U.S. Forest Service shall retain title to all U.S. Forest Service-furnished property. Title to U.S. Forest Service property must not be affected by its incorporation into or attachment to any property not owned by the U.S. Forest Service, nor must the property become a fixture or lose its identity as personal property by being attached to any real property.

Cooperator Liability for Government Property.

1. Unless otherwise provided for in the agreement, The City shall not be liable for loss, damage, destruction, or theft to the Government property furnished or acquired under this contract, except when any one of the following applies:

   a. The risk is covered by insurance or The City is/are otherwise reimbursed (to the extent of such insurance or reimbursement).

   b. The loss, damage, destruction, or theft is the result of willful misconduct or lack of good faith on the part of The City's managerial personnel. The City's managerial personnel, in this clause, means The City's directors, officers, managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of The City's business; all or substantially all of The City's operation at any one plant or separate location; or a separate and complete major industrial operation.

2. The City shall take all reasonable actions necessary to protect the Government property from further loss, damage, destruction, or theft. The City shall separate the damaged and undamaged Government property, place all the affected Government property in the best possible order, and take such other action as the Property Administrator directs.

3. The City shall do nothing to prejudice the Government's rights to recover against third parties for any loss, damage, destruction, or theft of Government property.

4. Upon the request of the Grants Management Specialist, The City shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation, including the prosecution of suit and the execution of agreements of assignment in favor of the Government in obtaining recovery.

X. U.S. FOREST SERVICE ACKNOWLEDGED IN PUBLICATIONS, AUDIOVISUALS AND ELECTRONIC MEDIA. The City shall acknowledge U.S. Forest Service support in any publications, audiovisuals, and electronic media developed as a result of this agreement.

Y. TRAINING, EVALUATION, AND CERTIFICATION OF SAWYERS. Any of the City's employees, and any participants and volunteers engaged on behalf of The City and U.S. Forest Service, who will use chain saws or crosscut saws on National Forest System lands to conduct the program of work contained in this agreement must be trained, evaluated, and certified in accordance with Forest Service Manual 2358 and Forest Service Handbook 6709.11, section 22.48b. The City is responsible for providing this training, evaluation, and certification, unless the U.S. Forest Service and The City determine it is not in the best interest of the partnership. In these circumstances, the U.S. Forest Service, upon request and based on availability of Agency funding and personnel, may assist with developing and conducting training, evaluation, and certification of The City's employees, and any volunteers and participants engaged on behalf of The City and the U.S. Forest Service, who will use chain saws or cross cut saws on National Forest System lands.

Z. REMEDIES FOR COMPLIANCE RELATED ISSUES. If The City materially fail(s) to comply with any term of the agreement, whether stated in a Federal statute or regulation, an assurance, or the agreement, the U.S. Forest Service may take one or more of the following actions:

1. Temporarily withhold cash payments pending correction of the deficiency by The City or more severe enforcement action by the U.S. Forest Service;

2. Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance;

3. Wholly or partly suspend or terminate the current agreement for The City's program;

4. Withhold further awards for the program, or

5. Take other remedies that may be legally available, including debarment procedures under 2 CFR Part 417.

AA. TERMINATION BY MUTUAL AGREEMENT. This agreement may be terminated, in whole or part, as follows:

1. When the U.S. Forest Service and The City agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated.

2. By 30 days written notification by The City to the U.S. Forest Service setting forth the reasons for termination, effective date, and in the case of partial termination, the portion to be terminated. If the U.S. Forest Service decides that the remaining portion of the agreement does not accomplish the purpose for which the award/agreement was made, the Forest Service may terminate the award upon 30 days written notice in its entirety.

Upon termination of an agreement, The City shall not incur any new obligations for the terminated portion of the agreement after the effective date, and shall cancel as many outstanding obligations as possible. The U.S. Forest Service shall allow full credit to The City for the United States Federal share of the non-cancelable obligations properly incurred by The City up to the effective date of the termination. Excess funds must be refunded within 60 days after the effective date of termination.

BB. ALTERNATE DISPUTE RESOLUTION – PARTNERSHIP AGREEMENT. In the event of any issue of controversy under this agreement, the parties may pursue Alternate Dispute Resolution procedures to voluntarily resolve those issues. These procedures may include, but are not limited to conciliation, facilitation, mediation, and fact finding.

CC. DEBARMENT AND SUSPENSION. The City shall immediately inform the U.S. Forest Service if they or any of their principals are presently excluded, debarred, or suspended from entering into covered transactions with the Federal Government according to the terms of 2 CFR Part 180. Additionally, should The City or any of their principals receive a transmittal letter or other official Federal notice of debarment or suspension, then they shall notify the U.S. Forest Service without undue delay. This applies whether the exclusion, debarment, or suspension is voluntary or involuntary.

DD. PROHIBITION AGAINST INTERNAL CONFIDENTIAL AGREEMENTS: All non federal government entities working on this agreement will adhere to the below

provisions found in the Consolidated Appropriations Act, 2016, Pub. L. 114-113, relating to reporting fraud, waste and abuse to authorities:

(a) The recipient may not require its employees, contractors, or subrecipients seeking to report fraud, waste, or abuse to sign or comply with internal confidentiality agreements or statements prohibiting or otherwise restricting them from lawfully reporting that waste, fraud, or abuse to a designated investigative or law enforcement representative of a Federal department or agency authorized to receive such information.

(b) The recipient must notify its employees, contractors, or subrecipients that the prohibitions and restrictions of any internal confidentiality agreements inconsistent with paragraph (a) of this award provision are no longer in effect.

(c) The prohibition in paragraph (a) of this award provision does not contravene requirements applicable to any other form issued by a Federal department or agency governing the nondisclosure of classified information.

(d) If the Government determines that the recipient is not in compliance with this award provision, it:

(1) Will prohibit the recipient's use of funds under this award, in accordance with sections 743, 744 of Division E of the Consolidated Appropriations Act, 2016, (Pub. L. 114-113) or any successor provision of law; and

(2) May pursue other remedies available for the recipient's material failure to comply with award terms and conditions.

EE. MODIFICATIONS. Modifications within the scope of this agreement must be made by mutual consent of the parties, by the issuance of a written modification signed and dated by all properly authorized, signatory officials, prior to any changes being performed. Requests for modification should be made, in writing, at least 60 days prior to implementation of the requested change. The U.S. Forest Service is not obligated to fund any changes not properly approved in advance.

FF. COMMENCEMENT/EXPIRATION DATE. This agreement is executed as of the date of the last signature and is effective through **September 30, 2022**, at which time it will expire. The expiration date is the final date for completion of all work activities under this agreement.

GG. AUTHORIZED REPRESENTATIVES. By signature below, each party certifies that the individuals listed in this document as representatives of the individual parties are authorized to act in their respective areas for matters related to this agreement. In witness whereof, the parties hereto have executed this agreement as of the last date written below.

GREG CLIFTON, City Manager — Date 9/24/19
City of Flagstaff

Attest:

STACEY SALTZBURG, City Clerk — Date 9/24/19
City of Flagstaff

Approved as to form:

STERLING SOLOMON, City Attorney — Date 9.24.19
City of Flagstaff

LAURA JO WEST, Forest Supervisor — Date 9-25-19
U.S. Forest Service, Coconino National Forest

The authority and format of this agreement have been reviewed and approved for signature.

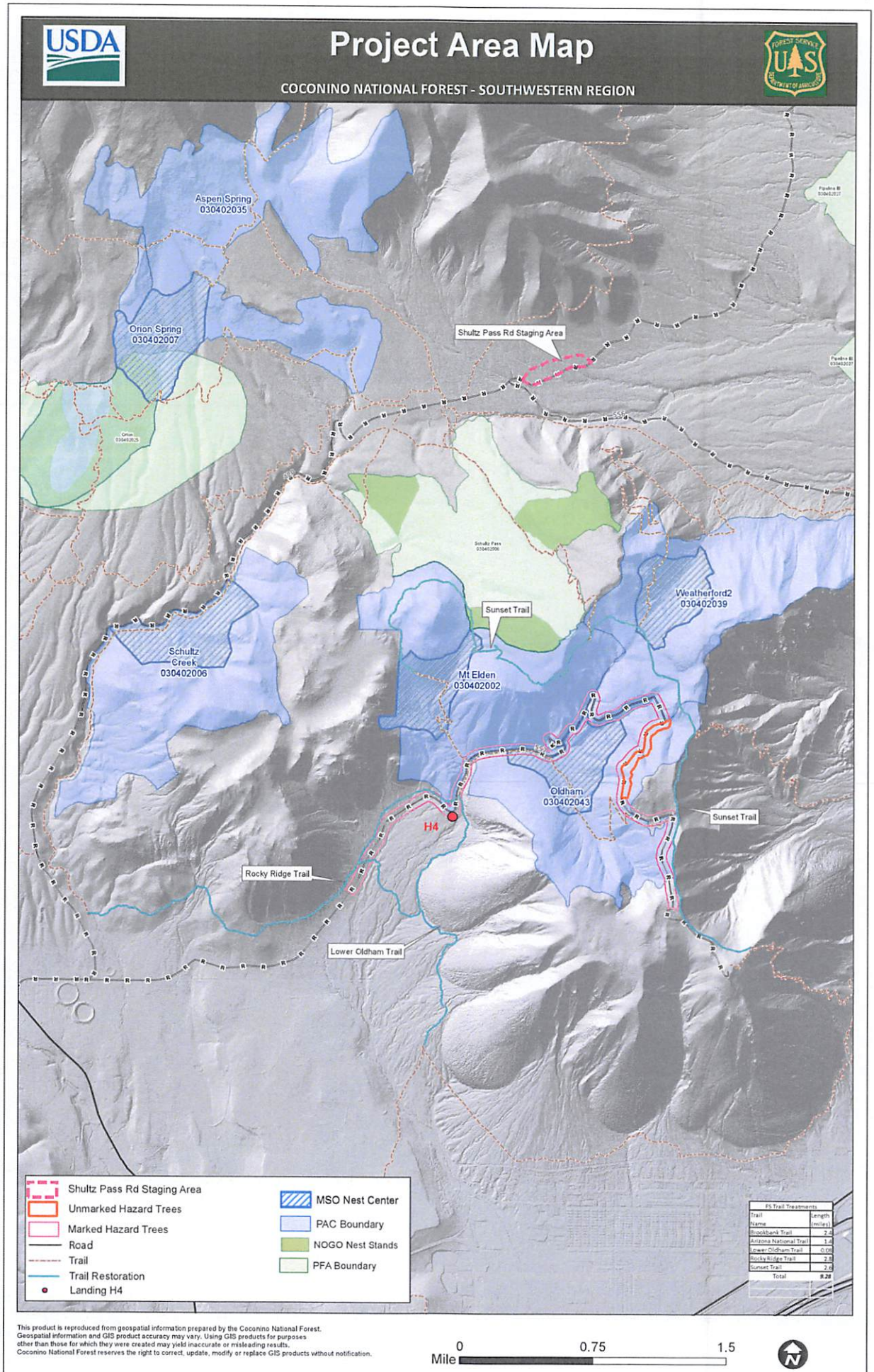
EMILY STODDARD — Date 9/24/2019
U.S. Forest Service Grants Management Specialist

Burden Statement

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0596-0217. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call toll free (866) 632-9992 (voice). TDD users can contact USDA through local relay or the Federal relay at (800) 877-8339 (TDD) or (866) 377-8642 (relay voice). USDA is an equal opportunity provider and employer.


Project Area Map
COCONINO NATIONAL FOREST - SOUTHWESTERN REGION
Aspen Spring 030402035
Orion Spring 030402007
Shultz Pass Rd Staging Area
Sunset Trail
Weatherford2 030402039
Schultz Creek 030402006
Mt Elden 030402002
Oldham 030402043
H4
Rocky Ridge Trail
Lower Oldham Trail
Shultz Pass Rd Staging Area
Unmarked Hazard Trees
Marked Hazard Trees
Road
Trail
Trail Restoration
Landing H4
MSO Nest Center
PAC Boundary
NOGO Nest Stands
PFA Boundary
FS Trail Treatments
Trail Name
Length (miles)
Brookbank Trail 2.4
Arizona National Trail 1.4
Lower Oldham Trail 0.06
Rocky Ridge Trail 2.8
Sunset Trail 2.6
Total 9.28
This product is reproduced from geospatial information prepared by the Coconino National Forest.
Geospatial information and GIS product accuracy may vary. Using GIS products for purposes
other than those for which they were created may yield inaccurate or misleading results.
Coconino National Forest reserves the right to correct, update, modify or replace GIS products without notification.
0
0.75
1.5
Mile

Statement of Work #1: Slash Relocation

Activity: Slash relocation and/or disposal via air curtain burner or similar incineration systems. Slash may also be processed into chips/shred and relocated to the staging area on Shultz Pass Road.

Location: H4 – 35 17.347'N 111 36.936'W. Shultz Pass staging area – 35 17.347'N 111.936'W

Description: The City shall transport slash located in the helicopter landing 4 (H4) landing to the designated staging area located on the Shultz Pass Road as seen on Project Area Map (Attachment A). This slash may also be disposed of onsite at the H4 landing via an incineration system or chipped/shred and either left on site or hauled to the staging area and piled.

Guidelines: All slash must be relocated to the staging area or disposed of via incineration.

The City will comply with all U.S. Forest Service regulations, policies, specifications and guidance pertaining to "administrative burning" and/or the use of the air curtain burner and/or other incineration equipment. U.S. Forest Service written guidance and procedures specific to "administrative burning" and use of the air curtain burner and/or other incineration equipment are forthcoming and will be reviewed and mutually agreed upon by the parties prior to any "administrative burning" and/or any use of said equipment on NFS lands. The City will adhere to verbal U.S. Forest Service guidance in addition to the afore-mentioned regulations, policies, specifications, guidance, and forthcoming written guidance and procedures. As necessary, specifications, guidance, and procedures will be adjusted to account for on-the-ground experience with "administrative burning" and/or use of the air curtain burner or other incineration equipment.

Processing and relocating of chips/shred to the staging area may be allowed IF agreed upon by the U.S. Forest Service representative.

Processing, piling and residing onsite of slash into chips/shred may be allowed IF agreed upon by the U.S. Forest Service representative.

Slash or chips/shred must be piled in a manner that does not prohibit the work of any other activities and is in an organized manner.

ALL slash/chips/shred piles shall be located at an agreed upon location with the U.S. Forest Service representative.

Slash/chips/shred piles may be spread throughout the area to allow for ensuing activities.

Slash/chips/shred shall be completely suspended from the ground when transported from the landing to staging area.

Slash/chips/shred piles shall not exceed thirty (30.00) feet in height unless otherwise agreed upon in writing with U.S. Forest Service representative.

Slash/chips/shred piles shall not be stacked against the bole of residual trees, against rock outcrops or existing downed logs.

Loading and offloading procedures shall not contribute to any excessive traffic congestion or stoppages.

All driving, loading, processing, burning and unloading practices should be in a manner that causes the least amount of resource damage. Any damage that occurs because of The City's negligence that is outside normal practices will be at The City's expense. The U.S. Forest Service representative will determine those activities "outside of normal practices."

The relocation or disposal of any other slash piles within the FWPP footprint may be allowed IF agreed upon by a U.S. Forest Service representative.

The City will provide a Fire Prevention and Control Plan.

The City is required to provide applicable signs and safety notices to the public.

All activities must comply with any restrictions or precautions found in Statement of Work #5.

Road Maintenance: Road maintenance may be required for these activities and those specifications can be found in Statement of Work #5.

Statement of Work #2: Log Deck Relocation

Activity: Log Deck Relocation to the staging area located on the Shultz Pass Road.

Location: Log deck is located at H4 - 35 15.196'N 111 37.510'W. Shultz Pass Staging area – 35 17.347'N 111.936'W

Description: There are several small log decks located in the helicopter landing 4 (H4) at the base of the Mount Elden Lookout Road. These decks range in size and species composition. The objective of this activity is to relocate all decked timber to the staging area located on the Shultz Pass Road. See Project Area Map (Attachment A) for locations and routes.

Guidelines: The City shall transport processed logs located in these decks to the designated staging area located on the Shultz pass road as seen on Project Area Map (Attachment A).

Decks are to be sorted into two categories. Logs larger than nine (9.00) inches in a single deck and logs smaller than nine inches (9.00) in another.

Logs shall be fully secured when transported and shall be completely suspended from the ground when transported from landing to staging area.

One end of each log that is transported shall be painted and the color shall be agreed upon by The City and U.S. Forest Service representative.

Log decks shall be built within the designated and agreed upon location.

Log decks shall be constructed in a stable manner that will resist collapse.

Log decks shall not exceed twenty (20.00) feet in height unless otherwise agreed upon in writing with the U.S. Forest Service representative.

Decked material shall not be stacked against the bole of residual trees, against rock outcrops or existing downed logs.

Loading and offloading procedures shall not contribute to any excessive traffic congestion or stoppages.

All cutting, driving, loading, hauling and unloading practices should be in a manner that cause the least amount of resource damage. Any damage that occurs because of The City's negligence that is outside normal practices will be at The City's expense. The U.S. Forest Service representative will determine those activities "outside of normal practices."

The City is required to provide applicable signs and safety notices to the public.

All activities must comply with any restrictions or precaution found in Statement of Work #5.

The relocation of additional log decks is allowed if agreed upon by The City and the U.S. Forest Service.

Road Maintenance: Road maintenance may be required for these activities and those specifications can be found in Statement of Work #5.

Statement of Work #3: Hazard Tree Removal

Activity: Hazard tree removal on the Elden Lookout Road and relocation to the staging area on Shultz Pass Road.

Location: Hazard trees will be removed along both sides of the Elden Lookout Road starting at the U.S. Forest Service gate. See Project Area Map 1 for details. An additional map will be provided with GPS locations of hazard trees.

Shultz Pass Staging area – 35 17.347'N 111.936'W

Description: There is a substantial amount of Hazard Trees that are to be removed along the Elden Lookout Road. All trees within one hundred feet on each side of the road will be evaluated by U.S. Forest Service personnel. Trees that meet standards as "Hazard trees" will be mapped using a GPS unit and marked by U.S. Forest Service personnel. Maps and data will be provided for the location and removal of these trees. Trees that are felled are to be limbed and either chipped or hauled to the staging area located on Shultz Pass Road.

Guidelines: Maps and data of tree locations will be provided by U.S. Forest Service.

All trees marked in Blue Tracer paint are to be removed.

Felled trees are to be limbed and hauled to the staging area. Limbs/wood may be chipped and broadcasted back into the forest or piled IF agreed upon by a U.S. Forest Service representative.

All trees larger than eight (8.00) inches must be hauled to the staging area located on the Shultz Pass Road. Logs as small as five (5.00) inches may be brought to the staging area if The City desires.

Stumps must be no higher than six (6.00) inches or as short as surroundings allow.

All trees that can "reasonably" be removed from the forest and processed must be. Due to extreme slopes, rocks, etc., it is understood that not all trees can be removed. These trees are to be agreed upon by a U.S. Forest Service representative.

In the case where a tree cannot be removed, all limbs must be removed and scattered, and the tree must be bucked up to reasonable lengths.

Slash shall not exceed twenty-four (24.00) inches in height.

Emphasis on safe bucking lengths and locations shall be taken as to prevent anything from rolling down hills or cause other safety hazards.

Trees along the sides of the road that have been marked in Blue Tracer paint but have already fallen shall be removed and must follow all previously mentioned specifications. Note that trees may have fallen from flooding or felled due to Museum Fire.

It is preferred that all trees be removed in "log lengths," but it is understood that this may be difficult for a variety of reason. If smaller lengths are desired, this must be agreed to by U.S. Forest Service representative as well as the location of the piling of these smaller logs.

Logs shall be fully secured when transported and shall be completely suspended from the ground when transported from landing to staging area.

One end of each log that is transported shall be painted and the color shall be agreed upon by The City and U.S. Forest Service representative.

Log decks shall be built within the designated and agreed upon location.

Log decks shall be constructed in a stable manner that will resist collapse.

Log decks shall not exceed twenty (20.00) feet in height unless otherwise agreed upon in writing with U.S. Forest Service representative.

Decked material shall not be stacked against the bole of residual trees, against rock outcrops, or existing downed logs.

Loading and offloading procedures shall not contribute to any excessive traffic congestion or stoppages.

All driving, felling, chipping, loading, hauling and unloading practices should be in a manner that cause the least amount of resource damage. Any damage that occurs because of The City's negligence that is outside normal practices will be at The City's expense. The U.S. Forest Service representative will determine those activities "outside of normal practices."

The City is required to provide applicable signs and safety notices to the public.

All activities must comply with any restrictions or precautions found in Statement of Work #5.

Road Maintenance: Road maintenance may be required for these activities and those specifications can be found in Statement of Work #5.

Statement of Work #4: Firewood Processing

Activity: Firewood Processing of approved logs at the Shultz Pass staging area.

Location: The Shultz Pass staging area is located at Shultz Pass staging area – 35 17.347'N 111.936'W. See Project Area Map.

Description: There will several potential log decks located at the Shultz Pass staging area that are to be processed into firewood. This process can occur in a variety of ways, but must be agreed upon by the U.S. Forest Service representative.

Guidelines: All processing of logs into firewood must occur within the agreed upon location.

Processed firewood must be piled in an organized manner that does not prohibit the work of any other activities.

Logs must be processed and split into traditional firewood size. This size may range from ten (10.00) to twenty (20.00) inches long, or as agreed upon with U.S. Forest Service representative prior to cutting. Wood smaller than six (6.00) inches diameter on the small end is not required to be split.

All slash/duff/bark produced because of the firewood production shall be spread out to an agreed upon depth and location with a U.S. Forest Service representative.

Firewood piles may be spread throughout the area to allow for ensuing activities.

All driving, cutting, loading, processing, and unloading practices should be in a manner that causes the least amount of resource damage. Any damage that occurs because of The City's negligence that is outside normal practices will be at The City's expense. The U.S. Forest Service representative will determine those activities "outside of normal practices."

The City is required to provide applicable signs and safety notices to the public.

All activities must comply with any restrictions or precautions found in Statement of Work #5.

Statement of Work #5: Road Maintenance

Activity: Road Maintenance

Description: The City shall be responsible for maintenance blading all haul routes utilized during the work described within this agreement.

Guidelines: Maintenance blading and associated road work will be done as follows:

Before, during and after the slash removal operations with potential for an additional maintenance during operations if the haul impact to the road is determined by the U.S. Forest Service to be significantly damaging enough to warrant it.

A single time, before and after haul operations for the deck relocation with potential for an additional maintenance during operations if the haul impact to the road is determined by the U.S. Forest Service to be significantly damaging enough to warrant it.

A single time, before and after the hazard tree removal with potential for an additional maintenance during operations if the haul impact to the road is determined by the U.S. Forest Service to be significantly damaging enough to warrant it.

Should the City determine a need to modify the existing state of any road or landing in any way they shall first notify the U.S. Forest Service at least fourteen (14.00) days in advance of any planned work. If the U.S. Forest Service determines the work is acceptable, The City shall be responsible for establishing a record of each existing proposed modification site to be verified by the U.S. Forest Service. These records will be kept with the agreement to be utilized as the benchmark to which each site will be returned to after operations.

The City shall be responsible for placing no less than four (4.00) inches of aggregate material over each articulated concrete block crossing that shall be maintained for the duration of any hauling operations that will cross over the structure.

Restrictions: See Project Area Map (Attachment A), for information on Wildlife Restricted areas.

TIMING OF CONTRACT OPERATIONS		
Project Area	Operation Condition	Purpose
All	No operations are allowed on holiday weekends or weekday (calendar year dependent) for the following holidays: *Memorial Day (5 PM Friday-4 PM Monday) *Fourth of July (Weekend holiday: 5 PM Friday-4PM Monday. Weekday holiday: 12PM the previous day to 4pm the following day) *Labor Day (5PM Friday- 4PM Monday).	Protect high use recreation areas.
All	No operations are allowed March 1 to August 31. These restrictions may be waived by the government starting in 2019 and may carry over through the end of 2020 breeding season.	Protection of the Mexican Spotted Owl Breeding Season Area
All	No operations are allowed March 1 to September 30. These restrictions may be waived by the government starting in 2019 and may carry over through the end of 2020 breeding season.	Protection of Northern Goshawk Post Fledgling Area.
All	U.S. Forest Service may suspend weekend operations for recreational activities and will give 2 weeks' notice prior to suspension.	Public safety for recreational activities.

EMERGENCY FIRE PRECAUTIONS

The City will restrict operations in accordance with the attached Emergency Fire Precaution Schedule. The City shall inform its contractor(s) of any changes in the Industrial Fire Precaution Plan. The procedure for The City to notify its contractor(s) of a change shall be stated in the required Fire Prevention and Control Plan. The City may, after consultation with the Forest Supervisor or U.S. Forest Service representative, adjust the predicted Industrial Fire Precaution Plan for local weather conditions on Project Area. Changes in the predicted Industrial Fire Precaution Plan shall be agreed to in writing.

EMERGENCY FIRE PRECAUTION SCHEDULE – TABLE A	
FIRE RESTRICTION/CLOSURE "STAGE"	
RESTRICTION LEVELS	**INDUSTRIAL FIRE PRECAUTION PLAN**
NO RESTRICTIONS	**A**
STAGE I	**B**
STAGE II	**C**
PARTIAL/FOREST CLOSURE*	**D**
RED FLAG WARNING **(Issued by National Weather Service)**	**D**

INDUSTRIAL FIRE PRECAUTION PLAN - DESCRIPTION

Plan	Item	MST (Mtn. Standard Time)	MDT (Mtn. Daylight Time)
A	Normal Fire Precautions (CT7.2) No fire guard required.		
B	Normal Fire Precautions (CT7.2) except designated areas for smoking and warming or cooking fires requires a written permit. The City will provide fire guard (CT7.21).		
C	No smoking, warming or cooking fires are permitted at any time. The City will provide fire guard (CT7.21).		
	All power saws except for chainsaws used for limbing on landings cleared to mineral soil will shut down: Mechanical fellers except for mechanical fellers equipped with hydraulic shears will shut down:	9:00 am to 8:00 pm	10:00 am to 9:00 pm
	Shutdown all machine treatment of slash; mechanical equipment used for shearing, bunching or delimbing; skidding; cable yarding; blasting and clearing:	12:00 noon to 8:00 pm	1:00 pm to 9:00 pm
	Welding, metal cutting on cleared mineral soil will shut down:	12:00 noon to 8:00 pm	1:00 pm to 9:00 pm
	All chainsaws used for limbing on landings cleared to mineral soil will shut down:	2:00 pm to 8:00 pm	3:00 pm to 9:00 pm

	Loading on landings cleared to mineral soil will shut down:	2:00 pm to 8:00 pm	3:00 pm to 9:00 pm
	Log hauling trucks must be to a surfaced road by:	2:00 pm	3:00 pm
	Logging operation may continue after:	8:00 pm	9:00 pm
	Operations on mineral soil involving road excavation, watering, grading, surfacing, rock crushing, and/or other equipment maintenance may continue.		
D	Shutdown all operations; except operations on mineral soil involving road excavation, watering, grading, gravel surfacing, and rock crushing may continue with special U.S. Forest Service permit. The City will provide fire guard (CT7.21).		

Statement of Work #6:
Forest System Trail Rehabilitation, Maintenance and Repair

Activity: This project will focus on bringing the full range of existing Forest System Trails in the Flagstaff Watershed Protection Project (FWPP) Area on the Flagstaff Ranger District to meet or exceed U.S. Forest Service trail standards. Trail maintenance will include a full range of existing trail restoration activities. All work will be completed with hand crews. This work consists of restoring the original trail template (as shown on attached drawings, #6b) including clearing, removing slough and berm, borrow, filling ruts and troughs, reshaping backslopes, excavation, reshaping trail tread, restoring drainage and other trail structures, constructing check dams, and removing protruding rocks, roots, stumps, slough, and berms. Specific guidance on each element is listed below.

Location: All project work will occur in the FWPP Area of the Flagstaff Ranger District. **Work will be completed on the following Forest System Trails (shown on attached map, #6a) and will result in an anticipated 10 miles of maintenance and repair:**

1. Rocky Ridge Trail: **2.8 Miles**
2. Sunset Trail: **2.6 Miles**
3. Lower Oldham: **0.8 Miles**
4. Brookbank Trail (above Brookbank Meadow): **2.4 Miles**
5. Arizona National Scenic Trail: **1.4 Miles**

Project work conditions will include arduous outdoor work located on an undulating and hilly landscape, with interspersed drainages. Crews must only drive on established roads and areas designated "open" on the U.S. Forest Service Vehicle Use Map unless other permissions are granted. In many areas it may be necessary for the crews to hike to the work site as appropriate. Work areas are often remote and primitive, with terrain that may be steep and covered with boulders, rocks, and shrubs, creating difficult walking conditions on the ground. Hot or cold temperatures, rain, and mud may be encountered during the work period. Road conditions off the paved road vary and may be primitive; roads may be difficult to travel in wet weather. If road conditions deteriorate due to wet weather, the project may be postponed until conditions improve.

Specific guidance for each element of the Forest System Trail Rehabilitation, Maintenance, and Repair work is as follows:

1. **Slough and Berm Removal and Excess Material**. Use suitable slough and berm material within the trailway to restore the trailbed to eighteen **(18.00) inches in width.** Place all unsuitable and excess material beyond the downslope edge of the trailbed and uniformly spread to a depth not exceeding four (4.00) inches and so as not to obstruct drainage or interfere with the drainage of outsloped tread. Remove berm when daylight can be obtained within a distance of five (5.00) feet from the outslope edge of finished tread.

2. **Rock and Root Removal.** Uniformly scatter the removed rocks and roots below the trailway and distribute to ensure no blockage of watercourses or creation of a windrow. Fill holes with suitable material and compact.

3. **Reshaping and Finishing Trailbed and Backslopes.** Provide a firm and uniformly finished trailbed in accordance with cross-sections.

4. **Clearing Limits. Power saws will be permitted.** Clear to the dimensions **six (6.00) feet wide and ten (10.00) feet high** or twelve (12.00) inches beyond the fill and backslope catch points, whichever is greater. Remove and dispose of trees, logs, limbs, branches, brush, herbaceous plants, and other vegetation within the clearing limits. Except as provided above, cut all limbs and branches more than one-half inch in diameter that extend into the clearing limits. Cut limbs flush with the tree trunks or stems or cut at the ground surface. Fall and limb designated trees. When felling, cutting, or trimming, do not cause bark damage to standing timber. Remove and dispose of trees with major roots exposed by construction that are rendered unstable. Cut and remove all logs that extend across or into the clearing limits. The portions of cut logs that remain on the upper side of the trail shall be either firmly anchored to prevent sliding or rolling onto the trailway or moved across the trail to the lower side and scattered outside the clearing limits. Fell all trees over four (4.00) inches in diameter that are leaning into the clearing limits and that are within ten (10.00) feet above the trailbed. Stump height of leaning trees that are cut outside the clearing limits shall not exceed twelve (12.00) inches as measured on the uphill side of the stump. Disposal and payment for the leaning trees described above will be the same as for down logs and trees. Remove roots and stumps from trees within the trailway that have been uprooted.

5. Rerouting the trail around windfalls, uprooted trees, and other obstacles will not be permitted. Ramp or reroute sections of the trail tread that have been damaged by uprooted stumps as necessary to provide safe passage on the trail. Remove sticks or wood chunks exceeding two (2.00) inches in diameter and twelve (12.00) inches in length that have fallen onto the trailbed. Scatter the down trees on the lower side of the trailway outside the clearing limits. Do not place such materials in stream channels, drainage ways, ditches, culvert catch basins or other locations where they would prevent the free flow of water away from the trailbed.

6. **Trail Hazard Trees.** Remove trees and snags that are broken off or that are in a leaning, unstable position over the trailway. Cut designated danger trees so that stump heights do not exceed six (6.00) inches as measured on the uphill side of the stump. Maximum stump height of designated trees within four (4.00) feet of the trail centerline is four (4.00) inches. Do not leave felled trees parallel with the trail unless there are sufficient barriers to keep them from rolling or sliding onto the trail. Lop limbs to reduce slash concentration and scatter the clearing debris outside and below the clearing limits. If the trunk or a portion thereof, falls within the trailway, remove that portion within four (4.00) feet of either side of the trail centerline and scatter a minimum distance of four (4.00) feet beyond and below the trail centerline.

7. **Climbing Turn Maintenance.** This work consists of maintenance of climbing turns, including excavation, furnishing, hauling, and placing rock and aggregate, compacting aggregate surfacing, and associated barriers, ditches, retaining walls, and approach sections to bring the climbing turn up to good condition.

8. **Drainage.** Restore drainage dips and ditches to reestablish drainage as removing obstructions such as rocks, roots, and sticks to make ditches and culverts free draining.

9. **Rock Waterbar.** Install rock waterbars as identified. Tightly embed selected rocks into the trailbed. Place waterbar rocks with tops relatively even, with no sharp points. Use rocks with lengths greater than or equal to one and a half (1.50) times the width.

10. **Drainage Maintenance.** Where trail drainage facilities have been plugged and the water has been diverted from the intended channel, remove the debris causing the diversion and return the drainage to the channel. Divert water off and away from the trailbed. If washing or ponding of water has been or is occurring, dig a shallow ditch sloped two (2.00) percent to five (5.00) percent to the downstream side of the trail and three (3.00) inches minimum deep and twelve (12.00) inches minimum wide across the trail at the point where water enters the trail. Clean ditches to permit the free flow of water into culverts and away from the trail. Scatter all unusable or unneeded material that is cleared from the drainage structures three (3.00) feet or more beyond and below the trail or drainage facility and out of water courses. Clean the upgrade side of all existing waterbars and maintain them. Use and compact suitable material removed from the upgrade side of all waterbars to bring the trail tread flush with the top of those waterbars on the downgrade side. Remove all debris from the lead-off area of all waterbars that restricts the free flow of water away from the trail. Firmly embed replacement rocks for rock waterbars into the trailbed and fit the rocks together. Make the tops of the rocks even, with no sharp points. Peel native replacement logs before using them. Anchor stakes tightly in the ground without splits and nail tightly to the log.

The City will administer and oversee implementation of all work and all actions of its personnel and contractors.

The City will be responsible for ensuring appropriate transport of its employees and/or contractors to and from work sites.

The City and/or its contractors may spike camp at pre-designated location(s) on National Forest System (NFS) lands within the Flagstaff Ranger District only if mutually agreed to by The City and the U.S. Forest Service prior to setting up camp.

In order to allow the U.S. Forest Service to effectively respond to forest user and public comments about work ongoing in the project area, The City will ensure its personnel and/or contractors wear identifiable uniforms while working in areas open to the public. It is likely there will be U.S. Forest Service personnel, volunteers, and/or partners working in/around this same area while The City and/or its contractors are on-site.

The City will keep open existing trails that are undergoing improvements, and during those improvement activities, maintain them in such a condition as to safely accommodate public traffic. The City will provide and maintain in a safe and passable condition temporary detours, approaches, or crossings and intersections with trails, roads, businesses, parking lots, and campgrounds. The City will perform no work that interferes or conflicts with traffic until a plan for handling traffic has been submitted to, and approved by, the U.S. Forest Service. This work consists of maintaining existing trails that are undergoing improvements open and maintained in such a condition as to safely accommodate traffic and providing temporary construction access to the site.

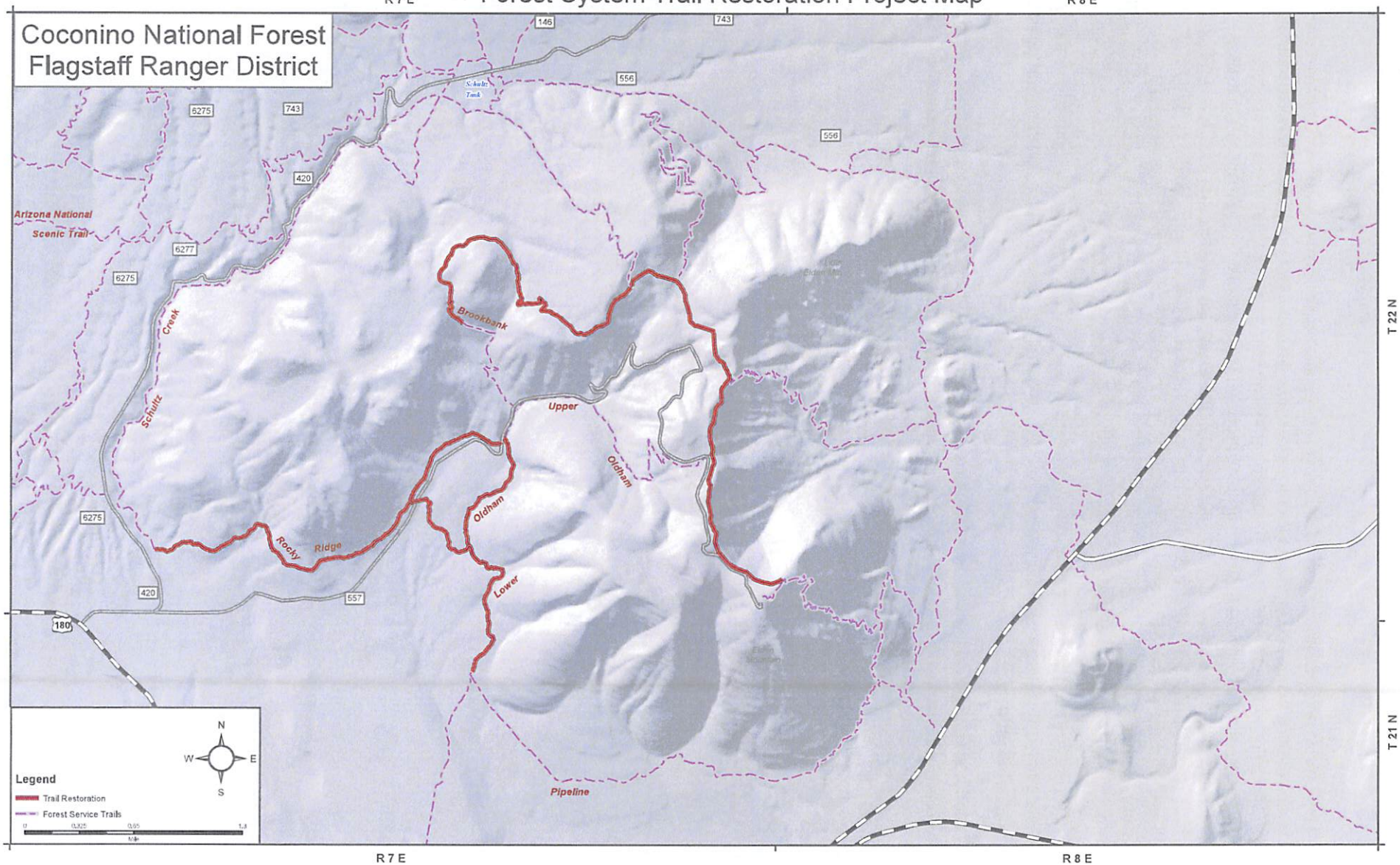
The U.S. Forest Service will set initial construction stakes or flagging, and control points, and all necessary information relating to lines, slopes, and grades. These stakes and flagging constitute the field control.

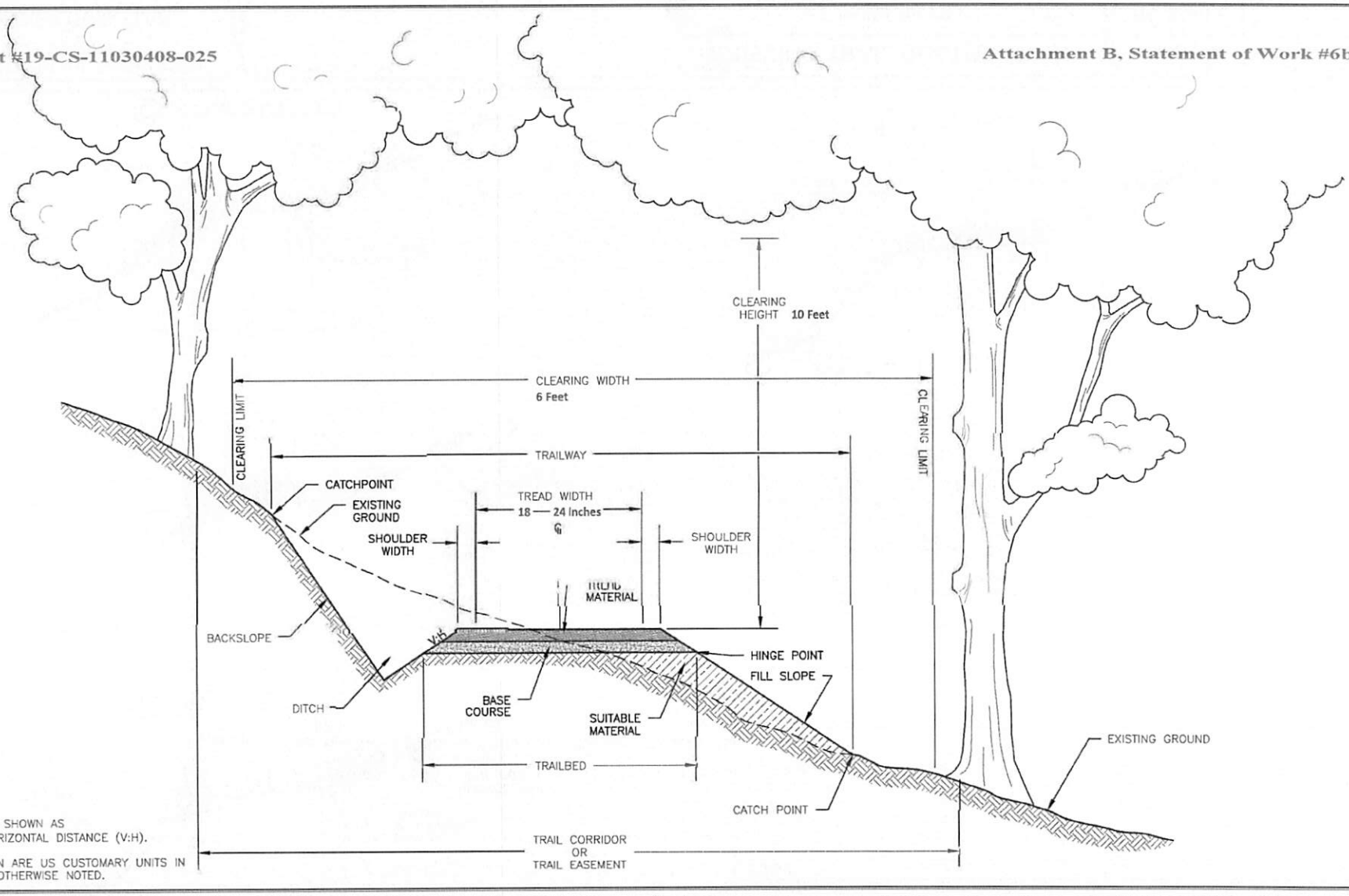
The U.S. Forest Service will be available to The City to address specific project questions and provide direction and/or specifications for project work and techniques as necessary.

Agreement #19-CS-11030408-025

Statement of Work #6a:
Forest System Trail Restoration Project Map

Attachment B, Statement of Work #6a



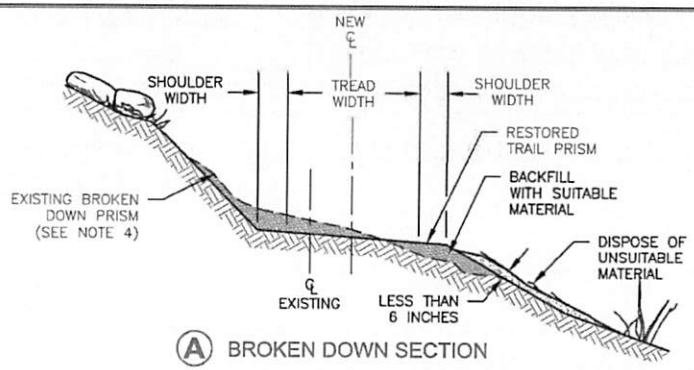


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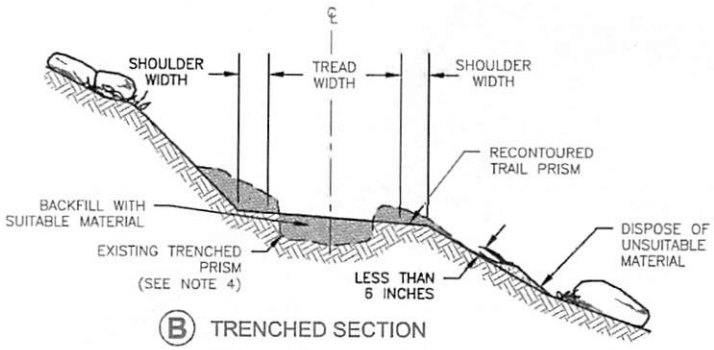
ALL SLOPES ARE SHOWN AS VERTICAL–TO–HORIZONTAL DISTANCE (V:H).

ALL UNITS SHOWN ARE US CUSTOMARY UNITS IN INCHES UNLESS OTHERWISE NOTED.

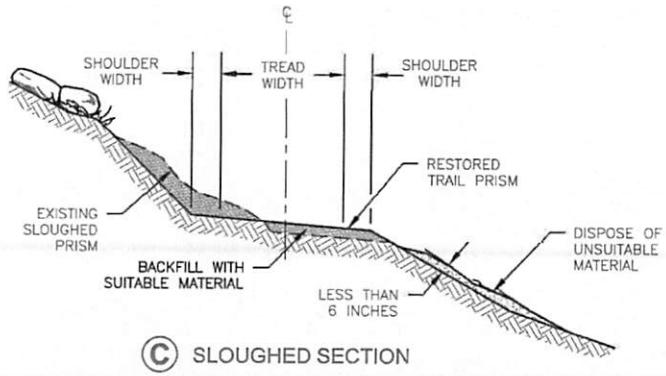
U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE **STANDARD TRAIL PLAN**	PROJECT NAME & LOCATION **Statement of Work #6b: Forest System Trail Restoration Project**	DRAWING NAME **STANDARD TRAIL TERMS** SECTION **910 - TRAILWAY** TYPICAL ID **STT**	REVISION DATE **09/16/2019** **NOT TO SCALE**	DRAWING NO. **STD_910-01** SHEET OF



(A) BROKEN DOWN SECTION



(B) TRENCHED SECTION



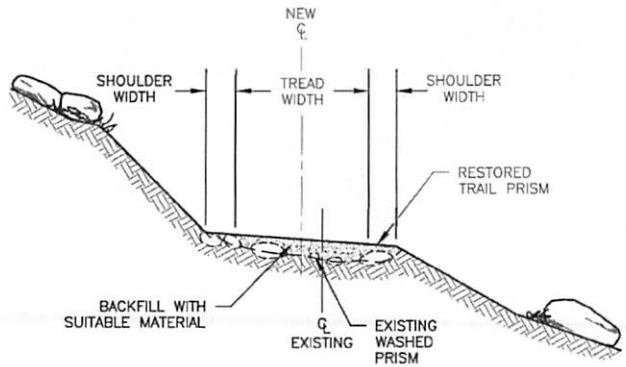
(C) SLOUGHED SECTION

EXISTING TRAIL RESTORATION

TYPICAL ID	SECTION TYPE	TREAD WIDTH	SHOULDER WIDTH		COMMENTS
			UPHILL	DOWNHILL	
ETR-1					

NOTES:

1. RE-ESTABLISH ORIGINAL DRAINAGE STRUCTURES TO MATCH NEW TREAD SURFACE.
2. INSTALL CHECK DAMS, DRAINAGE DIPS OR OTHER DRAINAGE STRUCTURES WHEN SPECIFIED.
3. DRAINAGE DIPS WILL BE STAKED IN THE FIELD WHEN REQUIRED AND WILL BE PAID SEPARATELY UNDER SECTION 927.
4. USE ONLY SUITABLE MATERIAL TO CONSTRUCT RESTORED TRAIL PRISMS. DISPOSE OF UNSUITABLE MATERIAL AS SHOWN ON PLANS.
5. SEEDING, FERTILIZING & MULCHING WHEN REQUIRED WILL BE PAID UNDER SECTION 981.



(D) WASHED SECTION

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
STANDARD TRAIL PLAN

PROJECT NAME & LOCATION

DRAWING NAME
EXISTING TRAIL RESTORATION

SECTION
911 - TREAD AND PRISM

TYPICAL ID
ETR

REVISION DATE
XX/XX/XX

NO SCALE

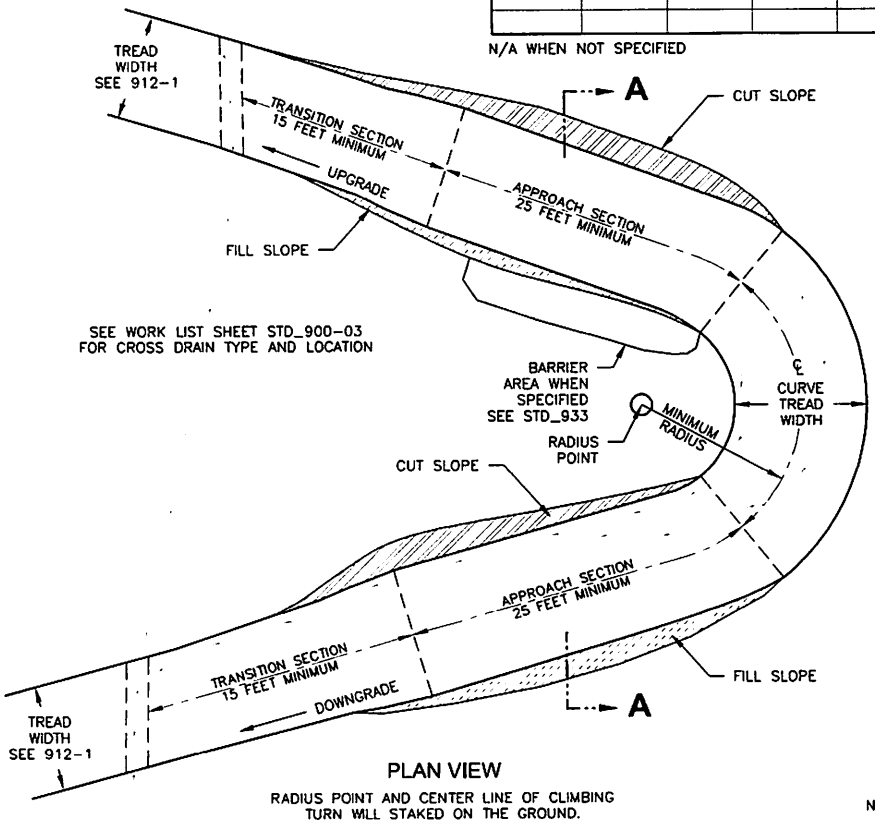
DRAWING NO.
STD_911-30-01

SHEET
OF

CLIMBING TURN SECTIONS

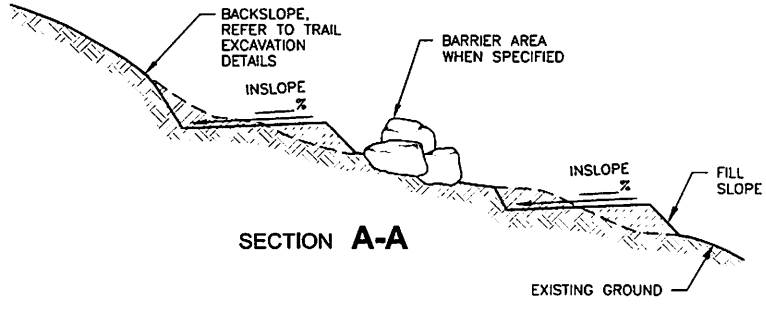
TYPICAL ID	MINIMUM RADIUS	CURVE TREAD WIDTH	BARRIER TYPE	COMMENTS
CTN–1				

N/A WHEN NOT SPECIFIED



PLAN VIEW

RADIUS POINT AND CENTER LINE OF CLIMBING TURN WILL STAKED ON THE GROUND.



SECTION **A-A**

NOTE:
CONSTRUCT CONSTANT GRADE THROUGH BOTH APPROACH SECTIONS.

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
STANDARD TRAIL PLAN

PROJECT NAME & LOCATION

DRAWING NAME: **CLIMBING TURN**

SECTION: **914 - CLIMBING TURN** TYPICAL ID: **CTN**

REVISION DATE: **XX/XX/XX**

NO SCALE

DRAWING NO.: **STD_914-01**

SHEET OF

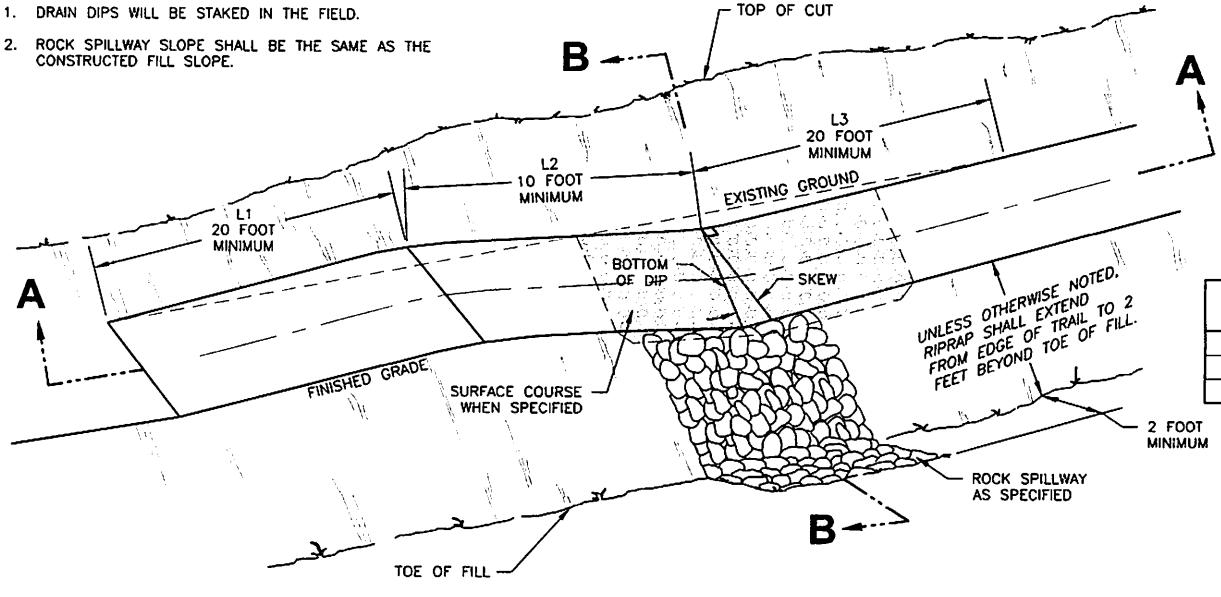
DRAIN DIP SECTION

TYPICAL ID	DRAIN DIP TYPE	GEOTEXTILE TYPE	SKEW	SURFACE COURSE TYPE	SURFACE COURSE DEPTH	ROCK SPILLWAY***	COMMENTS
DD1-1	DD	G		S			

N/A WHEN NOT APPLICABLE
***FOR ROCK SPILLWAY SEE SHEET STD_923-10-01

NOTES:

1. DRAIN DIPS WILL BE STAKED IN THE FIELD.
2. ROCK SPILLWAY SLOPE SHALL BE THE SAME AS THE CONSTRUCTED FILL SLOPE.



GEOTEXTILE TYPE

TYPE	MATERIAL	COMMENTS
G1	NON-WOVEN	
G2	WOVEN	
G3		

SURFACE COURSE MATERIAL TYPE

TYPE	MATERIAL	GRADATION	COMMENTS
S1	PITRUN		
S2	AGGREGATE		
S3			

DRAIN DIP CONSTRUCTION DIMENSIONS

DRAIN DIP TYPE	% PROFILE GRADE	L1	L2	L3	(H)	(E)
DD1	0 TO 4					
DD2	5 TO 6					
DD3	7 TO 8					
DD4	9 TO 10					
DD5						

OVER 10% NOT RECOMMENDED
H = ℄ OF TREAD

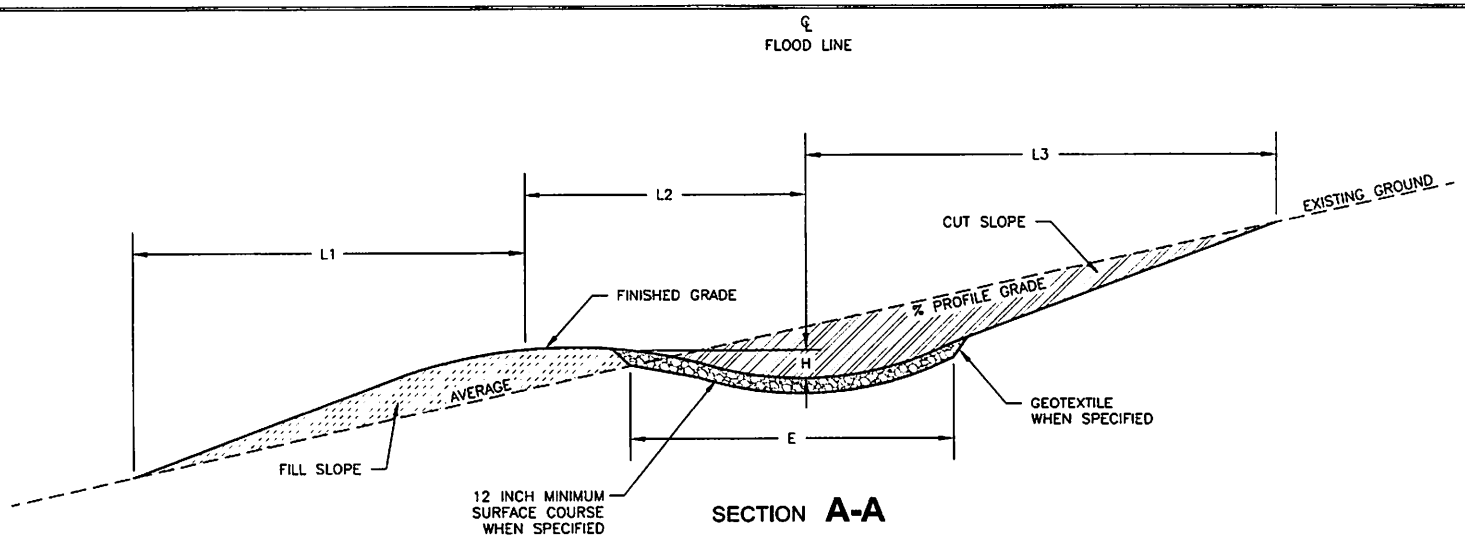
U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
STANDARD TRAIL PLAN

PROJECT NAME & LOCATION

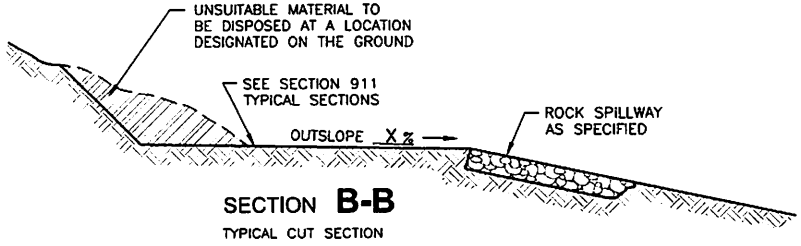
DRAWING NAME: **DRAIN DIP**
SECTION: **927 - DRAIN DIPS**
TYPICAL ID: **DD1**

REVISION DATE: **XX/XX/XX**
NO SCALE

DRAWING NO.: **STD_927-10-01**
SHEET OF

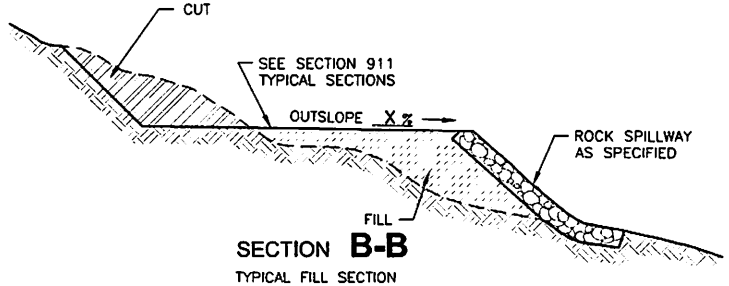


SECTION **A-A**



SECTION **B-B**

TYPICAL CUT SECTION



SECTION **B-B**

TYPICAL FILL SECTION

SHEET 2 OF 2

U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE **STANDARD TRAIL PLAN**	PROJECT NAME & LOCATION	DRAWING NAME **DRAIN DIP DETAILS** SECTION: **927 - DRAIN DIPS** / TYPICAL ID: **DD2**	REVISION DATE **XX/XX/XX** **NO SCALE**	DRAWING NO. **STD_927-10-02** SHEET / OF

U.S. Forest Service

OMB 0596-0217
FS-1500-17B

Attachment: C

USFS Agreement No.: 19-CS-11030408-025
Cooperator Agreement No.:
Mod. No.:

Note: This Financial Plan may be used when:
(1) No program income is expected and
(2) The Cooperator is not giving cash to the FS and
(3) There is no other Federal funding

Agreements Financial Plan (Short Form)

Financial Plan Matrix: Note: All columns may not be used. Use depends on source and type of contribution(s).

	FOREST SERVICE CONTRIBUTIONS		COOPERATOR CONTRIBUTIONS		
	(a)	(b)	(c)	(d)	
COST ELEMENTS Direct Costs	Noncash	Cash to Cooperator	Noncash	In-Kind	(e) Total
Salaries/Labor	$68,293.10	$0.00	$176,306.08	$0.00	$244,599.18
Travel	$0.00	$0.00	$0.00	$0.00	$0.00
Equipment	$0.00	$0.00	$0.00	$0.00	$0.00
Supplies/Materials	$0.00	$0.00	$0.00	$0.00	$0.00
Printing	$0.00	$0.00	$0.00	$0.00	$0.00
Other	$0.00	$700,000.00	$0.00	$0.00	$700,000.00
Other					$0.00
Subtotal	$68,293.10	$700,000.00	$176,306.08	$0.00	$944,599.18
Coop Indirect Costs		$0.00	$17,630.61		$17,630.61
FS Overhead Costs	$6,829.31				$6,829.31
Total	$75,122.41	$700,000.00	$193,936.69	$0.00	
Total Project Value:					$969,059.10

Matching Costs Determination	
Total Forest Service Share = (a+b) ÷ (e) = (f)	(f) 79.99%
Total Cooperator Share (c+d) ÷ (e) = (g)	(g) 20.01%
Total (f+g) = (h)	(h) 100.00%

WORKSHEET FOR

FS Non-Cash Contribution Cost Analysis, Column (a)

Salaries/Labor

Standard Calculation

Job Description		Cost/Day	# of Days		Total
District Engineering Tech		$273.26	20.00		$5,465.20
D8, FIRE GS-03 FIRE CREW		$112.00	30.00		$3,360.00
D8, FIRE GS-04 FIRE CREW		$125.70	30.00		$3,771.00
D8, FIRE GS-05 FIRE CREW		$145.30	30.00		$4,359.00
Timber Contract Sale Administrator		$376.84	50.00		$18,842.00
Forestry Technician		$197.20	60.00		$11,832.00
Supervisory Forester		$347.65	30.00		$10,429.50
District NEPA Coordinator		$254.48	10.00		$2,544.80
District GIS Coordinator		$256.32	30.00		$7,689.60

Non-Standard Calculation

Total Salaries/Labor	**$68,293.10**

Travel

Standard Calculation

Travel Expense	Employees	Cost/Trip	# of Trips		Total
					$0.00
Total Travel					**$0.00**

Equipment

Standard Calculation

Piece of Equipment	# of Units	Cost/Day	# of Days		Total
					$0.00
Total Equipment					**$0.00**

Supplies/Materials

Standard Calculation

Supplies/Materials		# of Items	Cost/Item	Total
				$0.00
Total Supplies/Materials				**$0.00**

Printing

Standard Calculation

Paper Material		# of Units	Cost/Unit		Total
					$0.00
Total Printing					**$0.00**

Other Expenses

Standard Calculation

Item		# of Units	Cost/Unit		Total
					$0.00
Total Other					**$0.00**

Subtotal Direct Costs	**$68,293.10**

Forest Service Overhead Costs

Current Overhead Rate	Subtotal Direct Costs			Total
10.00%	$68,293.10			$6,829.31
Total FS Overhead Costs				**$6,829.31**

TOTAL COST	**$75,122.41**

WORKSHEET FOR

FS Cash to the Cooperator Cost Analysis, Column (b)

Salaries/Labor

Standard Calculation

Job Description		Cost/Day	# of Days		Total
					$0.00
Total Salaries/Labor					**$0.00**

Travel

Standard Calculation

Travel Expense	Employees	Cost/Trip	# of Trips		Total
	0				
Total Travel					**$0.00**

Equipment

Standard Calculation

Piece of Equipment	# of Units	Cost/Day	# of Days		Total
					$0.00
Total Equipment					**$0.00**

Supplies/Materials

Standard Calculation

Supplies/Materials		# of Items	Cost/Item	Total
				$0.00
Total Supplies/Materials				**$0.00**

Printing

Standard Calculation

	$0.00
Total Printing	**$0.00**

Other Expenses

Standard Calculation

Item		# of Units	Cost/Unit		Total
					$0.00

Non-Standard Calculation

Contracted services (SOW items to be completed by a mixture of City in-house personnel/crews & contracted labor)	$700,000.00
Total Other	**$700,000.00**

Subtotal Direct Costs	$700,000.00

Cooperator Indirect Costs

Current Overhead Rate	Subtotal Direct Costs			Total
0.00%	$700,000.00			$0.00
Total Coop. Indirect Costs				**$0.00**

TOTAL COST	**$700,000.00**

WORKSHEET FOR

Cooperator Non-Cash Contribution Cost Analysis, Column (c)

Salaries/Labor

Standard Calculation

Job Description	Cost/Day	# of Days	# of Employee	Total
Forest Health Supervisor	$238.64	184.00	1	$43,909.76
Wildland Fire Firewise Specialist	$238.64	184.00	1	$43,909.76
Wildland Fire Manager	$355.84	129.00	1	$45,903.36
Wildland Fire Supervisor	$258.08	165.00	1	$42,583.20

Non-Standard Calculation

Total Salaries/Labor	**$176,306.08**

Travel

Standard Calculation

Travel Expense	Cost/Trip	# of Trips		Total
				$0.00
Total Travel				**$0.00**

Equipment

Standard Calculation

Piece of Equipment	# of Units	Cost/Day	# of Days		Total
					$0.00
Total Equipment					**$0.00**

Supplies/Materials

Standard Calculation

Supplies/Materials		# of Items	Cost/Item	Total
				$0.00
Total Supplies/Materials				**$0.00**

Printing

Standard Calculation

Paper Material		# of Units	Cost/Unit		Total
					$0.00
Total Printing					**$0.00**

Other Expenses

Standard Calculation

Item		# of Units	Cost/Unit		Total
					$0.00
Total Other					**$0.00**

Subtotal Direct Costs	$176,306.08

Current Overhead Rate	Subtotal Direct Costs			Total
10.00%	$176,306.08			$17,630.61
Total Coop. Indirect Costs				**$17,630.61**

TOTAL COST	**$193,936.69**

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: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Ordinance No. 2019-34: An ordinance of the City Council of the City of Flagstaff, relating to the financing of certain projects, 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 - Municipal Court Facilities)

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-34by title for the first time
2) City Clerk reads Ordinance No. 2019-34 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-34 by title only for the final time
4) City Clerk reads Ordinance no. 2019-34 by title only (if approved above)
5) Adopt Ordinance No. 2019-34

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 construction for the Municipal Court Facilities. An ordinance for this action is required by City Charter ARTICLE VI - FINANCE AND TAXATION, Section 5 - WHEN ACTIONS ARE TO BE TAKEN BY ORDINANCE.

Financial Impact:

Series 2019 Certificates of Participation will be issued in an amount not to exceed $4,000,000 related to the construction of the Municipal Court Facilities. The debt service payments will be made from the restricted revenues collected at the Municipal Court from Court Improvement Fees and Disposition Fees. Debt service expenditures are budgeted in the General Fund.

Policy Impact:

None

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

Council Goals:
Transportation and Other Public Infrastructure-Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

Regional Plan:
Goal PF.2. Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics.

Has There Been Previous Council Decision on This:

Yes. Council authorized the 2016 election in which voters approved the construction of the Municipal Court Facilities. On July 3, 2018, Council awarded a design/build contract. On March 2, 2019, Council approved Amendment #1 which included a guaranteed maximum price for hazardous waste abatement and demolition. On May 21, 2019, Council approved Amendment #2 that included a guaranteed maximum price for the construction of the court facility. On September 3, 2019, Council approved Resolution No. 2019-42, a reimbursement resolution related to the Municipal Court Facilities for an amount not to exceed $16,000,000 ($12,000,000 for General Obligation Bond debt).

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. Pros-Allows for cash flow necessary to complete voter-approved projects. Cons-Increases City indebtedness.
- Recommend changes to the Ordinance modifying the issuance of either the Certificates of Participation or Lease-Purchase agreements. Pros and Cons are dependent on changes.
- Do not approve the issuance of Certificates of Participation and the Lease-Purchase agreements. Pros-Delays level of debt for the City. Cons-May put the Municipal Court Facilities in a negative cash flow situation, therefore, requiring the City to find the cash flow from other sources for work completed to date.

Background/History:

The physical condition of the existing City Court building located at 15 North Beaver Street has deteriorated to a point where significant financial resources will be needed to remediate, remodel and stabilize the structure. In addition, the need exists for current and future space to ensure continued operational viability. On April 12, 2016, staff came before Council to discuss the strategy for a new City Court Facility. As noted above, staff and Council had previously agreed that the most cost-effective solution would be to design, finance and construct a new

City Court Facility. At this meeting Council directed staff to return in June of 2016 to present a proposed ballot question for funding and financing of a new Municipal Court Facility. On November 8, 2016, the voters approved $12,000,000 in bonds for the construction of Municipal Court Facilities. The design of the new courthouse is completed and construction began this year.

The new City Court Facility will provide a safe and efficient Municipal building that will greatly improve the Court's operations now and into the future, enhance the staff and user experience and provide an attractive amenity to downtown Flagstaff.

Staff began the discussion with the City's financial advisor, Stifel, Nicolaus & Company, earlier this fiscal year to determine the best method of financing the Municipal Court Fee portion of the debt. Options included revenue obligations or certificates of participation (annual appropriations). After detailed research and discussions with the financial advisor, staff chose the certificate of participation option utilizing the negotiated sale alternative with Piper Jaffray selected as the Underwriter. By using the Municipal Court Facility in this financing, staff believes we will receive a favorable market rating and interest rates. Annual debt service payments will be approximately $200,000 to $250,000, payable from the restricted court revenues described above.

Certificates of Participation (the "Certificates") involve a lease-purchase financing mechanism that allows the City to borrow for capital 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 December 1, 2019, by and between a trustee bank, as lessor (the "Trustee"), and the City, as lessee. The property 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 December 1, 2019, 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 December 1, 2019, 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 will 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 July 1, 2044.

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:

As part of the planning process for delivering new Municipal Court Facilities, staff developed the project funding plan. The initial funding plan was as follows:

Funding Source	Amount

Voter-Approved Bonds, November 2016	$ 12,000,000
Court Fees	2,080,000
Prior Sale of Property	520,000
Redevelopment Fund-General Fund	500,000
Capital Funding Transfer - General Fund	400,000
Sale of Existing Court Property	2,000,000
Capital Financing	4,000,000
Total	$ 21,500,000

The current Municipal Court Facilities construction is for $19,500,000 which does not including the funding from the sale of the existing Municipal Court property. The City will hold the existing property as surface parking and is in the process of developing a downtown master plan. This location may be considered as a future parking facility.

This Ordinance is related to the $4,000,000 in capital financing which will be in the form of a lease-purchase agreement.

Community Involvement:

The process to construct a Municipal Court Facility was voted on by the public involved: Consult, Involve, Collaborate and Empower.

The process to authorize the issuance of indebtedness is to Inform the public.

Attachments:

Ord. 2019-34
Ordinance Exhibit
Draft Preliminary Offering Statement (POS)
Draft Ground Lease
Draft Lease Purchase Agreement
Draft Trust Agreement
Draft Certificate Purchase Agreement

ORDINANCE NO. 2019-34

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, RELATING TO THE FINANCING OF CERTAIN PROJECTS, 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; 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

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 finance a portion of the construction of a municipal court facility in the City (the "Projects"); 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 construction of the Projects it is desirable and necessary to lease-purchase certain property comprising the municipal court facility of the City [to be] located 101 West Cherry Avenue, Flagstaff (the "Property") in Coconino County, Arizona, which is described in the hereinafter described Notice; and

WHEREAS, in connection with the construction of the Projects, 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 construction of the Projects, 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 Projects be undertaken through the sale and delivery to an investment bank 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, 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 Piper Jaffray & Co., as underwriter (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 construct the Projects; and
WHEREAS, it has been determined that Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") should act as financial advisor with respect to the sale of the Certificates pursuant to letter agreements dated September 5, 2019, between the City and the Financial Advisor;

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. (An affidavit of the publication thereof will be attached as the Attachment hereto after the publication is completed.)

(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. The Management Services Director of the City is hereby authorized and directed to determine on behalf of the City: (1) 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; (2) the dated date and total principal amount of the Lease-Purchase Agreement (but not to exceed $4,000,000 in principal amount); (3) the final principal and maturity date schedules of the Lease-Purchase Agreement; (4) the interest rate on each maturity of the principal components of the Lease-Purchase Agreement and the dates for payment of such interest; (5) the provisions for redemption in advance of maturity of the payment of the principal components of the Lease-Purchase Agreement; (6) the sales price and terms of the Certificates (including for original issue discount, original issue premium and underwriter's compensation); and (7) the provision for credit enhancement, if any, for the Certificates upon the advice of the Underwriter, provided, however, that such determinations must result in a yield for federal income tax purposes of not to exceed ten percent (10%) with respect to the Lease-Purchase Agreement. (The solicitation of proposals from corporate trust banks for purposes of the foregoing is hereby ratified and confirmed in all respects.)

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 irrepealable until the principal and interest represented thereby shall have been fully paid, cancelled and discharged.

SECTION 9. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 10. All orders, ordinances and resolutions or parts thereof, inconsistent herewith, are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, ordinance or resolution or any part thereof.

SECTION 11. Repeal of Conflicting Ordinances

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

SECTION 12. 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.

SECTION 13. 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 14. 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 5th day of November 2019.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:
Notice of Proposed Lease and Lease-Purchase Back

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 parcel of land owned by the City of Flagstaff, Arizona (the "City"), and described as ..... in Document ..... recorded in the records of the Recorder of Coconino County, Arizona, containing approximately ..... acres, and the buildings located thereon which comprises [or will comprise] the municipal court facility of the City (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 ….:00 ….. .m., Mountain Standard Time, on ....., 2019, 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, 2019, and ending on or about July 2, 20..... The successful bidder must cause not less than $____,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 in the financing of a portion of a municipal court facility in the City (the "Projects").

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. Mountain Standard Time on ....., 2019. The award of the lease of the Property pursuant to the Ground Lease and the Lease will be contingent upon provision for the construction of the Projects 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, City of Flagstaff, Arizona

DATED: _____, 2019

ATTACHMENT

[Attach Affidavit of Publication of Notice]

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2019

NEW ISSUE — BOOK-ENTRY-ONLY **RATING: See "RATING" herein.**

In the opinion of Special Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, 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 2019 Certificates (the 'Interest Portion') is excludable from gross income for federal income tax purposes. Further, the Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal income tax purposes. See "TAX EXEMPTION" herein for a description of the certain other federal tax consequences of ownership of the 2019 Certificates.

$3,575,000*
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019*

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

The captioned Certificates of Participation (the "2019 Certificates") are being executed and delivered pursuant to a Trust Agreement, to be dated as of December 1, 2019* (the "Trust Agreement"), between the City of Flagstaff, Arizona (the "City") and _____, as trustee (the "Trustee"). Interest with respect to the 2019 Certificates will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020*. The 2019 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 2019 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 2019 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 2019 Certificates. See APPENDIX G - "BOOK-ENTRY-ONLY SYSTEM."

The 2019 Certificates are being executed and delivered for the purpose of (i) financing the herein-described Projects, constituting a portion of the costs of construction of a court facility in the City and (ii) paying costs incurred in connection with the execution and delivery of the 2019 Certificates. See "THE PROJECTS" and "SOURCES AND USES OF FUNDS" herein.

The 2019 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 2019 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 December 1, 2019* (the "Lease Agreement"). The 2019 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 2019 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 2019 CERTIFICATES FROM FUNDS AVAILABLE PURSUANT TO THE TRUST AGREEMENT OR THAT ANY SUCH PAYMENTS EVIDENCING INTEREST, IF MADE, WILL REMAIN EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. SEE "RISK FACTORS" AND "TAX EXEMPTION" 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 2019 CERTIFICATES. NEITHER THE 2019 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 2019 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 2019 Certificates and tax-exemption. Certain legal matters will be passed upon for the Underwriter by its counsel, Squire Patton Boggs (US) LLP. It is expected that the 2019 Certificates will be available for delivery through the facilities of DTC on or about December 19, 2019*.

This cover page contains only a brief description of the 2019 Certificates and the security therefor. It is not a summary of material information with respect to the 2019 Certificates. Investors should read this Official Statement in its entirety to obtain information necessary to make an informed investment decision.

PiperJaffray

* Preliminary, subject to change.

$3,575,000*
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019*

MATURITY SCHEDULE*

Principal Payment Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP®(1) No. 338430
2020	$45,000	%	%	
2021	85,000			
2022	90,000			
2023	90,000			
2024	95,000			
2025	100,000			
2026	105,000			
2027	110,000			
2028	115,000			
2029	125,000			
2030	130,000			
2031	135,000			
2032	140,000			
2033	145,000			
2034	155,000			
2035	160,000			
2036	165,000			
2037	170,000			
2038	180,000			
2039	185,000			
2040	195,000			
2041	200,000			
2042	210,000			
2043	220,000			
2044	225,000			

$_____ Term Certificates @ _____% Due July 1, _____, at a yield of _____% - CUSIP (1) No. 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© 2019 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, the Financial Advisor, 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*

Sterling Solomon, *City Attorney*

Stacy Saltzburg, *City Clerk*

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE, REGISTRAR AND PAYING AGENT

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the "City"), Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") or Piper Jaffray & Co. (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 2019 (the "2019 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, the Financial Advisor or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City, Financial Advisor or the Underwriter.

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

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

The 2019 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 2019 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 F – "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 2019 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

$3,575,000*
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019*

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 $3,575,000* principal amount of the above-captioned Certificates of Participation, Series 2019 (the "2019 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 December 1, 2019* (the "Lease Agreement"), between the City, as lessee, and _____ (the "Trustee"), as lessor. The 2019 Certificates will be executed and delivered pursuant to a Trust Agreement, to be dated as of December 1, 2019* (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 D — "SUMMARIES OF LEGAL DOCUMENTS - CERTAIN DEFINITIONS."

The 2019 Certificates are being sold to (i) finance the costs of the hereinafter defined Projects and (ii) pay costs related to the initial execution and delivery of the 2019 Certificates. See "THE PROJECTS." Certain real property, together with any improvements thereon (the "Leased Property"), will be leased to the Trustee through July 2, 2044*, pursuant to a Ground Lease, to be dated as of December 1, 2019* (the "Ground Lease"), between the City, as lessor, and the Trustee, as lessee, executed and delivered in connection with the 2019 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 2019 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 a municipal court building of the City. See "THE LEASED PROPERTY." The 2019 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 2019 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 2019 Certificates will be made only to Beneficial Owners (as defined in APPENDIX G — "BOOK-ENTRY-ONLY SYSTEM"), through participants in the DTC system. Beneficial interests in the 2019 Certificates will be in amounts described on the inside front cover page hereof. See APPENDIX G — "BOOK-ENTRY-ONLY SYSTEM."

The Trustee will make payments of principal and interest evidenced by the 2019 Certificates solely from moneys available pursuant to the Trust Agreement, including the Lease Payments required to be made by the City pursuant to the Lease Agreement. See "SOURCES OF PAYMENT OF THE 2019 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 2019 Certificates, unless the Lease Agreement is terminated as provided therein. See "SECURITY FOR THE 2019 CERTIFICATES" herein. The City will also be required to pay any taxes

* Preliminary, subject to change.

and assessments and the cost of maintenance and repair of the Leased Property. See "LEASE AGREEMENT — Maintenance, Utilities, Taxes and Modifications" in APPENDIX D 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 2019 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 2019 CERTIFICATES FROM FUNDS AVAILABLE PURSUANT TO THE TRUST AGREEMENT OR THAT ANY SUCH PAYMENTS EVIDENCING INTEREST, IF MADE, WILL REMAIN EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. SEE "RISK FACTORS" AND "TAX EXEMPTION" HEREIN. 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 2019 CERTIFICATES. NEITHER THE 2019 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, 2018 are included in APPENDIX C — "CITY OF FLAGSTAFF, ARIZONA — AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

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 2019 Certificates, from the Financial Advisor (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 2019 Certificates, copies of such documents may be obtained by Beneficial Owners from the Trustee upon request at: _____, Attention: Corporate Trust Services.

THE PROJECT AND THE LEASED PROPERTY

The Project

The proceeds from the 2019 Certificates, net of amounts used to pay costs of issuance of the 2019 Certificates, will be used by the Trustee to acquire from the City a ground leasehold interest in a site (the "Leased Land") and to fund a portion of the costs of constructing improvements thereon (the "Improvements" and, together with the Leased Land, the "Project") for use as a new municipal court building for the City. The Trustee will lease the Project to the City pursuant to the Lease Agreement and the Project will constitute the leased property (the "Leased Property") under the Lease Agreement as described below. The $19.5 million estimated total cost of the Project is expected to be funded with approximately $4 million of proceeds from the 2019 Certificates, approximately $12 million of proceeds from the sale of the City's General Obligation Bonds, Series 2019 (the "2019 GO Bonds") that are being offered concurrently with the 2019 Certificates pursuant to a separate official statement and that will close simultaneously with the delivery of the 2019 Certificates, with remaining costs paid from cash paid by the City from its General Fund.

The Leased Property

The Leased Property will consist of a new "Municipal Court Building" for the City located at 101 West Cherry Avenue within downtown Flagstaff, Arizona, on the Leased Land which is a 0.51-acre site that the City has owned for over 15 years. When completed, the Municipal Court Building will consistent of approximately 40,000 square feet, including courtrooms, hearing rooms, judicial chambers, jury assembly and deliberation space, spaces for security screening, customer service transaction area, conference rooms, training rooms, space for the court enforcement unit and prisoner holding, staging areas and support services, and office space for the prosecution division of the City Attorney's office. The City estimates that the Municipal Court Building will house approximately 35 City employees. The new Municipal Court Building will replace the City's current municipal court building, which will be torn down and used for City parking.

Construction of the Municipal Court Building started in May 2019 and is anticipated to be completed in July 2020. Following design and a public procurement process, the City has entered into a Design-Build Services Agreement (as supplemented and amended, the "Construction Contract") with Kinney Construction Services, Flagstaff, Arizona (the "Contractor"), dated July 17, 2018. The Construction Contract represents a design-build construction contract, under which the Contractor will agree to construct the Municipal Court Building for a "guaranteed maximum price," meant to represent the maximum cost to the City for completion of the construction. The guaranteed maximum price specified in the Construction Contract is $18,668,897. The City has already paid $3,001,884 of this amount, leaving a balance of $15,667,013. The Contractor has provided payment and performance surety bonds in the usual form required for municipal construction projects. Despite the guaranteed maximum price feature and surety bonds, there are always risks associated with new construction. For example, even though the Construction Contract contains a guaranteed maximum price, there can be no guaranty that actual construction costs will not exceed such amount and allotted contingencies and amounts available to pay construction costs, whether due to change orders, unexpected developments during construction or otherwise. Further, contract retention amounts may be insufficient to cover additional costs arising due to factors such as unforeseen site conditions or contract omissions. In addition, they cannot protect against timing delays when projects run into difficulty (due to performance of contractors or any other reason).

The Contractor is required to maintain course of construction insurance on the Leased Property during the construction period. Following completion, the Leased Property will be insured as part of the City's risk management program in with an assumed replacement value in excess of the principal amount of the 2019 Certificates. No title insurance is being obtained insuring the Trustee's ground leasehold interest in the Leased Land due to the more than 15-year period that the City has owned the Leased Land without material claims questioning its state of title.

THE 2019 CERTIFICATES

General Provisions

The 2019 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 G – "BOOK-ENTRY-ONLY SYSTEM," the 2019 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 2019 Certificates, all payments on the 2019 Certificates will be made directly to DTC for payment to the Beneficial Owners as described herein in APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM."

The 2019 Certificates will bear interest from their dated date, payable semiannually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing July 1, 2020*. The 2019 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 2019 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 2019 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 2019 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 2019 Certificates payable as to principal before or on _____ 1, 20__ will not be subject to optional prepayment. The 2019 Certificates payable as to principal on or after _____ 1, 20__ will be subject to optional prepayment, at the direction of the City, on any date on or after _____ 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 2019 Certificates payable as to principal on July 1, 20__ (the "Term Certificates"), are subject to mandatory prepayment and shall be paid on July 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 July 1, 20__

Year	**Sinking Fund Requirement**

*Maturity

Whenever 2019 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 2019 Certificates so retired shall satisfy and be credited against the mandatory prepayment requirements for such 2019 Certificates for such years as the City may direct.

Extraordinary Prepayment. The 2019 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 D 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,

* Preliminary, subject to change.

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 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 2019 Certificates; provided further, however, if the Net Proceeds are not sufficient to cause the prepayment of all Outstanding 2019 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 2019 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 2019 Certificates are called for prepayment, the maturities of the 2019 Certificates to be selected for prepayment may be specified by the City. The Trustee will give notice of the prepayment of such 2019 Certificates to DTC not less than 30 days nor more than 60 days before the prepayment date as described in APPENDIX G.

Defeasance

If the City (i) pays the principal and interest evidenced by all Outstanding 2019 Certificates, or (ii) at or before the scheduled principal payment dates of all Outstanding 2019 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 2019 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 2019 Certificates so provided for will terminate, except for the obligation of the Trustee to make payments with respect to such 2019 Certificates from such funds. See APPENDIX D — "SUMMARIES OF LEGAL DOCUMENTS — TRUST AGREEMENT —Defeasance."

SOURCES OF PAYMENT OF THE 2019 CERTIFICATES

In accordance with the terms of the Trust Agreement, the 2019 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 (except for any investment earnings that are required to be rebated to the United States of America in order to continue the exclusion of the interest evidenced by the 2019 Certificates from gross income for federal income tax purposes), 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 2019 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 2019 CERTIFICATES. SEE "RISK FACTORS — TERMINATION OF LEASE AGREEMENT" HEREIN.

SECURITY FOR THE 2019 CERTIFICATES

General

Each 2019 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 2019 CERTIFICATES. PAYMENT OF THE PRINCIPAL AND INTEREST EVIDENCED BY THE 2019 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 July 1, 2044*, unless terminated prior thereto.

lf, 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

* Preliminary, subject to change.

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 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 2019 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 2019 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 expand or improve the Projects or 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 D – "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 2019 CERTIFICATES INVOLVES CERTAIN INVESTMENT RISKS THAT ARE DISCUSSED THROUGHOUT THIS OFFICIAL STATEMENT. ACCORDINGLY, EACH PROSPECTIVE 2019 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 the Projects 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 2019 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 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 2019 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 2019 Certificates. See "SECURITY FOR THE 2019 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. No title insurance policy was obtained in connection with the execution and delivery of the 2018 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 2019 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 D.

(2) the taking of all of the Leased Property pursuant to the power of eminent domain as described under the subheading "THE 2019 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 2019 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 2019 Certificates when due.

[The Leased Property is a municipal court building. While the insurance value of the a municipal court building is estimated at approximately $____ million], 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 2019 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 2019 Certificates.

Possible Restrictions on Transfer of, and Change of Status of Interest Represented by, the 2019 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 2019 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 2019 Certificates are Outstanding, the 2019 Certificates may be transferred by a 2018 Certificate Owner without compliance with the registration provisions of the Securities Act of 1933, as amended. Moreover the interest evidenced by the 2019 Certificates may no longer be treated as described under the heading "TAX EXEMPTION" herein.

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 2019 Certificates. The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. It 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 2019 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 2019 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 "SOURCES OF PAYMENT OF THE 2019 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 2019 Certificates	$3,575,000.00*
[Net] Original Issue Premium *(a)*	
Total Sources of Funds	
Uses of Funds	
Deposit to the Project Fund	
Payment of Costs of Issuance *(b)*	
Total Uses of Funds	

(a) *Includes original issue premium on the 2019 Certificates, less original issue discount.*

(b) *Includes Underwriter's compensation.*

* Preliminary, subject to change.

ESTIMATED LEASE PAYMENT REQUIREMENTS

The following table illustrates the estimated Lease Payments with respect to the 2019 Certificates.

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

Fiscal Year	2019 Certificates*		Total Estimated Annual Lease Payment Requirements*
	Principal	Interest *(c)*	
2019/20	$45,000	$ 81,867*(d)*	$ 126,867
2020/21	$85,000	152,150	237,150
2021/22	90,000	148,750	238,750
2022/23	90,000	144,250	234,250
2023/24	95,000	139,750	234,750
2024/25	100,000	135,000	235,000
2025/26	105,000	130,000	235,000
2026/27	110,000	124,750	234,750
2027/28	115,000	119,250	234,250
2028/29	125,000	113,500	238,500
2029/30	130,000	107,250	237,250
2030/31	135,000	100,750	235,750
2031/32	140,000	94,000	234,000
2032/33	145,000	88,400	233,400
2033/34	155,000	82,600	237,600
2034/35	160,000	76,400	236,400
2035/36	165,000	70,000	235,000
2036/37	170,000	63,400	233,400
2037/38	180,000	56,600	236,600
2038/39	185,000	49,400	234,401
2039/40	195,000	42,000	237,000
2040/41	200,000	34,200	234,200
2041/42	210,000	26,200	236,200
2042/43	220,000	17,800	237,800
2043/44	225,000	9,000	234,000
	$3,575,000		

(a) *Prepared by the Financial Advisor.*

(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, estimated actuals for fiscal year 2018/19, and audited fiscal years 2013/14 through and including 2017/18.*

(c) *Interest is estimated.*

(d) *The first interest payment due with respect to the 2019 Certificates will be on July 1, 2020*. Thereafter, interest payments will be made semiannually on each January 1 and July 1, until the earlier of the final maturity or prepayment prior to maturity.*

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 2019 Certificates.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the 2019 Certificates and with regard to the tax-exempt status of the Interest Portion (defined below) of the 2019 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 2019 Certificates, will be delivered to the Underwriter at the time of original delivery of the 2019 Certificates.

The proposed text of the legal opinion is set forth as APPENDIX E – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX E 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 2019 Certificates subsequent to the original delivery of the 2019 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 2019 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 2019 Certificates) issued prior to enactment.

The legal opinions to be delivered concurrently with the delivery of the 2019 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 2019 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 EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the 2019 Certificates in order that the portion of each of the Lease Payments 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 2019 Certificates (the "Interest Portion") will be and remain excludable from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2019 Certificates. The City has covenanted in the Lease Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings

and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax purposes and is exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the 2019 Certificates. Prospective purchasers of the 2019 Certificates should consult their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than Arizona.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the 2019 Certificates. Prospective purchasers of 2019 Certificates should be aware that the ownership of 2019 Certificates may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the 2019 Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the 2019 Certificates. Prospective purchasers of the 2019 Certificates should consult their own tax advisors as to the impact of these other tax consequences.

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

Original Issue Discount and Original Issue Premium

Certain of the 2019 Certificates ("Discount Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2019 Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Certificate.

Certain of the 2019 Certificates ("Premium Certificates") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Certificates callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax

purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate.

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

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the 2019 Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the 2019 Certificates. Prospective purchasers of the 2019 Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the 2019 Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the 2019 Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the 2019 Certificates and proceeds from the sale of the 2019 Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the 2019 Certificates. This withholding generally applies if the owner of the 2019 Certificates (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2019 Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "___" to the 2019 Certificates. Such rating reflects only the view of S&P, and any desired explanation of the significance of this rating should be obtained from the rating agency at the following address: S&P at One California Street, 31st Floor, San Francisco, California 94111. 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 rating may subsequently be revised downward or withdrawn entirely by S&P if in its judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such rating may have an adverse effect on the market price and marketability of the 2019 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 2019 Certificates. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

UNDERWRITING

The 2019 Certificates are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase from the City the 2019 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 2019 Certificates may be offered and sold to certain dealers (including the

Underwriter and other dealers depositing 2019 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 2019 Certificates if any 2019 Certificates are purchased.

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings, including the 2019 Certificates at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the 2019 Certificates from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2019 Certificates that CS&Co sells.

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 2019 Certificates, the City will covenant for the benefit of certain owners of the 2019 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, 2020 (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 F — "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 2019 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 2019 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 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 correctly formatted data was filed on EMMA on March 22, 2016 and May 26, 2016. The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar undertakings in all material respects.

FINANCIAL ADVISOR

The Financial Advisor's fee for services rendered with respect to the sale of the 2019 Certificates is contingent upon the execution and delivery of the 2019 Certificates. The Financial Advisor has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2019 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: "The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information."

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2018 and for its fiscal year then ended, which are included as APPENDIX C of this Official Statement, have been audited by CliftonLarsonAllen LLP, as stated in their opinion which appears in APPENDIX C – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." 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 C 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 2019 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 2019 CERTIFICATES WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADINGS "SOURCES OF PAYMENT OF THE 2019 CERTIFICATES" AND "SECURITY FOR THE 2019 CERTIFICATES." THE 2019 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 Coconino County, Arizona (the "County"), since 1891.

Listed below are U.S. Census population figures for the City, the County and the State.

POPULATION STATISTICS

	City of Flagstaff	Coconino County	State of Arizona
2018 Estimated *(a)*	74,736	145,564	7,076,199
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, 2018 (data released December 2018).

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	2,570
Flagstaff Medical Center	Healthcare	2,200
W.L. Gore & Associates	Medical Equipment Manufacturing	1,950
Flagstaff Unified School District	Education	1,375
Coconino County	Government	1,200
City of Flagstaff	Government	950
Wal-Mart	Retail	630
Grand Canyon Railways	Lodging and Travel	500
North Country Healthcare	Healthcare	345
Nestle Purina	Distribution Center	240

Source: City of Flagstaff, 2018 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
2019 *(a)*	4.5%	4.9%	5.9%	4.5%
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
2014	6.2	6.4	7.1	5.1

(a) Data through July 2019.

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

	2019 *(a)*	2018	2017	2016	2015	2014
Mining and construction	2,600	2,500	2,400	2,300	2,200	2,100
Manufacturing	4,500	4,400	4,300	4,400	4,300	4,300
Trade, transportation, and utilities	9,200	9,600	9,500	9,800	10,000	10,000
Information	400	400	500	400	400	400
Financial activities	1,400	1,400	1,400	1,400	1,300	1,200
Professional and business services	3,500	3,400	3,100	3,100	3,200	3,000
Educational and health services	9,300	9,300	9,500	9,600	9,400	9,200
Leisure and hospitality	15,600	15,400	1,500	14,000	13,200	13,100
Other Services	1,600	1,700	1,700	1,800	1,800	1,600
Government	19,500	20,100	19,800	19,600	19,700	19,700
	67,600	68,200	53,700	66,400	65,500	64,600

(a) Data through July 2019.

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)

Fiscal Year	Amount
2018/19*(a)*	$20,508
2017/18	21,128
2016/17	21,174
2015/16	19,090
2014/15	17,845

(a) Preliminary estimates, unaudited.

Source: The Comprehensive Annual Financial Reports for the City and 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
2019 (a)	2,714,018	201,090	54,415	74,854	78,411
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
2014	4,756,771	407,017	176,723	135,230	195,962

(a) Data through June 2019.

Source: Arizona Office of Tourism.

APPENDIX B

CITY OF FLAGSTAFF, ARIZONA - FINANCIAL INFORMATION

THE 2019 CERTIFICATES WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADINGS "SOURCES OF PAYMENT OF THE 2019 CERTIFICATES" AND "SECURITY FOR THE 2019 CERTIFICATES." THE 2019 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.

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.

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 C – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018" for the financial statements from the City's June 30, 2018, 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	$45,619,491**(a)*
Certificates of Participation Outstanding and to be Outstanding	7,370,000**(b)*
Water and Wastewater Revenue Obligations Outstanding	33,864,696
Excise Tax and/or State Shared Revenue Supported Debt Outstanding	21,180,000
Net Limited Assessed Property Value	868,806,647
Net Full Cash Assessed Value	1,010,133,933
Estimated Net Full Cash Value	8,397,908,073*(c)*

(a) *Represents all general obligation bonded debt outstanding and to be outstanding after issuance of the General Obligation Bonds, Series 2019, which are expected to be issued by the City concurrently with the 2019 Certificates pursuant to a separate official statement.*

(b) *Represents all certificates of participation outstanding and to be outstanding after issuance of the 2019 Certificates.*

(c) *Estimated net full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.*

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue, *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	$ 12,845,000	Various Purposes	2020	$ 1,465,000
2011	1,633,828	Water System	2031	1,091,795*(a)*
2011	3,952,287	Public Safety Communications	2021	882,696
2013	11,460,000	Various Purposes	2028	7,460,000
2014A	6,600,000	Various Purposes	2034	5,345,000
2014B	8,270,000	Refunding	2021	4,305,000
2016	16,105,000	Various Purposes	2036	14,345,000
Total General Obligation Bonded Debt Outstanding				$34,894,491
Plus: The General Obligation Bonds, Series 2019				10,725,000* *(b)*
Total General Obligation Bonded Debt Outstanding and to be Outstanding *(c)*				$45,619,491* *(d)*

(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) *The City expects to offer its General Obligation Bonds, Series 2019 concurrently with the 2019 Certificates pursuant to a separate official statement.*

(c) *Does not include the approximate amount of $6,000,000 of a loan agreement with WIFA that the City expects to enter into in the first quarter of 2020.*

(d) *Does not include premium on the City's General Obligation Bonds, Series 2016 or the Series 2019 Bonds, which has been deposited for project cost use, and such amount reduces in equal amount the borrowing capacity of the City under State statutes and 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 (July 1)	Balance Outstanding and to be Outstanding
2018	$3,880,000	Core Maintenance Facility	2043	$ 3,795,000
Total Certificates of Participation Bonded Debt Outstanding				$ 3,795,000
Plus: The 2019 Certificates				3,575,000*
Total Certificates of Participation Bonded Debt Outstanding and to be Outstanding				$ 7,370,000*

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. The City's financial obligations are through loan agreements with the Water Infrastructure Finance Authority of Arizona, a State revolving fund. Also see footnote (a) to TABLE 3.

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2007	$23,100,000	Sewer Treatment Plant Improvements	2027	$ 2,230,604
2008	8,500,000	Water Production Improvements & Acquisition	2028	4,608,778
2009	2,100,000	Water Feasibility Study	2029	1,209,666
2009	232,500	Well Improvements	2029	132,782
2009	1,100,000	Local Aquifer Study	2029	630,785
2010	594,950	Well Improvements Infrastructure	2029	302,081
2017	17,129,000	Utility System Refunding	2027	15,165,000
2019	9,585,000	Water and sewer improvements	2034	9,585,000
Total Water and Wastewater Revenue Obligations Outstanding				$33,864,696

* Preliminary, subject to change.

TABLE 6

The City of Flagstaff Municipal Facilities Corporation ("MFC") is an Arizona nonprofit corporation formed in January 1979. Debt secured by excise taxes and/or state shared revenues for which the City has primary repayment responsibility is shown below.

Excise Tax and/or State Shared Revenue Supported Debt and to be Outstanding

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2010A	$ 3,370,000	Construction of Business Incubator	2030	$ 2,140,000*(a)*
2012	12,530,000	MFC Refunding	2020	2,165,000*(b)*
2016	3,370,000	Road Repair/Street Improvement Projects	2032	7,535,000
2018	9,700,000	Road Repair/Street Improvement Projects	2034	9,340,000
Total Excise Tax and/or State Shared Revenue Supported Debt Outstanding				$21,180,000

(a) *Under a loan agreement with the Greater Arizona Development Authority ("GADA"), the City has agreed to make semi-annual payments equal to the principal and interest on the GADA loan. The City has pledged state shared revenues to the payment of the GADA loan.*

(b) *Under an agreement with the MFC, the City has agreed to make semi-annual rent payments equal to the principal and interest on the MFC's bonds. The City has pledged certain transportation excise taxes to the payment of the MFC's bonds.*

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	$1,594,034	$2,980,912

CITY EMPLOYEE RETIREMENT SYSTEM

Pension and Retirement Plans / Other Post-Employment Benefits

The City contributes to the retirement plans described below and as referenced starting on page 76 in APPENDIX C – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The City and its members contribute to the following retirement systems: the Arizona State Retirement System ("ASRS"), the Public Safety Personnel Retirement System ("PSPRS") and the Elected Officials Retirement Plan ("EORP").

The Arizona State Retirement System

ASRS is a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit plan, and a cost-sharing 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. ASRS has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov. The increase in ASRS' unfunded liabilities is expected to result in increased future annual contributions to ASRS by the City and its employees.

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 the plan.

Fiscal year ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Pension Contribution
June 30, 2020	11.94%	0.17%	12.11%	unavailable	unavailable
June 30, 2019	11.64	0.16	11.80	unavailable	unavailable
June 30, 2018	11.34	0.16	11.50	71.2%	$3,478,329
June 30, 2017	11.34	0.14	11.48	70.5	3,357,591
June 30, 2016	11.35	0.12	11.47	77.6	3,168,876

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 modifications designed to mitigate increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature; some changes resulted from successful court challenges to those statutory changes; and other changes were implemented by voter approved amendments to the State Constitution. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

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. PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com. The increase in the PSPRS's unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its public safety employees, however the specific impact on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time.

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

Tier 1 Members	Tier 2 Members	Tier 3 Members
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

Among other differences, the tiers vary in terms of employee contribution rate, retirement eligibility, and post retirement cost of living adjustment eligibility. Additionally, in lieu of the defined benefit program, there is a defined contribution option available to Tier 3 members and a hybrid defined benefit/defined contribution program for certain Tier 2 and Tier 3 members.

The employee retirement contribution rate for Tier 1 members is 7.65% of member compensation; with the exception of Tier 1 members hired from July 20, 2011 through December 31, 2011 who are subject to the same employee contribution rate as Tier 2 members. The Tier 2 employee rate is the lower of 11.65% of member compensation or 33.3% of the sum of the prior year employee contribution rate and the computed employer contribution rate. This employee contribution rate has a floor of 7.65%. For Tier 3 members, the annual contribution rate is determined actuarially and split evenly between employer and employee. This actuarial contribution rate is determined individually for the largest employers and as a consolidated pool for the remaining employers as a group.

The following table shows the actuarially determined annual employer contribution rates, funded status and total audited contribution amounts for the plan.

Police

	Fiscal Year Ended				
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Contribution Rates					
Tier 1/2 Defined Benefit Employer (a)	48.09%	59.28%	54.73%	44.83%	43.29%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	N/A	N/A
Tier 3 Defined Benefit Employer (a)(c)	46.10%	57.07%	49,74%	N/A	N/A
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	N/A	N/A
Tier 3 Defined Contribution Employer (c)	46.67%	57.64%	50.35%	N/A	N/A
Tier 3 Defined Contribution Employee	10.51%	10.51%	10.55%	N/A	N/A
Pension Funded Status	N/A	N/A	38.4%	38.1%	37.4%
Health Funded Status	N/A	N/A	110.2%	113.7%	111.9%
Total City (Employer) Pension and Contribution	N/A	N/A	$3,675,844	$3,648,822	$3,483,157

(a) Not applicable for Tier 2 for fiscal years prior to Fiscal Year 2018. Does not include additional contribution percentage of 3% associated with Tier 2 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.

(b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.

(c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

Fire

	Fiscal Year Ended				
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Contribution Rates					
Tier 1/2 Defined Benefit Employer (a)	83.03%	84.17%	75.11%	70.05%	67.71%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	N/A	N/A
Tier 3 Defined Benefit Employer (a)(c)	78.99%	80.08%	68.34%	N/A	N/A
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	N/A	N/A
Tier 3 Defined Contribution Employer (c)	79.56%	80.65%	68.95%	N/A	N/A
Tier 3 Defined Contribution Employee	10.51%	10.51%	10.55%	N/A	N/A
Pension Funded Status	N/A	N/A	35.2%	35.5%	37.1%
Health Funded Status	N/A	N/A	174.1%	171.4%	168.1%
Total City (Employer) Pension and Contribution	N/A	N/A	$3,755,920	$4,107,600	$3,769,503

(a) Not applicable for Tier 2 for fiscal years prior to Fiscal Year 2018. Does not include additional contribution percentage of 3% associated with Tier 2 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.

(b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.

(c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

The Elected Officials Retirement Plan ("EORP") is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. The EORP is governed by the same Board of Trustees that manages the PSPRS plan. As of January 1, 2014 EORP is closed to new members. Pursuant to Arizona statute, the annual contribution for active members of EORP is 13% of the members' annual covered payroll. Additionally, the amount of the members' contribution that exceeds 7% is not used to reduce the actuarially determined employer contribution.

As of July 1, 2018, pursuant to S.B. 1478 (2018 regular session), 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 2019/20 is 61.43%. This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System (EODCRS) and the Arizona State Retirement (defined benefit) System (ASRS), depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution, by statute, for EODCRS participating members is 6.00%; the employer contribution for ASRS participating members is 12.11% for fiscal year 2019/20; and 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 City court fees and a $5,000,000 appropriation from the State general fund.

As referenced on page 90 in APPENDIX C of this Official Statement, the projection of cash flows of the plan assuming that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and State contributions will be made as currently required by statute, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members.

Potential Future State Legislation Affecting ASRS, PSPRS and EORP

There are bills 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.

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* ("GASB 75"). 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 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. Please refer to APPENDIX C of the Official Statement which includes the City's audited financial statements and specifically "Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The City of Flagstaff 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 (NAPEBT). 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 Arizona State Retirement System and elect coverage at date of retirement. At June 30, 2018, the City reported a net OPEB liability of $9,931,825. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability were determined from the actuarial valuations as of July 1, 2017. The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

Governmental Accounting Standards ("GASB"):

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the system's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the City and each covered employee contribute to the ASRS. As of June 30, 2018, the City reported a liability of $48,706,334 for its proportionate share of the net pension liability under ASRS. The pension liability was measured as of June 30, 2017. Both the City and each covered employee contribute to the EORP. As of June 30, 2018, the City reported a liability of $2,653,363 for its proportionate share of the net pension liability under EORP. The pension liability was measured as of June 30, 2017. See page 81 in APPENDIX C – "CITY OF FLAGSTAFF – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for further discussion of the City and its pension liability including the net pension liability associated with PSPRS.

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

GENERAL FUND

Below are the City's general fund revenues, expenditures and changes in fund balance for the budgeted fiscal year 2019/20, estimated actuals for fiscal year 2018/19, and audited fiscal years 2013/14 through and including 2017/18. **THIS INFORMATION IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS OF THE FINANCIAL AFFAIRS OF THE CITY**.

	Budget *(a)*	Estimated Actuals *(b)*	Audited				
	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
FUND BALANCE AT BEGINNING OF YEAR	$ 32,441,167	$ 34,320,827*(c)*	$ 40,464,781	$ 38,919,713	$ 33,621,090	$ 31,762,789	$ 28,748,008
REVENUES							
Taxes	32,273,857	30,794,252	29,837,919	29,377,513	27,306,792	$ 25,908,705	$ 25,100,084
Intergovernmental	21,129,105	20,118,373	20,074,740	19,294,534	18,214,988	17,574,331	16,516,056
Grants and entitlements	5,204,979	3,010,320	1,535,930	1,209,967	1,217,424	1,294,384	1,726,644
Charges for services	3,267,437	3,314,641	3,445,482	3,454,567	2,916,164	2,986,151	2,734,095
Licenses and permits	2,706,716	3,234,688	3,473,740	2,839,407	3,153,135	1,866,792	1,952,731
Fines and forfeitures	1,420,489	1,427,226	1,350,689	1,430,686	1,524,856	1,389,663	1,428,401
Rents	1,400,042	919,405	1,163,215	1,602,727	1,615,190	1,603,322	1,606,932
Investment earnings	371,837	370,630	(1,255,945)	(1,081,720)	1,210,140	374,174	418,374
Contributions	10,303	10,201	496,159	421,444	566,242	262,095	440,360
Miscellaneous	410,152	671,221	534,494	719,684	390,086	305,932	393,760
TOTAL REVENUES	$68,194,917	$63,870,957	$60,656,423	$59,268,809	$58,115,017	$53,565,549	$52,317,437
OTHER FINANCING SOURCES (USES)							
Issuance of capital debt			$ -	$ 133,531	$ 204,956	$ -	$ -
Sale of capital assets			35,450	-	5,325	72,051	533,980
Insurance recoveries			-	-	-	-	3,033,042
Reserve and contingency			-	-	-	-	(3,287,452)
Transfers in	4,480,855	4,233,033	3,463,231	2,753,444	3,110,079	2,848,218	-
Transfers out	(4,658,738)	(4,163,652)	(8,457,705)	(5,546,718)	(2,063,183)	(4,132,795)	-
TOTAL OTHER FINANCING SOURCES (USES)	$ 100,458,201	$ 98,261,165	$ 96,162,180	$ 95,528,779	$ 92,993,284	$ 84,115,812	$ 81,345,015
EXPENDITURES							
Current							
Current governmental	$ 14,687,838	$ 11,423,452	$ 11,774,767	$ 9,899,937	$ 9,007,957	$ 9,809,718	$ 8,914,237
Public safety	41,610,134	36,943,710	32,290,732	30,849,989	30,074,183	27,583,880	26,564,902
Public works	3,340,163	1,918,352	1,254,865	1,472,485	1,207,776	1,081,157	999,999
Economic and physical development	5,927,930	5,724,457	5,555,083	4,807,862	4,787,402	4,682,707	4,441,463
Culture and recreation	7,358,045	7,150,667	6,981,549	6,329,040	5,949,635	5,750,634	6,084,457
Highways and streets	-	-	36,570	35,663	500	-	-
Contingency	1,662,750	-	-	-	-	-	-
Debt service							
Principal retirement	177,792	170,460	161,727	138,775	998,203	721,549	882,114
Interest and other charges	250,303	34,187	37,420	38,381	55,632	93,304	128,976
Capital outlay	5,222,222	2,454,713	1,020,983	1,491,866	1,992,283	771,773	1,566,078
TOTAL EXPENDITURES	$ 80,237,177	$ 65,819,998	$ 59,113,696	$ 55,063,998	$ 54,073,571	$ 50,494,722	$ 49,582,226
FUND BALANCE AT END OF YEAR	**$ 20,221,024**	**$ 32,441,167**	**$ 37,048,484** *(c)*	**$ 40,464,781**	**$ 38,919,713**	**$ 33,621,090**	**$ 31,762,789**

(a) Reflects the City's budgeted figures 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.

(b) Figures for fiscal year 2018/19 are based on unaudited actual figures and as such should be considered with an abundance of caution.

(c) Beginning fund balance varies due to budget basis adjustments related to 60 day sales tax accrual, unrealized loss on investments and inventory.

APPENDIX C

CITY OF FLAGSTAFF, ARIZONA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX D

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 2019 CERTIFICATES" and "SECURITY FOR THE 2019 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 2019 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 July 2, 2044*; *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 2019 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) certain payments required to

* * Preliminary, subject to change.

maintain the status of the Certificates as obligations the interest income with respect to which is excludable from gross income for federal income tax purposes, (c) compensation and expenses of the Trustee, (d) certain indemnification amounts, (e) 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 and (f) all rent for any holdover period during which the City stays in possession of the Leased Property after termination of the Lease Agreement.

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. Additionally, to the extent the Trustee cannot be named as an insured for the purposes of any Qualified Self-Insurance, the City assigns to the Trustee its rights to receive any or all proceeds received from such Qualified Self-Insurance as their respective rights under the Lease Agreement appear on the date of payment.

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 2019 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) The City furnishes to the Trustee an opinion of counsel acceptable to the Trustee that the exchange of property will not adversely affect the exclusion of the interest payable on the 2019 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 the Lease Agreement and shall be subjected to the lien of the Trust Agreement; and

(e) 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 and to comply with certain covenants relating to the tax-exempt status of the interest evidenced by the Certificates, 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 2019 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 acquire, construct and improve the Project. Moneys deposited in the Project Fund will be disbursed by the Trustee, upon the written order of the City representative, to pay the costs of acquisition, construction and improvement of the Project.

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 2019 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 2019 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 2019 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 hereunder 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, and (B) the execution and delivery of the Additional Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the Certificates Outstanding immediately before that execution and delivery of such Additional Certificates becoming includable in gross income for purposes of federal income taxation.

(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 2019 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 E

FORM OF APPROVING LEGAL OPINION

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

_____, as trustee
_____

Re: $_____ Certificates of Participation, Series 2019 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 December 1, 2019*

We have examined the transcript of proceedings (the "Transcript") relating to the initial execution and delivery by _____, as trustee (the "Trustee"), of the captioned certificates of participation (the "Certificates"), pursuant to a Trust Agreement, dated as of December 1, 2019* (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 December 1, 2019* (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 December 1, 2019* (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 an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the City Attorney delivered even date herewith as to the matters provided therein.

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

(1) The 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, 2020*, 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, 2044*.

(3) (a) Based on the representations and covenants of the City and subject to the assumption stated in the next unnumbered paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each

* * Preliminary, subject to change.

* Preliminary, subject to change.

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 (the "Interest Portion") is excludable from the gross incomes of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from present State of Arizona income taxation.

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Certificates in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. The City has covenanted in the Lease to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinions expressed in paragraph 3 above, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Certificates in order that the Interest Portion not be included in gross income for federal tax purposes. Except as stated in paragraph 3, we express no opinion as to any federal or State of Arizona tax consequences of the ownership of, receipt of interest on, or disposition of the Certificates. Moreover, we express no opinion as to the exemption from federal or State of Arizona income taxation of any other amounts paid to the owners of the Certificates in the event of termination of the Lease due to non-appropriation.

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 F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$3,575,000*
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019*

(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 $3,575,000* aggregate principal amount of Certificates of Participation, Series 2019 (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 December 1, 2019*. The Obligations are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2019* (the *"Trust Agreement"*), by and between the City and _____, as trustee (the *"Trustee"*). The City covenants and agrees as follows:

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

Annual Financial Information means the financial information and operating data set forth in 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.

* Preliminary, subject to change.

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

Final Official Statement means the Final Official Statement relating to the Obligations, dated _____, 2019.

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 December 1, 2019*, 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 (July 1)

* Preliminary, subject to change.

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 I***), through EMMA.

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

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

5. *Listed Events Disclosure.* Subject to Section 8 of this Undertaking 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.....
Mayor

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, 2020. 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 G

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 2019 Certificates. The 2019 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 2019 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 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2019 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 2019 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 2019 Certificates, except in the event that use of the book-entry system for the 2019 Certificates is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 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 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of 2019 Certificates may wish to ascertain that the nominee holding the 2019 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 2019 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 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2019 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 2019 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 2019 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 2019 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 2019 CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2019 CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2019 Certificates, as nominee of DTC, references herein to "Owner" or registered owners of the 2019 Certificates (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2019 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.

DRAFT
09/24/19

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], as trustee,
as Lessee

Dated as of _____ 1, 2019

GROUND LEASE

THIS GROUND LEASE, dated as of _____ 1, 2019 (this "*Ground Lease*"), by and between CITY OF FLAGSTAFF, ARIZONA, as lessor (the "*Lessor*" or the "*City*"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as trustee, as lessee (the "*Lessee*");

WITNESSETH:

WHEREAS, the Lessor owns the parcel of real property situated in Coconino County, Arizona, and more fully described in the Exhibit hereto (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 financing of the construction and acquisition of certain improvements (the "*Projects*"), 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 2019 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, 2019" (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 July 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 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. 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
Phoenix, Arizona 85016
Attention: Corporate Trust Services

Section 8. 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 9. 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 10. 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, as trustee, as Lessee

By.....
Authorized Representative

STATE OF ARIZONA)
) ss:
COUNTY OF COCONINO)

On this, the ..... day of _____ 2019, 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 _____ 2019, 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 the corporation 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, 2019, 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

DRAFT
09/24/19

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], as trustee,
as Lessor

and

CITY OF FLAGSTAFF, ARIZONA,
as Lessee

Dated as of _____ 1, 2019

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LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT, dated as of _____ 1, 2019 (this "*Lease Agreement*"), by and between ZIONS BANCORPORATION, NATIONAL ASSOCIATION, 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 financing of construction of a portion of a municipal court facility in the City (the "*Projects*"), 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:

"*2019 Certificates*" means the $____,000 aggregate principal amount of Certificates of Participation, Series 2019 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, 2019, 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.

"*2019 Underwriter*" means Piper Jaffray & Co., as original purchaser of the 2019 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 2019 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

"*Closing Date*" means _____, 2019.

"*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 constructing and acquiring, as applicable, the Projects.

"*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 19865 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.

"*Tax Certificate*" means the Certificate Relating To Federal Tax Matters, dated the Closing Date, executed and delivered by the Lessee.

"*Term*" or "*Term of this Lease Agreement*" means the time during which the 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.

Exhibit C: The form of "Certificate of Completion" required to be delivered by the Lessee to the Lessor pursuant to Section 4.3 hereof.

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 the 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.

(i) With respect to the execution and delivery of the 2019 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 2019 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) 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.

Section 2.3 Tax Covenants.

(a) (i) As described in further detail in the Tax Certificate, no direction for the making of any investment or other use of the proceeds of any of the 2019

Certificates shall be made which would cause the 2019 Certificates to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the 2019 Certificates. (Particularly, the Lessee shall be the owner of the Projects for federal income tax purposes. The Lessee shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of such authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion thereof.) In consideration of the purchase and acceptance of the 2019 Certificates by the owners from time to time thereof and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the Lessee shall, and the appropriate officials of the Lessee are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) The Lessee shall take all necessary and desirable steps, as determined by the Mayor and Council of the Lessee, to comply with the requirements hereunder in order to ensure that the interest on the 2019 Certificates is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the Lessee receives a Special Counsel's Opinion (as such term is defined in the next Section) that either compliance with such requirement is not required to maintain the exclusion from gross income of the interest on the 2019 Certificates or compliance with some other requirement will meet the requirements of the Code. In the event the Lessee receives such a Special Counsel's Opinion, the parties agree to amend this Lease Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, the Lessee shall take all necessary and desirable steps, as determined by the Lessee, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the Lessee shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(iii) Written procedures have been established for the Lessee to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the Lessee will comply.

(iv) The procedures required by any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the 2019 Certificates (initially, those in the next Section) shall be complied with for so long as compliance is necessary pursuant to the Code.

Section 2.4 Arbitrage Rebate Covenants.

(a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the Tax Certificate.

(b) The following terms shall have the following meanings:

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of execution and delivery of the 2019 Certificates and shall end on the date selected by the Lessee, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last 2019 Certificate.

Bond Yield is as indicated in the Tax Certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the 2019 Certificates as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of execution and delivery of the 2019 Certificates and using semiannual compounding on the basis of a 360-day year.

Gross Proceeds shall mean:

(i) any amounts actually or constructively received by the Lessee from the sale of the 2019 Certificates but excluding amounts used to pay accrued interest on the 2019 Certificates within one year of the date of execution and delivery of the 2019 Certificates;

(ii) transferred proceeds of the 2019 Certificates under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the 2019 Certificates within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the 2019 Certificates, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the 2019 Certificates in the event the Lessee or the Lessor encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Trust Agreement.

Investment Property shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

Issue Price is as indicated in the Tax Certificate and shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the 2019 Certificates.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

Rebate Requirement shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

Receipt shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

Regulations shall mean the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

Special Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Lessee.

(c) Within 60 days after the end of each Bond Year, unless an exception to the requirement to do is properly established, the Lessee shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the 2019 Certificates (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the 2019 Certificates (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last 2019 Certificate, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last 2019 Certificate).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f) or (g), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Lessee or any other person (whether or not in connection with the 2019 Certificates), and that the bid is not being submitted

solely as a courtesy to the Lessee or any other person for purposes of satisfying the requirements in the Regulations that the Lessee receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the 2019 Certificates.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the 2019 Certificates (e.g., a lead underwriter within 15 days of the issue date of the 2019 Certificates or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the Lessee uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) The Lessee retains until three years after the last outstanding 2019 Certificate is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the Lessee and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) Such experts and consultants shall be employed by the Lessee to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the 2019 Certificates.

ARTICLE III

DEPOSIT OF MONEYS; CONSTRUCTION OF PROJECT

Section 3.1 Deposit of Moneys. On the Closing Date, the proceeds of sale of the 2019 Certificates shall be deposited as provided in Section 2.6 of the Trust Agreement for disbursement pursuant to the Trust Agreement.

Section 3.2 Construction of Projects.

(a) The Lessor shall construct the Projects through the payment of such funds/deposit and disbursement of funds in accordance with Article III of the Trust Agreement.

(b) The Lessor hereby appoints the Lessee as its agent to plan and design the Projects and thereafter as its agent to carry out all phases of the acquisition, construction, installation and equipping of the Projects. The Lessee, as agent of the Lessor, assumes all rights, duties and responsibilities of the Lessor regarding acquisition, construction, installation and equipping of the Projects and any items related thereto, except as limited herein.

(c) The Lessee, as agent, may enter directly into any purchase order or contract without further written approval of the Lessor. The written approval of the Lessee Representative shall be required to authorize any payments of costs of the Projects from the proceeds of the Certificates deposited in the Project Fund.

(d) The Lessee, as agent of the Lessor, shall have the right to supervise the acquisition, construction, installation and equipping of the Projects, and to monitor the performance by the contractors selected to construct and install the Projects in whatever manner the Lessee, in its sole discretion, deems appropriate.

(e) The Lessor hereby assigns to the Lessee all of its rights and powers under all such purchase orders and contracts as it enters into with respect to the Projects and the Lessee shall have the right to enforce, in its own name or the name of the Lessor, if necessary, such purchase orders or contracts at law or in equity; provided, however, that this assignment shall not prevent the Lessor from asserting said rights and powers in its own behalf.

Section 3.3 Payment of Delivery Costs. Payment of the Delivery Costs relating to the 2019 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 2019 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 expand or improve the Projects or 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 July 1, 20__, unless terminated prior thereto. If, before July 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. Thereafter, the Lessee shall notify the Lessor of the completion of the construction of the Projects by delivery to the Lessor of a Certificate of Completion in the form attached hereto as Exhibit C, as promptly as possible after such completion. The Lessee agrees to surrender possession of the Leased Property upon termination of the 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) payments required to be made pursuant to Sections 2.3 and 2.4 hereof, (iii) compensation, expenses and any other amounts payable pursuant to Section 9.8 of the Trust Agreement, (iv) all amounts payable by the Lessee pursuant to Section 7.2 hereof, (v) 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), and (vi) 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.

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 and 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 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; provided, however, to the extent the Lessor is not named as an additional insured for the purposes of any insurance or Qualified Self-Insurance, the Lessee hereby assigns to the Lessor its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective interests or rights pursuant to this Lease Agreement may appear on the date of payment thereof. 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; provided, however, to the extent the Lessor is not named as an additional insured for the purposes of any insurance or Qualified Self-Insurance, the Lessee hereby assigns to the Lessor its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective interests or rights pursuant to this Lease Agreement may appear on the date of payment thereof. 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 or assigned to the Lessor by the Lessee pursuant to Sections 5.3 and 5.4 hereof 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).

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. 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 acquisition and construction of the Projects, 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, agents, employees, successors or assigns. 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;

(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; and

(iv) The Lessee shall furnish the Lessor with a written opinion of Special Counsel, with respect to any such sublease, stating that such sublease shall not adversely affect the exclusion of the interest components of the Lease Payments from gross income for federal income tax purposes when paid to the

Owners of the 2019 Certificates and any Additional Certificates, sold on the basis of the interest thereon being excluded from gross income for federal income tax purposes.

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 the 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 the 2019 Certificates and 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 and to comply with Section 2.3 hereof, 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 December 15 or June 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
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.

[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, 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 _____ 2019, 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 the corporation 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 _____ 2019, 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, 2019, 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 A

SCHEDULE OF LEASE PAYMENTS EVIDENCED BY 2019 CERTIFICATES

The following are the Lease Payments evidenced by the 2019 Certificates to be paid pursuant to the Lease Agreement.

Lease Payment Dates	Principal Component	Interest Component	Total Lease Payment
06/15/20			
12/15/20			
06/15/21			
12/15/21			
06/15/22			
12/15/22			
06/15/23			
12/15/23			
06/15/24			
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12/15/36			
06/15/37			
12/15/37			
06/15/38			
12/15/38			
06/15/39			
12/15/39			

Lease Payment Dates	Principal Component	Interest Component	Total Lease Payment
06/15/40			
12/15/40			
06/15/41			
12/15/41			
06/15/42			
12/15/42			
06/15/43			
TOTAL			

EXHIBIT B

DESCRIPTION OF LEASED LAND

EXHIBIT C

CERTIFICATE OF COMPLETION

To: ....., as trustee, as lessor pursuant to a Lease-Purchase Agreement, dated as of _____ 1, 2019 (the "Lease Agreement"), between ....., as trustee, and City of Flagstaff, Arizona, as lessee

Pursuant to Section 4.3 of the Lease Agreement, the undersigned Lessee Representative hereby certifies as follows:

1. That the acquisition and construction of the Projects, as such term is defined in the Lease Agreement, has been substantially completed, and includes all of the items described in the Lease Agreement;

2. That all other facilities necessary in connection with the Projects have been acquired, constructed, installed, equipped and improved;

3. That the acquisition, construction, installation, equipment and improvement of the Projects and those other facilities have been accomplished in such a manner as to conform with all applicable zoning, planning, building, environmental and other similar governmental regulations;

4. That except as provided in subparagraph 5 below, all costs of the acquisition, construction, installation, equipment and improvement of the Projects then or theretofore due and payable have been paid; and

5. That for the reasons stated below, the following amount should be retained in the Project Fund for the Projects:

(a) Amount to be retained $..... ;

(b) Reasons for retention: .....

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may come into being subsequent to the date hereof.

Dated as of ....., 20.....

.....
Lessee Representative

TRUST AGREEMENT

by and between

[ZIONS BANCORPORATION, NATIONAL ASSOCIATION],
as Trustee,

and

CITY OF FLAGSTAFF, ARIZONA,
as Lessee

Dated as of _____ 1, 2019

relating to

$____,000
Certificates of Participation, Series 2019
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, 2019

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TRUST AGREEMENT

THIS TRUST AGREEMENT dated as of _____ 1, 2019 (this "*Trust Agreement*"), by and between ZIONS BANCORPORATION, NATIONAL ASSOCIATION, 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 finance construction of a municipal court facility for the Lessee (the "*Projects*"), 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 Projects, the Trustee has agreed to execute and deliver the herein described 2019 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:

"*2019 Certificates*" means the $____,000 aggregate principal amount of Certificates of Participation, Series 2019 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, 2019, 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 .

"*2019 Underwriter*" means Piper Jaffray & Co. as original purchaser of the 2019 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 2019 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 2019 Certificates and any Additional Certificates executed and delivered pursuant hereto.

"*Closing Date*" means _____, 2019.

"*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 acquiring, constructing or improving the Projects.

"*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 2019 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 2019 Certificates, July 1 and January 1 of each year, commencing July 1, 2020, 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, 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.

"*Projects*" means the "Projects" to be constructed or acquired 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 2019 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 2019 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 2019 Certificates. To accomplish the construction and acquisition, as applicable, of the Projects as set forth in Section 3.2 of the Lease Agreement, the 2019 Certificates shall be executed and delivered in an amount sufficient to pay costs of the Projects and other costs incurred in connection with the execution and delivery of the 2019 Certificates as set forth in this Trust Agreement.

ARTICLE II

THE 2019 CERTIFICATES; ADDITIONAL CERTIFICATES

Section 2.1 Authorization of the 2019 Certificates.

(a) The Trustee is hereby authorized and directed to prepare and execute and deliver or cause to be delivered to the 2019 Underwriter the 2019 Certificates, in an aggregate amount denominated as principal of $____,000. The 2019 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 2019 Certificates. Each 2019 Certificate shall bear the dated date of the date of initial execution and delivery thereof, and interest evidenced by each 2019 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 2019 Certificate, interest evidenced by any Outstanding 2019 Certificate is in default, interest evidenced by such 2019 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 2019 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 2019 Certificates, the Regular Record Date shall no longer be applicable with respect to the 2019 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 2019 Certificates as of the Special Record Date.

Section 2.3 Terms of the 2019 Certificates. The 2019 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 2019 Certificates shall be in Authorized Denominations, except that no 2019 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 (July 1)	Amount	Interest Rate

Interest evidenced by the 2019 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 2019 Certificates. The proportionate share of the Lease Payments designated as interest with respect to any 2019 Certificate shall be computed by multiplying the portion of the Lease Payments designated as principal evidenced by such 2019 Certificate by the rate of

interest applicable to such 2019 Certificate (on the basis of a 360-day year consisting of twelve 30-day months).

Section 2.4 Form of the 2019 Certificates. The 2019 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 2019 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 2019 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 2019 Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2019 Certificate shall be the proper officer or representative of the Trustee although at the nominal date of such 2019 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 2019 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 2019 Certificates.

(a) All 2019 Certificates executed and delivered hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the 2019 Certificates.

(b) So long as any 2019 Certificates are Outstanding, the Trustee shall maintain at its designated office the Register and shall provide for the registration and transfer of any 2019 Certificate pursuant to such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering 2019 Certificates in accordance with the provisions hereof.

(c) Each 2019 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 2019 Certificate, the Trustee shall authenticate and deliver, in the name of the transferee, one or more new 2019 Certificates of the same aggregate principal amount and scheduled payment date as the surrendered 2019 Certificate.

(d) Any 2019 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 2019 Certificates with the same scheduled payment date of any other Authorized Denominations.

(e) All 2019 Certificates surrendered in any exchange or transfer of 2019 Certificates shall forthwith be canceled by the Trustee.

(f) In connection with any such exchange or transfer of 2019 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 2019 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 2019 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 2019 Certificate or 2019 Certificates.

Section 2.8 Mutilated, Lost, Destroyed and Stolen Certificates. If (i) any mutilated 2019 Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any 2019 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 2019 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 2019 Certificate or in lieu of such destroyed, lost or stolen 2019 Certificate, a new 2019 Certificate of like principal amount, date and tenor. If the principal amount evidenced by any such mutilated, destroyed, lost or stolen 2019 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 2019 Certificate when due instead of delivering a new 2019 Certificate.

Section 2.9 Payment. Payment of interest evidenced by any 2019 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 2019 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 2019 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 2019 Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2019 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 2019 Certificates by any person and the amount, the scheduled payment date and the numbers of such 2019 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 2019 Certificate shall bind every future Owner of the same 2019 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 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 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 (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 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, and (B) the execution and delivery of the Additional Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the Certificates Outstanding immediately before that execution and delivery of such Additional Certificates becoming includable in gross income for purposes of federal income taxation.

(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 2019 Certificates shall be initially executed and delivered in the form of a single fully registered certificate for each scheduled principal payment date of the 2019 Certificates. Upon initial execution and delivery, the ownership of such 2019 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 2019 Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to the 2019 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 2019 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 2019 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 2019 Certificate is registered in the Register as an absolute Owner of such 2019 Certificate for the purpose of payment, for the purpose of giving notices of prepayment with respect to any 2019 Certificate, for the purpose of registering transfers with respect to such 2019 Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by any 2019 Certificate only to or upon the order of the respective 2019 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 2019 Certificates to the extent of the sum or sums so paid. No person other than a 2019 Certificate Owner, as shown in the Register, shall receive a 2019 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 2019 Certificates, so long as the 2019 Certificates are held in book-entry form and registered in the name of Cede & Co., as nominee or DTC, or registered in the name of any successor securities depository, or its nominee, the following provisions shall apply:

(i) Presentation of 2019 Certificates to the Paying Agent at prepayment or at scheduled payment date, or delivery of 2019 Certificates to the Paying Agent in connection with a purchase of tendered 2019 Certificates, shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2019 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 2019 Certificates through DTC or DTC Participants.

The 2019 Certificate Owners have no right to a depository for the 2019 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 2019 Certificates to such successor securities depository, or (ii) notify DTC of the availability through DTC of 2019 Certificates and transfer one or more separate 2019 Certificates to DTC Participants having 2019 Certificates credited to their DTC accounts as directed by DTC. In such event, the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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." Any amount remaining in the Project Fund on the earlier of completion of the Projects (as evidenced by the Lessee's filing with the Trustee of the Certificate of Completion contemplated by Section

4.3 of the Lease Agreement) or _____ 1, 2022, 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 2019 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. Amounts remaining in the Delivery Costs Fund after June 1, 2020, or such earlier date as the Lessee has notified the Trustee that all Delivery Costs relating to the 2019 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 2019 CERTIFICATES

Section 4.1 Right to Prepay Certificates. The 2019 Certificates shall be subject to prepayment at such times, to the extent and in the manner provided herein.

Section 4.2 Prepayment.

(a) The 2019 Certificates scheduled for payment on or after July 1, 20__, are subject to optional prepayment prior to such dates, at the direction of the Lessee, on any date on or after July 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 2019 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 2019 Certificates to be prepaid plus interest accrued with respect thereto to the date fixed for prepayment, without premium.

(b) (1) The 2019 Certificates scheduled for payment on July 1 of the following years shall be subject to mandatory prepayment prior to their stated payment dates on July 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.

2019 Certificates Payable July 1, 20__

Prepayment Date	Principal Amount

*

2019 Certificates Payable July 1, 20__

Prepayment Date	Principal Amount

*

* Stated Payment Date

(2) Whenever 2019 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 2019 Certificates represented thereby so retired shall satisfy and be credited against the mandatory prepayment therefor in any order specified by the Lessee.

(c) The 2019 Certificates are subject to prepayment on any July 1 or January 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 2019 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 2019 Certificates of the same scheduled payment date are to be prepaid hereunder, the Lessee may timely select the 2019 Certificates to be prepaid or, if the Lessee does not so select, the Trustee shall select the 2019 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 2019 Certificate as evidencing that number of 2019 Certificates of $5,000 denominations as is obtained by dividing the principal amount evidenced by such 2019 Certificate by $5,000.

Section 4.4 Partial Prepayment of Certificates. Upon the selection and call for prepayment of, and the surrender of, any 2019 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 2019 Certificate or 2019 Certificates of Authorized Denominations in an aggregate principal amount equal to the unprepaid portion of the 2019 Certificate surrendered, in accordance with instructions received from the Owner thereof, with one 2019 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 2019 Certificates so called for prepayment shall become and be payable at the prepayment price provided for prepayment of such 2019 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 2019 Certificates so called for prepayment shall cease to accrue, such 2019 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 2019 Certificates so called for prepayment shall be deemed paid and no longer Outstanding.

Section 4.6 Notice of Prepayment.

(a) Whenever prepayment of 2019 Certificates is to be made, the Trustee shall give notice of the prepayment of such 2019 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 2019 Certificates are to be prepaid, the numbers or other distinguishing marks of such 2019 Certificates so to be prepaid, and, in the case of 2019 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 2019 Certificate to be prepaid the price of such 2019 Certificate or the specified portion thereof in the case of a 2019 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 2019 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 2019 Certificates or portions of 2019 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 2019 Certificate shall not affect the validity of the proceedings for the prepayment of any other 2019 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 2019 Certificates being prepaid; (B) the date of execution and delivery of the 2019 Certificates as originally executed and delivered; (C) the rate of interest borne by each 2019 Certificate being prepaid; (D) the specified principal payment date of each 2019 Certificate being prepaid; and (E) any other descriptive information needed to identify accurately the 2019 Certificates being prepaid.

(ii) Each further notice of prepayment shall be sent at least 35 days before the prepayment date, return receipt requested, to all registered securities depositories that are registered owners of the 2019 Certificates then in the business of holding substantial amounts of obligations of types such as the 2019 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 2019 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 2019 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 construction and acquisition of the Projects, 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 June 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.

(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.

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.

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 commercial banking or investment departments unless otherwise directed by the Lessee.

(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.

Section 8.8 Tax Covenants.

(a) The Lessee shall not direct the Trustee to make any investment at a "yield" in excess of the maximum yield, if any, stated with respect to the source of moneys therefor in any arbitrage or other similar certificate executed and delivered pursuant to section 148 of the Code or any successor section of the Code, issued in connection with the execution and delivery of the Certificates sold on the basis of the interest thereon being excluded from gross income for federal income tax purposes, including the 2019 Certificates, except during any "temporary period" stated in any arbitrage or other certificate, and the Trustee shall make and keep appropriate records of such investments, yields and temporary periods as required by section 148 of the Code or any successor section thereof. Notwithstanding the foregoing, investments may be made at a higher "yield" or for a different "temporary period" or both in accordance with written instructions of Special Counsel filed with and addressed to the Trustee.

(b) The Trustee shall not knowingly use or direct or permit the use of any moneys in its possession or control in any manner which would cause any 2019 Certificate

to be an "arbitrage obligation" within the meaning ascribed to such term in section 148 of the Code, or any successor section of the Code.

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.

(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, attorneys, 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 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 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.

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 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 9.5 Right to Deal in Certificates and Take Other Actions. The Trustee may 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 a 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 9.6 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 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 9.7 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 9.8 Trustee's Fees and Expenses. The Lessee shall (i) pay as Additional Rent to the Trustee reasonable compensation for all 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) 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 9.9 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 9.10 Destruction of Certificates. Upon payment of or surrender to the Trustee for cancellation of any Certificate, the Trustee shall destroy such Certificate.

Section 9.11 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 9.12 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 judgment of the Trustee, 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. No such notation shall be made by the Trustee unless the Trustee shall have received an opinion of Special Counsel to the effect that such modification of the Certificate form will not adversely affect the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments paid with respect to the 2019 Certificates and any Additional Certificates sold on the basis of the interest thereon being excluded from gross income for federal income tax purposes. 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 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, 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 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 care 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 Bancorporation, National Association
6001 North 24th Street
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.

[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 2019 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 2019
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, 2019

No. ..... Denomination: $.....

Interest Rate:	Principal Payment Date:	Dated Date:	CUSIP:
.....	July 1, 20.....	_____, 2019	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, 2019 (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 July 1, 2020, and semiannually thereafter on January 1 and July 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 a 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, 2019 (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 "*2019 Certificates*"). The proceeds of sale of the 2019 Certificates will be used to finance construction of a municipal court facility for the Lessee. 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 2019 Certificates are delivered, the rights thereunder of the Registered Owners of the 2019 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 July 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 a 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 2019 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 2019 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 2019 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 2019 Certificates scheduled for payment on or after July 1, 20__, are subject to optional prepayment at the direction of the Lessee, on any date on or after July 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 2019 Certificates scheduled for payment on July 1 of the following years shall be subject to mandatory prepayment prior to their stated payment dates on July 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.

2019 Certificates Payable July 1, 20__

Prepayment Date	Principal Amount

*

2019 Certificates Payable July 1, 20__

Prepayment Date	Principal Amount

*

* Stated Payment Date

Whenever 2019 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 2019 Certificates represented thereby so retired shall satisfy and be credited against the mandatory prepayment therefor in any order specified by the Lessee.

The 2019 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 2019 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 2019 Certificate shall not affect the validity of the proceedings for the prepayment of any other 2019 Certificate. On the specified prepayment date all 2019 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 entireties	..... Custodian ..... (Cust) (Minor)
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common	Under Uniform Gifts/Transfers to Minors Act ..... (State)

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, 2019 (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

CERTIFICATE PURCHASE AGREEMENT

$[PAR]
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019

_____, 2019

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

The undersigned, on behalf of Piper Jaffray & Co. (the "Underwriter"), acting on its own behalf, 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 5:00 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 _____, as trustee (the "Trustee"), to execute, sell and deliver to the Underwriter all, of the $[PAR] principal amount of Certificates of Participation, Series 2019 (the "Certificates") evidencing proportionate ownership interests in the hereinafter defined 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 a 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.

(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 Schedule I 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 December 1, 2019 (the "Trust Agreement"), between the City and the Trustee, and authorized by an Ordinance of the Council of the City (the "Council") adopted on November 5, 2019 (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 December 1, 2019 (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 $_____, plus [net] original issue premium of $_____, less an underwriting discount of $_____.

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. Establishment of Issue Price.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City on the Closing Date (as defined herein) an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Greenberg Traurig, LLP ("Special Counsel"), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(b) [Except as otherwise set forth in Schedule [II] attached hereto,] the City will treat the first price at which 10% of each maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Agreement,

the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Certificates. [If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Special Counsel.] For purposes of this Section, if Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) [The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule [II] attached hereto, except as otherwise set forth therein. Schedule [II] also sets forth, as of the date of this Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) The close of the fifth (5th) business day after the sale date; or

(2) The date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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

(d) [The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) (a) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that

maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (b) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.]

(e) [The City acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.]

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the

public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date of execution of this Agreement by all parties.

4. <u>The Official Statement</u>.

(a) The Preliminary Official Statement dated _____, 2019 (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").

(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 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 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 December 1, 2019 (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 2019 CERTIFICATES"; the proceeds of the sale of the Certificates will be applied generally as described in the Official Statement under the caption "THE 2019 CERTIFICATES" and the Undertaking conforms to the description thereof contained in the Official Statement in Appendix F – "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 the exclusion from gross income of interest on the Certificates for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of 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 EXEMPTION," "RATING" and "UNDERWRITING" and in Appendix G) 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 EXEMPTION," "RATING" and "UNDERWRITING" and in Appendix G) 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 EXEMPTION,"

"RATING" and "UNDERWRITING" and in Appendix G) will not contain any untrue statement or 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 and not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Certificates;

(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, 2018, 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, payable from or secured by any of the revenues or assets which secure the Certificates without prior approval of the Underwriter;

(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 submitted to the Arizona Department of Revenue, the Arizona State Treasurer's Office or the Arizona Department of Administration, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Section 35-501, Arizona Revised Statutes, and will file the information relating to the Certificates required to be submitted to the Arizona Department of Administration pursuant thereto within 60 days of the date of Closing; and

(s) Except as otherwise indicated in the Official Statement, the City has been and is in full 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 _____, 2019 (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 Special Counsel, or such other place as shall have been mutually agreed upon by the City and the Underwriter and

(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 and the Trustee of their 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 and the Trustee of their 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 and the Trustee 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 and the Trustee shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by them 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 and the Trustee required to be taken by the City and the Trustee 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 two copies of the transcript of all proceedings of the City relating to the authorization and delivery of the City Documents, executed and certified, as necessary, by appropriate officials of the City, and the Trustee relating to the authorization and delivery of the Trustee Documents, executed and certified, as necessary, by appropriate officials of the Trustee, including 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 Official Statement on the cover page thereof, under the headings entitled "INTRODUCTION," "THE 2019 CERTIFICATES," "SOURCES OF PAYMENT OF THE 2019 CERTIFICATES," "SECURITY FOR THE 2019 CERTIFICATES," "TAX EXEMPTION" 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 D, E and F 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 date of Closing, 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 and

(vi) 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 Official Statement, (vi) which may adversely affect the City or its properties or (vii) questioning the applicable tax-exempt status of the Certificates; 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, 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, to their knowledge, 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, 2018, 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;

(v) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not

misleading in any respect as of the time of the Closing, and the information contained in the Official Statement (excluding the information under the headings "TAX EXEMPTION," "RATING" and "UNDERWRITING" and in Appendix G) is correct in all material respects and, as of the date of the Official Statement, did not, and, as of the Closing Date, 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) A certificate, dated the Closing Date, of appropriate representatives of the City in form and substance satisfactory to Special Counsel (a) setting forth the facts, estimates and circumstances in existence on the Closing Date, which establish that it is not expected that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be "arbitrage bonds" within the meaning of section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code and (b) certifying that to the best of the knowledge and belief of the City there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

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

(10) Evidence satisfactory to the Underwriter that the Certificates have been rated "___" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and that such rating is in effect as of the Closing Date;

(11) 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;

(12) The filing copy of the Information Return Form 8038-G (IRS) for the Certificates;

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

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

(15) 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 the Underwriter, the City shall not 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 if, between the date of this Agreement and time of the Closing, the market price or marketability of the Certificates shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or and 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 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 in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the 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, 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 tact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the City;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the 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); 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 Trustee and counsel to the Underwriter; (iii) the fees and disbursements of Stifel, Nicolaus & Company, Incorporated as financial advisor to the City; (iv) 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 (v) the fees for bond ratings. 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 (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: _____
_____

Attention: Corporate Trust Services

To the Underwriter: Piper Jaffray & Co.
2525 E. Camelback Rd., Ste. 925
Phoenix, AZ 85016
Attention: William C. Davis, 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 letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

PIPER JAFFRAY & CO.

By_____
Name: William C. Davis
Title: Managing Director

Accepted and agreed at ....m.,
MST, this ..... of ....., 2019

CITY OF FLAGSTAFF, ARIZONA

By_____
Name: Rick Tadder
Title: Management Services Director

ACKNOWLEDGED AND APPROVED:

_____

By_____
Name: _____
Title: Vice President

[*Signature page to Certificate Purchase Agreement*]

SCHEDULE I

$[PAR]
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019

DATED DATE: CLOSING DATE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield
	$	%	%

Optional Redemption. The Certificates payable as to principal before or on July 1, 20__ will not be subject to optional prepayment. The Certificates payable as to principal on or after July 1, 20__ will be subject to optional prepayment, at the direction of the City, on any date on or after July 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 July 1 in the years 20__ and 20__ (the "Term Certificates"), are subject to mandatory prepayment and shall be paid on July 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 July 1, 20__

Year	**Sinking Fund Requirement**
	$

_____
*Maturity

Term Certificates Maturing July 1, 20__

Year	**Sinking Fund Requirement**
	$

_____
*Maturity

Whenever 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 Certificates so retired shall satisfy and be credited against the mandatory prepayment requirements for such Certificates for such years as the City may direct.

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 Agreement, at a prepayment price equal to the principal amount evidenced thereby, plus interest to the prepayment date, without premium.

SCHEDULE II

$[PAR]
CERTIFICATES OF PARTICIPATION, SERIES 2019
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 December 1, 2019

Maturities for Which the 10% Test Has Been Met

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price
	$	%	%	%

Maturities for Which the 10% Test Has Not Been Met

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price
	$	%	%	%

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

Piper Jaffray & Co. ("Piper"), as Underwriter for the Certificates of Participation, Series 2019 (the "Certificates") executed and delivered on behalf of the City of Flagstaff, Arizona (the "City"), based on its knowledge regarding the sale of the Certificates, certifies as of this date as follows:

[If the issue price is determined using only the general rule (actual sales of at least 10%) in Regulations § 1.148-1(f)(2)(i):

(A) As of the date of this certificate, for each Maturity of the Certificates, the first price at which at least 10% of such Maturity of the Certificates was sold to the Public is the respective price listed on Schedule A (the "Sale Price" as applicable to respective Maturities). The aggregate of the Sale Prices of each Maturity is $[_____] (the "Issue Price").]

[If the issue price is determined using a combination of actual sales (Regulations § 1.148-1(f)(2)(i)) and hold-the-offering-price (Regulations § 1.148-1(f)(2)(ii):

(A) As of the date of this certificate, for each Maturity listed on Schedule A as the "General Rule Maturities," the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A (the "Sale Price" as applicable to each Maturity of the General Rule Maturities).

(B) On or before the Sale Date, Piper offered the Maturities listed on Schedule A as the "Hold-the-Offering-Price Maturities" to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices" as applicable to each Maturity of the Hold-the-Offering-Price Maturities). A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(C) As set forth in the Certificate Purchase Agreement, dated _____, 2019, between Piper and the City, Piper has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

(D) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is $[_____] (the "Issue Price").]

[If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

(A) Piper offered, on or before the Sale Date, each Maturity of the Certificates to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices"). A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B. The aggregate of the Initial Offering Prices of each Maturity is $[_____] (the "Issue Price").

(B) As set forth in the Certificate Purchase Agreement, dated _____, 2019, between Piper and the City, Piper has agreed in writing that, (i) for each Maturity of the Certificate, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Certificate at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificate during the Holding Period.]

[(B),(E), or (C)] Definitions. [NOTE: If issue price is determined using only the general rule (actual sales of 10%), delete the definitions of "Holding Period" and "Sale Date."]

["Holding Period" means, for each Hold-the-Offering-Price Maturity of the Certificates, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Piper has sold at least 10% of such Maturity of the Certificates to the Public at a price that is no higher than the Initial Offering Price for such Maturity.]

"Maturity" means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

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

["Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Issue is [DATE].]

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

All capitalized terms not defined in this Certificate have the meaning set forth in City's Certificate Relating to Federal Tax Matters.

The signer is an officer of Piper and duly authorized to execute and deliver this Certificate of Piper. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Certificate Relating to Federal Tax Matters and with respect to compliance with the federal income tax rules affecting the Certificates, and by Greenberg Traurig, LLP, as special counsel, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Certificates.

Dated: _____, 2019

PIPER JAFFRAY & CO.

By:_____

Title:_____

SCHEDULE A

General Rule Maturities

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	Price	Issue Price
	$	%	%	%	$

Hold-the-Offering-Price Maturities

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	Price	Issue Price
	$	%	%	%	$

SCHEDULE B

[**Actual Sales for Undersold Maturities as of the Closing Date**

Maturity/CUSIP	**Date Sold**	**Time Sold**	**Par Amount**	**Sale Price**

**]

[**PRICING WIRE OR EQUIVALENT COMMUNICATION**]

(Attached)

10. B.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Rick Tadder, Management Services Director
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration and Adoption of Ordinance No. 2019-35: An ordinance of the City Council of the City of Flagstaff, (1) providing for the sale and issuance of City of Flagstaff, Arizona General Obligation Bonds, Series 2019 and for the annual levy of a tax for the payment of the bond; (2) approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the bonds; (3) delegating authority to the Management Services Director of the City to determine certain matters and terms with the respect to the foregoing; (4) adopting continuing disclosure procedures in connection with issuance of obligations of the City; and (5) 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; providing for severability, authority for clerical corrections, and establishing an effective date

(General Obligation Debt Authorization - Public Safety Communication Equipment and Municipal Court Facilities)

RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-35 by title for the first time
2) City Clerk reads Ordinance No. 2019-35 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-35 by title only for the final time
4) City Clerk reads Ordinance no. 2019-35 by title only (if approved above)
5) Adopt Ordinance No. 2019-35

Executive Summary:

This ordinance allows for the issuance of General Obligation debt as approved by voters in 2010 and 2016. Debt will be issued for the Public Safety Communication project and the Municipal Court Facilities. An ordinance for this action is required by City Charter ARTICLE VI - FINANCE AND TAXATION, Section 5 - WHEN ACTIONS ARE TO BE TAKEN BY ORDINANCE.

Financial Impact:

Series 2019 General Obligation Bonds will be issued as New Money Bonds in an amount not to exceed $12,362,713 to include all or a portion of the following:

- 2010 authorization - $4,720,000 for Public Safety Communication System. Anticipate issuing the remaining $362,713 of the authorization.
- 2016 authorization - $12,000,000 for Municipal Court Facilities Project. Anticipate issuing the entire authorization

These bonds will be issued as General Obligation Bonds and will be repaid through secondary property tax collections within the current rate of $0.8366 per $100 of assessed valuation.

Connection to Council Goal and/or Regional Plan:

Council Goals:
Transportation and Other Public Infrastructure-Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

Regional Plan:
Goal PF.2. Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics.

Has There Been Previous Council Decision on This:

Yes. Council authorized the 2010 and 2016 elections which voters approved the issuance of debt for the specific projects. Issuing debt was anticipated when the voters approved the questions on the ballots. On April 3, 2018, Council adopted Reimbursement Resolution 2018-18 for the Public Safety Communication equipment. On September 3, 2019, Council adopted Reimbursement Resolution 2019-42 for the Municipal Court Facilities.

Options and Alternatives:

• Approve the Ordinance as written allowing the City to move forward with the issuance of New Money Bonds as General Obligation debt. Pros-Allows for cash flow necessary to complete voter-approved projects while maintaining the current secondary property tax rate. Cons-Increases City debt.
• Recommend changes to the Ordinance modifying the issuance of either the New Money Bonds. Pros and Cons are dependent on changes.
• Do not approve the issuance of General Obligation Debt. Pros-Delays level of debt for the City. Cons-Projects may need to stop and the City will need to find the cash flow for work completed to date.

Background/History:

On November 6, 2010, the City of Flagstaff voters approved $4,720,000 in General Obligation debt to be issued and used for the Public Safety/City Operations Communication Systems. The City has substantially completed the replacement of the communication system and issued $4,357,287 in debt. The remaining $362,713 is available for this debt authorization. The City's intended use for this remaining about is to replace and upgrade radios for police and fire.

On November 8, 2016, the City voters approved $12,000,000 in General Obligation bonds to be issued and used for the construction of Municipal Court Facilities. The City has not issued any bonds to date. The Municipal Court Construction began this summer. The total project estimate is $19.5 million and is funded with $3.5 million court fees and general funds transfers as well as

$4.0 million in financing with a Certificate of Purchase, lease-purchase finance. The City will not be selling the existing court property at this time. The property will initially be used for temporary surface parking while the City teams with the Downtown Business Association to develop a downtown master plan which may help determine best uses in the future for that property, which may include a permanent parking facility. The new City Court Facility will provide a safe and efficient Municipal building that will greatly improve the Court's operations now and into the future, enhance the staff and user experience and provide an attractive amenity to downtown Flagstaff.

The proposed ordinance includes the maximums contemplated to be issued to provide the greatest flexibility in both amount and timing. This authorization allows us to go into the market with the most favorable factors in play including market saturation, rates, and ratings.

While the purpose of this agenda item is to approve an ordinance to allow the City to issue debt, we have included a draft Preliminary Official Statement and Purchase Agreement as informational documents for your review. These documents have been reviewed by our Financial Advisors and Bond Counsel. These are substantially complete however may have some changes prior to completion of the debt transactions. Final documents will be available upon request to the Management Services Director.

Expanded Financial Considerations:

The New Money Bonds will be paid through the assessment of secondary property taxes. To meet the promise made to the public to hold the secondary property rate flat, the City will use strategies including using the secondary property tax reserves and issuing debt that is layered in so that the City can maintain the existing secondary property tax rate of $0.8366 per $100 of assessed valuation.

Community Benefits and Considerations:

The community benefits by having the City complete the projects as promised to the voters in the 2010 and 2016 elections.

Community Involvement:

The process to select the projects that were voted on by the public involved: Consult, Involve, Collaborate and Empower.
The process to authorize the issuance of debt is to INFORM the public.

Attachments:

Ord. 2019-35
Ordinance Exhibit
Draft Preliminary Offering Statement (POS)
Draft Bond Purchase Agreement
Procedure for Continuing Disclosure

ORDINANCE NO. 2019-35

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, (1) PROVIDING FOR THE SALE AND ISSUANCE OF CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION BONDS AND FOR THE ANNUAL LEVY OF A TAX FOR THE PAYMENT OF THE BONDS; (2) APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS RELATED TO THE SALE AND ISSUANCE OF THE BONDS; (3) DELEGATING AUTHORITY TO THE MANAGEMENT SERVICES DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; (4) ADOPTING CONTINUING DISCLOSURE COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE CITY; AND (5) 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; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, at a special bond election held in and for the City of Flagstaff, Arizona (the "City"), on November 2, 2010 (the "2010 Election"), there was submitted to the qualified electors thereof, among others, Question No. 103.

WHEREAS, the returns of the 2010 Election were duly canvassed by the Mayor and Council of the City (the "Council"), and a certificate disclosing the purpose of the 2010 Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the foregoing question was ordered and has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, a majority of the qualified electors of the City, voting at the 2010 Election voted "For the Bonds," in answer to such question; and

WHEREAS, at a special bond election held in and for the City on November 8, 2016 (the "2016 Election" and, together with the 2010 Election, the "Elections"), there was submitted to the qualified electors thereof, among others, Proposition No. 412.

WHEREAS, the returns of the 2016 Election were duly canvassed by the Council and a certificate disclosing the purpose of the 2016 Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the foregoing proposition was ordered and has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, a majority of the qualified electors of the City, voting at the 2016 Election voted "Bond Approval, Yes," in answer to such proposition; and

WHEREAS, the Council has determined to sell and issue all or a portion of the authorized amount

of such bonds (the "Bonds") as general obligation bonds for the purposes granted at the Elections; and

WHEREAS, the Council will receive a proposal from Hilltop Securities, Inc. (the "Underwriter") and has determined that the Bonds should be sold through negotiation to the Underwriter; and

WHEREAS, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), Participating Underwriters (as defined in the Rule) are required to reasonably determine that issuers have entered into written undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule; and

WHEREAS, it is determined that procedures should be adopted in order to document practices and describe various procedures for preparing and disseminating such ongoing disclosure for the benefit of the holders of the City's obligations and to assist the Participating Underwriters in complying with the Rule and such written undertakings (the "Procedures"); and

WHEREAS, it has been determined that Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") should act as financial advisor with respect to the sale of the Bonds pursuant to letter agreements dated October 2, 2019, between the City and the Financial Advisor; and

WHEREAS, all things required to be done preliminary to the authorization, sale and issuance of the Bonds have been duly done and performed in the manner required by law, and the Council is now empowered to proceed with the sale and issuance of the Bonds.

ENACTMENTS:

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

SECTION 1. Authorization and Terms.

(a)(1) The Bonds, to provide funds for the purposes set forth in the above-mentioned forms of ballot questions/proposition submitted to the qualified electors of the City at the Elections, are hereby authorized to be issued and sold as a series of bonds of the City to be designated as provided herein in accordance with this Ordinance and applicable law.

(2) The Bonds are authorized by the provisions of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and constitute the third series of bonds of a total authorized amount of not to exceed $21,220,000 principal amount of bonds of the City approved by the qualified electors of the City at the 2010 Election, and the first series of bonds of a total authorized amount of not to exceed $12,000,000 principal amount of bonds of the City approved by the qualified electors of the City at the 2016 Election.

(3) The proceeds from the sale of the Bonds shall be credited against the total principal amount of bonds and the specific amount of bonds so authorized by the qualified electors of the City at the Elections and for each respective purpose and project as set forth in the applicable questions/proposition on the official form of ballot and the proceeds of the Bonds shall be applied to each respective purpose and project as determined by the Management Services Director of the City (the "Management Services Director") on behalf of the City.

(b) The Management Services Director is hereby authorized and directed to determine on behalf of the City: (1) the series name and designation of the Bonds; (2) the total principal amount of the Bonds (but not to exceed $18,362,713 aggregate principal amount) and the amounts to be allocated to each of the purposes authorized by the Elections and to the City's legally available constitutional and statutory debt limits for indebtedness; (3) the final principal and maturity schedule of the Bonds (but none of the Bonds to mature later than July 1, 2040); (4) the interest rates with respect to the Bonds and the dates for payment of such interest (the "interest payment dates"); (5) the provisions for redemption in advance of maturity of the Bonds; (6) the sales date, sales price and other sales terms of the Bonds (including provision for any discount); and (7) the provision for credit enhancement, if any, for the Bonds; provided, however, that such determinations must result in a yield for federal income tax purposes with respect to the Bonds of not to exceed ten percent (10%).

(c)(1) The Bonds shall be dated the date of their initial authentication and delivery and issued in the denomination of $5,000 of principal amount each or integral multiples thereof and only in fully registered form.

(2) The principal of and premium, if any, on the Bonds shall be payable at maturity or prior redemption upon presentation and surrender thereof at the designated corporate trust of the Bond Registrar and Paying Agent (as defined herein).

(3) Interest on the Bonds shall be payable by check, dated as of the interest payment date, mailed to the registered owners thereof and at the addresses appearing on the registration books maintained by the Bond Registrar and Paying Agent at the close of business on the fifteenth (15th) day of the month next preceding that interest payment date (the "regular record date"). Any such interest on a Bond which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of Bonds not less than ten (10) days prior thereto.

(4) The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

SECTION 2. Prior Redemption of the Bonds.

(a) Notice of redemption of any Bond shall be mailed by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owner of the Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Such notice may provide that the redemption is conditional upon moneys for payment of the redemption price being held in separate accounts by the Bond Registrar and Paying Agent.

(b) On the date designated for redemption by notice given as herein provided, the Bonds or portions thereof to be redeemed shall become and be due and payable at the redemption price for such Bonds or such portions thereof on such date, and, if moneys for

payment of the redemption price are held in separate accounts by the Bond Registrar and Paying Agent, interest on such Bonds or such portions thereof shall cease to accrue, such Bonds or such portions thereof shall cease to be entitled to any benefit or security hereunder, the registered owners of such Bonds or such portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon and such Bonds or such portions thereof shall be deemed paid and no longer outstanding.

(c) The City may redeem any amount which is included in a Bond in the denomination in excess of, but divisible by, $5,000. In that event, the registered owner shall submit the Bond for partial redemption and the Bond Registrar and Paying Agent shall make such partial payment and shall cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

SECTION 3. Security; Defeasance.

(a) After the Bonds are issued, the Council shall enter on its minutes a record of the Bonds sold and their numbers and dates. For the purpose of paying the principal of, interest on and costs of administration of the registration and payment of the Bonds, there shall be levied on all the taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on the Bonds as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected. The tax shall be extended and collected for the City, and the officials of the City and Coconino County, Arizona, charged with the annual extension and collection of taxes, without further instructions from the Council, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the City, to the credit of a "Debt Service Fund" of the City for the Bonds, from which fund the Bonds shall be payable, which tax moneys shall be held in subfunds to be known as the "Interest Fund" and the "Redemption Fund," which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of, and premium, if any, on the Bonds.

(b) Any Bond or portion thereof in authorized denominations shall be deemed paid and defeased and thereafter shall have no claim on ad valorem taxes levied on taxable property in the City (i) if there is deposited with a bank or comparable financial institution, in trust, moneys or obligations issued by or guaranteed by the United States government ("Defeasance Obligations") or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal of and interest and any premium on such bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption, and (ii) if such defeased bond or portion thereof is to be redeemed, notice of such redemption has been given in accordance with provisions hereof or the City has submitted to the Bond Registrar and Paying Agent instructions expressed to be irrevocable as to the date upon which such bond or portion thereof is to be redeemed and as to the giving of notice of such redemption. Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed payable or outstanding hereunder and thereafter such bonds shall be entitled to payment only from the moneys or Defeasance Obligations deposited to provide for the payment of such Bonds.

SECTION 4. Use of Proceeds. Proceeds of the sale of the Bonds shall be deposited in the treasury of the City to the credit of the "General Obligation Bonds Series 2019 Construction Fund" in three separate accounts as follows in the amounts determined as provided in Section 1(a)(3) hereof:

Name of Account

Public Safety Communications Equipment - Series 2019

Forest Health and Water Supply Protection - Series 2019

Municipal Court Facilities - Series 2019

to be used solely for the purposes specified in the aforementioned ballot questions/proposition submitted to the qualified electors of the City at the Elections; provided, however, that (a) such proceeds may be invested in the manner and under the circumstances allowed by law and (b) any moneys remaining in any subfund after such purposes shall have been accomplished shall be transferred to the applicable "Interest Fund" and "Redemption Fund" in the same fashion as taxes. If the Bonds are issued in calendar year 2020, the "Series 2019" designations provided in this Section 4 will instead be "Series 2020".

SECTION 5. Form of Bonds.

(a) The Bonds (including the form of certificate of authentication and form of assignment therefor) shall be in substantially the form set forth in the Exhibit attached hereto. There may be such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the Bonds in such form. Execution thereof by such officers shall constitute conclusive evidence of such approval.

(b) The Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each Bond shall show both the date of the issue and the date of authentication and registration of each Bond.

(c) The Bonds are prohibited from being converted to coupon or bearer bonds without the consent of the Council and approval of bond counsel to the City.

SECTION 6. Execution and Delivery of Bonds.

(a) The Bonds shall be executed for and on behalf of the City by the Mayor of the City and attested by the Clerk of the City. Such signatures may be by mechanical reproduction. Such officers shall manually sign certificates adopting as and for such signatures on the Bonds the respective mechanically reproduced signatures affixed to the Bonds.

(b) If an officer whose signature is on a Bond no longer holds that office at the time such Bond is authenticated and registered, the Bond shall nevertheless be valid so long as such Bond would otherwise be valid and binding.

(c) A Bond shall not be valid or binding until authenticated by the manual signature of an authorized representative of the Bond Registrar and Paying Agent. The signature of the authorized representative of the Bond Registrar and Paying Agent shall be conclusive evidence that the Bond has been authenticated and issued under this Ordinance.

SECTOPM 7. Mutilated, Lost or Destroyed Bonds. In case any Bond becomes mutilated or destroyed or lost, the City shall cause to be executed and delivered a new Bond of like type, date,

maturity date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the City in connection therewith and, in the case of a Bond destroyed or lost, filing with the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such Bond was destroyed or lost, and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

SECTION 8. Acceptance of Proposal.

(a) Subject to the discretion delegated by Section 1(b) hereof, the Management Services Director is hereby authorized to accept a proposal of the Underwriter for the purchase of the Bonds which satisfies the terms and conditions of this Ordinance on behalf of the Council, and the Bonds are hereby ordered to be sold to the Underwriter in accordance with the terms of the Bond Purchase Agreement presented to the Council at the meeting at which this Ordinance was adopted (the "Purchase Agreement"), which is hereby approved. The Management Services Director is hereby authorized to execute and deliver the Purchase Agreement, for and on behalf of the Council, in substantially the form submitted to the Council at the meeting at which this Ordinance was adopted and in a final form satisfactory to the Management Services Director, and such execution and delivery by the Management Services Director shall indicate the approval thereof on behalf of the Council by the Management Services Director.

(b) The Management Services Director is hereby requested to cause the Bonds to be delivered to the Underwriter upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the sale provided in the Purchase Agreement.

SECTION 9. Official Statement and Continuing Disclosure.

(a)(1) The preparation, distribution and use of the Preliminary Official Statement relating to the Bonds in substantially the form presented to the Council at the meeting at which this Ordinance was adopted is in all respects hereby ratified, approved and confirmed, and the Management Services Director is hereby authorized to certify or otherwise represent that the Preliminary Official Statement, in original or revised form, is a "deemed final" official statement (except for permitted omissions) of the City as of particular date for purposes of the Rule.

(2) The Underwriter is authorized to prepare or cause to be prepared, and the Management Services Director is authorized and directed to approve, on behalf of the Council, and to execute and deliver, a final Official Statement in substantially the form of the Preliminary Official Statement, modified to reflect matters related to the sale of the Bonds, for distribution and use in connection with the offering and sale of the Bonds. The execution and delivery of such final Official Statement by the Management Services Director shall be conclusively deemed to evidence the approval of the status, form and contents thereof by the Council.

(b) Subject to annual appropriation to cover the costs of preparing and mailing as necessary therefor, the City shall comply with and carry out all the provisions of a Continuing Disclosure Undertaking, to be dated the date of issuance of the Bonds (the "Undertaking"), with respect to the Bonds, which the Management Services Director is hereby authorized, for and on behalf of the City, to execute and deliver, in substantially the form submitted to the Council at the meeting at which this Ordinance was adopted, with such additions, deletions and modifications as shall be approved by the Management Services Director, and such execution and delivery

shall constitute evidence of the approval of such officer of any departures from the form submitted to the Council at the time of adoption of this Ordinance. Notwithstanding any other provision of this Ordinance, failure of the City (if obligated pursuant to the Undertaking) to comply with the Undertaking shall not be considered an event of default; however, any Beneficial Owner (as defined herein) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

SECTION 10. Bond Registrar and Paying Agent.

(a) The Management Services Director is hereby authorized to appoint the initial authenticating agent, bond registrar, transfer agent and paying agent with respect to the Bonds (the "Bond Registrar and Paying Agent"), and a standard form contract therewith covering such services, with such additions, deletions and modifications as shall be approved by the Management Services Director, is hereby approved, and the Management Services Director is hereby authorized to execute, and the Clerk of the City is hereby authorized to attest and deliver, such contract. The Bond Registrar and Paying Agent shall maintain the books of the City for the registration of ownership of each Bond.

(b) A Bond may be transferred on the registration books upon delivery and surrender of the Bond to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of the Bond to be transferred or the attorney-in-fact or legal representative thereof, containing written instructions as to the details of the transfer of such Bond. No transfer of any Bond shall be effective until entered on the registration books.

(c) In all cases upon the transfer of a Bond, the Bond Registrar and Paying Agent shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same type and of the authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Section.

(d) All costs and expenses of initial registration and payment of the Bonds shall be borne by the City, but the City and the Bond Registrar and Paying Agent shall charge the registered owner of such Bond for every subsequent transfer of a Bond including an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer and may require that such charge including for such transfer fee, tax or other governmental charge be paid before any such new Bond shall be delivered.

(e) The City and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on any regular record date and ending with the close of business on the corresponding interest payment date.

(f) The Bonds shall be subject to a Book-Entry System (as defined herein) of ownership and transfer, except as provided in subsection (3) of this subsection. The general provisions for effecting the Book-Entry System are as follows:

(1) The City hereby designates The Depository Trust Company, New York, New York, as the initial Depository (as defined herein) hereunder.

(2) Notwithstanding the provisions of this Section or of the Bonds to the contrary and so long as the Bonds are subject to a Book-Entry System, the Bonds shall initially be evidenced by one typewritten certificate for each maturity in an amount equal to the aggregate principal amount thereof. The Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Bonds may not thereafter be transferred or exchanged on the registration books of the City maintained by the Bond Registrar and Paying Agent except:

(a) to any successor Depository designated pursuant to subsection (3) of this subsection;

(b) to any successor nominee designated by a Depository; or

(c) if the City shall elect to discontinue the Book-Entry System pursuant to subsection (3) of this subsection, the City shall cause the Bond Registrar and Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the Beneficial Owners (as defined herein) or their nominees, as certified by the Depository, at the expense of the City; thereafter the other applicable provisions of this Ordinance regarding registration, transfer and exchange of the Bonds shall apply.

(3) The Bond Registrar and Paying Agent, pursuant to a request from the City for the removal or replacement of the Depository, and upon thirty (30) days' notice to the Depository, may remove or replace the Depository. The Bond Registrar and Paying Agent shall remove or replace the Depository at any time pursuant to the request of the City. The Depository may determine not to continue to act as Depository for the Bonds upon thirty (30) days' written notice to the City and the Bond Registrar and Paying Agent. If the use of the Book-Entry System is discontinued, then after the Bond Registrar and Paying Agent has made provision for notification of the Beneficial Owners of their book entry interests in the Bonds by appropriate notice to the then Depository, the City and the Bond Registrar and Paying Agent shall permit withdrawal of the Bonds from the Depository and authenticate and deliver the Bond certificates in fully registered form and in denominations authorized by this Section to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bond certificates) of the City.

(4) So long as the Book-Entry System is used for the Bonds, the City and the Bond Registrar and Paying Agent shall give any notice of redemption or any other notices required to be given to registered owners of Bonds only to the Depository or its nominee registered as the owner thereof. Any failure of the Depository to advise any of its participants, or of any participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds to be redeemed or of any other action premised on such notice. Neither the City nor the Bond Registrar and Paying Agent shall be responsible or liable for the failure of the Depository or any participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Bonds or any error or delay relating thereto.

(5) Notwithstanding any other provision of this Section or Section 2(b) hereof or of the Bonds to the contrary, so long as the Bonds are subject to a Book-Entry System, it shall not be necessary for the registered owner to present the applicable Bond for payment of mandatory redemption installments, if any. The mandatory redemption installments may be noted on books kept by the Bond Registrar and Paying Agent and the Depository for such purpose, and the Bonds shall be tendered to the Bond Registrar and Paying Agent at their maturity.

(6) For purposes of this Section, "Beneficial Owners" shall mean actual purchasers of the Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository; "Book-Entry System" shall mean a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository hereunder for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds and "Depository" shall mean The Depository Trust Company, New York, New York or any successor depository designated pursuant to this Section.

SECTION 11. General Federal Tax Law and Arbitrage Covenants. The City shall comply with the general federal tax law and arbitrage covenants set forth in the Certificate Relating to Federal Tax Matters to be delivered by the City upon the initial delivery of the Bonds. The City has adopted post-issuance tax compliance procedures, with which the City shall comply.

SECTION 12. Adoption of Procedures. The Procedures are hereby adopted to establish policies and procedures related to the purposes set forth in the Recitals hereto. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

SECTION 13. Ordinance a Contract; Severability; Ratification of Actions.

(a) This Ordinance shall constitute a contract between the City and the registered owners of the Bonds and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the registered owners of the Bonds then outstanding.

(b) If any section, paragraph, subdivision, sentence, clause or phrase of this Ordinance is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have adopted this Ordinance and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds, pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Ordinance may be held illegal, invalid or unenforceable.

(c) All actions of the officers, employees and agents of the City including the Council which conform to the purposes and intent of this Ordinance and which further the sale and issuance of the Bonds as contemplated by this Ordinance, including retention of consultants and counsel necessary to carry out the purposes of this Ordinance, whether taken before or after adoption of this Ordinance, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute

and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Ordinance.

(d) All acts and conditions necessary to be performed by the City or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

(e) All formal actions of this Council concerning and relating to the passage of this Ordinance were taken in an open meeting of this Council, and all deliberations of this Council and of any committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements.

SECTION 14. Repeal of Conflicting Ordinances

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

SECTION 15. 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.

SECTION 16. 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 17. 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 5th day of November 2019.

_____

MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
FORM OF BOND and FORM OF ASSIGNMENT

EXHIBIT

[FORM OF BOND]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.*

REGISTERED
NO. .....

REGISTERED
$.....

UNITED STATES OF AMERICA
STATE OF ARIZONA

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BOND, SERIES 2019

Interest Rate:	Maturity Date:	Dated:	CUSIP:
.....%	July 1, ...	....., 2019	.....

REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: ..... DOLLARS

THE CITY OF FLAGSTAFF, ARIZONA, a body politic and corporate, duly incorporated and existing pursuant to the laws of the State of Arizona (the "City"), for value received, hereby promises to pay to the aforesaid registered owner, or registered assigns, the aforesaid principal amount on the aforesaid maturity date unless earlier redeemed and then on the applicable redemption date, and to pay interest on the principal amount from the date this Bond is dated as of, at the aforesaid interest rate on each January 1 and July 1 (each an "interest payment date"), commencing ....., ..., to its maturity or its redemption prior to maturity. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office of ....., as the "Bond Registrar and Paying Agent." Interest on this Bond is payable by check, dated as of the interest payment date, mailed to the registered owner hereof and at the address appearing on the registration books maintained by the Bond Registrar and Paying Agent at the close of business on the 15th day of the month next

* Insert only while The Depository Trust Company, New York, New York, is the Securities Depository.

preceding that interest payment date (the "regular record date"). Any such interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owner of this Bond not less than 10 days prior thereto.

The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

This Bond is one of a series of bonds (the "Bonds") indicated above in the aggregate principal amount of $.....,000 of like tenor except as to amount, maturity date, rate of interest and number. The Bonds represent the fifth installment of an aggregate voted amount of $94,000,000 principal amount approved at a special bond election duly called and held in for the City, on May 18, 2004, the third installment of an aggregate voted amount of $24,000,000 principal amount approved at a special bond election duly called and held in for the City on November 6, 2012, and the first installment of an aggregate voted amount of $12,000,000 principal amount approved at a special bond election duly called and held in for the City on November 8, 2016, for the purposes provided in Question No. 301, Question No. 405 and Proposition No. 412, respectively, considered at such elections. The Bonds are being issued by the City pursuant to an Ordinance of the Mayor and Council of the City, duly adopted prior to the issuance hereof, all of the terms of which are hereby incorporated herein (the "Ordinance"), and pursuant to the Constitution and laws of the State of Arizona relative to the sale and issuance of general obligation bonds of municipalities and all amendments thereto, the Charter of the City and all other laws of the State of Arizona thereunto enabling.

For the purpose of paying the principal of, interest on and costs of administration of the registration and payment of this Bond, there shall be levied on all taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected.

The Bonds maturing before and on July 1, ..., are not subject to redemption prior to maturity. The Bonds maturing on and after July 1, ..., are subject to redemption prior to maturity, in whole or in part, on July 1, ..., or any date thereafter, by the payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

Redemption Dates	Premium
July 1, ..., and January 1, ...	....%
July 1, ..., and January 1, ...	....
July 1, ..., and thereafter	0.0

The Bonds maturing on July 1, ..., shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

Year	Amount
	$

A remaining principal amount of $.....,000 of Bonds maturing on July 1, ..., shall mature on July 1, ...

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 1, ..., the Bond Registrar and Paying Agent shall proceed to select for redemption (by lot in such manner as the Bond Registrar and Paying Agent may determine) from all the Bonds maturing on July 1, ..., outstanding a principal amount of the Bonds maturing on July 1, ..., equal to the aggregate principal amount of the Bonds maturing on July 1, ..., to be redeemed and shall redeem such Bonds maturing on July 1, ..., on the next July 1 and give notice of such redemption.

Notice of redemption of any such Bond will be mailed not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owner of such Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any such Bond for which notice was properly given.

The Bond Registrar and Paying Agent shall maintain the registration books of the City for the registration of ownership of each Bond as provided in the Ordinance. (The Bond Registrar and Paying Agent may be changed without notice or consent.)

This Bond may be transferred on the registration books upon delivery and surrender hereof to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of this Bond, the Bond Registrar and Paying Agent shall transfer the ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations (except that no Bond shall be issued which relates to more than a single

principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Ordinance. The City and the Bond Registrar and Paying Agent shall charge the owner of such Bond for every transfer of a Bond, including an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer and may require that such charge, including such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The City and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on any regular record date and ending with the close of business on the corresponding interest payment date.

This Bond shall not be entitled to any security or benefit under the Ordinance or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

Pursuant to the Ordinance, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States of America ("Defeasance Obligations") or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Ordinance or payable from ad valorem taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the amounts and Defeasance Obligations deposited in trust.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law, (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the City, does not exceed any applicable constitutional or statutory limitation, and (iii) that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon taxable property within the City, over and above all other taxes authorized or limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, THE CITY OF FLAGSTAFF, ARIZONA, has caused this Bond to be executed in the name of the City by the facsimile signature of the Mayor of the City and such signature of the Mayor of the City to be attested by the facsimile signature of the Clerk of the City.

CITY OF FLAGSTAFF, ARIZONA

By (Facsimile)
MAYOR

ATTEST:

By (Facsimile)
CITY CLERK

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the City of Flagstaff, Arizona General Obligation Bonds, Series 2019.

Date of Authentication: _____

_____,
as Bond Registrar and Paying Agent

By _____
Authorized Representative

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto ..... the within Bond and irrevocably constitutes and appoints ..... attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: .....

.....

..

Signature

Signature Guaranteed:

....

[Insert proper legend] Signature

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - ..... Custodian .....
(Cust) (Minor)

under Uniform Gifts/Transfers to Minors Act .....
(State)

Additional abbreviations may also be used though not included in the above list

ALL FEES AND COSTS OF TRANSFER
SHALL BE PAID BY THE TRANSFEROR

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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2019

NEW ISSUE – BOOK-ENTRY-ONLY **RATING: See "RATING" herein.**

In the opinion of Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is exempt from income taxation under the laws of the State of Arizona. Further, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX EXEMPTION" herein for a description of the certain other federal tax consequences of ownership of the Bonds.

$10,725,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2019

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

The General Obligation Bonds, Series 2019 (the "Bonds") of the City of Flagstaff, Arizona (the "City"), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial ownership interests in the Bonds may be purchased in amounts of $5,000 of principal due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their date of delivery to their maturity or prior redemption as set forth on the inside front cover page. Interest on the Bonds will accrue from the date of initial authentication and delivery and will be payable semiannually on January 1 and July 1 of each year commencing on July 1, 2020*, until maturity or prior redemption.

The Bonds are being issued for the purpose of financing the Projects (as defined herein) and paying costs relating to the issuance of the Bonds.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The City will initially utilize DTC's "book-entry-only system," although the City and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by _____, the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the "Beneficial Owners"). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the heading "TAX EXEMPTION") to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX F - "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be subject to optional redemption prior to their stated maturity dates as described under the heading "THE BONDS – Redemption Provisions" herein*.

The Bonds will be payable as to principal and interest from a continuing, direct, annual, *ad valorem* tax levied against all of the taxable property located within the boundaries of the City as more fully described herein. The Bonds will be payable from such tax without limit as to rate or amount. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS" herein.

The Bonds will be offered when, as and if issued by the City and received by the underwriter identified below (the "Underwriter"), subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed on for the Underwriter by Squire Patton Boggs (US) LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 19, 2019*.

This cover page and inside front cover page contain certain information with respect to the Bonds for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

HilltopSecurities

* *Subject to change.*

$10,725,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2019

MATURITY SCHEDULE*
Base CUSIP®[(1)] No. 338423

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP®[(1)] No. 338423
2021	$1,100,000	%	%	
2022	2,500,000			
2023	400,000			
2024	400,000			
2025	415,000			
2026	425,000			
2027	450,000			
2028	465,000			
2029	490,000			
2030	515,000			
2031	540,000			
2032	560,000			
2033	580,000			
2034	610,000			
2035	625,000			
2036	650,000			

* *Subject to change.*

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2019 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, the Financial Advisor, Bond Counsel, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

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 Treasuer*

Sterling Solomon, *City Attorney*

Stacy Saltzburg, *City Clerk*

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

BOND REGISTRAR AND PAYING AGENT

_____
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the "City"), Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor") or Hilltop Securities, Inc. (the "Underwriter") to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the City's General Obligation Bonds, Series 2019 (the "Bonds") by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

None of the City, the Financial Advisor, the Underwriter, Bond Counsel or counsel to the Underwriter are actuaries. None of them have performed any actuarial or other analysis of the City's share of the unfunded liabilities of the Arizona State Retirement System, the Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

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

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

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

The City will undertake to provide continuing disclosure as described in this Official Statement under the heading "CONTINUING DISCLOSURE" and in APPENDIX D – "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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$10,725,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and Appendices hereto, sets forth information concerning the offering by the City of Flagstaff, Arizona (the "City") of its General Obligation Bonds, Series 2019 in the aggregate principal amount of $10,725,000* (the "Bonds"). See APPENDIX A - "CITY OF FLAGSTAFF, ARIZONA – GENERAL AND DEMOGRAPHIC INFORMATION", APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION" and APPENDIX E – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for certain information regarding the City.

Reference to provisions of State of Arizona (the "State" or "Arizona") law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. The provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes, and an ordinance adopted by the Mayor and Council of the City on November 5, 2019 (the "Ordinance"). The Bonds will constitute a portion of the bonds authorized by the voters at special bond elections held in the City on November 2, 2010 and November 8, 2016 and will be issued for the following purposes (collectively, the "Projects") and to pay costs of issuance of the Bonds:

(i) $362,713* Public Safety Communication System
(ii) $11,500,000* Municipal Court Facilities *(a)*

After the sale and delivery of the Bonds, the City will have $9,200,000* principal amount of authorized but unissued general obligation bonds remaining. The City has general obligation bonds currently outstanding, and additional general obligation bonds may be authorized at future special bond elections. The City plans to borrow approximately $6,000,000 of funds under a separate loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA") that would be payable from the same source as the Bonds. See TABLE 15A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION."

Terms of the Bonds - Generally

The Bonds will be dated the date of delivery, and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), under the book-entry-only system described herein

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* *Subject to change. See footnote (b) to TABLE 16 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.*

(a) A portion of this project will be funded by the City's Certificates of Participation, Series 2019 that are being executed and delivered concurrently with the Bonds pursuant to a separate Official Statement.

(the "Book-Entry-Only System"). See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM." The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of $5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2020* (each an "Interest Payment Date"), until maturity or prior redemption.

See "TAX EXEMPTION" herein for a discussion of the treatment of interest income on the Bonds for federal or State income tax purposes.

Bond Registrar and Paying Agent

_____ will serve as the initial bond registrar, transfer agent and paying agent (the "Bond Registrar and Paying Agent") for the Bonds. The City may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption. The Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of $5,000 or integral multiples thereof from maturities selected by the City, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM." If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING," but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds will be payable as to principal and interest from *ad valorem* taxes to be levied on all taxable property within the City without limitation as to rate or amount. Such taxes are to be levied, assessed and collected as other taxes of the City, in an amount sufficient to pay the interest on all the Bonds then outstanding and installments of the principal of the Bonds becoming due and payable in the ensuing year.

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* *Subject to change.*

The City has paid and may continue to pay the debt service requirements on certain general obligation bonds from water and sewer system revenues which remain after payment of operation and maintenance expenses of the system and revenue bond debt service as indicated in TABLE 15A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION." In the event that these net revenues should prove insufficient, or should the City decide not to pay such debt from such net revenues, such indebtedness would then be paid from such *ad valorem* property taxes.

General obligation bonds heretofore and hereafter issued by the City have and will have an equal claim with the Bonds upon the proceeds of taxes levied for debt service on the Bonds. See TABLE 15A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION."

Defeasance

Pursuant to the Ordinance, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States of America ("Defeasance Obligations") or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Ordinance or payable from *ad valorem* taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the moneys and Defeasance Obligations deposited in trust.

SOURCES AND USES OF FUNDS

Sources of Funds	
Principal Amount	$10,725,000.00*
Net Original Issue Premium *(a)*	
Total Sources of Funds	
Uses of Funds	
Cost of Projects	
Payment of Costs of Issuance *(b)*	
Total Uses of Funds	

* *Subject to change.*

(a) Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.

(b) Will include compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.

ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) annual debt service on the outstanding general obligation bonds of the City, (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all general obligation bonds of the City outstanding after issuance of the Bonds.

TABLE 1

Schedule of Estimated Annual Debt Service Requirements *(a)*
City of Flagstaff

Fiscal Year	Bonds Outstanding *(b)*		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest *(c)*	
2019/20	$ 5,682,592	$ 1,337,699		$ 228,800*(d)*	$ 7,249,091
2020/21	4,385,432	1,128,783	$1,100,000	429,000	7,043,216
2021/22	1,781,298	958,968	2,500,000	385,000	5,625,266
2022/23	1,853,822	888,444	400,000	285,000	3,427,266
2023/24	1,936,423	812,043	400,000	269,000	3,417,466
2024/25	2,009,106	738,510	415,000	253,000	3,415,616
2025/26	2,081,872	662,194	425,000	236,400	3,405,466
2026/27	2,154,724	586,968	450,000	219,400	3,411,091
2027/28	2,242,664	509,027	465,000	201,400	3,418,091
2028/29	1,340,695	427,871	490,000	182,800	2,441,366
2029/30	1,393,821	375,145	515,000	163,200	2,447,166
2030/31	1,447,043	320,323	540,000	142,600	2,449,966
2031/32	1,395,000	263,400	560,000	121,000	2,339,400
2032/33	1,455,000	207,600	580,000	98,600	2,341,200
2033/34	1,510,000	149,400	610,000	75,400	2,344,800
2034/35	1,090,000	89,000	625,000	51,000	1,855,000
2035/36	1,135,000	45,400	650,000	26,000	1,856,400
	$ 34,894,493		$ 10,725,000		

* *Subject to change.*

(a) *Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").*

(b) *Represents all general obligation bonded indebtedness outstanding. Also includes funds borrowed under a separate Loan Agreement with WIFA – see footnote (a) to TABLE 15A. The table above reflects the debt service requirements on the full amount of such Loan Agreement.*

(c) *Interest on the Bonds is estimated.*

(d) *The first interest payment on the Bonds will be due on July 1, 2020*. Thereafter, interest payments will be made semiannually on each January 1 and July 1 until maturity or prior redemption.*

LITIGATION

To the knowledge of the City, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the issuance or delivery of the Bonds or the levy, collection or receipt of *ad valorem* property taxes to pay the debt service on the Bonds, contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. An authorized City representative will deliver a certificate to the same effect at the time of the original delivery of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance by the City of the Bonds and with regard to the tax-exempt status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, as Bond Counsel, whose services have been retained by the City. The signed legal opinion of Bond Counsel, dated and premised on the law in effect as of the date of the Bonds, will be delivered to the Underwriter at the time of original delivery of the Bonds. The form of that opinion is included as APPENDIX C - "FORM OF APPROVING LEGAL OPINION" hereto. The legal opinion to be delivered may vary from the text of APPENDIX C – "FORM OF APPROVING LEGAL OPINION" 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 Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, 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 the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

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

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The City's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted in the Ordinance to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum

tax imposed on individuals. Bond Counsel is further of the opinion that the interest on the Bonds is exempt from income taxation under the laws of the State. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than the State.

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

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

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

Original Issue Discount and Original Issue Premium

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

Certain of the Bonds (for purposes of this section, "Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the

sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

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

Changes in Federal and State Tax Law

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

Information Reporting and Backup Withholding

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

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned the rating of "___" to the Bonds. Such rating reflects only the views of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, CA 94111. Such rating may be revised or withdrawn entirely at any time by S&P, if, in its respective judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The City has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any ratings relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

UNDERWRITING

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

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter and the Financial Advisor with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the City territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and the Financial Advisor and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The City will covenant for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2020 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices of Listed Events"). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the City as such will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access System ("EMMA"), each as described in APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission's Rule 15c2-12(b)(5) (the "Rule"). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona Law, the ability of the City to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

The City previously entered into continuing disclosure undertakings (the "Prior Undertakings") in connection with the issuance of certain bonds, which require the filing on or before February 1 of each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the "Prior Annual Report"). Until March 22, 2016, the Prior Annual Report with respect to the fiscal year ended June 30, 2015 was not associated with the nine-digit CUSIP numbers for the City's Refunding Certificates of Participation, Series 12 relating to the Arizona Municipal Financing Program. 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 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 correctly formatted data was filed on EMMA on March 22, 2016 and

May 26, 2016. The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar undertakings in all material respects.

FINANCIAL ADVISOR

The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance of the Bonds. The Financial Advisor participated in the preparation of the Official Statement but has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: "The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information."

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2018 and for its fiscal year then ended, which are included as APPENDIX E of this Official Statement, have been audited by CliftonLarsonAllen LLP, as stated in its opinion which appears in APPENDIX E – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include its report and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as part of a contract with the original purchasers or subsequent owners of the Bonds.

CITY OF FLAGSTAFF, ARIZONA

By:_____
Management Services Director

APPENDIX A

CITY OF FLAGSTAFF, ARIZONA
GENERAL AND DEMOGRAPHIC INFORMATION

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 Coconino County, Arizona (the "County") since 1891.

Listed below are U.S. Census population figures for the City, the County and the State.

TABLE 2

POPULATION STATISTICS

	City of Flagstaff	Coconino County	State of Arizona
2018 Estimated *(a)*	74,736	145,564	7,076,199
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, 2018 (data released December 2018).

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.

TABLE 3

MAJOR EMPLOYERS
City of Flagstaff, Arizona

Employer	Product/Service	Approximate Employment
Northern Arizona University	Education	2,570
Flagstaff Medical Center	Healthcare	2,200
W.L. Gore & Associates	Medical Equipment Manufacturing	1,950
Flagstaff Unified School District	Education	1,375
Coconino County	Government	1,200
City of Flagstaff	Government	950
Wal-Mart	Retail	630
Grand Canyon Railways	Lodging and Travel	500
North Country Healthcare	Healthcare	345
Nestle Purina	Distribution Center	240

Source: City of Flagstaff, 2018 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.

TABLE 4

UNEMPLOYMENT RATE AVERAGES

Year	United States	State of Arizona	Coconino County	City of Flagstaff
2019 *(a)*	3.7%	5.0%	5.9%	4.5%
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
2014	6.2	6.4	7.1	5.1

(a) Data through August 2019.

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.

TABLE 5

LABOR FORCE AND NONFARM EMPLOYMENT
Coconino County, Arizona

	2019 *(a)*	2018	2017	2016	2015	2014
Mining and construction	2,600	2,500	2,400	2,300	2,200	2,100
Manufacturing	4,500	4,400	4,300	4,400	4,300	4,300
Trade, transportation, and utilities	9,200	9,600	9,500	9,800	10,000	10,000
Information	400	400	500	400	400	400
Financial activities	1,400	1,400	1,400	1,400	1,300	1,200
Professional and business services	3,500	3,400	3,100	3,100	3,200	3,000
Educational and health services	9,300	9,300	9,500	9,600	9,400	9,200
Leisure and hospitality	15,800	15,400	1,500	14,000	13,200	13,100
Other Services	1,600	1,700	1,700	1,800	1,800	1,600
Government	19,500	20,100	19,800	19,600	19,700	19,700
	67,800	68,200	53,700	66,400	65,500	64,600

(a) *Data through August 2019.*

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.

TABLE 6

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

Fiscal Year	Amount
2018/19*(a)*	$20,508
2017/18	21,128
2016/17	21,174
2015/16	19,090
2014/15	17,845

(a) *Preliminary estimates, unaudited.*

Source: The Comprehensive Annual Financial Reports for the City and 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
2019 (a)	4,186,147	254,260	79,763	74,854	78,411
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
2014	4,756,771	407,017	176,723	135,230	195,962

(a) Data through August 2019.

Source: Arizona Office of Tourism.

APPENDIX B

CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION

Introduction

The City's fiscal year is from July 1 through June 30. City budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the City Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the City's tax levy is then set based on the adopted figures.

Expenditure Limitation

Beginning in fiscal year 1982/83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's annual expenditures for fiscal year 1979/80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions that relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

Since the inception of expenditure limitations, the City has not exceeded its limitation in any fiscal year.

Budget Process

The annual budget serves as the foundation for 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 General Fund budgets with an excess of 20% fund balance in the five-year plans.

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 C – "THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018" for the financial statements from the City's June 30, 2018, 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.

PROPERTY TAXES

As described under the heading "SECURITY AND SOURCES OF PAYMENT OF THE BONDS," the City will be required by law to cause to be levied on all the taxable property in the City a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The State's *ad valorem* property tax levy and collection procedures are summarized under this heading "PROPERTY TAXES."

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue (the "Department of Revenue"). Property valued by the Assessor of the County is referred to as "locally assessed" property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as "centrally valued" property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value

In the context of a specific property parcel, full cash value ("Full Cash Value") is statutorily defined to mean "the value determined as prescribed by statute" or if a statutory method is not prescribed it is "synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques," which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

In the context of a specific property parcel, limited property value ("Limited Property Value") is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or a similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the Full Cash Value. (Limited Property Value of property that has been split, subdivided or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions

The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the City.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See "Primary Taxes" and "Secondary Taxes" below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the "Limited Assessed Property Value" and the "Full Cash Assessed Value," respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 7

Property Tax Assessment Ratios (Tax Year)

Property Classification *(a)*	2015	2016	2017	2018	2019
Mining, utilities, commercial and industrial	18.5%	18%	18%	18%	18%
Agricultural and vacant land	16	15	15	15	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property *(b)*	15	14	15	14	15

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.

(b) This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

Primary Taxes

Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are "primary taxes." Primary taxes are levied against Net Limited Assessed Property Value (as defined herein). "Net Limited Assessed Property Value" is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on the combined tax levies for owner occupied

residential property is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes

Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, the maintenance and operation of special purpose districts such as sanitary, fire, road improvement, water conservation and career technical education districts, and taxes levied by school districts for qualified desegregation expenditures are "secondary taxes." Like primary taxes, secondary taxes are also levied against Net Limited Assessed Property Value. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Calculating Debt Limitations

Net Full Cash Assessed Value is determined by excluding the value of property exempt from taxation from Full Cash Assessed Value of both locally assessed and centrally valued property and combining the resulting two amounts. This is the basis for determining bonded debt limitations for certain political subdivisions in Arizona, including the City.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer of the County. (The Assessor of the County is required to have completed the assessment roll by December 15th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year).

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals or other reasons reduces the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years and liens imposed by the United States. Set forth below is a record of property taxes levied and collected in the City for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 8

Property Taxes Levied and Collected *(a)*
City of Flagstaff, Arizona

Fiscal Year	City Tax Rate	Adopted City Tax Levy	Adjusted City Tax Levy as of June 30th	Collected to June 30th of Initial Fiscal Year		Adjusted City Tax Levy as of 9/18/2019	Cumulative Collections to September 18, 2019	
				Amount	% of Adj. Levy as of		Amount	% of Adj. Levy as of
2019/20	$1.6299	$14,160,679	*(b)*	*(b)*	*(b)*	$14,160,679	$84,035	0.59%
2018/19	1.6700	13,527,514	$13,516,909	$13,311,900	98.48%	13,514,187	13,369,483	98.93
2017/18	1.6599	12,459,025	12,464,772	12,297,839	98.66	12,459,608	12,441,984	99.86
2016/17	1.6487	11,708,122	11,671,599	11,500,020	98.53	11,677,522	11,662,309	99.87
2015/16	1.6600	11,344,815	11,332,211	11,147,964	98.37	11,318,801	11,307,573	99.90
2014/15	1.6784	11,199,924	11,187,494	11,002,751	98.35	11,175,664	11,164,734	99.90

(a) Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.

(b) 2019/20 taxes in course of collection:
First installment due 10-01-19; delinquent 11-01-19
Second installment due 03-01-20; delinquent 05-01-20

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of each subsequent month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When an owner of land or property within the City (a "debtor") files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, the Financial Advisor, the Underwriter or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

ASSESSED VALUATIONS AND TAX RATES

TABLE 9

Direct and Overlapping Net Limited Assessed Property Values and Tax Rates *(a)*
Per $100 Net Limited Assessed Property Value

Overlapping Jurisdiction	2019/20 Net Limited Assessed Property Value	2019/20 Total Tax Rate Per $100 Net Limited Assessed Property Value
State of Arizona	$66,154,632,834	$0.0000
Coconino County	1,831,089,260	0.9979 *(a)*
Coconino County Community College District	1,831,089,260	0.4592
Coconino County Public Health Services	1,831,089,260	0.2500
Coconino County Library District	1,831,089,260	0.2566
Coconino County Fire District Assistance Fund	1,831,089,260	0.1000
Flagstaff Unified School District No. 1	1,303,847,931	5.1174
Coconino County Joint Vocational Education District	1,581,722,570	0.0500
City of Flagstaff	868,806,647	1.6299

(a) Includes the "State Equalization Assistance Property Tax" which is levied by the County and has been set at $0.4566 per $100 Net Limited Assessed Property Value for fiscal year 2019/20. Such amount is adjusted annually pursuant to Section 41-1276, Arizona Revised Statutes.

Source: *Property Tax Rates and Assessed Values,* Arizona Tax Research Association and Finance Department of the County.

Total Tax Rates Per $100 Net Limited Assessed Property Value

The total overlapping property tax rate for property owners within the City is $8.8610 per $100 Net Limited Assessed Property Value.

Source: *Property Tax Rates and Assessed Values,* Arizona Tax Research Association, the Arizona Department of Revenue and the Finance Department and Treasurer of the County.

TABLE 10

Net Limited Assessed Property Value by Property Classification *(a)*
City of Flagstaff, Arizona

Class	2019/20	2018/19	2017/18	2016/17	2015/16
Commercial, Industrial, Utilities & Mines	$ 286,601,339	$ 268,632,735	$ 249,723,482	$ 232,753,421	$ 236,378,485
Agricultural and Vacant	38,036,195	37,438,241	37,151,879	35,679,831	37,363,661
Residential (owner occupied)	289,965,626	272,024,139	253,887,574	238,334,465	232,813,868
Residential (rental)	249,724,242	222,096,639	204,926,078	192,182,870	173,808,240
Railroad	2,430,712	2,350,886	2,277,832	2,209,379	2,394,644
Historical Property	1,568,037	1,839,858	1,209,786	1,186,764	1,185,984
Commercial Historical Property	457,160	435,262	420,108	403,644	766,132
Residential Historical Property (rental)	5,338	5,027	4,572	4,277	4,212
Certain Government Property Improvements	17,998	14,064	16,930	13,290	13,104
Totals *(a)*	$ 868,806,647	$ 804,836,851	$ 749,618,241	$ 702,767,941	$ 684,728,330

(a) Totals may not add up due to rounding.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

TABLE 11

Net Limited Assessed Property Value of Major Taxpayers
City of Flagstaff, Arizona

Major Taxpayer *(a)*	2019/20 Net Limited Assessed Property Value	As % of 2019/20 Net Limited Assessed Property Value
Arizona Public Service	$ 20,856,336	2.40 %
W.L. Gore & Associates, Inc.	19,321,385	2.22
CCC-Flagstaff LLC	6,871,035	0.79
Unisource Energy Corporation	5,090,549	0.59
Village at Aspen Place LLC	4,965,913	0.57
Nestle Purina Petcare Company	4,753,331	0.55
Little America Hotels & Resorts	4,663,470	0.54
Core Campus Flagstaff LLC	4,172,038	0.48
Wal-Mart Stores Inc	3,577,890	0.41
Cypress Flagstaff Mall LP	3,095,255	0.36
	$ 77,367,202	8.90 %

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. No representative of the City, the Underwriter, the Financial Advisor, Bond Counsel or counsel to the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.

Source: The Assessor of the County.

TABLE 12

Comparative Net Limited Assessed Property Values *(a)*

Fiscal Year	City of Flagstaff	Coconino County	State of Arizona
2019/20	$ 868,806,647	$1,831,089,260	$ 66,154,632,834
2018/19	804,836,851	1,726,579,756	62,328,439,592
2017/18	749,618,241	1,648,531,053	59,406,279,473
2016/17	702,767,941	1,569,812,808	56,589,592,481
2015/16	683,396,020	1,537,418,218	54,838,548,829

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

TABLE 13

Estimated Net Full Cash Value History
City of Flagstaff, Arizona

Fiscal Year	Estimated Net Full Cash Value *(a)*
2019/20	$8,397,908,073
2018/19	7,677,104,156
2017/18	6,921,876,376
2016/17	6,225,457,752
2015/16	5,726,101,646

(a) Estimated Net Full Cash Value is the total market value of the property within the City less the estimated Full Cash Value of property exempt from taxation within the City.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE 14

Current Year Statistics (For Fiscal Year 2019/20)
City of Flagstaff, Arizona

Total General Obligation Bonds Outstanding and to be Outstanding	$ 45,619,491**(a)*
Total Certificates of Participation Outstanding and to be Outstanding	7,370,000**(b)*
Total Water and Sewer Revenue Obligations Outstanding	33,864,696
Total Excise Tax Revenue Obligations Outstanding	21,180,000
Net Limited Assessed Property Value	868,806,647
Net Full Cash Assessed Value	1,010,133,933
Estimated Net Full Cash Value	8,397,908,073

* *Subject to change.*

(a) *Includes the Bonds. See footnote (b) to TABLE 16 for a description of certain proceeds of the Bonds for State voter authorization and debt limit purposes.*

(b) *See footnote (a) to TABLE 15B for a description of Certificates of Participation expected to be offered by the City.*

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

TABLE 15A

Direct General Obligation Bonded Debt Outstanding and to be Outstanding
City of Flagstaff, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2011	$ 12,845,000	Various purposes	2020	$ 1,465,000
2011	1,633,828	Water system	2031	1,091,795 *(a)*
2011	3,952,287	Public safety communications	2021	882,696
2013	11,460,000	Various purposes	2028	7,460,000
2014A	6,600,000	Various purposes	2034	5,345,000
2014B	8,270,000	Refunding	2021	4,305,000
2016	16,105,000	Various purposes	2036	14,345,000
Total General Obligation Bonded Debt Outstanding				$34,894,491
Plus: The Bonds				10,725,000*
Total General Obligation Bonded Debt Outstanding and to be Outstanding *(b)*				$45,619,491* *(c)*

* *Subject to change.*

(a) *Represents a Loan Agreement with WIFA. 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 revenues should prove insufficient, or should the City decided not to pay such general obligation*

bonds from such net revenues, such general obligation bonds would then be paid from ad valorem taxes as described under "SECURITY AND SOURCES OF PAYMENT OF THE BONDS."

(b) Does not include the approximate amount of $6,000,000 of a loan agreement with WIFA that the City expects to enter into in the first quarter of 2020.

(c) See footnote (b) to TABLE 16 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.

TABLE 15B

Certificates of Participation Outstanding

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2018	$3,880,000	Core maintenance facility	2043	$ 3,795,000
Total Certificates of Participation Bonded Debt Outstanding				$ 3,795,000
Plus: the 2019 Certifcates of Participation *(a)*				3,575,000*
Total Certificates of Participation Debt Outstanding and to be Outstanding				$ 7,370,000*

* *Subject to change.*

(a) The City expects to offer Certificates of Participation, Series 2019 pursuant to a separate official statement.

TABLE 15C

Water and Wastewater Revenue Obligations Outstanding

The following chart lists the water and wastewater revenue obligations of the City that are currently outstanding. The City's financial obligations are through loan agreements with WIFA. Also see footnote *(a)* to TABLE 15A.

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2007	$23,100,000	Sewer treatment plant improvements	2027	$ 2,230,604
2008	8,500,000	Water production improvements & acquisition	2028	4,608,778
2009	2,100,000	Water feasibility study	2029	1,209,666
2009	232,500	Well improvements	2029	132,782
2009	1,100,000	Local aquifer study	2029	630,785
2009	594,950	Well improvements infrastructure	2029	302,081
2017	17,129,000	Refunding	2027	15,165,000
2019	9,585,000	Water and sewer improvements	2034	9,585,000
Total Water and Wastewater Revenue Obligations Outstanding				$33,864,696

TABLE 15D

The City of Flagstaff Municipal Facilities Corporation ("MFC") is an Arizona nonprofit corporation formed in January 1979. The City and the MFC have issued debt secured by Excise Taxes and State Shared Revenues as shown below.

Excise Tax and State Shared Revenue Supported Debt

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2010A	$3,370,000	Construction of business incubator	2030	$ 2,140,000 *(a)*
2012	12,530,000	MFC Refunding	2020	2,165,000 *(b)*
2016	8,930,000	Street improvements and preservation	2032	7,535,000
2018	9,700,000	Street improvements and preservation	2034	9,340,000
Total Excise Tax and State Shared Revenue Supported Debt Outstanding and to be Outstanding				$21,180,000

(a) *Under a loan agreement with the Greater Arizona Development Authority ("GADA"), the City has agreed to make semi-annual payments equal to the principal and interest on the GADA loan. The City has pledged State Shared Revenues to the payment of the GADA loan.*

(b) *Under an agreement with the MFC, the City has agreed to make semi-annual rent payments equal to the principal and interest on the MFC's bonds. The City has pledged Transportation Excise Taxes to the payment of the MFC's bonds.*

Direct Bonded Debt, Legal Limitation and Unused Borrowing Capacity
City of Flagstaff, Arizona

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks and open space, transportation and public safety purposes may not exceed 20% of a city's Net Full Cash Assessed Value, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's Net Full Cash Assessed Value.

TABLE 16

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street and Transportation Facilities Bonds	
Total 6% General Obligation Bonding Capacity	$ 60,608,035	Total 20% General Obligation Bonding Capacity	$202,026,786
Less: 6% General Obligation Bonds Outstanding	- *(a)*	Less: 20% General Obligation Bonds Outstanding	(45,619,491)* *(a)*
Less: Original Issue Premium	- *(b)*	Less: Original Issue Premium	(1,137,713)* *(b)*
Less: Unamortized Net Original Issue Premium of Prior Bonds	- *(c)*	Less: Unamortized Net Original Issue Premium of Prior Bonds	(1,866,052) *(c)*
Net 6% General Obligation Bonding Capacity	$ 60,608,035*	Net 20% General Obligation Bonding Capacity	$153,403,530*
Total Capacity	$214,011,565*		

* *Subject to change.*

(a) *Includes the Bonds.*

(b) *This amount reduces in equal amount the borrowing capacity of the City under State statutes and the Arizona Constitution (as described under the heading "THE BONDS – Authorization and Use of Funds"). In the case of the Bonds, the principal amount authorized at the Election will be reduced by $1,287,713*. The City's borrowing capacity, but not authorization, will be recaptured as premium is amortized.*

(c) *This amount represents unamortized premium on the City's outstanding bonds which is treated as described in the immediately preceding footnote.*

TABLE 17

Direct and Overlapping General Obligation Bonded Debt
City of Flagstaff, Arizona

Overlapping Jurisdiction	General Obligation Bonded Debt *(b)*	Proportion Applicable to the District *(a)* Approximate Percent	Net Debt Amount
State of Arizona	None	1.31 %	None
Coconino County	None	47.45	None
Coconino County Community College District	None	47.45	None
Flagstaff Unified School District No. 1	48,345,000	66.63	32,212,274
City of Flagstaff *(c)(d)*	45,619,491*	100.00	45,619,491*
Net Direct and Overlapping General Obligation Bonded Debt			$ 77,831,765*

(a) *Proportion applicable to the City is computed on the ratio of Net Limited Assessed Property Value for 2019/20.*

(b) *Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.*

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	*General Obligation Bonds Authorized but Unissued*
Flagstaff Unified School District No. 1	*$50,000,000*
City of Flagstaff (e)	*9,200,000**

(c) *The City expects to enter into a loan agreement with the WIFA in the approximate amount of $6,000,000 in first quarter of 2020. See language in footnote (b) in TABLE 15A.*

(d) *Includes the Bonds.*

(e) *Net of the Bonds.*

* *Subject to change.*

TABLE 18

Direct and Overlapping General Obligation Bonded Debt Ratios
City of Flagstaff, Arizona

	Per Capita Bonded Debt Population Estimated @ 74,736	As % of City's 2019/20 Net Limited Assessed Property Value	As % of City's 2019/20 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt**(a)*	$610.41	5.25%	0.54%
Net Direct and Overlapping General Obligation Debt**(a)*	1,041.42	8.96	0.93

* *Subject to change.*

(a) Includes the Bonds.

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

TABLE 19

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	$1,594,034	$2,980,912

CITY EMPLOYEE RETIREMENT SYSTEM

Retirement Benefits

The City contributes to the retirement plans described below and as referenced starting on page 76 in APPENDIX E – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The City and its members contribute to the following retirement systems: the Arizona State Retirement System ("ASRS"), the Public Safety Personnel Retirement System ("PSPRS") and the Elected Officials Retirement Plan ("EORP").

The Arizona State Retirement System

ASRS is a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit plan, and a cost-sharing 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. ASRS has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov. The increase in ASRS' unfunded liabilities is expected to result in increased future annual contributions to ASRS by the City and its employees.

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 the plan.

Fiscal year ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Pension Contribution
June 30, 2020	11.94%	0.17%	12.11%	unavailable	unavailable
June 30, 2019	11.64	0.16	11.80	unavailable	unavailable
June 30, 2018	11.34	0.16	11.50	71.2%	$3,478,329
June 30, 2017	11.34	0.14	11.48	70.5	3,357,591
June 30, 2016	11.35	0.12	11.47	77.6	3,168,876

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 modifications designed to mitigate increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature; some changes resulted from successful court challenges to those statutory changes; and other changes were implemented by voter approved amendments to the State Constitution. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

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. PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com. The increase in the PSPRS's unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its public safety employees, however the specific impact on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time.

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

Tier 1 Members	Tier 2 Members	Tier 3 Members
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

Among other differences, the tiers vary in terms of employee contribution rate, retirement eligibility, and post retirement cost of living adjustment eligibility. Additionally, in lieu of the defined benefit program, there is a defined contribution option available to Tier 3 members and a hybrid defined benefit/defined contribution program for certain Tier 2 and Tier 3 members.

The employee retirement contribution rate for Tier 1 members is 7.65% of member compensation; with the exception of Tier 1 members hired from July 20, 2011 through December 31, 2011 who are subject to the same employee contribution rate as Tier 2 members. The Tier 2 employee rate is the lower of 11.65% of member compensation or 33.3% of the sum of the prior year employee contribution rate and the computed employer contribution rate. This employee contribution rate has a floor of 7.65%. For Tier 3 members, the annual contribution rate is determined actuarially and split evenly between employer and employee. This actuarial contribution rate is determined individually for the largest employers and as a consolidated pool for the remaining employers as a group.

The following table shows the actuarially determined annual employer contribution rates, funded status and total audited contribution amounts for the plan.

Police

	Fiscal Year Ended				
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Contribution Rates					
Tier 1/2 Defined Benefit Employer (a)	48.09%	59.28%	54.73%	44.83%	43.29%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	N/A	N/A
Tier 3 Defined Benefit Employer (a)(c)	46.10%	57.07%	49,74%	N/A	N/A
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	N/A	N/A
Tier 3 Defined Contribution Employer (c)	46.67%	57.64%	50.35%	N/A	N/A
Tier 3 Defined Contribution Employee	10.51%	10.51%	10.55%	N/A	N/A
Pension Funded Status	N/A	N/A	38.4%	38.1%	37.4%
Health Funded Status	N/A	N/A	110.2%	113.7%	111.9%
Total City (Employer) Pension and Contribution	N/A	N/A	$3,675,844	$3,648,822	$3,483,157

(a) Not applicable for Tier 2 for fiscal years prior to Fiscal Year 2018. Does not include additional contribution percentage of 3% associated with Tier 2 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.

(b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.

(c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

Fire

	Fiscal Year Ended				
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Contribution Rates					
Tier 1/2 Defined Benefit Employer (a)	83.03%	84.17%	75.11%	70.05%	67.71%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	N/A	N/A
Tier 3 Defined Benefit Employer (a)(c)	78.99%	80.08%	68.34%	N/A	N/A
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	N/A	N/A
Tier 3 Defined Contribution Employer (c)	79.56%	80.65%	68.95%	N/A	N/A
Tier 3 Defined Contribution Employee	10.51%	10.51%	10.55%	N/A	N/A
Pension Funded Status	N/A	N/A	35.2%	35.5%	37.1%
Health Funded Status	N/A	N/A	174.1%	171.4%	168.1%
Total City (Employer) Pension and Contribution	N/A	N/A	$3,755,920	$4,107,600	$3,769,503

(a) Not applicable for Tier 2 for fiscal years prior to Fiscal Year 2018. Does not include additional contribution percentage of 3% associated with Tier 2 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.

(b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.

(c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

The Elected Officials Retirement Plan ("EORP") is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. The EORP is governed by the same Board of Trustees that manages the PSPRS plan. As of January 1, 2014 EORP is closed to new members. Pursuant to Arizona statute, the annual contribution for active members of EORP is 13% of the members' annual covered payroll. Additionally, the amount of the members' contribution that exceeds 7% is not used to reduce the actuarially determined employer contribution.

As of July 1, 2018, pursuant to S.B. 1478 (2018 regular session), 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 2019/20 is 61.43%. This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System (EODCRS) and the Arizona State Retirement (defined benefit) System (ASRS), depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution, by statute, for EODCRS participating members is 6.00%; the employer contribution for ASRS participating members is 12.11% for fiscal year 2019/20; and 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 City court fees and a $5,000,000 appropriation from the State general fund.

As referenced on page 90 in APPENDIX E of this Official Statement, the projection of cash flows of the plan assuming that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and State contributions will be made as currently required by statute, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members.

Potential Future State Legislation Affecting ASRS, PSPRS and EORP

There are bills 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.

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* ("GASB 75"). 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 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. Please refer to APPENDIX C of the Official Statement which includes the City's audited financial statements and specifically "Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The City of Flagstaff 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 (NAPEBT). 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 Arizona State Retirement System and elect coverage at date of retirement. At June 30, 2018, the City reported a net OPEB liability of $9,931,825. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability were determined from the actuarial valuations as of July 1, 2017. The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

Governmental Accounting Standards ("GASB"):

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the system's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the City and each covered employee contribute to the ASRS. As of June 30, 2018, the City reported a liability of $48,706,334 for its proportionate share of the net pension liability under ASRS. The pension liability was measured as of June 30, 2017. Both the City and each covered employee contribute to the EORP. As of June 30, 2018, the City reported a liability of $2,653,363 for its proportionate share of the net pension liability under EORP. The pension liability was measured as of June 30, 2017. See page 81 in APPENDIX E – "CITY OF FLAGSTAFF – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for further discussion of the City and its pension liability including the net pension liability associated with PSPRS.

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

REVENUES AND EXPENDITURES

State law requires that the City's financial books and records be audited by the State Auditor General or independent certified public accountants on an annual basis. The audited financial statements of the City are presented in APPENDIX E – "CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The table below summarizes audited Revenues, Expenses and Changes in Fund Balance for the fiscal years 2013/14 through 2017/18, estimated actuals for 2018/19 and budgeted information for 2019/20. The information contained in the summary should be read in conjunction with the financial statements and accompanying notes in APPENDIX E of this Official Statement.

The Bonds will be payable solely from the source described under the heading "SECURITY AND SOURCES OF PAYMENT OF THE BONDS." The information provided in the following table is for reference only.

TABLE 20

General Fund
City of Flagstaff, Arizona

	Budget *(a)*	Estimated Actuals *(b)*	Audited				
	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
FUND BALANCE AT BEGINNING OF YEAR	$ 32,441,167	$ 34,320,827*(c)*	$ 40,464,781	$ 38,919,713	$ 33,621,090	$ 31,762,789	$ 28,748,008
REVENUES							
Taxes	32,273,857	30,794,252	29,837,919	29,377,513	27,306,792	$ 25,908,705	$ 25,100,084
Intergovernmental	21,129,105	20,118,373	20,074,740	19,294,534	18,214,988	17,574,331	16,516,056
Grants and entitlements	5,204,979	3,010,320	1,535,930	1,209,967	1,217,424	1,294,384	1,726,644
Charges for services	3,267,437	3,314,641	3,445,482	3,454,567	2,916,164	2,986,151	2,734,095
Licenses and permits	2,706,716	3,234,688	3,473,740	2,839,407	3,153,135	1,866,792	1,952,731
Fines and forfeitures	1,420,489	1,427,226	1,350,689	1,430,686	1,524,856	1,389,663	1,428,401
Rents	1,400,042	919,405	1,163,215	1,602,727	1,615,190	1,603,322	1,606,932
Investment earnings	371,837	370,630	(1,255,945)	(1,081,720)	1,210,140	374,174	418,374
Contributions	10,303	10,201	496,159	421,444	566,242	262,095	440,360
Miscellaneous	410,152	671,221	534,494	719,684	390,086	305,932	393,760
TOTAL REVENUES	$68,194,917	$63,870,957	$60,656,423	$59,268,809	$58,115,017	$53,565,549	$52,317,437
OTHER FINANCING SOURCES (USES)							
Issuance of capital debt			$ -	$ 133,531	$ 204,956	$ -	$ -
Sale of capital assets			35,450	-	5,325	72,051	533,980
Insurance recoveries			-	-	-	-	3,033,042
Reserve and contingency			-	-	-	-	(3,287,452)
Transfers in	4,480,855	4,233,033	3,463,231	2,753,444	3,110,079	2,848,218	-
Transfers out	(4,658,738)	(4,163,652)	(8,457,705)	(5,546,718)	(2,063,183)	(4,132,795)	-
TOTAL OTHER FINANCING SOURCES (USES)	$ 100,458,201	$ 98,261,165	$ 96,162,180	$ 95,528,779	$ 92,993,284	$ 84,115,812	$ 81,345,015
EXPENDITURES							
Current							
Current governmental	$ 14,687,838	$ 11,423,452	$ 11,774,767	$ 9,899,937	$ 9,007,957	$ 9,809,718	$ 8,914,237
Public safety	41,610,134	36,943,710	32,290,732	30,849,989	30,074,183	27,583,880	26,564,902
Public works	3,340,163	1,918,352	1,254,865	1,472,485	1,207,776	1,081,157	999,999
Economic and physical development	5,927,930	5,724,457	5,555,083	4,807,862	4,787,402	4,682,707	4,441,463
Culture and recreation	7,358,045	7,150,667	6,981,549	6,329,040	5,949,635	5,750,634	6,084,457
Highways and streets	-	-	36,570	35,663	500	-	-
Contingency	1,662,750	-	-	-	-	-	-
Debt service							
Principal retirement	177,792	170,460	161,727	138,775	998,203	721,549	882,114
Interest and other charges	250,303	34,187	37,420	38,381	55,632	93,304	128,976
Capital outlay	5,222,222	2,454,713	1,020,983	1,491,866	1,992,283	771,773	1,566,078
TOTAL EXPENDITURES	$ 80,237,177	$ 65,819,998	$ 59,113,696	$ 55,063,998	$ 54,073,571	$ 50,494,722	$ 49,582,226
FUND BALANCE AT END OF YEAR	**$ 20,221,024**	**$ 32,441,167**	**$ 37,048,484** *(c)*	**$ 40,464,781**	**$ 38,919,713**	**$ 33,621,090**	**$ 31,762,789**

(a) Reflects the City's budgeted figures 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.

(b) Figures for fiscal year 2018/19 are based on unaudited actual figures and as such should be considered with an abundance of caution.

(c) Beginning fund balance varies due to budget basis adjustments related to 60 day sales tax accrual, unrealized loss on investments and inventory.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Mayor and Council of the
City of Flagstaff, Arizona

Re: City of Flagstaff, Arizona General Obligation Bonds, Series 2019

We have examined copies of the proceedings of the Mayor and Council of the City of Flagstaff, Arizona (the "City"), and other proofs submitted to us relative to the issuance of the captioned Bonds (the "Bonds"). In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax without limitation as to rate or amount to pay the principal of and interest on the Bonds.

Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Mayor and Council of the City have resolved in Ordinance No. 2019-XX, adopted by the Mayor and Council of the City on November 5, 2019, to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the same limitations in the penultimate paragraph hereof with respect to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

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

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

$11,575,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2019

This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered by the City of Flagstaff, Arizona (the "City"), in connection with the sale and issuance of $11,575,000* principal amount of City of Flagstaff, Arizona General Obligation Bonds, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to an ordinance adopted by the Mayor and Council of the City on November 5, 2019 (the "Ordinance"). The City covenants and agrees as follows:

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

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

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

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

"Commission" means the Securities and Exchange Commission.

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

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

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

"*Final Official Statement"* means the Final Official Statement relating to the Bonds, dated _____, 2019.

"*Financial Obligation*" shall mean 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 Municipal Securities Rulemaking Board consistent with the Rule.

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

"*Listed Event*" means the events set forth in Exhibit II.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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* *Subject to change.*

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

"Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the 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 Bonds 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 Bonds at the time the Bonds 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 Bonds.

3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as follows:

CUSIP No. (Base 338423)	Maturity Date

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

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

If any amendment is made to this Undertaking, the Annual 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 annual appropriation to cover the costs of preparation and mailing thereof and Section 8 of this Undertaking, the City shall disseminate in a timely manner, but not more than

ten (10) business days after the occurrence of the event, Listed Events Disclosure through EMMA. Whether events subject to the standard "material" would be material shall be determined under applicable federal securities laws.

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

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

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

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

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

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City or by approving vote of the owners of the Bonds at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying an accounting principle to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of

occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

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

DATED: [Closing Date]

CITY OF FLAGSTAFF, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

APPROVED AS TO FORM:

.....
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND
AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data of the type contained in the Final Official Statement in Table Nos. 8, 15A, and 16 (in each case, actual results for most recently completed fiscal year only).

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

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by the first business day of February of each year, commencing February 1, 2020. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP. Audited Financial Statements will be provided through EMMA within 30 days after availability to the City.

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

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

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

CITY OF FLAGSTAFF, ARIZONA –

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

$[PAR]
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2019

BOND PURCHASE AGREEMENT

_____, 2019

CITY OF FLAGSTAFF, ARIZONA
c/o The Honorable Mayor and Council
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, Hilltop Securities Inc. (the "Underwriter"), offers to enter into the following agreement with the City of Flagstaff, Arizona (the "Issuer"), which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the Issuer. The acceptance is made by the Issuer signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Bond Purchase Agreement (this "Agreement") shall have the same meanings set forth in the Bond Ordinance or the Official Statement (both as defined herein).

1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's General Obligation Bonds, Series 2019 (the "Bonds"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer acknowledges and agrees that: (i) the Underwriter is not acting as an agent or fiduciary of the Issuer, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an "arm's length," commercial transaction between the Issuer and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the Issuer; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer with respect to

the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Agreement; (v) the Underwriter has financial and other interests that differ from those of the Issuer; (vi) the Underwriter has provided to the Issuer prior disclosures under Rule G-17 of the MSRB (defined below), which have been received by the Issuer; and (vii) the Issuer has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

The principal amount, the maturities, the redemption provisions and the interest rates per annum and resulting yields for the Bonds are set forth in the Schedule hereto. The Bonds shall be as described in, and shall be issued under and pursuant to the provisions of an ordinance adopted by the Mayor and City Council of the Issuer (the "City Council") at a meeting duly called, noticed and held on November 5, 2019 (the "Bond Ordinance").

The Bonds will be dated as of the date of the initial authentication and delivery thereof.

The Bonds will be purchased by the Underwriter at the purchase price of $_____, consisting of the par amount of the Bonds, plus [net] original issue premium of $_____ and less the Underwriter's discount of $_____.

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside front cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower or higher than the public offering price stated on the inside front cover page of the Official Statement.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer on the Closing Date (as defined herein) an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Greenberg Traurig, LLP ("Bond Counsel"), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) [Except as otherwise set forth in Schedule [II] attached hereto,] the Issuer will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Agreement, the Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the unsold Bonds of that maturity to the public. That

reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Issuer or Bond Counsel.] For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule [II] attached hereto, except as otherwise set forth therein. Schedule [II] also sets forth, as of the date of this Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) The close of the fifth (5th) business day after the sale date; or

(2) The date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.]

(d) [The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) (a) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (b) to comply with the

hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.]

(e) [The Issuer acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.]

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date of execution of this Agreement by all parties.

4. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2019 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the Issuer relating to the Bonds, as to be subsequently revised to reflect the changes resulting from the sale of the Bonds and including amendments or supplements thereto, is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Issuer hereby deems the Preliminary Official Statement "final" as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The Issuer represents that the City Council (or appropriate officials of the Issuer) has reviewed and approved the information in the Official Statement and hereby

authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Issuer or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the Closing Date (as defined herein).

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

(a) The Issuer is duly organized and validly existing as a municipal corporation under the laws of the State of Arizona (the "State") with powers specifically required for the purposes of this Agreement, specifically Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended (the "Act"), and has now, and at the Closing Date will have, full legal right, power and authority under the Act to adopt the Bond Ordinance and under the Act and the Bond Ordinance (i) to enter into, execute and deliver this Agreement, the Bond Registrar and Paying Agent Agreement described in the Bond Ordinance and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the "Undertaking") and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, such Bond Registrar and Paying Agent Agreement and the Undertaking hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein and (iii) to carry out and consummate the transactions contemplated by the Bond Ordinance, the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act, the Bond Ordinance and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and, in the case of the Undertaking, annual appropriation of amounts to pay for compliance therewith, and the Bonds, when issued, delivered and paid for, in accordance with the Bond Ordinance and this Agreement, will constitute legal, valid and binding general obligations of the Issuer, entitled to the benefits of the Bond Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and all actions necessary to create a legal, valid and binding levy on all of the taxable property in the Issuer of a direct, annual, ad valorem tax, unlimited as to rate, sufficient to pay all the principal of and interest on the Bonds as the same become due, shall have been or shall be taken to the extent such action may be taken at or prior to the Closing;

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, no event has

occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Ordinance, and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Bond Ordinance, the Issuer Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS"; the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption "THE BONDS – Authorization and Use of Funds" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE";

(g) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the levying, assessment or collection of the property taxes for the payment of the Bonds pursuant to the Bond Ordinance or in any way contesting or affecting the adoption of the Bond Ordinance or the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be

stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Bonds;

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned (except as otherwise disclosed in the Official Statement or financial statements); since June 30, 2018, except as disclosed in the Official Statement, the Issuer has not incurred any material liabilities, direct or

contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business; prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer and the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(n) The Issuer has fully submitted to the Arizona Department of Revenue, the Arizona State Treasurer's Office or the Arizona Department of Administration, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the Issuer pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and will file the information relating to the Bonds required to be submitted to the Arizona Department of Administration pursuant thereto within 60 days of the Closing Date;

(o) The Issuer has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specified time, the documents required to cause the Bonds to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) Except as otherwise indicated in the Official Statement, the Issuer has been and is in material compliance during the previous five years with the terms of all continuing disclosure undertakings previously executed by the Issuer pursuant to the Rule;

(q) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, in each case payable from the same source as the Bonds, without the prior approval of the Underwriter; and

(r) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

6. Closing.

(a) Before 10:00 a.m., Arizona time, on _____, 2019 (the "Closing Date"), or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter, the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the Issuer (the "Closing"). Payment for the Bonds as aforesaid shall

be made at the offices of Bond Counsel or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds shall be made through the facilities of The Depository Trust Company, New York, New York ("DTC"), or, in the case of a "Fast Automated Securities Transfer" with the bond registrar and paying agent for purposes of the Bond Registrar and Paying Agent Agreement or by such other means as shall have been mutually agreed upon by the Issuer and the Underwriter. The Bonds shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Bond Ordinance, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

7. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Bond Ordinance, the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds, the Bond Ordinance and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Bond Ordinance shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the registrar for the Bonds shall have duly authenticated the Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or operations of the Issuer, from that set forth in the Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the Issuer by the Management Services Director or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Bond Ordinance with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Issuer Documents;

(4) the approving opinion of Bond Counsel, dated the Closing Date, with respect to the Bonds, in substantially the form attached to the Official Statement along with a reliance letter with respect thereto, dated the Closing Date and addressed to the Underwriter;

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

(i) The information contained (but not incorporated by reference) in the Official Statement under the headings entitled “THE BONDS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE” (except for matters relating to the compliance by the Issuer with its prior undertakings as to which we express no opinion) therein, in Appendices "B" and "C" thereto and in the tax caption paragraph at the top of the cover page thereof is an accurate summary of the information which it purports to summarize; provided, however, that such information does not

purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized, and, based solely on our participation in the transaction as Bond 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 date of Closing, 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;

(ii) The offer and sale of the Bonds shall be exempt from registration under the Securities Act of 1933, as amended, and the Bond Ordinance does not need to be qualified pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) The Issuer Documents and the Bond Ordinance have been duly authorized and validly executed and delivered by the Issuer and, assuming due authorization, execution and delivery by, and enforceability against, the other parties thereto, and, in the case of the Undertaking, subject to annual appropriation to provide for the costs of compliance therewith, constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws, and equitable principles affecting the enforceability of creditors' rights generally.

(6) An opinion of the counsel to the Issuer 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) the issuance and delivery of the Bonds, (ii) the carrying out of the purposes to which the proceeds of the Bonds are to be applied or (iii) the levy and collection of taxes to pay the debt service on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been sold, authorized, issued, executed or delivered or the validity or enforceability of the Bonds.

(7) An opinion of counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter, substantially to the effect that, based upon their participation in the preparation of the 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 where 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, in each case as to which no view need be expressed);

(8) A certificate, dated the Closing Date, of appropriate representatives of the Issuer substantially to the effect that:

(i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) no litigation or proceeding against it is pending or, to the best of such representatives' knowledge, threatened in any court or administrative body which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and levying, assessing and collecting the property taxes from which the Bonds are payable pursuant to the Bond Ordinance, nor, to the best of such representatives' knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents or have a material, adverse effect on the financial condition of the Issuer;

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

(iv) the financial statements of the Issuer included in the Official Statement were true, correct and complete as of June 30, 2018, and are true, correct and complete as of the date of such certificate, and

any other financial statements and statistical data included in the Official Statement are true and correct as of the date of such certificate;

(v) subsequent to June 30, 2018, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business; and

(vi) to the best of their knowledge and belief, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(9) A certificate, dated the Closing Date, of appropriate representatives of the Issuer in form and substance satisfactory to Bond Counsel (i) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (ii) certifying that to the best of their knowledge and belief, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) Any other certificates and opinions required by the Bond Ordinance for the issuance thereunder of the Bonds;

(11) Evidence satisfactory to the Underwriter that the Bonds have been rated "__" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC , and that such rating is in effect as of the Closing Date;

(12) The filing copy of the Information Return Form 8038-G (IRS) for the Bonds;

(13) The filing copy of the Report of Bond and Security Issuance pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, 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, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in 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 Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon income of the general character to be derived by the Issuer pursuant to the Bond Ordinance, or upon interest received on obligations of the general character of the Bonds or, with respect to State taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an

order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property or income securities (or interest thereon);

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

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

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations; and

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

9. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of the preparation and printing of the Bond Ordinance, the Issuer Documents, the Preliminary Official Statement and the Final Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel and counsel to the Underwriter; (iv) the fees and disbursements of _____, as bond registrar and paying agent and Stifel, Nicolaus & Company, Incorporated, as financial advisor to the City; (v) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer and (vi) the fees for bond ratings and credit enhancement fees or premiums, if any. The Issuer shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Agreement, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds and (ii) all other expenses incurred by them in connection with the public offering of the Bonds.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The Issuer acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

10. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the address set forth on the first

page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Hilltop Securities Inc., 2398 East Camelback Road, Suite 340, Phoenix, AZ 85016, Attention: Janelle Gold.

11. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement and (iii) any termination of this Agreement.

12. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

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

14. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

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

16. 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.

17. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

18. Notice Concerning Cancellation of Contracts. 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.

[Remainder of page left blank intentionally]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

HILLTOP SECURITIES INC.

By_____
Managing Director

ACCEPTED AND AGREED AT
__:__ _.M., M.S.T., THIS _____ DAY
OF _____, 2019:

CITY OF FLAGSTAFF, ARIZONA

By_____
Management Services Director

ATTEST:

_____
Clerk

APPROVED AS TO FORM:

_____
Bond Counsel

[Signature page of Bond Purchase Agreement for the City of Flagstaff, Arizona General Obligation Bonds, Series 2019]

SCHEDULE I

$_____
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2019

DATED DATE: CLOSING DATE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield
	$	%	%

* Yield calculated to first optional redemption date.

Redemption

Optional Redemption. The Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to maturity, at the direction of the Issuer, in whole or in part in denominations of $5,000 or integral multiples thereof from maturities selected by the Issuer, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

SCHEDULE II

$_____
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2019

Maturities for Which the 10% Test Has Been Met

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price
	$	%	%	%

Maturities for Which the 10% Test Has Not Been Met

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price
	$	%	%	%

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

Piper Jaffray & Co. ("Piper"), as Underwriter for the General Obligation Bonds, Series 2019 (the "Bonds") issued by the City of Flagstaff, Arizona (the "City"), based on its knowledge regarding the sale of the Bonds, certifies as of this date as follows:

[If the issue price is determined using only the general rule (actual sales of at least 10%) in Regulations § 1.148-1(f)(2)(i):

(A) As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A (the "Sale Price" as applicable to respective Maturities). The aggregate of the Sale Prices of each Maturity is $[_____] (the "Issue Price").]

[If the issue price is determined using a combination of actual sales (Regulations § 1.148-1(f)(2)(i)) and hold-the-offering-price (Regulations § 1.148-1(f)(2)(ii):

(A) As of the date of this certificate, for each Maturity listed on Schedule A as the "General Rule Maturities," the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A (the "Sale Price" as applicable to each Maturity of the General Rule Maturities).

(B) On or before the Sale Date, Piper offered the Maturities listed on Schedule A as the "Hold-the-Offering-Price Maturities" to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices" as applicable to each Maturity of the Hold-the-Offering-Price Maturities). A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(C) As set forth in the Bond Purchase Agreement, dated _____, 2019, between the City and Piper, Piper has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(D) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is $[_____] (the "Issue Price").]

[If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

(A) Piper offered, on or before the Sale Date, each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices"). A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B. The aggregate of the Initial Offering Prices of each Maturity is $[_____] (the "Issue Price").

(B) As set forth in the Bond Purchase Agreement, dated _____, 2019, between Piper and the City, Piper has agreed in writing that, (i) for each Maturity of the Bond, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Bond at a price that is higher than the respective Initial Offering Price for that Maturity of the Bond during the Holding Period.]

[(B),(E), or (C)] Definitions. [NOTE: If issue price is determined using only the general rule (actual sales of 10%), delete the definitions of "Holding Period" and "Sale Date."]

["Holding Period" means, for each Hold-the-Offering-Price Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Piper has sold at least 10% of such Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price for such Maturity.]

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

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

["Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Issue is [DATE].]

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

All capitalized terms not defined in this Bond have the meaning set forth in City's Certificate Regarding Federal Tax Matters.

The signer is an officer of Piper and duly authorized to execute and deliver this Certificate of Piper. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Certificate Regarding Federal Tax Matters and with respect to compliance with the federal income tax rules affecting the Bonds, and by Greenberg Traurig, LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

Dated: _____, 2019

HILLTOP SECURITIES INC.

By:_____

Title:_____

SCHEDULE A

General Rule Maturities

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	Price	Issue Price
	$	%	%	%	$

Hold-the-Offering-Price Maturities

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	Price	Issue Price
	$	%	%	%	$

SCHEDULE B

[**Actual Sales for Undersold Maturities as of the Closing Date**

Maturity/CUSIP	**Date Sold**	**Time Sold**	**Par Amount**	**Sale Price**

**]

[**PRICING WIRE OR EQUIVALENT COMMUNICATION**]

(Attached)

CITY OF FLAGSTAFF, ARIZONA

PROCEDURES FOR COMPLIANCE WITH CONTINUING DISCLOSURE UNDERTAKINGS

IMPLEMENTED NOVEMBER 5, 2019

These Procedures for Compliance with Continuing Disclosure Undertakings (these "Procedures") set forth procedures of the City of Flagstaff, Arizona (the "Issuer") to assist in compliance with the continuing disclosure undertakings ("Continuing Disclosure Undertakings") entered into by the Issuer in connection with the offering of obligations of the Issuer subject to the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

These Procedures document practices and describe various procedures for preparing and disseminating annual financial information and reporting "listed events" for the benefit of the holders of the Issuer's obligations and to assist Participating Underwriters (within the meaning of the Rule) in complying with the Rule.

Compliance with pertinent law is an ongoing process; necessary during the entire term of any obligations issued by the Issuer, and is an integral component of the Issuer's debt management. Implementation of these Procedures will require ongoing monitoring and consultation with bond/disclosure counsel and the Issuer's accountants and advisors.

General Policies and Procedures

1. The Management Services Director of the Issuer (the "Compliance Officer") will be responsible for monitoring post-issuance compliance.

2. The Compliance Officer will coordinate procedures for record retention and review of such records.

3. All documents and other records relating to obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer.

4. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.

5. The Compliance Officer will review the annual information required to be filed pursuant to each Continuing Disclosure Undertaking.

6. The Compliance Officer will train at least one other employee of the Issuer with respect to the matters contained in these Procedures to facilitate compliance with the Continuing Disclosure Undertakings in the event the Compliance Officer is no longer employed by the Issuer.

Continuing Disclosure

In order to monitor compliance by the Issuer with its Continuing Disclosure Undertakings, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Undertakings. The Compliance Officer may coordinate with staff, and may engage a dissemination agent, counsel, and/or

other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

A. Compilation of Currently Effective Continuing Disclosure Undertakings

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Undertakings of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective obligation issue. Continuing Disclosure Undertakings are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Undertakings) for so long as the obligations to which they relate are outstanding. As obligations are completely repaid or redeemed, the Compliance Officer shall remove the related Continuing Disclosure Undertakings from the set of Currently Effective Continuing Disclosure Undertakings.

B. Compilation of Currently Effective Financial Obligations

The Compliance Officer shall compile and maintain a list of all currently effective Financial Obligations of the Issuer. "Financial Obligations" means, for purposes of the Rule, a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, and existing or planned debt obligation, or (iii) a guarantee of (i) or (ii). For purposes of the Rule, Financial Obligation shall not include municipal securities of the Issuer as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule and as to which a continuing disclosure undertaking has been executed and delivered by the Issuer consistent with the Rule.

Such list shall include key terms of each Financial Obligation, such as date of incurrence, principal amount, maturity, amortization, interest rate, default rates, security and source of payment and key covenants.

C. Annual Review and Annual Reporting Requirements

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Undertakings annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Undertaking may differ from the financial information and operating data required to be reported under another Continuing Disclosure Undertaking; and

- The timing requirements for reporting under a particular Continuing Disclosure Undertaking may differ from the timing requirements for filing under another Continuing Disclosure Undertaking.

D. Calendar; EMMA Notification System

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall also subscribe to notification services made available through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

E. Annual Review of Prior Filings

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall file the missing information.

F. Monitoring of Listed Events

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Undertakings and shall provide notice of the same in the required manner and by the relevant reporting deadline (generally within 10 days of the occurrence):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations;
7. Modification to rights of holders of the Issuer's obligations, if material;
8. Calls of the Issuer's obligations, if material, and tender offers;
9. Defeasances of the Issuer's obligations;
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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 Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The list of Currently Effective Financial Obligations compiled pursuant to B. above will assist in making determinations with respect to Listed Events 15 and 16.

G. Review of Official Statements

The Compliance Officer shall review drafts of any offering document for a new offering of obligations, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the offering document accurately and completely describes the Issuer's continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer's other reviews of or diligence procedures relating to its offering documents.

H. Record Retention

The Compliance Officer shall retain documentation evidencing the Issuer's annual reviews and its reviews of offering documents in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Undertaking, for the period that the related obligations are outstanding.

I. Annual Review Checklist

The Compliance Officer may use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

10. C.

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:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration and Adoption of Ordinance No. 2019-33: An ordinance of the City Council of the City of Flagstaff, approving the form and authorizing the execution and delivery of a loan agreement with the Water Infrastructure Financing Authority of Arizona from its Clean Water Revolving Fund program; delegating the determination of certain matters relating thereto to the Management Services Director of the City; providing the transfer of certain moneys and making certain covenants and agreements with respect thereto and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by such loan agreement; providing for severability, authority for clerical corrections, and establishing an effective date

(Water Infrastructure Loan Authorization - Flagstaff Watershed Protection Project)

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Read Ordinance No. 2019-33 by title for the first time
2) City Clerk reads Ordinance No. 2019-33 by title only (if approved above)

At the November 5, 2019 Council Meeting:

3) Read Ordinance No. 2019-33 by title only for the final time
4) City Clerk reads Ordinance no. 2019-33 by title only (if approved above)
5) Adopt Ordinance No. 2019-33

Executive Summary:

This ordinance allows for the City of Flagstaff to enter into a loan agreement with the Water Infrastructure Finance Authority (WIFA) for the purpose of financing the Flagstaff Watershed Protection Project as approved by voters on November 6, 2012. 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:

The WIFA loan will be issued in the first quarter of 2020. In 2012 the voter authorized $10,000,000 for Forest Health and Watershed Protection Project. The city has already issued and spent $4,000,000 and we are anticipating issuing the remaining $6,000,000 authorized.

This loan will be repaid through secondary property tax collections within the current rate of $0.8366 per $100 of assessed valuation.

Policy Impact:

None

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

COUNCIL GOALS:
Environmental and Natural Resources: Aggressively support efforts for forest health.

REGIONAL PLAN:
Goal WR.6. Protect, preserve, and improve the quality of surface water, groundwater, and reclaimed water in the region.

Has There Been Previous Council Decision on This:

Yes. Council authorized the 2012 election which voters approved the issuance of debt for the specific projects. Issuing debt was anticipated when the voters approved the questions on the ballots. Council authorized the issuance of $2,000,000 of the authorization in 2013 and another $2,000,000 in 2018. On April 3, 2018 Council adopted Reimbursement Resolution 2018-18 for the remaining $6,000,000 authorized.

Options and Alternatives:

- Approve the Ordinance as written allowing the City to move forward with the loan agreement. Pros-Allows for cash flow necessary to complete voter-approved projects while maintaining the current secondary property tax rate. Cons-Increases City debt.
- Recommend changes to the Ordinance modifying the loan agreement. Pros and Cons are dependent on changes.
- Do not approve the authority to enter into a loan agreement. Pros-Delays level of debt for the City. Cons-Projects may need to stop and the City will need to find the cash flow for work completed to date.

Background/History:

On November 6, 2012, the City voters approved $24,000,000 in General Obligation bonds to be issued. $14,000,000 for a Core Services Facility and $10,000,000 for the Forest Health project. The City has issued $4,000,000 to advance the forest health project and has spent these funds as of May 2019. This issue will be for the remaining $6,000,000 authorization. This funding is anticipated to be spent or encumbered by December 2020.

Staff worked with our Financial Advisor, Stifel, Nicolas and Company (Stifel) to determine the best financing approach. The City and Stifel, contacted WIFA to discuss the project and financing needs of the City. WIFA is authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. The term of the loan is estimated to be 20 years with an estimated $1 million

of forgivable principal (grant funds). WIFA will also provide low-interest rate loans (subsidized by the federal government) and which is currently estimated at 1.5% (subject to change based on the natural AAA General Obligation Bond Index at closing and the appropriate subsidy to be negotiated. Normally, Davis Bacon would be a consideration in issuing debt through WIFA, but working with City and WIFA staff, it was determined that Davis Bacon does not apply. Stifel is assisting the City with providing WIFA the required Project Finance Application and related documentation for this project and is anticipated to be discussed and approved at the Arizona Finance Authority Board of Directors meeting in December of 2019. The combination of the staff recommended $1,000,000 Grant (estimated and subject to approval by the WIFA Board of Directors) along with the subsidized interest rate summarized above (approximately 1.5% currently) results in the most efficient financing for the City compared to other options, especially since Davis-Bacon Wages will not be required on this project.

The proposed ordinance includes the maximums contemplated to be issued to provide the greatest flexibility in both amount and timing. While the purpose of this agenda item is to approve an ordinance to allow the City to issue debt, we have included a draft WIFA loan agreement as an informational document you may review. This document has been reviewed by our Financial Advisors and Bond Counsel. Once we have WIFA support to move forward with the loan, these documents will be updated to the final form. Final documents will be available upon request to the Management Services Director.

Expanded Financial Considerations:

The new loan will be paid through the assessment of secondary property taxes. To meet the promise made to the public to hold the secondary property rate flat, the City will use strategies including using the secondary property tax reserves and issuing debt that is layered in so that the City can maintain the existing secondary property tax rate of $0.8366 per $100 of assessed valuation.

Community Involvement:

The process to select the projects that were voted on by the public involved: Consult, Involve, Collaborate and Empower.
The process to authorize the issuance of debt is to INFORM the public.

Attachments: Ord. 2019-33
Example Loan Document

ORDINANCE NO. 2019-33

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT WITH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA FROM ITS CLEAN WATER REVOLVING FUND PROGRAM; DELEGATING THE DETERMINATION OF CERTAIN MATTERS RELATING THERETO TO THE MANAGEMENT SERVICES DIRECTOR OF THE CITY; PROVIDING FOR THE TRANSFER OF CERTAIN MONEYS AND MAKING CERTAIN COVENANTS AND AGREEMENTS WITH RESPECT THERETO AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY SUCH LOAN AGREEMENT; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, at a special bond election held in and for the City of Flagstaff, Arizona (the "City"), on November 6, 2012 (the "Election"), there was submitted to the qualified electors thereof, among others, the following question:

QUESTION NO. 405

Purpose: **Forest Health and Water Supply Protection Project**

Amount: **$10,000,000**

To prevent flood damage to the City of Flagstaff ("City"), and to protect the City water supply from damages which occur from large-scale and/or severe wildfire(s) in two watersheds serving the City, shall the City be authorized to sell and issue general obligation bonds in a principal amount up to $10,000,000:

- to expedite and conduct forest treatments in the Dry Lake Hills watershed north of town to reduce wildfire threat, thereby mitigating subsequent flooding to Sunnyside, downtown, the NAU campus, and neighborhoods bordering the Rio de Flag;

- to plan and conduct forest treatments in the Lake Mary watershed south of the City to reduce wildfire threat, thereby protecting the storage capacity and water quality of Lake Mary; and

- to pay all costs and expenses properly incidental thereto and to the issuance of bonds?

The bonds may be issued in one or more series, will not mature more than 25 years from the date or dates of their issue, will bear interest at a rate or rates not to exceed 10% per annum, and will have such other provisions as are approved by the City Council. The following sentence has been included on this ballot as required by Arizona Revised

Statutes 35-454(C): The issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on the bonds; and

A vote for the bonds shall have the effect of allowing the City Council to issue up to $10,000,000 in general obligation bonds for planning and implementation of forest health and water supply protection projects.	**For the Bonds**	☐
A vote against the bonds shall have the effect of not allowing the City Council to issue up to $10,000,000 in general obligation bonds for planning and implementation of forest health and water supply protection projects.	**Against the Bonds**	☐

WHEREAS, the returns of the Election were duly canvassed by the Mayor and Council of the City and a certificate disclosing the purpose of the Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the question was ordered and has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, a majority of the qualified electors of the City, voting at the Election voted “For the Bonds”, in answer to the foregoing question; and

WHEREAS, the City has heretofore applied to the Water Infrastructure Finance of Arizona (the “Authority”), for a loan (the “Loan”) from the Authority’s Clean Water Revolving Fund Program for not to exceed $6.000,000 to fund the Flagstaff Watershed Protection Project as well as the payment of the City’s proportionate share of expenses of administering the Authority’s Clean Water Revolving Fund Program and any bonds issued by the Authority with respect thereto (collectively, the “Project”); and

WHEREAS, to repay the Loan, the City may enter into a financial assistance loan repayment agreement with the Authority which is payable from any revenues otherwise authorized by law to be used to repay long-term obligations; and

WHEREAS, the terms and conditions under which the Loan will be made and the obligations of the City with respect to the Loan will be set forth in a loan agreement to be executed and delivered by the City and the Authority (the “Loan Agreement”); and

WHEREAS, the Mayor and Council of the City has determined that it will be beneficial to the citizens of the City to enter into and to perform the Loan Agreement; and

WHEREAS, the Loan is to be made by the Authority to the City pursuant to the provisions of the Loan Agreement and the loan repayments payable by the City pursuant to the Loan Agreement (the “Loan Repayments”) will be secured by the “Source of Repayment” (as described in the Loan Agreement); and

WHEREAS, the Loan shall be repaid on or before July 1, 2041, twenty-one (21) years from the date of the execution and delivery of the Loan Agreement and the Loan shall bear interest at a

rate not to exceed ten percent (10%) per annum; and

WHEREAS, there has been placed on file with the Clerk of the City and presented at the meeting at which this Ordinance was adopted the proposed form of the Loan Agreement;

ENACTMENTS:

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

SECTION 1. The form, terms and provisions of the Loan Agreement, in the form of such document (including the exhibits thereto) presented at the meeting at which this Ordinance was adopted are hereby approved, with such insertions, omissions and changes, not inconsistent with the City's application to the Authority or the requirements of the federal government or the Authority, as shall be approved by the Management Services Director of the City, the execution of such document being conclusive evidence of such approval, and the Management Services Director of the City and the Clerk of the City are hereby authorized and directed, for and on behalf of the City, to execute and attest and deliver, respectively, the Loan Agreement.

SECTION 2. For the payment of the principal of and interest on the Loan, the City shall pay the Loan Repayments provided for in the Loan Agreement. The City shall also pay all other amounts required to be paid by the City pursuant to the provisions of the Loan Agreement and, if the Credit Instrument is required by the Authority, the Reserve Fund Agreement.

SECTION 3. (A) For the purpose of the obligation of the City to pay the Loan Repayments provided for in the Loan Agreement as well as to make the other payments provided for in the Loan Agreement, there shall be levied on all the taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such amounts as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected. The tax shall be extended and collected for the City, and the officials of the City and Coconino County, Arizona, charged with the annual extension and collection of taxes, without further instructions from the Council, shall extend and collect the tax upon issuance of the Loan. All moneys collected through such tax shall be paid into the treasury of the City, to the credit of a "Debt Service Fund" of the City for the Loan, from which fund the Loan shall be payable, which tax moneys shall be held in subfunds to be known as the "Interest Fund" and the "Redemption Fund," which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal on the Loan.

(B) The Loan or portion thereof in authorized amount shall be deemed paid and defeased and thereafter shall have no claim on ad valorem taxes levied on taxable property in the City (i) if there is deposited with a bank or comparable financial institution, in trust, moneys or obligations issued by or guaranteed by the United States government ("Defeasance Obligations") or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal thereof and interest thereon or portion thereof as the same matures, comes due or becomes payable upon prior redemption and (ii) if such defeased amount thereof is to be redeemed, notice of such redemption has been given in accordance with provisions of the Loan Agreement. Amounts the payment of which has been provided for in accordance with this Section shall no longer be deemed payable or outstanding and thereafter such amounts shall be payable only

from the moneys or Defeasance Obligations deposited to provide for the payment thereof.

SECTION 4. The appropriate officials and officers of the City are hereby authorized and directed to take all action necessary or reasonably required by the parties to the Loan Agreement, to carry out, give effect to and to consummate the transactions contemplated by the Loan Agreement and by this Ordinance, including, without limitation, the execution and delivery of any closing and other documents reasonably required to be delivered in connection therewith.

SECTION 5. If any section, paragraph, subdivision, sentence, clause or phrase of this Ordinance is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Ordinance. The Mayor and Council of the City hereby declare that it would have adopted this Ordinance and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the execution and delivery of the Loan Agreement pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Ordinance may be held illegal, invalid or unenforceable. All ordinances and resolutions or parts thereof, inconsistent herewith, are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any ordinance or resolution or any part thereof.

SECTION 6. All actions of the officers and agents of the City including the Mayor and Council of the City which conform to the purposes and intent of this Ordinance and which further the execution and delivery of the Loan Agreement as contemplated by this Ordinance, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Ordinance.

SECTION 7. All acts and conditions necessary to be performed by the City or to have been met precedent to and in the execution and delivery of the Loan Agreement in order to make it a legal, valid and binding obligation of the City will at the time of delivery of the Loan Agreement have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the execution and delivery of the Loan Agreement.

SECTION 8. All formal actions of the Mayor and Council of the City concerning and relating to the passage of this Ordinance were taken in an open meeting of the Mayor and Council of the City, and all deliberations of the Mayor and Council of the City and of any committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements.

SECTION 9. After the execution and delivery of the Loan Agreement and upon receipt of the Loan from the Authority, this Ordinance shall be and remain irrepealable until the Loan and the Loan Agreement and the interest thereon shall have been fully paid, cancelled and discharged.

SECTION 10. Repeal of Conflicting Ordinances

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

SECTION 11. 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.

SECTION 12. 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 13. 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 5th day of November, 2019.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:

[Borrower] and

Water Infrastructure Finance Authority of Arizona

Borrower – Table of Contents

Document	Tab
[Borrower]'s Borrowing Resolution	1.
WIFA Board Resolution	2.
Loan Agreement	3.
Loan Agreement Addendum-Wage Rate and Forgivable Principal Requirements for Compliance with P.L. 111-88	4.
Loan Agreement Addendum-American Iron and Steel Requirements for Compliance with Federal Law	5.
Exhibit A of Loan Agreement: Financial Terms and Conditions	6.
Exhibit B of Loan Agreement: Technical Terms and Conditions	7.
Exhibit C of Loan Agreement: Reporting Requirements	8.
Exhibit D of Loan Agreement: Source of Repayment and Rate Covenant Provisions	9.
Exhibit E of Loan Agreement: Debt Service Reserve Provisions	10.
Exhibit F of Loan Agreement: Replacement Reserve Provisions	11.
Exhibit G of Loan Agreement: Form of Opinion of Local Borrower	12.
Exhibit H of Loan Agreement: Tax Compliance Certificate of Local Borrower	13.
IRS Form 8038-G	14.
Standard Terms and Conditions	15.
WIFA Disbursement Requisition Procedures and Payment Requisitions (on CD)	

Loan Agreement

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

[Borrower]
(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of **[To be Determined]**

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Exhibit G Form of Opinion of Counsel to Borrower

Exhibit H Tax Compliance Certificate of Local Borrower

Loan Agreement

This Loan Agreement (this "*Loan Agreement*") is made and entered into as of **[To be Determined]** by and between the Water Infrastructure Finance Authority of Arizona (the "*Authority*"), and **[Borrower]** (the "*Local Borrower*"), a political subdivision of the State of Arizona.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and the Standard Terms and Conditions.

The Authority and the Local Borrower agree as follows:

Article 1 Description of the Loan

Section 1.1 Name and Address of Local Borrower.

[Borrower]
Attention: **[Designated Contact]**
[Address]
[City, State Zip]
Telephone: **[Phone number]**
Fax: **[Fax number]**

Section 1.2 Authorized Officer(s) of Local Borrower.

[Borrower]
Attention: **[Authorized Representative]**
[Address]
[City, State Zip]
Telephone: **[Phone number]**
Fax: **[Fax number]**

Section 1.3 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Local Borrower at the address specified in Section 1.1 and to the Authority at the following address:

Executive Director
Water Infrastructure Finance Authority of Arizona
100 North 7th Avenue, Suite 100
Phoenix, Arizona 85007
Telephone: (602) 364-1310
Fax: (602) 364-1327

Any of the parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 1.4 Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Loan Agreement:

Exhibit A Financial Assistance Terms and Conditions; Borrower Payment Instructions; and Loan Repayment Schedule

Exhibit B Technical Assistance Terms and Conditions

Exhibit C Reporting Requirements

Exhibit D Source of Repayment

Exhibit E Debt Service Reserve Requirements

Exhibit F Replacement Reserve Requirements

Exhibit G Form of Opinion of Counsel to Borrower

Exhibit H Tax Compliance Certificate of Local Borrower

Prior to Loan Closing, the Local Borrower must deliver to the Authority the Opinion of Local Borrower Counsel in the form of Exhibit G and the Tax Compliance Certificate of Local Borrower in the form of Exhibit H, signed and dated the date of Loan Closing.

Article 2 Description Of The Project

Section 2.1 Description of Project. The Project is described in Project Summary attached to the Loan Resolution of the Authority, and in Exhibit B of this Loan Agreement.

Section 2.2 Description of System. [Description of "System" - To be Determined].

Article 3 Loan to Local Borrower; Amounts Payable

Section 3.1 The Loan. The Authority shall loan and disburse to the Local Borrower in accordance with this Article 3 an amount listed in Exhibit A (the "Loan"), and the Local Borrower shall borrow and accept from the Authority, the Loan in the principal amount determined pursuant to this Article 3; provided, however, that (i) the Authority shall be under no obligation to disburse any amount of the Loan if an Event of Default has occurred and is continuing under this Loan Agreement, and (ii) the amount to be disbursed shall be lawfully available for disbursement. The Local Borrower shall use the proceeds of the Loan strictly in accordance with the requirements of this Loan Agreement.

Section 3.2 Disbursements of Loan Proceeds. The Authority may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. Except as hereinafter provided, disbursements shall be made only when (i) the request for disbursements is in substantially the form provided by the Authority and is accompanied by the necessary certifications and documentation and (ii) an Authorized Officer of the Authority has determined

that such disbursement is proper. An Authorized Officer of the Authority shall approve disbursements directly to the persons or entities entitled to payment or to the Local Borrower in the case of reimbursement for costs of services already paid, and shall provide the Local Borrower with a copy of the approval and the date approved. Disbursements may be made only for Eligible Project Costs.

Section 3.3 Amounts Payable. The Local Borrower shall pay to the Authority the amounts shown in Exhibit A on or before the dates shown in Exhibit A, as the same may be adjusted as provided in the Standard Terms and Conditions, to reflect any revisions to the principal repayment schedule of the Loan. Such payments shall be made by electronic funds transfer or by direct debit to the Authority.

Section 3.4 Tax Covenants.

(a) General. The Local Borrower acknowledges that, in connection with its state revolving fund programs, the Authority issues its bonds ("Authority Bonds") from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be an obligation that bears interest that is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code. Therefore, the Local Borrower represents and covenants as follows with respect to the Loan and the Authority Bonds. The Local Borrower covenants that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Loan or the Authority Bonds under Section 103(a) of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon a bond counsel opinion as may rescind or otherwise negate such action or omission. The Local Borrower will not directly or indirectly use or permit the use of any proceeds of the Loan or any other funds of the Local Borrower or take or omit to take any action that would cause the Loan or the Authority Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code or to fail to meet any other applicable requirement of Sections 103, 141, 148, 149 and 150 of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code. To that end, the Local Borrower will comply with all applicable requirements of Sections 103, 141, 148, 149 and 150 of the Code to the extent applicable to the Loan.

(b) Modification Based on Bond Counsel Opinion. Notwithstanding any provision of this Section, if the Local Borrower provides to the Authority a bond counsel opinion to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of interest on the Loan or the Authority Bonds pursuant to Section 103(a) of the Internal Revenue Code, the provisions of this Section and the covenants in this Section shall be deemed to be modified to that extent.

(c) Bond Counsel Opinion. For purposes of this Section, "bond counsel opinion" means an opinion letter of a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, and who is acceptable to the Authority.

IN WITNESS WHEREOF, the Authority and the Local Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hereof.

Water Infrastructure Finance Authority of Arizona

By: _____
Dan Dialessi, Executive Director

City of Peoria

By:_____
[Authorized Representative Name and Title]

Attest:

By: _____
Clerk

LOAN AGREEMENT ADDENDUM

Wage Rate and Forgivable Principal Requirements for Compliance with P.L. 111-88

Water Infrastructure Finance Authority of Arizona

This document (this "Wage Rate and Forgivable Principal Addendum") sets forth additional requirements applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") that are subject to the requirements of Public Law 111-88, "Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes," enacted October 30, 2009 ("P.L. 111-88"). The provisions in this Wage Rate and Forgivable Principal Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under P.L. 111-88, and that the requirements of P.L. 111-88 include those set forth in this Wage Rate and Forgivable Principal Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement (including interest and fees at rates adjusted from those originally in effect as described herein).

Additional Requirement for Subrecipients that are not Governmental Entities:

Obtaining Wage Determinations - Under this Wage Rate and Forgivable Principal Addendum, the non-governmental borrower must submit its proposed Davis Bacon wage determinations to WIFA for approval prior to including the wage determination in any solicitation, contract task orders, work assignments, or similar instruments to existing contractors. **THIS PARAGRAPH DOES NOT APPLY TO GOVERNMENTAL ENTITIES.**

Section 1. P.L. 111-88 Compliance - Forgivable Principal Portion.

(a) Section 1 of Exhibit A to the Loan Agreement specifies the Total Financial Assistance Amount, the amount, if any, designated as the Forgivable Principal Portion, the Intended Repayment Amount, and the required amount of reserves to be established based upon the Intended Repayment Amount. Section 2 of Exhibit A to the Loan Agreement specifics a schedule of interest and principal payments based on the Intended Repayment Amount. If the Local Borrower fails to comply with the requirements of P.L. 111-88, including those set forth in this Wage Rate and Forgivable Principal Addendum:

(i) WIFA will provide a revised Exhibit A for the Loan Agreement to amortize the entire Total Financial Assistance Amount with the Forgivable Principal Portion set to **[Forgivable Principal Amount]**, adjusted, as necessary, to incorporate, previous principal payments.

(ii) The Local Borrower will repay the Total Financial Assistance Amount.

Section 2. P.L. 111-88 Compliance - Wage Rate Requirements.

This language must be included in all Davis Bacon covered construction contracts and subcontracts. (29 CFR Part 5.5)

(a) The Local Borrower shall insert in full in any contract in excess of $2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the CWSRF or a construction project under the DWSRF, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, or the FFY 2010 appropriation, the following clauses:

(1) **Minimum wages**. (i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers. Local Borrowers may obtain wage determinations from the U. S. Department of Labor's web site, www.wdol.gov.

(ii)(A) The Local Borrower, on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The WIFA award official shall approve an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and
(2) The classification is utilized in the area by the construction industry; and
(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.
(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the Local Borrower agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by the Local Borrower to the WIFA award official. The WIFA award official will transmit the report, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA Davis Bacon Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise the WIFA award official or will notify the WIFA award official within the 30-day period that additional time is necessary.
(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the Local Borrower do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the questions, including the views of all interested parties and the recommendation of the WIFA award official, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.
(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii) (B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.
(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.
(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) **Withholding**. The Local Borrower shall upon its own action or upon written request of WIFA, EPA award official or an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any

apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) **Payrolls and basic records**. (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.
(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Local Borrower. Such documentation shall be available on request of WIFA or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5 (a)(1) based on the most recent payroll copies for the specified week. **The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number).** The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/whd/forms/wh347.pdf or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the Local Borrower for transmission to WIFA or EPA, if requested by EPA, WIFA, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the Local Borrower.
(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under Sec. 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under Sec. 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;
(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.
(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.
(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.
(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of WIFA. EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or WIFA may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) **Apprentices and trainees** - (i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in

percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) **Compliance with Copeland Act requirements**. The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) **Subcontracts**. The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may by appropriate, and also a clause requiring the subcontractors to include these clauses in any lower

tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) **Contract termination: debarment**. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) **Compliance with Davis-Bacon and Related Act requirements**. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) **Disputes concerning labor standards**. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and the Local Borrower, WIFA, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) **Certification of eligibility**. (i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).
(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).
(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

(b) **Contract Work Hours and Safety Standards Act**. The Local Borrower shall insert the following clauses set forth in paragraphs (b)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of $100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Sec. 5.5(a) or 4.6 of part 4 of this title. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.
(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.
(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum

of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.
(3) Withholding for unpaid wages and liquidated damages. The Local Borrower, upon its own action or upon written request of the EPA Award Official or an authorized representative of the Department of Labor shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.
(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.
(c) In addition to the clauses contained in paragraph (b), in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR Sec. 5.1, the Local Borrower shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Local Borrower shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of WIFA, EPA and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

Section 3. General Provisions.

(a) Binding Effect. This Wage Rate and Forgivable Principal Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this Wage Rate and Forgivable Principal Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This Wage Rate and Forgivable Principal Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This Wage Rate and Forgivable Principal Addendum 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.

(e) Applicable Law. This Wage Rate and Forgivable Principal Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

(f) Captions. The captions or headings in this Wage Rate and Forgivable Principal Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this Wage Rate and Forgivable Principal Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA , authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Wage Rate and Forgivable Principal Addendum.

(h) Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes.

(i) Notice Regarding A.R.S. § 38 511. To the extent applicable by provision of law, the parties acknowledge that this Wage Rate and Forgivable Principal Addendum is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this Wage Rate and Forgivable Principal Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: _____

Dan Dialessi, Executive Director

[Borrower]

By: _____

[Authorized Representative Name and Title]

[Signature page to Wage Rate and Forgivable Principal Addendum to Loan Agreement]

LOAN AGREEMENT ADDENDUM

American Iron and Steel Requirements for Compliance with Federal Law

Water Infrastructure Finance Authority of Arizona

This document (this "American Iron and Steel Addendum") sets forth additional requirements made applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") by federal law. The provisions in this American Iron and Steel Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under federal law, and that the requirements of federal law include those set forth in this American Iron and Steel Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement.

Federal law requires that WIFA include in all assistance agreements, including the Loan Agreement, for the construction, alteration, maintenance, or repair of treatment works under the Clean Water State Revolving Fund and for the construction, alteration, maintenance, or repair of a public water system under the Drinking Water State Revolving Fund, a provision requiring the application of American Iron and Steel requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences. Whether or not the project has multiple sources of funding, the American Iron and Steel requirements apply to the entire project and not just to the activities funded by the money made available to WIFA by the federal government.

Section 1. **American Iron and Steel Requirements.** In accordance with federal law:

(a)(1) None of the funds made available to WIFA as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.) or as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12) shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States.

(2) In this section, the term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

(b) Subsection (a) shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency (in this section referred to as the "Administrator") finds that—

(1) applying subsection (a) would be inconsistent with the public interest;

(2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or

(3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

(c) If the Administrator receives a request for a waiver under this section, the Administrator shall make available to the public on an informal basis a copy of the request and information available to the Administrator concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Environmental Protection Agency.

Section 2. General Provisions.

(a) Binding Effect. This American Iron and Steel Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this American Iron and Steel Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This American Iron and Steel Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This American Iron and Steel Addendum 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.

(e) Applicable Law. This American Iron and Steel Addendum shall be governed by and construed in accordance with the laws of the State of Arizona and applicable federal law.

(f) Captions. The captions or headings in this American Iron and Steel Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this American Iron and Steel Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA , authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this American Iron and Steel Addendum.

(h) Prohibition Against Discrimination. In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of

Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

(i) Arbitration. In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

(j) Notice of Arizona Revised Statutes Section 38-511 - Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this American Iron and Steel Addendum under the law of the State of Arizona.

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this American Iron and Steel Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: _____

Dan Dialessi, Executive Director

[Borrower]

By: _____

[Authorized Representative Name and Title]

[Signature page to American Iron and Steel Addendum to Loan Agreement]

Exhibit A - will be prepared when financial terms and conditions are determined

Exhibit B

Technical Terms and Conditions

Section 1
Budget

Uses by Budget Item	**Amount Budgeted**
Planning……....	[$0.00]
Design & Engineering…….	[$0.00]
Legal/Debt Authorization……	[$0.00]
Financial Advisor……	[$0.00]
Land/System Acquisition……	[$0.00]
Equipment/Materials……...	[$0.00]
Construction/Installation/Improvement……...	[$0.00]
Inspection & Construction Management…….	[$0.00]
Project Officer…….	[$0.00]
Administration…….	[$0.00]
Staff Training……..	[$0.00]
Capitalized Interest……..	[$0.00]
Refinance Loan……..	[$0.00]
Other……	[$0.00]
Total Budget……...	[$0.00]

Section 2
Project Description

This loan will fund **[description of project to be funded]**.

Section 3
Estimated Observation and Disbursement Schedule

Observation Schedule [Schedule A, B, or C]:

[Observation schedule determined by which schedule level identified, A, B, or C]

Additional Observations: **[Additional Observation determined by which schedule level identified, A, B, or C]**

Final Observation: **[Final Observation determined by which schedule level identified, A, B, or C]**

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Withholding Percentage: 10% (released after deliverables received)

Section 4
Requirements Prior To Construction

Section 4.1 **Construction Bids.** The Local Borrower shall submit to the Authority for review and approval prior to execution:

(a) engineering contracts related to the Project,

(b) bid documents related to the Project,

(c) construction contracts related to the Project, and

(d) certification of positive effort for disadvantaged business enterprise participation.

Section 4.2 **User Charges**. The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 **Interest in Project Site**. As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 **Federal Clean Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.5 **Federal Safe Drinking Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs**. The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs.

[Additional requirements may be necessary depending on the project]

Section 5
Requirements During Construction

Section 5.1 **Changes in Project Scope.** The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 **Completion of Project and Provision of Moneys Therefor**. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall

stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

[Additional requirements may be necessary depending on the project]

Section 6
Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. No Requirement.

Section 6.2 **Final Approval**. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

[Additional requirements may be necessary depending on the project]

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review**. The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts**. The Local Borrower shall keep accurate records and accounts for the System, including records and accounts for the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). The Local Borrower must maintain the System Records in accordance with generally accepted accounting principles (GAAP), including standards relating to the reporting of infrastructure assets, as issued by the Governmental Accounting Standards Board (GASB) or by the Financial Accounting Standards Board (FASB), as applicable to the Local Borrower. If required by law, the Local Borrower must have the System Records audited annually by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. The Local Borrower must make all System Records and General Records available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel**. Promptly after becoming aware thereof, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan.

Section 4. **Notice of Material Adverse Change**. The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default**. Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is

bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7**.** **Notice of Construction Commencement**. The Local Borrower shall promptly notify the Authority immediately upon commencement of construction activities.

Section 8**.** **Notice of Non-Environmental Litigation**. Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Notice of Environmental Litigation**. Without limiting the provisions of Section 8 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 10. **Regulatory and Other Notices**. Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 11. **Other Information**. The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 12. **Additional Reporting Requirements.** The Local Borrower shall refer to the Loan Agreement Addendum for wage rate reporting requirements.

Exhibit D Source of Repayment: General Obligations

Source of Repayment and Rate Covenant Provisions

It is understood and agreed that all payments with respect to the Loan are a general obligation of the Local Borrower secured by ad valorem taxes annually levied on all taxable property within the boundaries of the Local Borrower. The Local Borrower is not obligated to make the payments on the Loan from any sources other than the Source of Repayment but the Local Borrower may, at its sole option, make payment on the Loan from other funds as permitted by law.

Exhibit E Debt Service Reserve Requirement

No Debt Service Reserve Required

The Local Borrower shall not be required to either (i) provide a Reserve Fund Surety or (ii) fund a Reserve Fund in cash in connection with this Agreement.

Exhibit F Replacement Reserve Requirements

No Replacement Reserve Required

The Local Borrower shall not be required to maintain a Replacement Reserve in connection with the Loan.

Exhibit G Form of Opinion of Local Borrower Counsel

Enter Date of Opinion

Water Infrastructure Finance Authority of Arizona
Phoenix, Arizona

Ladies and Gentlemen:

I am an attorney admitted to practice in the State of Arizona and I have acted as counsel to the City of Peoria (the "*Local Borrower*"), which has entered into a Loan Agreement (as hereinafter defined) with the Water Infrastructure Finance Authority of Arizona (the "*Authority*"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement (as hereinafter defined). Terms used and not otherwise defined herein have the meanings given to them in the Loan Agreement.

In so acting I have examined the Constitution and laws of the State of Arizona. I have also examined originals, or copies certified or otherwise identified to my satisfaction, of the following:

(a) the Loan Agreement, dated as of [To be determined], (the "*Loan Agreement*") by and between the Authority and the Local Borrower; and

(b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the Local Borrower Bond and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project, including the proceedings relating to the election held on Enter Election Date on the question of authorizing the Local Borrower to enter into loan agreements with the Authority and/or issue the Local Borrower Bond, of which there is authorized but unissued capacity at least equal to the principal amount of the Loan.

I have also examined and relied upon originals, or copies certified or otherwise authenticated to my satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in my judgment I have deemed necessary or appropriate to enable me to render the opinions expressed below.

Based upon the foregoing, I am of the opinion that:

1. The Local Borrower is a political subdivison of the State of Arizona with the legal right to carry on the business of the System as currently being conducted and as proposed to be conducted.

2. The Local Borrower has full legal right and authority to pledge the Source of Repayment for the Loan Repayments and to execute and deliver the Loan Agreement, and to observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project; subject, however, to the effect of restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization, debt adjustment or other similar laws

affecting creditors rights generally ("*Creditor's Rights Limitations*") heretofore or hereafter enacted.

3. The Local Borrower has duly and validly pledged the Source of Repayment for the punctual payment of the principal of and interest on the Loan and all other amounts due under the Loan Agreement and the Local Borrower Bond according to their respective terms.

4. All additional debt tests and reserve and other requirements applicable to the Local Borrower with respect to the pledge of the Source of Repayment have been satisfied.

5. The authorizing proceedings of the Local Borrower's governing body approving the Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project (hereinafter collectively called the "*Authorizing Resolutions*") have been duly and lawfully adopted and authorized in accordance with applicable Arizona law, at a meeting or meetings which were duly called pursuant to necessary public notice and held in accordance with applicable Arizona law, and at which quorums were present and acting throughout.

6. The Loan Agreement has been duly authorized, executed and delivered by the authorized officers of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered the Loan Agreement, the Loan Agreement constitutes the legal, valid and binding obligation of the Local Borrower enforceable in accordance with its terms; subject, however, to the effect of and to restrictions and limitations imposed by or resulting from Creditor's Rights Limitations or other laws, judicial decisions and principles of equity relating to the enforcement of contractual obligations generally.

7. To the best of my knowledge, after such investigation as I have deemed appropriate, the authorization, execution and delivery of the Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Local Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing bond resolution, trust agreement, indenture, mortgage, deed of trust or other agreement to which the Local Borrower is a party or by which it, the System or its property or assets is bound.

8. To the best of my knowledge, after such investigation as I have deemed appropriate, all approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Local Borrower in connection with the authorization, execution, delivery and performance of the Loan Agreement, and the undertaking and completion of the Project have been obtained or made.

9. To the best of my knowledge, after such investigation as I have deemed appropriate, there is no litigation or other proceeding pending or threatened in any Court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Local Borrower or the validity, legality or enforceability of the Loan Agreement, or the undertaking or completion of the Project.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. I express no opinion as to any matter not set forth in the numbered paragraphs herein.

Very truly yours,

Exhibit H Form of Tax Compliance Certificate of Local Borrower

Water Infrastructure Finance Authority of Arizona

[$Loan Amount] Loan to **[Borrower]**

The Water Infrastructure Finance Authority of Arizona (the "Authority") and **[Borrower]** (the "Local Borrower") are entering into a Loan Agreement (the "Loan Agreement") in the maximum principal amount stated above pursuant to which the Authority will make a loan (the "Loan") to the Local Borrower. In connection with its state revolving fund programs, the Authority issues its bonds ("Authority Bonds") from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be a Tax-Exempt Obligation that is not an AMT Obligation. Therefore, in order to establish certain facts necessary for the Loan to qualify and be treated as a Tax-Exempt Obligation that is not an AMT Obligation, and as required by the provisions of the Loan Agreement, the Local Borrower by its officer signing this Certificate, certifies, represents, and covenants as follows with respect to the Loan. All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations.

I. DEFINITIONS

1.10. Attachment A. The definitions and cross-references set forth in Attachment A apply to this Certificate and its Attachments. All terms relating to a particular issue, such as Sale Proceeds, relate to the Loan, unless indicated otherwise. (For example, "Sale Proceeds" refers to Sale Proceeds of the Loan, unless indicated otherwise.)

1.20. Special Definitions. Terms used herein, to the extent not defined in Attachment A or below, have the same meaning as defined in the Loan Agreement. In addition, the following definitions apply to this Certificate and its Attachments:

"Instructions" means the Rebate Instructions attached hereto as Attachment A-1.

"Issue" means the Loan.

"Issuer" means the Local Borrower.

"Project" means the financing of a portion of the costs of acquisition, construction and improvement of facilities to be financed by the Loan and includes Issuance Costs and interest on the Loan for up to three years from the Issuance Date or, if later, one year after the date the Project is placed in service, all of which are governmental purposes for purposes of the Code.

"Reserve Fund" is defined in 3.40(a).

1.30. References. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

2.20. Purpose of Issue. The Issue is being issued to provide funds to pay costs of the Project.

2.30. Dates. The Sale Date of the Issue is the date on which the Loan Agreement is executed and delivered by the Authority and the Local Borrower, and the Issuance Date of the Issue is the first date on which the aggregate draws under the Loan exceed the lesser of $50,000 or 5% of the principal amount of the Loan.

2.40. Issue Price. The Issue Price of the Issue is the principal amount actually advanced by the Authority to the Issuer as the Loan.

2.50. Sale Proceeds, Net Proceeds, and Net Sale Proceeds. The amount of Sale Proceeds equals the Issue Price. The amount of Net Proceeds equals the Issue Price minus the amount of Proceeds (if any) deposited in the Reserve Fund (if any). The amount of Net Sale Proceeds equals the amount of Net Proceeds minus the Minor Portion.

2.60. Disposition of Sale Proceeds. There will be no Pre-Issuance Accrued Interest with respect to the Issue. The Sale Proceeds will be used to pay costs of the Project and, if applicable, to fund the Reserve Fund (if any).

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) the Minor Portion to the extent provided in 3.80, (B) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (C) Gross Proceeds held in the Reserve Fund (if any) to the extent set forth in 3.40(a).

2.80. Single Issue. No other obligations have been or will be sold less than 15 days before or after the Sale Date pursuant to the same plan of financing with the Issue that are expected to be paid from substantially the same source of funds as the Issue, determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, no obligations other than those of the Issue are a part of a single issue with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10. Use of Net Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods.

(A) Pre-Issuance Accrued Interest. There will be no Pre-Issuance Accrued Interest with respect to the Issue.

(B) Payment of Costs of the Project.

(1) All of the Net Sale Proceeds will be used to pay costs of the Project. Such Sale Proceeds may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(i) At least 85% of the Net Sale Proceeds will be allocated to expenditures on the Project by the end of the Temporary Period;

(ii) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(iii) Completion of the Project and allocation of the Net Sale Proceeds to expenditures will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations §1.148-5(c)) paid to the United States.

(2) Any Reimbursement Allocation will qualify as a Reimbursement of Prior Capital Expenditures and will be made by an entry in the financial records of the Issuer kept with respect to the Issue showing that Sale Proceeds of the Issue have been returned to the fund or account of the Issuer from which such amount was originally and temporarily advanced to finance Capital Expenditures paid before this date by not more than (A) 18 months after the later of the date such Capital Expenditures were paid or the date on which the property resulting from such Capital Expenditures and comprising part of the Project was placed in service or (B) three years after the original expenditures were paid.

3.20. Investment Proceeds. Any Investment Proceeds will be used to pay costs of the Project and may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(B)(1) or, if longer, one year from the date of receipt, such period being the Temporary Period for such Proceeds.

3.30. Payment Fund. Amounts deposited from time to time in the fund of the Issuer from which payments will be made on the Issue, which is a Bona Fide Debt Service Fund, will be used to pay Debt Service on the Issue within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.40. Reserve Funds.

(A) Debt Service Reserve Fund. If (and only if) the Loan Agreement requires the funding of a debt service reserve fund ("Reserve Fund") in cash: The amount of Proceeds of the Loan deposited in the Reserve Fund shall not exceed

10% of the stated principal amount of the Loan. Amounts in the portion of the Reserve Fund allocable to the Issue may be invested in Higher Yielding Investments with respect to the Issue to the extent that such amounts do not exceed the least of (i) 10% of the principal amount of the Issue; (ii) maximum annual Debt Service; and (iii) 125% of average annual Debt Service. Any amounts in the portion of the Reserve Fund allocable to the Issue in excess of the least of these amounts will not be invested in Higher Yielding Investments with respect to the Issue. In complying with the yield restriction set forth in this Section, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations § 1.148-5(c)) timely paid or to be timely paid to the United States because amounts in the Reserve Fund (other than investment earnings) are not reasonably expected to be used to pay Debt Service other than in connection with reductions in the amount required to be in the Reserve Account. The establishing and funding of the Reserve Fund was reasonably required by the Authority as a condition of making the Loan.

(B) Replacement Reserve Fund. If (and only if) the Loan Agreement requires the funding of a replacement reserve fund ("Replacement Reserve Fund") in cash: The Replacement Reserve Fund may be used for one or more of the following purposes: (i) the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Issuer's utility system, provided that the property is depreciable; (ii) the performance of repairs with respect to the Issuer's utility system that are of an extraordinary and non-recurring nature, provided that the property is depreciable; (iii) the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Issuer's utility system, provided that the property is depreciable; and/or (iv) to make Debt Service payments to the Authority on the Issue (collectively, the "Permitted Uses"). The Issuer reasonably expects to use amounts in the Replacement Reserve Fund for Permitted Uses other than to make Debt Service payments to the Authority on the Issue, and therefore there is no reasonable assurance of the availability of those amounts to make Debt Service payments to the Authority on the Issue if the Issuer encounters financial difficulties

3.50. No Other Replacement Fund or Assured Available Funds. Except as described in 3.30 and, if and to the extent applicable, 3.40(A), , the Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt Service on the Issue. Except for money referred to in 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service on the Issue (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered, or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service on the Issue.

3.60. No Overissuance. The Proceeds of the Issue are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.70. Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds of the Issue will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditure other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs of the Issue, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date of the Issue and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the project financed or refinanced by the Issue was or will be placed in service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed or deemed financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, and principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund), or

(F) to reimburse any expenditures made prior to the Issuance Date except those that qualify as a Reimbursement of Prior Capital Expenditures.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.80. Minor Portion. The Minor Portion is equal to the lesser of 5% of the Sale Proceeds of the Issue and $100,000. Such Minor Portion may be invested in Higher Yielding Investments with respect to the Issue.

3.90. No Other Replacement Proceeds. That portion of the Issue that is to be used to finance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. Consistently with its covenants contained in the Loan Agreement, the Issuer will calculate and make, or cause to be calculated and made,

payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20. No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30. Exceptions.

(A) Small Issuer Exception. The Issue is exempt under Section 148(f)(4)(D) from the rebate requirement **if all** of the following requirements are satisfied:

(1) The Issuer is a Governmental Unit with general taxing powers within the meaning of Section 148(f)(4)(D), and

(2) No part of the Issue is a Private Activity Bond, and

(3) All of the Net Proceeds will be used for "local governmental activities" of the Issuer within the meaning of Section 148(f)(4)(D) and none of the Net Proceeds will be used for any Private Business Use, and

(4) The aggregate principal amount of all Tax-Exempt Obligations, including the Issue, issued or to be issued by the Issuer, its subordinate entities and entities that issue any such obligations on behalf of the Issuer, or on behalf of which the Issuer issues any such obligations, during the current calendar year does not, and is not reasonably expected to, exceed $5,000,000. The Tax-Exempt Obligations taken into account for this purpose exclude any Private Activity Bonds and any Current Refunding Portion and Current Refunding Issue to the extent that the amount of such Current Refunding Portion or Current Refunding Issue does not exceed the outstanding amount of the obligations refunded by such Current Refunding Portion or Current Refunding Issue. No entity has been or will be formed or availed of to avoid the purposes of Section 148(f)(4)(D)(i)(IV).

If, but only if, all of the above requirements are satisfied, check here: [____]

and sign here: _____

(B) General Exception. Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV need not be made to the extent that the Issuer will not thereby fail to comply with any requirements of Section 148(f) and the Instructions based on an opinion of bond counsel.

4.40. Election. The Issue is a Construction Issue. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirements on the basis of actual facts instead of the Issuer's reasonable expectations.

V. OTHER TAX MATTERS

5.10. Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for a Private Business Use and not more than 5%, if any, of the Debt Service on the Issue, directly or indirectly, will be secured by any interest in property used or to be used for a Private Business Use or payments in respect of such property, or will be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use.

(B) Less than 5% of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are payments or (borrowed money) that are being or will be used for any Private Business Use does not exceed $15,000,000 and none of the Proceeds will be used with respect to an "output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

(D) The Issuer does not expect to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property, if any, that is part of the Project, the Issuer reasonably expects that:

(1) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(2) The weighted average maturity of the obligations of the Issue financing such property (treating the obligations of the Issue properly allocable to such personal property as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(3) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(4) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(5) The amounts received from any disposition of such property are required to be, and will be, commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.20. Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.30. Not Hedge Bonds. At least 85% of the Spendable Proceeds will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more (including but not limited to any investment contract or fixed yield investment having a maturity of four years or more). The reasonable expectations stated above are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.40. Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that Bond Counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge will be taken into account in computing the Yield.

5.50. Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct, and complete to the best of the knowledge and belief of the undersigned.

5.60. Responsibility of Officer.

(A) The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

(B) To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate are the expectations of the Issuer and are reasonable, all facts stated are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate. The certifications and representations made in this Certificate are intended to be relied upon as certifications described in Regulations § 1.148-2(b). The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur or have occurred.

[Borrower]

By:_____

Name:_____

Title:_____

List of Attachments

Attachment A -- Definitions for Tax Compliance Certificate

Attachment A-1 -- Rebate Instructions

Attachment A

Definitions for Tax Compliance Certificate of Local Borrower

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word "Issue," in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word "obligation" or "obligations," in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a "bond" within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

"Advance Refunding Issue" means any Refunding Issue that is not a Current Refunding Issue.

"Advance Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

"AMT Obligation" means a Tax-Exempt Obligation the interest on which is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter's discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. "Available Construction Proceeds" does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from "Available Construction Proceeds" if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1)

and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting "Construction Portion" for "issue" each place the latter term appears.

"Bona Fide Debt Service Fund" means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

"Bond Year" means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditures" means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of Placed in Service) under general federal income tax principles.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"Commingled Fund" means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Commingled Investment Proceeds" means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

"Conduit Borrower" means the obligor on a purpose investment.

"Conduit Financing Issue" means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

"Conduit Loan" means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

"Construction Expenditures" means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

"Construction Issue" means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting "New Money Portion" for "Construction Issue" each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting "Construction Portion" for "Construction Issue" each place the latter term appears.

"Construction Portion" means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

"Controlled Group" means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

"Current Refunding Issue" means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

"Current Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

"Debt Service" means principal of and interest and any redemption premium on an issue.

"Excess Gross Proceeds" means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue;

(f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting "Advance Refunding Portion" for "Advance Refunding Issue" each place the latter term appears.

"Federally Guaranteed" means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b) of the Code, or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

"Fixed Yield Issue" means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

"Governmental Unit" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "State or local governmental unit" in Regulations §1.103-1(a). "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"Gross Proceeds" means Proceeds and Replacement Proceeds of an issue.

"Hedge" means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer's or the Conduit Borrower's risk of interest rate changes with respect to an obligation (e.g., an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

"Higher Yielding Investments" means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

"Investment Property" means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a "specified private activity bond" as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

"Issuance Costs" means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter's compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

"Issuance Date" means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

"Issue Price" means in the circumstances applicable to an issue:

(1) Public Offering. In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public.

(2) Private Placement. In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries).

"Minor Portion" means an amount equal to the lesser of $100,000 or 5% of the Sale Proceeds of an issue.

"Multipurpose Issue" means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

"Net Proceeds" means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

"Net Sale Proceeds" means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and the portion invested as a part of a Minor Portion for the issue.

"New Money Issue" means an issue that is not a Refunding Issue.

"New Money Portion" means that portion of a Multipurpose Issue other than the Refunding Portion.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. "Nonpurpose Investments" does not include any investment that is not regarded as "investment property" or a "nonpurpose investment" for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Placed in Service" means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

"Pre-Issuance Accrued Interest" means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

"Preliminary Expenditures" means any Capital Expenditures that are "preliminary expenditures" within the meaning of Regulations §1.150-2(f)(2), i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

"Prior Issue" means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

"Private Activity Bond" means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more

than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or $5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

"Private Person" means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. "Private Person" includes the United States and any agency or instrumentality of the United States.

"Proceeds" means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. "Proceeds" does not include Replacement Proceeds.

"Qualified Administrative Costs" means reasonable direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs.

"Qualified 501(c)(3) Bonds" means an issue of obligations that satisfies the requirements of Section 145(a).

"Qualified Guarantee" means any guarantee of an obligation that constitutes a "qualified guarantee" within the meaning of Regulations §1.148-4(f).

"Qualified Hedge" means a Hedge that is a "qualified hedge" within the meaning of Regulations §1.148-4(h)(2).

"Rebate Amount" means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

"Refunded Bonds" means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

"Refunding Bonds" means obligations of a Refunding Issue.

"Refunding Issue" means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

"Refunding Escrow" means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

"Refunding Portion" means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

"Regulations" or "Reg." means Treasury Regulations.

"Reimbursement Allocation" means an allocation of the Proceeds of an issue for the Reimbursement of Prior Capital Expenditures, other than Preliminary Expenditures, that meets each of the following requirements: (a) is evidenced on the books or records of the Issuer maintained with respect to the issue, (b) the allocation entry identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, and (c) evidences the Issuer's use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue.

"Reimbursement of Prior Capital Expenditures" means a Reimbursement Allocation of Proceeds of the Issue to a Capital Expenditure paid prior to the Issuance Date of such Issue, that satisfies the following requirements: (a) the Capital Expenditure was paid after March 1, 1992; (b) prior to, or within 60 days after, payment of the Capital Expenditure (except Preliminary Expenditures), the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e); and (c) except for Preliminary Expenditures, the Reimbursement Allocation occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

"Related Party" means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a "related person" as defined in Section 144(a)(3) of the Code.

"Replacement Proceeds" means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). "Replacement Proceeds" includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

"Sale Date" means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations

of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

"Sale Proceeds" means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

"Spendable Proceeds" means the Net Sale Proceeds of an issue.

"Tax-Exempt Obligation" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148.

"Tax-Exempt Organization" means a Governmental Unit or a 501(c)(3) Organization.

"Temporary Period" means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

"Transferred Proceeds" means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). "Transferred Proceeds" does not include any Replacement Proceeds.

"Unrelated or Disproportionate Use" means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

"Variable Yield Issue" means any Issue that is not a Fixed Yield Issue.

"Working Capital Expenditures" means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

"Yield" has the meaning assigned to it for purposes of Section 148 of the Code, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and all payments and receipts with respect to a Qualified Hedge, if any, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation

provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

"Yield Period" means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms "bond", "obligation", "reasonably required reserve or replacement fund", "reserve or replacement fund", "loan", "sinking fund", "purpose investment", "same plan of financing", "other replacement proceeds", and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Local Borrower

INSTRUCTIONS FOR COMPLIANCE WITH REBATE REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the Loan Agreement and Tax Compliance Certificate to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount[1] with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue.[2]

Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.[3]

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

SECTION 1.02. SPECIAL DEFINITIONS.

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1. Capitalized terms that are not defined in these Instructions are defined in Attachment A to the Tax Compliance Certificate of the Issuer.

2. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount since none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years.

3. The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue, please contact your bond counsel.

For purposes of these Instructions, the following terms shall have the following meanings.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of the issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocated to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocated to the Underwriter's discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocated to the issue. Available Construction Proceeds do not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocated to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the Projects financed by the issue is substantially completed. If the issue consists of a New Money Portion and a Refunding Portion and the New Money Portion is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If the issue or the New Money Portion, as applicable, is not a Construction Issue, and the Issuer makes the election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting "Construction Portion" for "issue" each place the latter term appears.

"Bifurcated Issue" means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion and a Nonconstruction Portion.

"Bond Counsel's Opinion" means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

"Bond Year" means the annual period relevant to the application of Section 148(f) to the issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of the issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Computation Date" means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than 5 years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than 5 years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year

thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

"Construction Expenditures" means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

"Construction Issue" means an issue at least 75 percent of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property which is or is to be owned by a Governmental Unit or a 501(c)(3) Organization. If an election has been made in the Issuer's Tax Compliance Certificate to bifurcate an issue or the New Money Portion, the Construction Portion (i.e., that portion of the issue or the New Money Portion which satisfies the 75 percent test stated in the preceding sentence and which finances 100% of the Construction Expenditures) is treated as the Construction Issue and the balance of the issue or the New Money Portion is treated as the Nonconstruction Portion.

"Fixed Yield Issue" means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

"Future Value" means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the Issue, using the same compounding interval and financial conventions that were used to compute that Yield.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

"Multipurpose Issue" means an issue that consists of a Refunding Portion and a New Money Portion.

"Payment" means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)i) through (v).

"Qualified Administrative Costs" means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

"Reasonable Retainage" means an amount, not to exceed 5% of the Net Sale Proceeds of the Issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the Issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

"Rebate Analyst" means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f) of the Code.

"Receipt" means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

"Variable Yield Issue" means any issue that is not a Fixed Yield Issue.

"Yield Period" means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the "Spending Exceptions") is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue[4] is the 6-Month Spending Exception.

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the

4. For purposes of these Instructions, references to "Refunding Issue" include the Refunding Portion of a Multipurpose Issue.

Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed the lesser of 5% of the Proceeds of the Issue or $100,000.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 15% within 6 months;

(2) at least 60% within 12 months; and

(3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States. And,

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. 2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 10% within 6 months;

(2) at least 45% within 1 year;

(3) at least 75% within 18 months; and

(4) 100% within 2 years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or 2 years after the Issuance Date must be timely paid to the United States. The Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (i.e., 100% within 2 years of the Issuance Date) if the only unspent Available Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within 3 years of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first 3 spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period. For purposes of satisfying the final spend-down requirement, Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semi-annual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not

relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (e.g., amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

PART III: COMPUTATION AND PAYMENT.

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit of $1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of $1,000 for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase

(C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is an administrative cost that is not a Qualified Administrative Cost to the extent that the present value (computed using the taxable discount rate used by the parties to compute the commission or, if not readily ascertainable, a reasonable taxable discount rate) of the commission, as of the date the contract is purchased, exceeds the present value of annual payments equal to 0.05 percent of the weighted average amount reasonably expected to be invested each year during the term of such contract.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

(End of Attachment A-1)

The 8038G will be prepared when $50,000 of loan funds have been disbursed

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

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This document sets forth Standard Terms and Conditions applicable to the Loan made by the WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (the "*Authority*") to the Local Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Certain terms used herein are defined in Article 8.

Article 1 Covenants of the Local Borrower Relating to the System and the Project.

Section 1.1 **Operation and Maintenance of System**. The Local Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (a) at all times operate the properties of the System and any business in connection therewith in an efficient manner, (b) maintain the System in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the System so that at all times the operations carried on in connection therewith shall be properly and advantageously conducted from revenues of the System or, if the Local Borrower so elects, from any other source of funds lawfully available.

Section 1.2 **Additions and Modifications**. The Local Borrower may make any additions, renewals, replacements, modifications or improvements to the System which it deems desirable and which do not materially reduce the operational integrity of any part of the System. All such renewals, replacements, additions, modifications and improvements shall become a part of the System.

Section 1.3 **Disposition of Project and System**.

(a) The Local Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System except upon compliance with the provisions of this Section; provided, however that the requirements of this Section shall not apply to transactions which are capital leases within the meaning of generally accepted accounting principles to finance expansion or improvement of the System and under which the Local Borrower maintains a purchaser's interest or other beneficial ownership, use, possession and control of the System so long as no default exists.

(b) The Local Borrower may sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System if the Local Borrower shall give at least ninety (90) days' prior written notice to the Authority of the proposed transaction, and the Authority gives its written consent which shall not be unreasonably withheld. The Local Borrower understands that the Authority, in determining whether or not to give its consent, must determine that the proposed transaction will not adversely affect the Authority's ability to meet its duties, covenants, obligations and agreements or conditions of any grant received by the Authority or the State from the United States of America, which is related to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act, as amended, and the Federal Safe Drinking Water Act, as amended.

(c) Notwithstanding the provisions of subsection (b) above, the Local Borrower may sell, lease or otherwise dispose of, any of the property comprising part of the System without prior notice to or the consent of the Authority, other than the Project, in either of the following circumstances:

(i) If the Local Borrower determines that such property is not necessary, useful or profitable to the operation of the System; or

(ii) If the value of such property sold, leased or otherwise disposed of in any one year is equal to not more than 5% of the value of the fixed assets of the System.

Section 1.4 **Cost of Project**. The Local Borrower certifies that the estimated Eligible Project Costs as listed in Section 1 of Exhibit B is a reasonable and accurate estimation of the Eligible Project Costs and, upon the direction of the Authority the Local Borrower will supply the Authority with a certificate from its engineer stating that such estimated Eligible Project Costs is a reasonable and accurate estimation.

Article 2 Additional Covenants of the Local Borrower

Section 2.1 **Unconditional Obligations**. The obligation of the Local Borrower to make the Loan Repayments and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part described herein are payable solely from the Source of Repayment described in this Loan Agreement and shall be absolute and unconditional and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any payments hereunder remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or the System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project or this Loan Agreement, or any rights of set-off, recoupment, abatement or counterclaim that the Local Borrower might otherwise have against the Authority or any other party or parties; provided, however, that payments under this Loan Agreement shall not constitute a waiver of any such rights. The Local Borrower shall not be obligated to make any payments required to be made by any other local borrowers under separate loan agreements or local borrower bonds. Notwithstanding any other provision of this Section 2.1, or this Loan Agreement, neither the Authority, nor any assignee of the Authority shall have the right or ability to compel the repayment of this Loan Agreement from any source other than the Source of Repayment.

Section 2.2 **Performance Under Loan Agreement**. The Local Borrower covenants and agrees (a) to maintain the System in good repair and operating condition; (b) to cooperate with the Authority to the extent it may lawfully do so, in the observance and performance of the respective duties, covenants, obligations and agreements of such Local Borrower and the Authority under this Loan Agreement; and (c) to comply with the covenants set forth in this Loan Agreement.

Section 2.3 **Disclaimer of Warranties**. The Local Borrower acknowledges and agrees that (i) the Authority makes no warranty or representation, either express or implied as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Authority or its respective agents be liable or responsible for any direct, incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the System or the Project; and (iii) are not intended to and shall not be construed as a waiver of any defense or limitation on damages provided for under and pursuant to the laws of the United States or of the State.

Section 2.4 **Loan Repayments; Prepayments; Providing for Payment of the Loan**.

(a) Loan Repayments.

(i) The Local Borrower shall pay to the Authority the amounts set forth in the Loan Repayment Schedule contained in Exhibit A on or before the due dates shown in Exhibit A.

(ii) Each payment made as a Loan Repayment as described in subsection (i) shall be applied first to the combined interest and fee payment then due and payable on the Loan and then to the principal amount of the Loan.

(iii) In addition to the other payments required by this Section, the Local Borrower shall pay a late charge for any payment that is received by the Authority later than the tenth day following its due date, in an amount equal to six percent per annum of the amount of the late payment from its due date to the date it is actually paid; provided, however, that the combined interest and fee rate payable on the Loan including such late charge shall not be in excess of the maximum rate permitted by law or any proceedings or resolution authorizing the execution of this Loan Agreement.

(iv) Upon the final disbursement, if the Loan amount is less than the estimated Eligible Project Costs, the amount of each Principal Installment due as set forth in the Loan Repayment Schedule contained in Exhibit A shall be

adjusted to achieve substantially level debt service, and the Authority shall compute the adjusted combined interest and fee amounts to reflect the adjusted principal amounts and shall enter the results in a revised Loan Repayment Schedule delivered to the Local Borrower.

(b) Prepayments. The Loan is not subject to prepayment prior to the tenth anniversary of the final loan draw. The Local Borrower may prepay the Principal Repayment Amount of the Loan in whole or in part in advance of the due dates on or after the tenth anniversary of the final loan draw without penalty upon written notice delivered to the Authority at least 60 days prior to the prepayment date. If the Local Borrower prepays the Repayment Principal Amount in part, the amount of each Principal Installment due as set forth in the Loan Repayment Schedule contained in Exhibit A shall be adjusted to achieve substantially level debt service. Upon such adjustment, the Authority shall compute the adjusted combined interest and fees amounts to reflect the adjusted principal amounts and shall enter the results in the Loan Repayment Schedule with notice to the Local Borrower.

(c) Providing for Payment of the Loan. The Local Borrower may at any time provide for the payment and discharge of the Loan, as provided in this subsection. The Loan shall be deemed to have been paid and discharged if:

(i) the Local Borrower has delivered to the Authority proof satisfactory to the Authority that the Local Borrower has deposited with a financial institution acceptable to the Authority, in trust for and irrevocably committed to payments on the Loan, cash or non-callable direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America) and obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, which are of such maturities and interest payment dates, and bear such interest, as will be sufficient together with any moneys also deposited, without further investment or reinvestment of either the principal amount or the interest earnings (which earnings are to be held likewise in trust and so committed), to pay all the amounts due under the Loan, as set forth in the Loan Repayment Schedule contained in Exhibit A, as evidenced in a report of an independent firm of nationally recognized certified public accountants addressed to and delivered to the Authority; and

(ii) the Authority has received a bond counsel opinion (as described in Section 6.2(b) and (c) below) to the effect that the deposit of funds and the investment of such deposit, as described in the preceding paragraph, will not, by itself, adversely affect the exclusion from gross income of interest on the Loan or any Authority Bonds for federal income tax purposes.

Section 2.5 **Source of Repayment of Local Borrower's Obligations and Pledge**. The Local Borrower irrevocably pledges the Source of Repayment described in this Loan Agreement for the punctual payment of all amounts due under the Loan Agreement. The Authority and the Local Borrower agree that the amounts payable by the Local Borrower under this Loan Agreement are payable solely from the Source of Repayment described in this Loan Agreement and are not payable from any other source whatsoever, unless the Local Borrower chooses to pay, and pays, any amount due hereunder from any other source lawfully available to it.

Section 2.6 **Insurance**. The Local Borrower shall maintain or cause to be maintained in force, insurance policies with responsible insurers or self-insurance programs or through membership in a risk retention pool, including, but not limited to, the Arizona Municipal Risk Retention Pool (in accordance with the Local Borrower's customary practices) providing against risk of direct physical loss, damage or destruction of the Project and the System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining system facilities of the nature of the System, including liability coverage, all to the extent available at reasonable cost.

Section 2.7 **No Liens**. Except for:

(a) the debt service on any future bonds, notes or other evidence of indebtedness of the Local Borrower issued or contractual obligations incurred in accordance with this Loan Agreement payable from the funds pledged to the payment of this Loan Agreement which are on parity with the lien and charge on the funds so pledged to pay this Loan Agreement and

(b) as provided in Exhibit D of this Loan Agreement, the debt service on currently outstanding bonds, notes or evidences of indebtedness or contractual obligations of the Local Borrower, if any, payable from the Source of Repayment described in Exhibit D of this Loan Agreement which the Local Borrower has disclosed to the Authority in writing,

the funds so pledged as described in this Loan Agreement after the payment of all costs of operating and maintaining the System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto which are prior to, or of equal rank with, the obligation of the Local Borrower to pay this Loan Agreement, and all corporate or other action on the part of the Local Borrower to that end has been and will be duly and validly taken.

Section 2.8 **Disadvantaged Business Enterprises**. As applicable, the Local Borrower shall comply with 40 C.F.R Part 33[1] including but not limited to:

Local Borrowers and their prime contractors must follow, document, and maintain documentation of their good faith efforts as listed below to ensure that Disadvantage Business Enterprises (DBEs) have the opportunity to participate in the project by increasing DBE awareness of procurement efforts and outreach.

(a) Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities; including placing DBEs on solicitation lists and soliciting them whenever they are potential sources.

(b) Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitation for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.

(c) Consider in the contracting process whether firms competing for large contracts could be subcontracted with DBEs. This will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.

(d) Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.

(e) Use the services and assistance of the Small Business Administration and the Minority Business Development Agency of the U. S. Department of Commerce.

(f) If the prime contractor awards subcontracts, require the prime contractor to take the steps in sections (a) through (e) above.

These conditions must be included in all procurement contracts entered into by the Local Borrower for all DWRF and CWRF projects:

(a) The prime contractor must pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor's receipt of payment from the owner.

(b) The prime contractor must notify the owner in writing prior to the termination of any Disadvantage Business Enterprise subcontractor for convenience by the prime contractor.

(c) If a Disadvantage Business Enterprise contractor fails to complete work under the subcontract for any reason, the prime contractor must employ the six good faith efforts if soliciting a replacement contractor.

[1] See Article 9 for a full list of applicable federal laws and authorities relating to Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements.

(d) The prime contractor must continue to employ the six good faith efforts even if the prime contractor has achieved its fair share objectives.

(e) The prime contractor must provide EPA Form 6100-2 DBE Program Subcontractor Participation Form to all of its Disadvantaged Business Enterprise subcontractors. Disadvantaged Business Enterprise subcontractors may send completed Form 6100-2 directly to the Region 9 DBE Coordinator listed below.

Joe Ochab, EPA Region 9, 75 Hawthorne St. (P-22), San Francisco, CA 94105

(f) The prime contractor must have its Disadvantaged Business Enterprise subcontractors complete EPA Form 6100-3 – DBE Program Subcontractor Performance Form. The prime contractor must include all completed forms as part of the prime contractor's bid or proposal package to the Local Borrower.

(g) The prime contractor must complete and submit EPA 6100-4 DBE Program Subcontractor Utilization Form as part of the prime contractor's bid or proposal package to the Local Borrower.

(h) A Local Borrower must ensure that each procurement contract it awards contains the following terms and conditions:

> The contractor shall not discriminate on the basis of race, color, national origin or sex in the performance of this contract. The contractor shall carry out applicable requirements of 40 CFR Part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the contractor to carry out these requirements is a material breach of this contract which may result in the termination of this contract or other legally available remedies.

Article 3 Representations of Local Borrower

The Local Borrower represents for the benefit of the Authority that the representations contained in this Loan Agreement are true at the time of execution and delivery of this Loan Agreement and, other than with respect to events outside of Local Borrower's control, will be true in all material respects at all times during the term of this Loan Agreement.

Section 3.1 **Organization and Authority**.

(a) The Local Borrower is a Political Subdivision or Indian Tribe as defined in the Authority Act.

(b) The Local Borrower has full legal right and authority and has, or will obtain as and when required, all necessary licenses and permits required to acquire, own, operate and maintain the Project and the System, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, to pledge the Source of Repayment, and to carry out and consummate all transactions contemplated by this Loan Agreement. The Project is a project which the Local Borrower may undertake pursuant to State law and for which the Local Borrower is authorized by law to borrow money.

(c) The proceedings of the Local Borrower's governing body approving this Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project have been duly and lawfully adopted in accordance with the laws of the State.

(d) This Loan Agreement has been duly authorized, executed and delivered by an Authorized Officer of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered this Loan Agreement, this Loan Agreement constitutes a legal and valid obligation of the Local Borrower enforceable in accordance with its terms, and the information contained under "Description of the Loan" in this Loan Agreement is true and accurate in all material respects.

Section 3.2 **Full Disclosure**.

(a) To the best of the Local Borrower's knowledge, there is no fact that the Local Borrower has not disclosed to the Authority in writing that materially adversely affects the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments due hereunder and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(b) The information relating to the Local Borrower (including without limitation the financial and statistical data contained therein) submitted to the Authority by the Local Borrower in connection with the Authority's approval of the Loan was at the time of the Authority's approval of the Loan and at all times subsequent thereto up to and including the Loan Closing, will be (if necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading in any adverse respect. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority, and each of the Authority's agents, for, from and against any and all claims, damages, liability and court awards including costs, expenses and reasonable attorneys' fees incurred as a result of any omission or misstatement of material fact in the information submitted to the Authority by the Local Borrower in connection with the Authority's approval of the Loan, as it may have been supplemented and amended by the Local Borrower.

Section 3.3 **Pending Litigation**. There are no proceedings pending, or to the knowledge of the Local Borrower, threatened, against or affecting the Local Borrower, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement that have not been disclosed in writing to the Authority in the Local Borrower's application for the Loan or otherwise.

Section 3.4 **Compliance with Existing Laws and Agreements**. The authorization, execution and delivery of this Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements hereunder and the consummation of the transactions provided for in this Loan Agreement, the compliance by the Local Borrower with the provisions of this Loan Agreement and the undertaking and completion of the Project will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Local Borrower pursuant to any existing ordinance or resolution, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument (other than the lien and charge of this Loan Agreement and any ordinance or resolution or indenture which authorized outstanding obligations of the Local Borrower which are on a parity with this Loan Agreement as to a lien on, or a source and security for, payment thereon from the source of payment that is pledged to the Loan Repayments) to which the Local Borrower is a party or by which the Local Borrower, the System or any of its property or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Local Borrower was established or any laws, ordinances, resolutions, governmental rules, regulations or court orders to which the Local Borrower, the System or its properties or operations are subject.

Section 3.5 **No Defaults**. No event has occurred and no condition exists that, upon authorization, execution and delivery of this Loan Agreement or receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Local Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the ability of the Local Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

Section 3.6 **Governmental Consent**. The Local Borrower has or will have obtained prior to the date of the Loan Closing all permits and approvals required to date by any governmental body or officer (and reasonably expects to receive all permits required in the future by any governmental agency) for the making, observance and performance

by the Local Borrower of its duties, obligations and agreements under this Loan Agreement or for the undertaking or completion of the Project and the financing thereof, and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof; and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer, other than those already obtained or reasonably expected to be obtained, is required on the part of the Local Borrower as a condition to the authorization, execution and delivery of this Loan Agreement, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

Section 3.7 **Compliance with Law**. The Local Borrower:

(a) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and the failure to comply with which would materially adversely affect the ability of the Local Borrower to conduct its activities or undertake or complete the Project or the condition (financial or otherwise) of the Local Borrower or the System; and

(b) has obtained, or will obtain as and when required, all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its property or for the conduct of its activities which, if not obtained, would materially adversely affect the ability of the Local Borrower to undertake or complete the Project or the condition (financial or otherwise) of the Local Borrower or the System.

Article 4 Assignment

Section 4.1 **Assignment and Transfer by Authority**. The Local Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the Authority deems to be necessary in connection with the Clean Water Revolving Fund and Drinking Water Revolving Fund programs of the Authority.

Section 4.2 **Assignment by Local Borrower**. This Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (ii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; and (iii) the Authority shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of any agreement entered into by the Authority with, or condition of any grant received by the Authority from the United States of America relating to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act and the Federal Safe Drinking Water Act.

No assignment shall relieve the Local Borrower from primary liability for any of its obligations under this Loan Agreement and in the event of such assignment, the Local Borrower shall continue to remain primarily liable for the performance and observance of its obligations to be performed and observed under this Loan Agreement.

Article 5 Defaults and Remedies

Section 5.1 **Events of Default**. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "*Event of Default*":

(a) failure by the Local Borrower to pay, or cause to be paid, when due any Loan Repayment;

(b) failure by the Local Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Local Borrower for borrowed money

(other than the Loan), after giving effect to the applicable grace period, the payments of which are secured by the Source of Repayment described in this Loan Agreement;

(c) failure by the Local Borrower to perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Local Borrower by the Authority, unless the Authority agrees in writing to an extension of such time prior to its expiration, provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Authority may not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Local Borrower and diligently pursued until the Event of Default is corrected;

(d) the institution of any proceeding, with the acquiescence of the Local Borrower, for the purpose of effecting a composition between the Local Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from the Source of Repayment described in this Loan Agreement;

(e) a determination by the Authority that any material representation made by or on behalf of the Local Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement, is false or misleading in any material respect; and

(f) the filing of a petition by or against the Local Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Local Borrower such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal; or the Local Borrower becoming insolvent or bankrupt or making an assignment for the benefit of its creditors; or the appointment of a custodian (including, without limitation, a receiver, liquidator or trustee of the Local Borrower or any of its property including the System) by court order, or possession of the Local Borrower or its property or assets is taken if such order remains in effect or such possession continues for more than thirty (30) days.

Section 5.2 **Notice of Default**. The Local Borrower shall give the Authority prompt telephone notice of the occurrence of any Event of Default referred to in Section 5.1 paragraph (c) hereof, and of the occurrence of any other event or condition that constitutes an Event of Default, at such time as any senior administrative or financial officer of the Local Borrower becomes aware of the existence thereof. Any telephone notice pursuant to this Section shall be confirmed in writing by the end of the next Business Day.

Section 5.3 **Remedies on Default.**

(a) Whenever an Event of Default referred to in Section 5.1 hereof shall have occurred and be continuing, the Authority shall have the right to take any action permitted or required pursuant to this Loan Agreement and to take whatever other action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due on their scheduled payment dates or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Local Borrower hereunder, including, without limitation, appointment of a receiver of the System.

(b) Nothing in this Loan Agreement shall be construed to affect the Attorney General taking action to enforce this Loan Agreement in accordance with the Authority Act.

Section 5.4 **Attorney's Fees and Other Expenses**. In the event of a default hereunder by the Local Borrower, the Local Borrower shall on demand and to the extent not prohibited by applicable law pay to the Authority the reasonable fees and expenses of attorneys and other reasonable expenses (including without limitation the reasonably allocated costs of in-house counsel and legal staff) incurred by the Authority in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observance of any other duties, covenants, obligations or agreements of the Local Borrower to the extent permitted by law.

Section 5.5 **Application of Moneys**. The parties acknowledge that: (a) all amounts coming due hereunder as Loan Repayments shall be treated as principal and combined interest and fees with respect to the Loan which amounts are secured by a pledge of the Source of Repayment in accordance with Exhibit D of this Loan Agreement; and (b) amounts coming due under Section 5.4 hereof shall be secured by the Source of Repayment on a basis subordinate to the Loan Repayments, but on a parity with comparable expenses relating to such Outstanding Parity Obligations and Additional Parity Obligations.

However, any moneys collected by the Authority pursuant to Section 5.3 in the exercise of remedies with respect to amounts due or to become due hereunder shall be applied: (a) first, to pay any attorney's fees or other fees and expenses owed by the Local Borrower pursuant to Section 5.4 hereof, (b) second, to pay delinquent combined interest fees and late charges on the Loan; (c) third, to pay combined interest and fees then due and payable on the Loan; (d) fourth, to pay delinquent principal on the Loan in order of scheduled maturity; (e) fifth, to pay principal then due and payable on the Loan; and (f) sixth, to pay any other amounts due and payable pursuant to this Loan Agreement.

Section 5.6 **No Remedy Exclusive; Waiver; Notice**. No remedy conferred upon or reserved to the Authority hereunder is intended to be exclusive, 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. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it as described in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 5.7 **Retention of Authority's Rights**. Notwithstanding any assignment or transfer of this Agreement pursuant to the provisions hereof, or anything else to the contrary contained herein, the Authority shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Local Borrower at law or in equity, as the Authority may, in its discretion, deem necessary to enforce the obligations of the Local Borrower to the Authority.

Section 5.8 **Default by the Authority**. In the event of any default by the Authority in any duty, covenant, agreement or obligation described in this Agreement, the Local Borrower's remedy for such default shall be limited to injunction, special action, action for specific performance or any other available equitable remedy designed to enforce the performance or observance of any duty, covenant, obligation or agreement of the Authority described herein as may be necessary or appropriate. The Authority shall on demand pay to the Local Borrower the reasonable fees and expenses of attorneys and other reasonable expenses in the enforcement of such performance or observance.

Article 6 Provisions Applicable to Loans Financed by or Pledged to Secure Authority Bonds

Section 6.1 **General.** The Local Borrower acknowledges that the Authority is entering into this Loan Agreement and agreeing to make the Loan at this time for the benefit of the Local Borrower, and that the Authority may finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds and may pledge the Loan to secure Authority Bonds. If and for so long as the Authority's source of funds to make disbursements on, or to carry, the Loan represented by this Loan Agreement is, or becomes, the proceeds of Authority Bonds, or this Loan Agreement is assigned by the Authority as security for payment of amounts due or to become due on Authority Bonds, the Local Borrower agrees to cooperate with the Authority with respect to the issuance of Authority Bonds by furnishing and certifying information concerning the Local Borrower, the Project, the System and the Source of Repayment, and by agreeing to reasonable modifications and additions to this Loan Agreement necessary or convenient for the Authority Bond transaction. Without limiting the generality of the foregoing, the Local Borrower agrees that if the Authority at any time determines, in its discretion, that it is necessary in connection with the issuance of Authority Bonds or the maintenance of the Authority's bond program, then the provisions set forth in this Article shall be in effect.

Section 6.2 **Tax Covenants**.

(a) General. The Local Borrower acknowledges that, in connection with its state revolving fund programs, the Authority issues its Authority Bonds from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be a Tax-Exempt Obligation that is not an AMT Obligation. Therefore, the Local Borrower represents and covenants as follows with respect to the Loan and the Authority Bonds. The Local Borrower covenants that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Loan or the Authority Bonds under Section 103(a) of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an AMT Obligation, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon a bond counsel opinion as may rescind or otherwise negate such action or omission. The Local Borrower will not directly or indirectly use or permit the use of any proceeds of the Loan or any other funds of the Local Borrower or take or omit to take any action that would cause the Loan or the Authority Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code or to fail to meet any other applicable requirement of Sections 103, 141, 148, 149 and 150 of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code. To that end, the Local Borrower will comply with all applicable requirements of Sections 103, 141, 148, 149 and 150 of the Code to the extent applicable to the Loan.

(b) Modification Based on Bond Counsel Opinion. Notwithstanding any provision of this Section, if the Local Borrower provides to the Authority a bond counsel opinion to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of interest on the Loan or the Authority Bonds pursuant to Section 103(a) of the Internal Revenue Code, the provisions of this Section and the covenants in this Section shall be deemed to be modified to that extent.

(c) Bond Counsel Opinion. For purposes of this Article, "bond counsel opinion" means an opinion letter of a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, and who is acceptable to the Authority.

Section 6.3 **Third Party Beneficiaries**. The Trustee, the owners from time to time of the Authority Bonds, any Credit Enhancer from time to time of the Authority Bonds and any underwriter of the Authority Bonds are each expressly acknowledged to be third party beneficiaries of this Loan Agreement and each representation, agreement, duty, obligation and provision of this Loan Agreement.

Section 6.4 **Additional Documents Relating to Authority Bonds**. The Local Borrower will furnish to the Authority and certify to such information and execute and deliver and cause to be executed and delivered such documents as the Authority, the underwriter or other parties to any Authority Bond transaction may reasonably require, including, without limitation:

(a) a certificate of an Authorized Officer of the Local Borrower to the effect that the information contained in the Final Official Statement (defined in Section 6.5, paragraph (a)) for the Authority Bonds concerning the Local Borrower is correct in all material respects and is an accurate summary of the information which it purports to summarize, and that nothing has come to the Authorized Officer's attention that would lead the Authorized Officer to believe that the information in the Final Official Statement relating to the Local Borrower contains an 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; and

(b) subject to the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 (the "*Disclosure Rule*"), a continuing disclosure undertaking of the Local Borrower meeting the requirements of the Disclosure Rule , and a statement of the Local Borrower as to whether it has failed to provide any information and notices required by the provisions of previous continuing disclosure undertakings, if any, of the Local Borrower under the Disclosure Rule, and if it has not, describing the circumstances and status of such failure; and

(c) an appropriate certificate executed by Authorized Officer of the Local Borrower concerning the reasonable expectations of the Local Borrower as to the use of the proceeds of the Loan and such other matters as may be required on the part of the Local Borrower in order to ensure that the Authority Bonds are and will remain Tax-Exempt

Obligations that are not AMT Obligations, and the Local Borrower covenants to comply with the provisions of such certificate; and

(d) such other certificates, documents and information, and supplemental opinions of Local Borrower's counsel, as the Authority, the underwriters of the Authority Bonds or other parties to the Authority Bonds transaction may reasonably require and as are necessary to confirm the continued truth and accuracy of information supplied by or on behalf of the Local Borrower.

Section 6.5 **Disclosure Regarding Authority Bonds**.

(a) The information, if any, relating to the Local Borrower (including without limitation the financial and statistical data contained therein) which has been furnished by the Local Borrower to be included in, and which is included in, a Preliminary Official Statement of the Authority (the "*Preliminary Official Statement*"), or a final Official Statement (the "*Final Official Statement*") of the Authority concerning any Authority Bonds, as of the respective dates of each such document and at all times subsequent thereto up to and including the Bond Closing, will be (if necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority and each other local borrower, if any, included in the Final Official Statement, and each of such parties' respective agents, for, from and against any and all claims, damages, liability and court awards including costs, expenses and attorneys fees incurred as a result of any omission or misstatement of a material fact in the Local Borrower's information in the Final Official Statement, as it may have been supplemented or amended by the Local Borrower.

(b) The Local Borrower agrees that from the date of the Final Official Statement and for a period until not later than 25 days after the date of the Bond Closing if and so long as the offering of the Authority Bonds continues (i) the Local Borrower will furnish such information with respect to itself as the Authority (for itself or at the request of the underwriters of the Authority Bonds) may from time to time reasonably request and (ii) if any event shall occur as a result of which it is necessary, in the opinion of Bond Counsel to the Authority, or counsel for the underwriters of the Authority Bonds, to amend or supplement the information in the Final Official Statement relating to the Local Borrower in order to make such information not misleading in light of the circumstances then existing, the Local Borrower will forthwith prepare, and furnish to the Authority and the underwriters such information relating to the Local Borrower as may be necessary to permit the preparation of an amendment of or supplement to the Final Official Statement (in form and substance satisfactory to the Bond Counsel to the Authority and counsel for the underwriters) which will amend or supplement the Final Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances then existing, not misleading.

(c) The Local Borrower agrees that if prior to the 25th day following the end of the underwriting period of the Authority Bonds, as defined for purposes of the Disclosure Rule, any event shall occur which causes the representations contained in Section 6.4, paragraph (a) to be false in any material respect, the Local Borrower shall promptly notify the Authority of such development, and if in the opinion of the Authority and the underwriters of the Authority Bonds such development requires the preparation of a supplement or an amendment to the Preliminary Official Statement or the Final Official Statement, the Local Borrower agrees to cooperate with the Authority and the underwriters for the Authority Bonds in preparing any such supplement or amendment in a form acceptable to such parties and to pay all reasonable expenses incurred by such parties in connection with the preparation thereof.

Section 6.6 **Assignment and Transfer by Authority to Trustee**.

(a) The Local Borrower expressly acknowledges that, other than the right of the Authority to be indemnified by the Local Borrower, all right, title and interest of the Authority in, to and under this Loan Agreement will be assigned to the Trustee as security for the Authority Bonds, as applicable, as provided in the Authority's Master Trust Indenture, and that if any Event of Default shall occur the Trustee, pursuant to the Authority's Master Trust Indenture, shall be entitled to act hereunder in the place and stead of the Authority. The Local Borrower hereby acknowledges the requirements of the Authority's Master Trust Indenture applicable to the Authority Bonds and consents to such assignment and appointment. The Authority shall retain the right to compel or otherwise enforce observance and

performance by the Local Borrower of its duties, covenants, obligations and to be indemnified by the Local Borrower; provided, however, that in no event shall the Authority or the Trustee have the right to accelerate the payments under this Loan Agreement.

(b) The Local Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the Authority deems to be necessary in connection with any refunding of the Authority Bonds or otherwise in connection with the Clean Water Revolving Fund and Drinking Water Revolving Fund programs of the Authority.

Section 6.7 **Conditions to Assignment by Local Borrower**. Notwithstanding Section 4.2, this Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the Authority, the Trustee and the Credit Enhancer, if any, of the Authority Bonds shall have approved said assignment in writing; (ii) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Internal Revenue Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; (iv) the Authority and the Trustee shall have received an opinion of bond counsel to the effect that such assignment will not adversely affect the exclusion of interest on the Authority Bonds from gross income for purposes of Federal income taxation under Section 103(a) of the Code or make the Authority Bonds or the Loan AMT Obligations; and (v) the Authority and the Trustee shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of the Master Trust Indenture or any agreement entered into by the Authority with, or condition of any grant received by the Authority from, the United States of America relating to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act and the Federal Safe Drinking Water Act.

No assignment shall relieve the Local Borrower from primary liability for any of its obligations under this Loan Agreement and in the event of such assignment, the Local Borrower shall continue to remain primarily liable for the performance and observance of its obligations to be performed and observed under this Loan Agreement.

Section 6.8 **Sale or Other Disposition of Project or System**. The Local Borrower agrees that it will not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System unless (i) the transferee assumes the Local Borrower's obligations under this Loan Agreement in accordance with Section 6.6, (ii) the Authority shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not adversely affect the Authority's ability to meet its duties, covenants, obligations and agreements under the Bond Documents, and will not adversely affect the eligibility of interest on Authority Bonds then outstanding or which could be issued in the future for exclusion from gross income for purposes of federal income taxation or cause such Authority Bonds to be AMT Obligations, and (iii) the Credit Enhancer, if any, of the Authority Bonds shall have given its prior written consent to such disposition.

Section 6.9 **Deficiencies Under Bond Documents Caused by Failure to Make Loan Repayment**. The Local Borrower acknowledges that payment of the Authority Bonds by the Authority, including payment from moneys drawn by the Trustee from the Bond Reserves or the CWRF Financial Assistance Account and DWRF Financial Assistance Account~~s~~ established under the Bond Documents, does not constitute payment of the amounts due under this Loan Agreement. If at any time the amounts on deposit in the Bond Reserves or the CWRF Financial Assistance Account and DWRF Financial Assistance Account~~s~~ shall be less than the amounts required by the Bond Documents as the result of any transfer of moneys from the Bond Reserves or the CWRF Financial Assistance Account and DWRF Financial Assistance Account~~s~~ which in turn is the result of a failure by the Local Borrower to make any Loan Repayments required hereunder, the Local Borrower agrees to (i) replenish such moneys so transferred, and (ii) replenish any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Authority of investment securities acquired as an investment of moneys in the Bond Reserves or the CWRF Financial Assistance Account and DWRF Financial Assistance Account~~s~~, by making payments to the Authority in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at a combined interest and fee rate to be determined by the Authority necessary to make up any loss caused by such deficiency, provided that the combined interest and fee rate payable on the Loan including such make-up combined interest and fees shall not exceed the maximum rate permitted by the Authorizing Proceedings which authorized this Loan Agreement.

Section 6.10 **Indemnification**. To the extent permitted by law, the Local Borrower shall indemnify, save and hold harmless the Authority against any and all claims, damages, liability and court awards including costs, expenses and attorney fees to the extent incurred as a result of any gross negligence or willful misconduct by the Local Borrower, or its employees, agents or subcontractors pursuant to the terms of this Loan Agreement.

Section 6.11 **Compliance with Master Trust Indenture**. The Local Borrower covenants and agrees to take such action as it may lawfully take and as the Authority shall reasonably request so as to enable the Authority to observe and comply with, all duties, covenants, obligations and agreements contained in the Master Trust Indenture insofar as such duties, covenants, obligations and agreements relate to the obligations of the Local Borrower under this Loan Agreement.

Section 6.12 **Provisions Relating to Default**.

(a) Any notice or information which the Local Borrower is to give to the Authority pursuant to the provisions of Article 5 shall also be given by the Local Borrower to the Trustee and to any Credit Enhancer at the same time.

(b) Notwithstanding the provisions of Section 5.3, paragraph (a) and Section 5.7, so long as a Credit Enhancer is not in default of its obligations with respect to its payment guarantee of the Authority Bonds and such guarantee is in effect, the Credit Enhancer shall have the right to direct the exercise of remedies provided for herein and the Trustee and the Authority shall not pursue any remedy except with the prior written consent of the Credit Enhancer.

(c) In the event of a default hereunder by the Local Borrower, the Local Borrower shall also pay the expenses of the Trustee and of any Credit Enhancer in the same manner as provided in Section 5.4 with respect to the expenses of the Authority.

Section 6.13 **Tax Compliance Certificate**. If the Authority Bonds are issued and sold on the basis that they are Tax-Exempt Obligations, an Authorized Officer of the Local Borrower shall deliver an appropriate certificate concerning the reasonable expectations of the Local Borrower as to the use of the proceeds of the Loan and such other matters as may be required on the part of the Local Borrower in order to ensure that the Authority Bonds are and will remain Tax-Exempt Obligations that are not AMT Obligations, and the Local Borrower covenants to comply with the provisions of such certificate.

Article 7 Miscellaneous

Section 7.1 **Binding Effect**. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority and the Local Borrower and their respective successors and assigns.

Section 7.2 **Severability**. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any Court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 7.3 **Amendments, Supplements and Modifications**. This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority and the Local Borrower.

Section 7.4 **Execution in Counterparts**. This Loan 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 7.5 **Captions**. The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 7.6 **Further Assurances**. The Local Borrower shall, at the request of the Authority, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Loan Agreement.

Section 7.7 **State of Arizona Contract Provisions**.

(a) Books and Records. As required by the provisions of Arizona Revised Statutes Section 35-214, the Local Borrower agrees that all books, accounts, reports, files and other records relating to this Loan Agreement shall be retained and shall be subject at all reasonable times to inspection and audits by the Authority for five years after completion of this Loan Agreement, and that upon request by the Authority such records shall be produced at any of the Authority offices designated herein as the place at which notices to the Authority are to be given.

(b) Prohibition Against Discrimination. In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

(c) Governing Law and Forum. This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Arizona, except as such laws may be preempted by any federal rules or regulations. The parties hereto expressly acknowledge and agree and all Local Borrowers by their acceptance thereof shall be deemed to have acknowledged and agreed that any judicial action to interpret or enforce the terms of this Loan Agreement against the Authority shall be brought and maintained in the Superior Court of the State of Arizona in and for Maricopa County or in the United States District Court in and for the District of Arizona.

(d) Arbitration. In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

(e) Notice of Arizona Revised Statutes Section 38-511 – Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this Loan Agreement under the law of the State of Arizona.

(f) Additional Warranties and Certifications from the Local Borrower. In compliance with Section 23-214(B) of the Arizona Revised Statutes, the Local Borrower warrants to the Authority that either (i) it is not an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) or (ii) it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof submitted to the Authority of that registration and participation is true and correct. The Local Borrower agrees that, until the Loan is fully paid, at all times during which it is an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) it will be registered with and will participate in the E-Verify Program. The breach by the Local Borrower of the foregoing shall be deemed a material breach by the Local Borrower of this Loan Agreement and may result in penalties up to and including the termination of this Loan Agreement. If the Authority determines that the Local Borrower is not so registered and participating when required, the Authority will notify the Local Borrower by certified mail of the determination of noncompliance and the Local Borrower's right to appeal the determination. On a final determination of noncompliance, the Local Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214(B)) to the Authority within thirty days of the final determination.

Article 8 Definitions

Section 8.1 **Definitions**. The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meaning:

"*AMT Obligation*" means a Tax-Exempt Obligation the interest on which is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code.

"*Annual Loan Review Form*" means the loan compliance questionnaire circulated by the Authority to all borrowers as part of the Authority's annual loan portfolio review.

"*Authority*" means the Water Infrastructure Finance Authority of Arizona, a body corporate and politic of the State of Arizona duly created and validly existing under and by virtue of the Authority Act.

"*Authority Act*" means Title 49, Chapter 8 (Section 49-1201 et seq.) of the Arizona Revised Statutes ("A.R.S.").

"*Authority Bonds*" means any bonds of the Authority issued to finance the State's revolving fund established pursuant to the Water Pollution Control Act, as amended, and the Safe Drinking Water Act, as amended.

"*Authorized Officer*" means, (i) with respect to the Local Borrower, the person whose name is set forth in this Loan Agreement or such other person or persons authorized by the Local Borrower to act as an authorized officer of the Local Borrower to perform any act or execute any document relating to the Loan or this Loan Agreement whose name is furnished in writing to the Authority and the Trustee; and (ii) with respect to the Authority, the Chairman, Vice Chairman, Executive Director, or any other person or persons designated by the Board to act on behalf of the Authority with respect to this Loan Agreement; the designation of such person or persons shall be evidenced by a written certificate containing a specimen signature of such person or persons and signed on behalf of the Authority by its Chairman or Vice Chairman.

"*Bond Closing*" means the date of initial delivery of and payment for the Authority Bonds.

"*Bond Documents*" means and includes the Master Trust Indenture, any supplemental indenture and any comparable or related document pursuant to which the Authority Bonds are issued, and all further amendments and supplements thereto adopted in accordance with the provisions thereof.

"Bond Reserves" means reserves established by the Bond Documents for the Authority Bonds to secure timely payment of amounts due on the Authority Bonds even if one or more local borrowers do not make timely payments on their loans.

"*Business Day*" means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions, in the city in which the designated office of the Authority (being Phoenix, Arizona) is located, are closed.

"*Capital Grant Facility*" means the contractual arrangement established with the Authority by the United States of America Environmental Protection Agency to make capitalization grant payments pursuant to Title VI of the Federal Water Pollution Control Act, as amended (33 U.S.C. § 125 et seq.) and the Federal Safe Drinking Water Act, as amended (particularly 42 U.S.C. § 300j-12 et seq.).

"*Clean Water Act*" means the Federal Water Pollution Control Act amendments of 1972 (P.L. 92-500; 86 Stat. 816), as amended by the Water Quality Act of 1987 (P.L. 100-4; 101 Stat. 7) and the Water Resources Reform and Development Act of 2014 (P.L. 113-21, 128 Stat. 1193).

"*Clean Water Revolving Fund*" means the fund established by A.R.S. § 49-1221.

"*Code*" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"*Combined Interest and Fee Rate*" means periodic interest and fee payments made by the Borrower, see Exhibit A to this Loan Agreement.

"*Construction Period"* means the period from the date of the Loan Closing until the date of the final disbursement of proceeds of the Loan pursuant to this Loan Agreement, but in no event later than the third anniversary of the Loan Closing.

"*Cost*" means those costs that are eligible to be funded from draws under the Capital Grant Facility and are reasonable, necessary and allocable to the Project and are permitted by generally accepted government auditing standards to be costs of the Project.

"*Credit Enhancer*" means the entity so designated in the Bond Documents, if any, or any successor thereto, that from time to time has issued and outstanding a municipal bond insurance policy or similar payment guarantee relating to the Authority Bonds.

"*CWRF Financial Assistance Account*" means the account so designated in the Master Trust Indenture to which loans funded by the Clean Water Revolving Fund shall be credited.

"*Debt Management Fee*" means the fee component of the combined interest and fee payments made by the Borrower, see Exhibit A to this Loan Agreement.

"*Department*" means the Department of Environmental Quality of the State of Arizona.

"*Drinking Water Facility*" has the meaning given that term in the Authority Act, currently: a community water system or a non-profit noncommunity water system as defined in the Federal Safe Drinking Water Act (P.L. 93-523; 88 Stat. 1660l; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110 Stat. 1613) that is located in the State. The term does not include water systems owned by federal agencies.

"*Drinking Water Revolving Fund*" means the fund established by A.R.S. § 49-1241.

"*DWRF Financial Assistance Account*" means the account so designated in the Master Trust Indenture to which loans funded by the Drinking Water Revolving Fund shall be credited.

"*Eligible Project Costs*" means, whether incurred before or after the date of this Loan Agreement, such portion of the Costs as is disbursed by the Authority for the benefit of the Local Borrower. The Local Borrower and the Authority acknowledge that the actual Eligible Project Costs for the Project have not been determined as of the effective date of this Loan Agreement. The final Eligible Project Costs shall be established after all disbursements have been made.

"*Event of Default*" means any occurrence or event specified in Section 5.1 hereof.

"*Indian Tribe*" has the meaning given that term by the Authority Act, currently: any Indian tribe, band, group or community that is recognized by the United States Secretary of the Interior and that exercises governmental authority within the limits of any Indian reservation under the Jurisdiction of the United States government notwithstanding the issuance of any patent and including rights-of-way running through the reservation.

"*Loan*" means (a) during the Construction Period, the commitment to lend to the Local Borrower the Estimated Eligible Project Costs set forth in this Loan Agreement (as it may be amended or revised from time to time), and (b) thereafter, the amount of money equal to the Eligible Project Costs which is actually loaned to the Local Borrower pursuant to this Loan Agreement.

"*Loan Agreement*" or "*Agreement*" means this Loan Agreement, including the Exhibits and these Standard Terms and Conditions attached to this Loan Agreement, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

"*Loan Closing*" means the date of execution and delivery of this Loan Agreement.

"*Loan Repayment Date*" means the payment dates commencing and ending on the dates set forth in this Loan Agreement.

"*Loan Repayments*" means the payments payable by the Local Borrower pursuant to this Loan Agreement.

"*Local Borrower*" means the Political Subdivision or Indian Tribe that is a party to and is described in the first paragraph of this Loan Agreement.

"*Master Trust Indenture*" means and includes the Master Trust Indenture dated as of August 1, 1999, as supplemented, and any comparable or related document, pursuant to which the Authority issues Authority Bonds.

"*Political Subdivision*" has the meaning given that term by the Authority Act, currently: a county, city, town or special taxing district authorized by law to construct wastewater treatment facilities.

"*Project*" is the project described in Section 2.1 of the Loan Agreement, all or a portion of the Cost of which is financed from the proceeds of the Loan.

"*Repayment Period*" means the period over which the principal amount of the Loan will be repaid which period begins and ends on the dates set forth in this Loan Agreement.

"*Repayment Principal Amount*" means the amount the Authority agrees to loan to the Local Borrower pursuant to this Loan Agreement or such lesser amount of actual Eligible Project Costs as represents the aggregate amount of the Loan actually made pursuant to this Loan Agreement.

"Reserve Fund Surety" means a surety bond, insurance policy, letter of credit or similar arrangement representing the irrevocable obligation of the issuer thereof to pay to or at the direction of the Local Borrower an amount up to the Reserve Requirement as set forth in Exhibit A.

"*Safe Drinking Water Act*" means the Federal Safe Drinking Water Act (P.L. 93-523; 88 Stat. 1660; P.L. 96-190; 91 Stat . 1393; P.L. 104-182; 110 Stat. 1613), as amended in 1996.

"*Source of Repayment*" means the "source of repayment" set forth in this Loan Agreement as defined in Exhibit D.

"*State*" means the State of Arizona.

"*System*" means the "System" as defined in Section 2.2 of the Loan Agreement.

"*Tax-Exempt Obligation*" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150 of the Code, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148 of the Code

"*Trustee*" means the Trustee appointed by the Authority pursuant to the Bond Documents and its successor or successors and any other corporation which may at any time be substituted in its place as Trustee pursuant to the Bond Documents.

Terms not otherwise defined herein shall have the meanings ascribed to them in Exhibit D to the Loan Agreement.

Section 8.2 **Rules of Interpretation**. For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) Words of one gender include the corresponding words of other genders; words of neuter include both genders; and words in the singular include words in the plural and vice versa.

(b) Words indicating persons, parties, or entities (and the like) include firms, associations, partnerships (including limited partnerships), limited liability companies (and the like), corporations, trusts and other legal entities, including public and governmental bodies, as well as natural persons.

(c) References to a statute refer to the statute, as amended, and any successor statute, and to all regulations promulgated under or implementing the statute or successor statute, as in effect at the relevant time.

(d) References to a governmental or quasi-governmental entity or representatives thereof also refer to an entity that succeeds to the functions of the governmental or quasi-governmental entity and representatives thereof.

(e) Headings preceding sections of text and any table of contents are solely for convenience of reference and are not part of this Loan Agreement and are not to affect its meaning, interpretation or effect.

(f) Actions permitted under this Loan Agreement may be taken at any time and from time to time in the actor's sole discretion.

(g) The word "including" means "including, but not limited to" and the word "include" means "include, among others."

(h) The terms "hereby," "hereof," "herein," and "hereunder" (and the like) refer to this Loan Agreement.

(i) Indications of time of day mean local time in Phoenix, Arizona.

(j) This Loan Agreement shall be governed by and construed in accordance with the applicable law of the State of Arizona, except for its conflict of law rules and except as preempted by federal.

Article 9 List of Federal Laws and Authorities

By Section 5.4 and Section 5.5 of Exhibit B to the Loan Agreement, the Local Borrower agrees that the Project will comply with applicable provisions of the following federal laws and authorities:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, Pub. L. 93-291; 16 U.S.C. § 469a-1.

2. Clean Air Act, Pub. L. 95-95, as amended; 42 U.S.C. § 7401 et. seq.

3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.

4. Coastal Barrier Resources Act, Pub. L. 97-348; 16 U.S.C. § 3501 et. seq.

5. Coastal Zone Management Act, Pub. L. 92-583, as amended; 16 U.S.C. § 1451 et. seq.

6. Endangered Species Act, Pub. L. 93-205, as amended; 16 U.S.C. § 1531 et seq.

7. Environmental Justice, Executive Order 12898.

8. Farmland Protection Policy Act, Pub. L. 97-98; 7 U.S.C. § 4201 et seq.

9. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.

10. Floodplain Management, Executive Order 11988, as amended by Executive Order 12148.

11. Magnunson-Stevens Fishery Conservation and Management Act, Pub L. 94-265, as amended; 16 U.S.C. § 1801 et. seq.

12. National Historic Preservation Act of 1966, Pub. L. 89-665, as amended; 16 U.S.C. § 470 et. seq.

13. Protection and Enhancement of the Cultural Environment, Executive Order 11593.

14. Protection of Wetlands, Executive Order 11990, as amended by Executive Order 12608; Pub. L. 99-645, as codified at 16 U.S.C. § 3901 et. seq.

15. Safe Drinking Water Act, Section 1424(e), Pub. L. 92-523, as amended; 42 U.S.C. § 300f et. seq.

16. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended; 16 U.S.C. § 1271 et. seq.

17. Migratory Bird Treaty Act of 1918, 16 U.S.C. § 703 et. seq.

Social Legislation:

1. Age Discrimination Act, Pub. L. 94-135; 42 U.S.C. § 6102.

2. Civil Rights Act of 1964, Pub. L. 88-352, Title VI; 42 U.S.C. § 2000d.

3. Equal Employment Opportunity, Executive Order 11246, as amended.

4. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements.

    a. Promoting the use of Small, Minority, and Women-owned Businesses, Executive Orders 11625, 12138 and 12432.

    b. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.

    c. Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993, Pub. L. 102-389; 42 U.S.C. § 4370d.

    d. Title X Clean Air Act, Pub. L. 101-549; 42 U.S.C. § 7601 note.

5. Rehabilitation Act of 1973, Pub. L. 93-112; 29 U.S.C. § 794 (including Executive Order 11914 and 11250).

6. Section 13 of the Federal Water Pollution Control Act, Pub. L. 92-500; 33 U.S.C. § 1251.

7. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.

Economic and Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 34) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121.

2. Debarment and Suspension, Executive Order 12549.

3. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended; 42 U.S.C. § 3331 et. seq.

4. Preservation of Open Competition and Government Neutrality, Executive Order 13502.

5. Prohibitions relating to violators of the Clean Air Act, Section 306 of the Clean Air Act, 42 U.S.C. § 7505; Section 508 of the Clean Water Act, 33 U.S.C. § 1368; Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.

6. Uniform Relocation and Real Property Acquisition Policies Act of 1970, Pub. L. 91-646, as amended; 42 U.S.C. §§ 4601-4655.

*****

10. D.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Charity Lee, Real Estate Manager
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration and Adoption of Ordinance No. 2019-30: An ordinance of the City Council of the City of Flagstaff, dedicating certain City property as public right-of-way within the area of John Wesley Powell Boulevard and Shamrell Boulevard; delegating authority to complete the transactions and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the October 1, 2019 Council Meeting:

1) Read Ordinance No. 2019-30 by title only for the first time
2) City Clerk reads Ordinance No. 2019-30 by title only (if approved above)

At the October 15, 2019 Council Meeting:

3) Read Ordinance No. 2019-30 by title only for the final time
4) City Clerk reads Ordinance No. 2019-30 by title only (if approved above)
5) Adopt Ordinance No. 2019-30

Executive Summary:

City parcels 116-61-006, 116-61-008A and 116-61-005A are being evaluated by City Staff for potential sale or lease. Prior to marketing these properties for sale or lease, City Staff would like to reserve the necessary right-of-way for the future widening of west John Wesley Powell Boulevard. This will be accomplished by splitting off portions of the City property and designating the land as right-of-way. This will protect our future transportation needs in that area.

Financial Impact:

The City paid $5,000 to have the legal descriptions prepared for the dedication of the right-of-way. The reservation of right-of-way will reduce the parcel size which may have an impact on its sale or lease value.

Policy Impact:

None

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

TRANSPORTATION AND OTHER PUBLIC INFRASTRUCTURE
Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

Has There Been Previous Council Decision on This:
No

Options and Alternatives:
1. Authorize the ordinance and dedicate a portion of City property for the future widening of John Wesley Powell Boulevard.
2. Do not authorize the ordinance and redirect staff.

Background/History:
Proposition 419 was approved by the Flagstaff voters in 2018 to support road, bicycle and pedestrian projects, and general projects such as traffic signals, street lighting, and sign. The proposition identified John Wesley Powell Boulevard as a future project that would be funded through the transportation tax. This section of John Wesley Powell Boulevard is planned to be a five-lane road with sidewalks, FUTS, and parkway as well as a roundabout at Shamrell Boulevard and John Wesley Powell Boulevard.

City Staff is taking a proactive approach to set aside the anticipated right-of-way for the future widening of John Wesley Powell Boulevard prior to advertising the City property for sale or lease to ensure our future transportation needs are protected.

The City entered into a purchase contract for parcel 116-61-006 in 2017. In the terms of that contract the Greentree Hospitality Group, Inc purchased the parcel and was then required to dedicate back to the City (8) eight feet of right-of-way along the length of the parcel boundary with John Wesley Powell Boulevard. This arrangement took into account future plans for the road expansion and the incorporation of the FUTS trail. After the Purchase Contract was canceled by the purchaser, City staff determined that additional right-of-way would allow for further improved expansion. The parcel itself is currently being master-planned in preparation for a possible procurement process and this proposed dedication of right-of-way will ensure the expansion of John Wesley Powell Boulevard will have sufficient right-of-way and the parcel being offered for sale or lease will be accurate.

Key Considerations:
Reserving the right-of-way prior to the sale or lease of City property protects our future transportation needs.

Expanded Financial Considerations:
The road expansion project is not planned at this time but will be paid through the transportation tax that was approved by voters in 2018 through Proposition 419. Costs for construction are not determined at this time.

Community Benefits and Considerations:

Setting aside right-of-way for the future widening of John Wesley Powell Boulevard which is anticipated to be a major arterial road.

Community Involvement:
Inform

Attachments:
Ord. 2019-30
Legal Description and Map for Dedication
Map of Prop 419
JW Powell Roadway Plan
Shamrell Roundabout and JW Powell Expansion
Presentation

ORDINANCE NO. 2019-30

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, DEDICATING CERTAIN CITY PROPERTY AS PUBLIC RIGHT-OF-WAY WITHIN THE AREA OF JOHN WESLEY POWELL BOULEVARD AND SHAMRELL BOULEVARD; DELEGATING AUTHORITY TO COMPLETE THE TRANSACTIONS AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City desires to dedicate as public right-of-way a portion of real property owned by the City (affecting Coconino County Assessor Parcel Numbers 116-61-006 and 116-61-005A, 116-61-008A as public right-of-way for the future widening of John Wesley Powell Boulevard.

ENACTMENTS:

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

SECTION 1. In General

The City hereby dedicates as public right-of-way that certain real property legally described and depicted in the attached Exhibits A and B, attached hereto and incorporated by reference.

SECTION 2. Delegation of Authority

The Mayor is hereby authorized to execute all documents necessary to accomplish the purposes of this ordinance as provided for herein. All documents shall be in a form approved by the City Attorney and Real Estate Manager.

The City Clerk is hereby authorized to take such other and further measures and actions as are necessary and appropriate to carry out the terms, provisions, and intent of this resolution, including, but not limited to the recording of the documents in the Office of the Coconino County Recorder.

SECTION 3. 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 15th day of October, 2019.

_____

MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
Legal Descriptions

LEGAL DESCRIPTION
EXHIBIT 'A'
APN: 116-61-006
Ref No. #18245
2-7-2019

A portion of 'Tract 4' according to the Final Plat of Pulliam Airpark Tracts 4 & 6 Unit 3 Amended, Case 8, Map 19, Official Records of Coconino County (herein referred to as R1), lying within the southwest quarter of Section 5, Township 20 North, Range 7 East, of the Gila and Salt River Meridian, Coconino County, Arizona, described as follows:

Parcel 1:

Commencing at the southeasterly corner of said 'Tract 4', said point being in common with the northwesterly Right-of-Way line of John Wesley Powell Boulevard as shown on R1, and the **TRUE POINT OF BEGINNING**;

Thence along the southeasterly property line of said 'Tract 4' and said Right-of-Way line, South 41°12'04" West, 1141.75 feet (Basis of Bearing, South 41°00'14" West, 1141.60 feet per R1) to the beginning of a tangent curve concave to the northwest having a radius of 605.00 feet;

Thence continuing along said property line and said Right-of-Way line, and southwesterly along said curve, 283.72 feet through a central angle of 26°52'11";

Thence continuing along said property line and said Right-of-Way line, North 21°55'45" West, 5.00 feet to the beginning of a non-tangent curve concave to the north having a radius of 600.00 feet and being subtended by a chord which bears South 73°11'11" West 107.00 feet;

Thence continuing along said property line and said Right-of-Way line, and westerly along said curve, 107.14 feet through a central angle of 10°13'53" to the southwest corner of said 'Tract 4';

Thence along the westerly property line of said 'Tract 4', North 44°06'49" West, 9.79 feet to the beginning of a non-tangent curve concave to the north, having a radius of 597.91 feet and being subtended by a chord which bears North 74°36'31" East 88.30 feet;

Thence easterly along said curve, 88.38 feet through a central angle of 8°28'10" to the beginning of a tangent curve concave to the northwest, having a radius of 70.80 feet;

Thence northeasterly along said curve, 107.50 feet through a central angle of 86°59'55";

Thence North 16°37'29" West, 37.77 feet;

Thence North 73°22'31" East, 95.02 feet to beginning of a non-tangent curve concave to the north having a radius of 49.89 feet and being subtended by a chord which bears South 74°44'57" East 85.08 feet;

ACCEPTED
CITY OF FLAGSTAFF
ENGINEERING DIV.
R.M. 3/12/19
INT DATE

Thence southeasterly along said curve, 101.87 feet through a central angle of 116°59'40" to the beginning of a non-tangent curve concave to the northwest having a radius of 591.00 feet and being subtended by a chord which bears North 43°52'54" East, 55.27 feet;

Thence northeasterly along said curve, 55.29 feet through a central angle of 5°21'38";

Thence North 41°12'04" East, 1155.66 feet to a point on the easterly property line of said 'Tract 4';

Thence along said easterly property line, South 03°59'46" East, 19.73 feet to the **TRUE POINT OF BEGINNING**;

Containing 0.725 Acres, more or less.

Parcel 2:

Commencing at the northwest corner of said 'Tract 4' and the **TRUE POINT OF BEGINNING**;

Thence along the north line of said 'Tract 4', North 89°43'16" East, 775.85 feet (Basis of Bearing, North 89°32'07" East, 776.00 feet per R1) to a point on the westerly Right-of-Way line of Pulliam Drive as shown on R1, and the beginning of a non-tangent curve concave to the northeast having a radius of 1277.14 feet and being subtended by a chord which bears South 33°34'25" East 671.08 feet;

Thence along said Right-of-Way line, and southeasterly along said curve, 679.05 feet through a central angle of 30°27'49";

Thence continuing along said Right-of-Way line, South 48°59'46" East, 35.00 feet;

Thence continuing along said Right-of-Way line, South 03°59'46" East, 8.45 feet;

Thence South 41°12'04" West, 1155.66 feet to the beginning of a non-tangent curve concave to the northwest having a radius of 591.00 feet and being subtended by a chord which bears South 43°52'54" West 55.27 feet;

Thence southwesterly along said curve, 55.29 feet through a central angle of 5°21'38" to the beginning of a non-tangent curve concave to the north having a radius of 49.89 feet and being subtended by a chord which bears North 74°44'57" West 85.08 feet;

Thence northwesterly along said curve, 101.87 feet through a central angle of 116°59'40";

Thence South 73°22'31" West, 95.02 feet;

Thence South 16°37'29" East, 37.77 feet to the beginning of a tangent curve concave to the northwest having a radius of 70.80 feet;

Thence southwesterly along said curve, 107.50 feet through a central angle of 86°59'55" to the beginning of a tangent curve concave to the north, having a radius of 597.91 feet;

Thence westerly along said curve, 88.38 feet through a central angle of 8°28'10" to a point on the westerly property line of said 'Tract 4';

Thence along said property line, North 44°06'49" West, 39.92 feet;

Thence continuing along said property line, North 03°16'48" West, 201.43 feet;

Thence continuing along said property line, North 16°30'37" West, 391.18 feet;

Thence continuing along said property line, North 06°53'45" West, 564.89 feet to the beginning of a non-tangent curve concave to the east having a radius of 5756.59 feet and being subtended by a chord which bears North 15°16'07" East 389.92 feet;

Thence continuing along said property line, and northerly along said curve, 390.00 feet through a central angle of 3°52'54";

Thence continuing along said property line, North 17°12'28" East, 110.64 feet to the **TRUE POINT OF BEGINNING;**

Containing 31.468 Acres, more or less.

This legal description was prepared by Aaron D. Borling, RLS 48756, on behalf of and at the request of Shephard-Wesnitzer, Inc., Flagstaff, AZ.



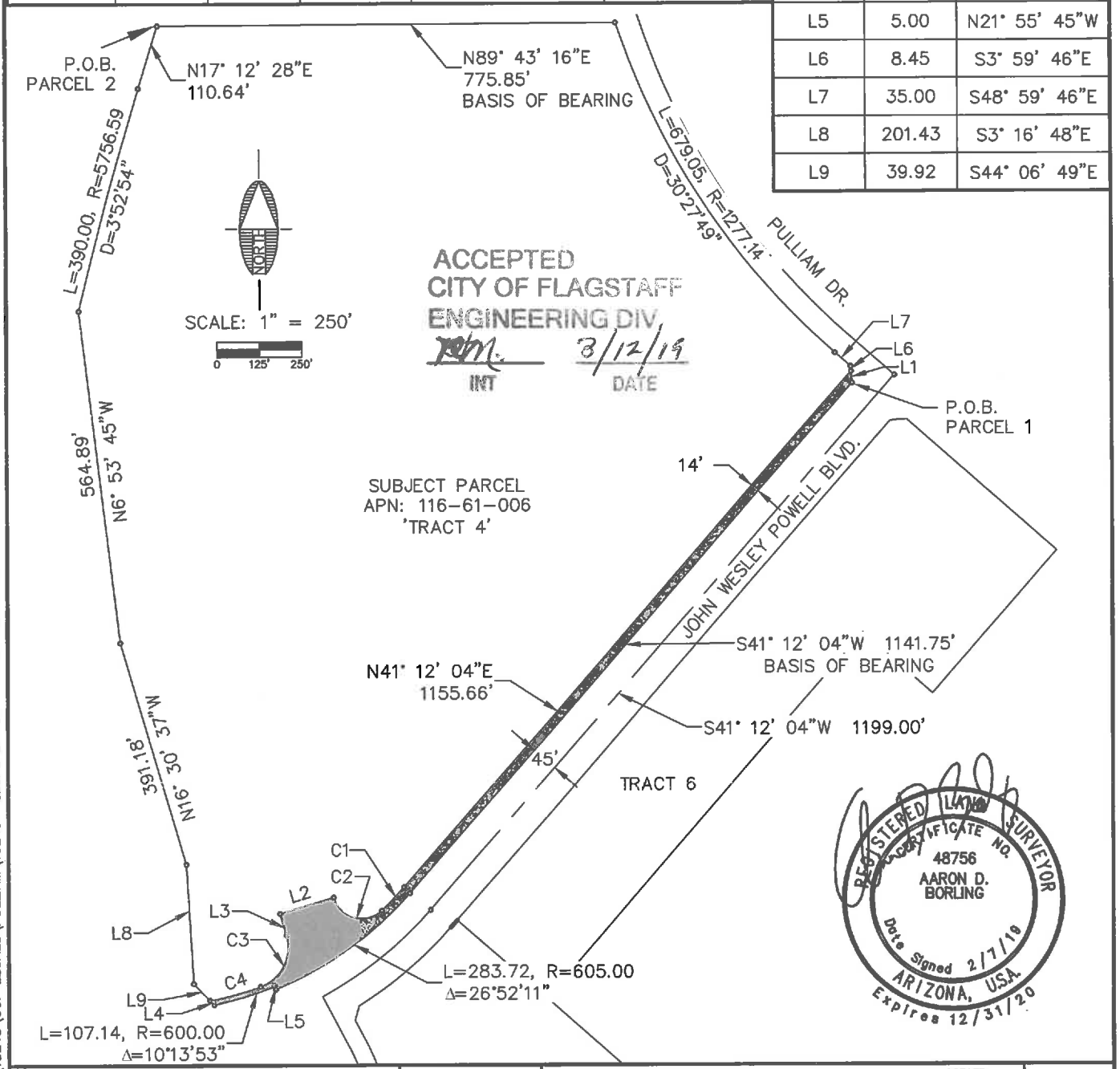
EXHIBIT 'B' TO ACCOMPANY LEGAL DESCRIPTION

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 5,
TOWNSHIP 20 NORTH, RANGE 7 EAST
GILA AND SALT RIVER MERIDIAN
COCONINO COUNTY, ARIZONA

PLOTTED: Feb 07, 2019-5:05pm

Curve Table					
Curve #	Length	Radius	Delta	Chord Direction	Chord Length
C1	55.29	591.00	5°21'38"	N43° 52' 54"E	55.27
C2	101.87	49.89	116°59'40"	S74° 44' 57"E	85.08
C3	107.50	70.80	86°59'55"	N26° 52' 29"E	97.47
C4	88.38	597.91	8°28'10"	N74° 36' 31"E	88.30

Parcel Line Table		
Line #	Length	Direction
L1	19.73	S3° 59' 46"E
L2	95.02	S73° 22' 31"W
L3	37.77	S16° 37' 29"E
L4	9.79	N44° 06' 49"W
L5	5.00	N21° 55' 45"W
L6	8.45	S3° 59' 46"E
L7	35.00	S48° 59' 46"E
L8	201.43	S3° 16' 48"E
L9	39.92	S44° 06' 49"E



REGISTERED LAND SURVEYOR
CERTIFICATE NO.
48756
AARON D. BORLING
Date Signed 2/7/19
ARIZONA, U.S.A.
Expires 12/31/20

Shephard Wesnitzer, Inc.
110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.8934 fax
www.swiaz.com

JOB NO.	18245
DATE	FEB. '19
SCALE	AS SHOWN
DRAWN	TNO
DESIGN	
CHECKED	ADB

FLAGSTAFF ARIZONA

LEGAL EXHIBIT

SHEET 4 OF 4

FILE: P:\2018\18245\COF LEGALS\PULLIAM\18245- LEGAL EXHIBIT- TRACT 4.DWG ABORLING

LEGAL DESCRIPTION
EXHIBIT 'A'
APN: 116-61-005A
Ref No. #18245
2-11-2019

A portion of 'Tract 3' according to the Final Plat of Pulliam Airpark, Unit 2 Amended, Case 7, Map 96, Official Records of Coconino County (herein referred to as R1), lying within the southwest quarter of Section 5, and the northwest quarter of Section 8, Township 20 North, Range 7 East, of the Gila and Salt River Meridian, Coconino County, Arizona, described as follows:

Parcel 1:

Commencing at the southeast corner of said 'Tract 3', said point being in common with the northeasterly Right-of-Way line of Shamrell Boulevard as shown on R1, and the **TRUE POINT OF BEGINNING**;

Thence along said Right-of-Way line, North 57°13'21" West, 945.94 feet (Basis of Bearing, North 57°25'29" West, 885.00 feet per R1) to the beginning of a non-tangent curve concave to the northeast having a radius of 420.00 feet and being subtended by a chord which bears North 35°15'29" West, 314.29 feet;

Thence continuing along said Right-of-Way line, and northwesterly along said curve, 322.13 feet through a central angle of 43°56'40";

Thence continuing along said Right-of-Way line, North 13°14'07" West, 197.95 feet to the beginning of a non-tangent curve concave to the west having a radius of 379.98 feet and being subtended by a chord which bears North 20°37'52" West 97.45 feet;

Thence continuing along said Right-of-Way line, and northerly along said curve, 97.72 feet through a central angle of 14°44'03";

Thence continuing along said Right-of-Way line, North 27°59'25" West, 38.25 feet;

Thence continuing along said Right-of-Way line, North 15°03'01" East, 25.00 feet to a point on the southerly Right-of-Way line of John Wesley Powell Boulevard as shown on R1, and the beginning of a non-tangent curve concave to the northwest having a radius of 695.00 feet and being subtended by a chord which bears North 49°39'31" East 204.43 feet;

Thence along said Right-of-Way line, and northeasterly along said curve, 205.18 feet through a central angle of 16°54'53";

Thence continuing along said Right-of-Way line, North 41°12'04" East, 16.68 feet;

Thence leaving said Right-of-Way line, South 48°49'02" East, 5.00 feet;

Thence South 41°12'04" West, 16.68 feet;

ACCEPTED
CITY OF FLAGSTAFF
ENGINEERING DIV.
R-M 3/12/19
INT DATE

Thence South 42°56'36" West, 44.30 feet;

Thence South 37°39'56" West, 42.35 feet;

Thence South 36°41'22" West, 45.31 feet to the beginning of a tangent curve concave to the east having a radius of 95.76 feet;

Thence southerly along said curve, 119.48 feet through a central angle of 71°29'15" to the beginning of a non-tangent curve concave to the west having a radius of 393.98 feet and being subtended by a chord which bears South 20°38'50" East, 101.03 feet;

Thence southerly along said curve, 101.31 feet through a central angle of 14°44'00";

Thence South 13°16'50" East, 197.93 feet to the beginning of a tangent curve concave to the northeast, having a radius of 406.00 feet;

Thence southerly along said curve, 286.42 feet through a central angle of 40°25'12";

Thence South 57°13'21" East, 912.26 feet;

Thence South 41°10'58" West, 14.15 feet to the **TRUE POINT OF BEGINNING**;

Containing 1.08 Acres, more or less.

Parcel 2:

Commencing at the northeast corner of said 'Tract 3' and the **TRUE POINT OF BEGINNING**;

Thence along the northeasterly property line of said 'Tract 3',

North 48°49'02" West, 1500.18 feet (Basis of Bearing, North 48°59'46" West, 1505.18 feet per R1)

Thence South 41°12'04" West, 16.68 feet;

Thence South 42°56'36" West, 44.30 feet;

Thence South 37°39'56" West, 42.35 feet;

Thence South 36°41'22" West, 45.31 feet to the beginning of a tangent curve concave to the east, having a radius of 95.76 feet;

Thence southerly along said curve, 119.48 feet through a central angle of 71°29'15" to the beginning of a non-tangent curve concave to the west having a radius of 393.98 feet and being subtended by a chord which bears South 20°38'50" East 101.03 feet;

Thence southerly along said curve, 101.31 feet through a central angle of 14°44'00";

Thence South 13°16'50" East, 197.93 feet to the beginning of a tangent curve concave to the northeast, having a radius of 406.00 feet;

Thence southeasterly along said curve, 286.42 feet through a central angle of 40°25'12";

Thence South 57°13'21" East, 912.26 feet to a point on the southeasterly property line of said 'Tract 3';

Thence along said property line, North 41°10'58" East, 337.34 feet to the **TRUE POINT OF BEGINNING**;

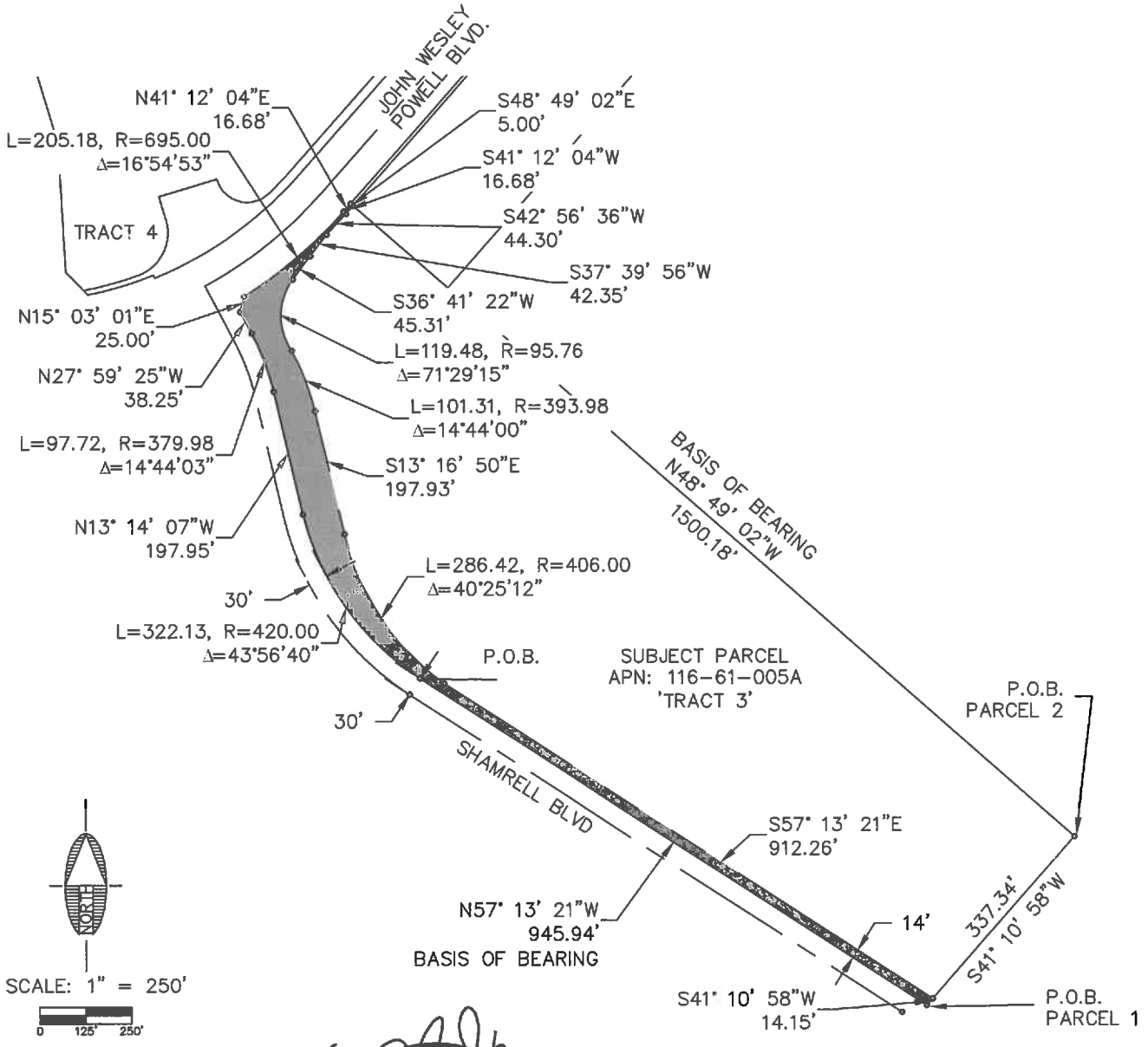
Containing 13.31 Acres, more or less.

This legal description was prepared by Aaron D. Borling, RLS 48756, on behalf of and at the request of Shephard-Wesnitzer, Inc., Flagstaff, AZ.



EXHIBIT 'B' TO ACCOMPANY LEGAL DESCRIPTION

**A PORTION OF THE SOUTHWEST QUARTER OF SECTION 5,
TOWNSHIP 20 NORTH, RANGE 7 EAST
GILA AND SALT RIVER MERIDIAN
COCONINO COUNTY, ARIZONA**



REGISTERED LAND SURVEYOR
CERTIFICATE NO.
48756
AARON D.
BORLING
Date Signed 3/4/19
ARIZONA, U.S.A.
Expires 12/31/20

ACCEPTED
CITY OF FLAGSTAFF
ENGINEERING DIV.
R-M. 3/12/19
INT DATE

Shephard Wesnitzer, Inc.
110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.8934 fax
www.swiaz.com

JOB NO.	18245
DATE	MAR. '19
SCALE	AS SHOWN
DRAWN	TNO
DESIGN	
CHECKED	ADB

FLAGSTAFF
ARIZONA

LEGAL EXHIBIT

SHEET 4 OF 4

PLOTTED: Mar 04, 2019-4:42pm
FILE: P:\2018\18245\COF LEGALS\PULLIAM\18245- LEGAL EXHIBIT- TRACT 3.DWG ABORLING

LEGAL DESCRIPTION
EXHIBIT 'A'
APN: 116-61-008A
Ref No. #18245
3-4-2019

A portion of 'Tract 6' according to the Final Plat of Pulliam Airpark Tracts 4 & 6 Unit 3 Amended, Case 8, Map 19, Official Records of Coconino County (herein referred to as R1), lying within the southwest quarter of Section 5, Township 20 North, Range 7 East, of the Gila and Salt River Meridian, Coconino County, Arizona, described as follows:

Parcel 1:

Commencing at the southwesterly corner of said 'Tract 6', said point being in common with the southeasterly Right-of-Way line of John Wesley Powell Boulevard as shown on R1, and the **TRUE POINT OF BEGINNING**;

Thence along the northwesterly property line of said 'Tract 6' and said Right-of-Way line, North 41°12'04" East, 1119.65 feet (Basis of Bearing, North 41°00'14" East, 1119.55 feet per R1);

Thence along the northerly property line of said 'Tract 6' and said Right-of-Way line, North 86°00'14" East, 7.10 feet;

Thence leaving said property line and said Right-of-Way line, South 41°12'04" West, 1124.68 feet to a point on the southwesterly property line of said 'Tract 6';

Thence along said property line, North 48°49'02" West, 5.00 feet to the **TRUE POINT OF BEGINNING**;

Containing 5,611 square feet, or 0.129 Acres, more or less.

Parcel 2:

Commencing at the northeast corner of said 'Tract 6' and the **TRUE POINT OF BEGINNING**;

Thence along the southeasterly property line of said 'Tract 6', South 41°10'58" West, 320.86 feet (Basis of Bearing, South 41°00'14" West, 320.84 feet per R1);

Thence continuing along said property line, North 48°49'02" West, 157.45 feet;

Thence continuing along said property line, South 41°10'58" West, 818.99 feet to the southwest corner of said 'Tract 6';

Thence along the southwesterly property line of said 'Tract 6', North 48°49'02" West, 195.35 feet;

ACCEPTED
CITY OF FLAGSTAFF
ENGINEERING DIV.
R.M. 3/12/19
INT DATE

Thence North 41°12'04" East, 1124.68 feet to a point on the northerly property line of said 'Tract 6';

Thence along said north line, North 86°00'14" East, 21.53 feet;

Thence along the northeasterly property line of said 'Tract 6', South 48°47'56" East, 337.26 feet to the **TRUE POINT OF BEGINNING**;

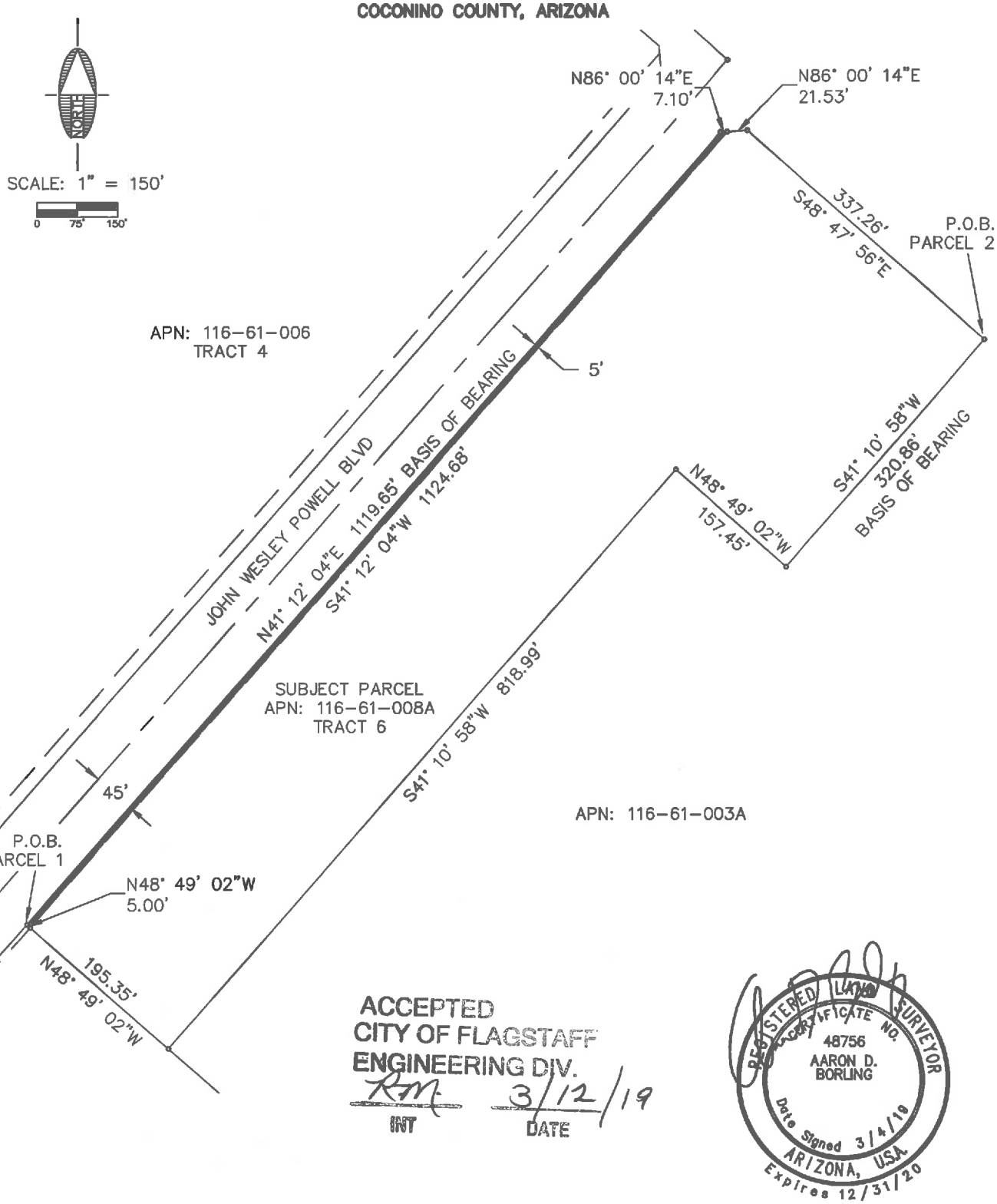
Containing 6.265 Acres, more or less.

This legal description was prepared by Aaron D. Borling, RLS 48756, on behalf of and at the request of Shephard-Wesnitzer, Inc., Flagstaff, AZ.



EXHIBIT 'B' TO ACCOMPANY LEGAL DESCRIPTION

**A PORTION OF THE SOUTHWEST QUARTER OF SECTION 5,
TOWNSHIP 20 NORTH, RANGE 7 EAST
GILA AND SALT RIVER MERIDIAN
COCONINO COUNTY, ARIZONA**



ACCEPTED
CITY OF FLAGSTAFF
ENGINEERING DIV.
RM 3/12/19
INT DATE

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
48756
AARON D.
BORLING
Date Signed 3/4/19
ARIZONA, U.S.A.
Expires 12/31/20

PLOTTED: Mar 04, 2019-10:50am

FILE: P:\2018\18245\COF LEGALS\PULLIAM\18245- LEGAL EXHIBIT-TRACT 6.DWG ABORLING

Shephard Wesnitzer, Inc.
110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.8934 fax
www.swaz.com

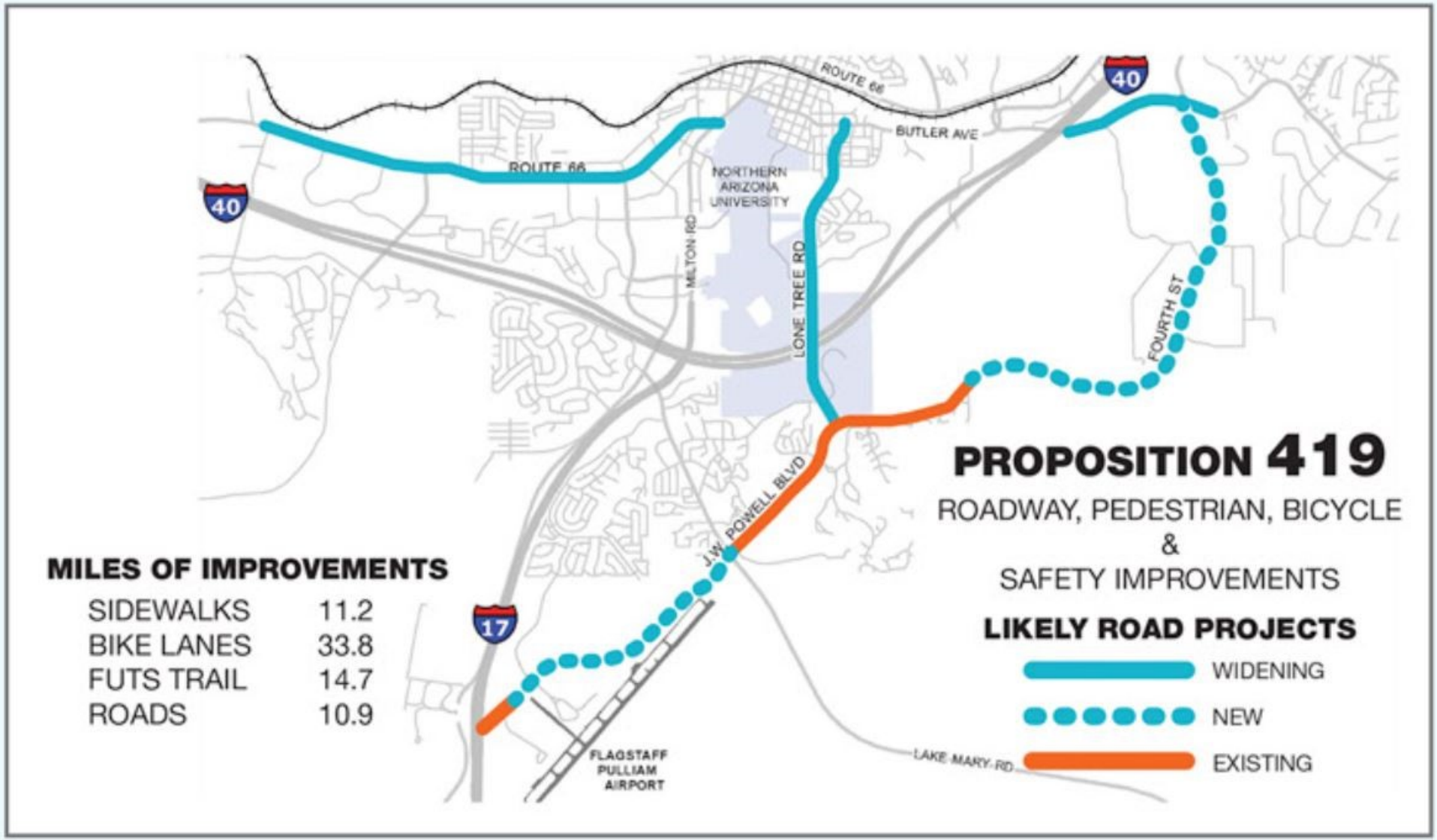
JOB NO.	18245
DATE	FEB. '19
SCALE	AS SHOWN
DRAWN	TNO
DESIGN	
CHECKED	ADB

FLAGSTAFF
ARIZONA

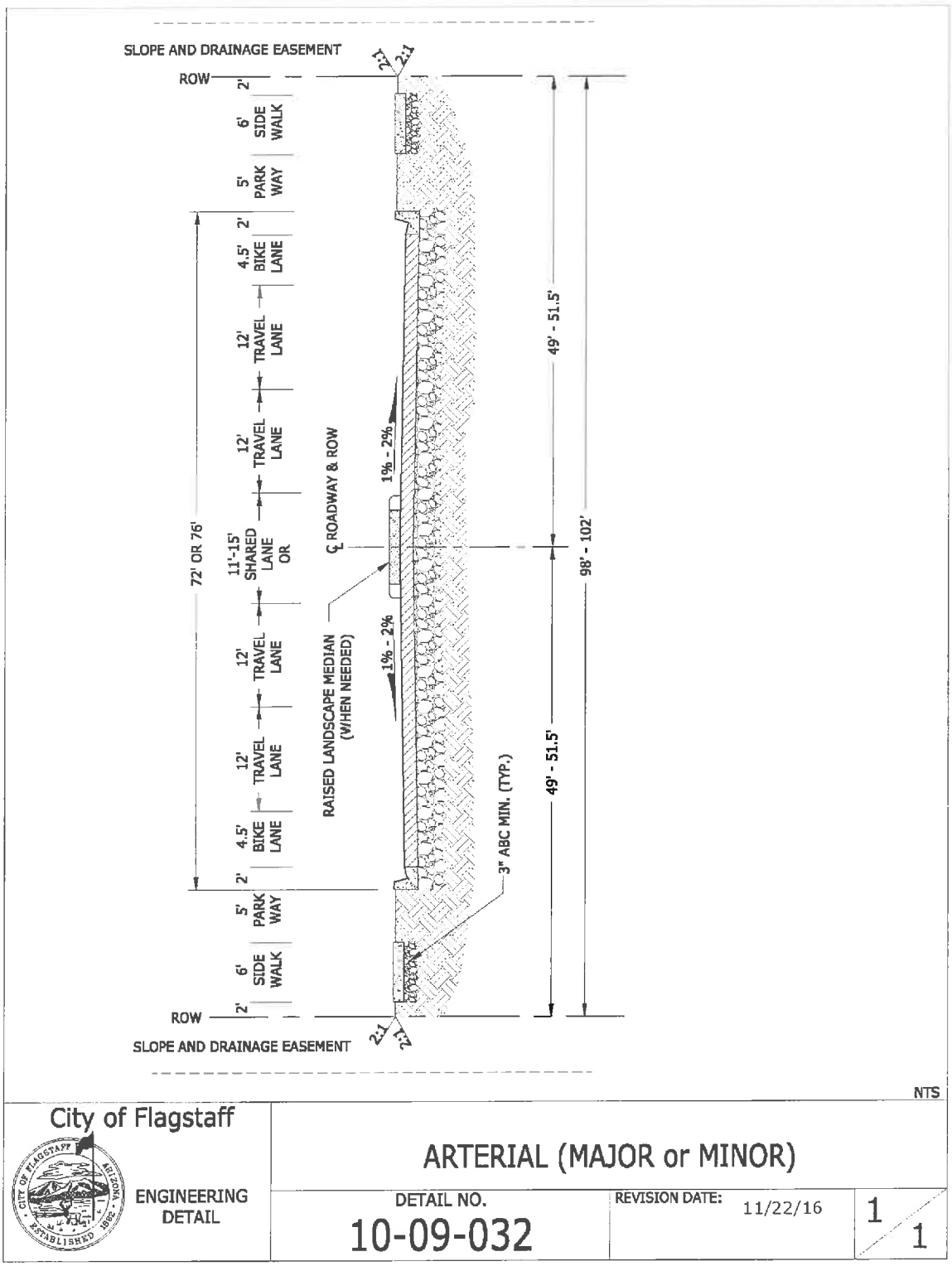
LEGAL EXHIBIT

SHEET 3 OF 3

Flagstaff Transportation Tax: The Future



10-09-032 **Arterial (Major or Minor)**



(Ord. 2017-22, Rep&ReEn, 07/05/2017)

S PULLIAM DR

JOHN W POWELL BLVD

ROW

CL

N

NTS

456 W JOHN W POWELL BLVD
APN#116-61-006

APN#116-61-008A

12' Travel Lane

4.5 Bike Lane

92'

59'

12' Travel Lane

10' Sidewalk

4.5 Bike Lane

46'

6' Sidewalk

R33'

6' Sidewalk

6' Sidewalk

2836 W SHAMRELL BLVD
APN#116-61-005A

SHAMRELL BLVD

3051 W SHAMRELL BLVD
APN#116-61-013

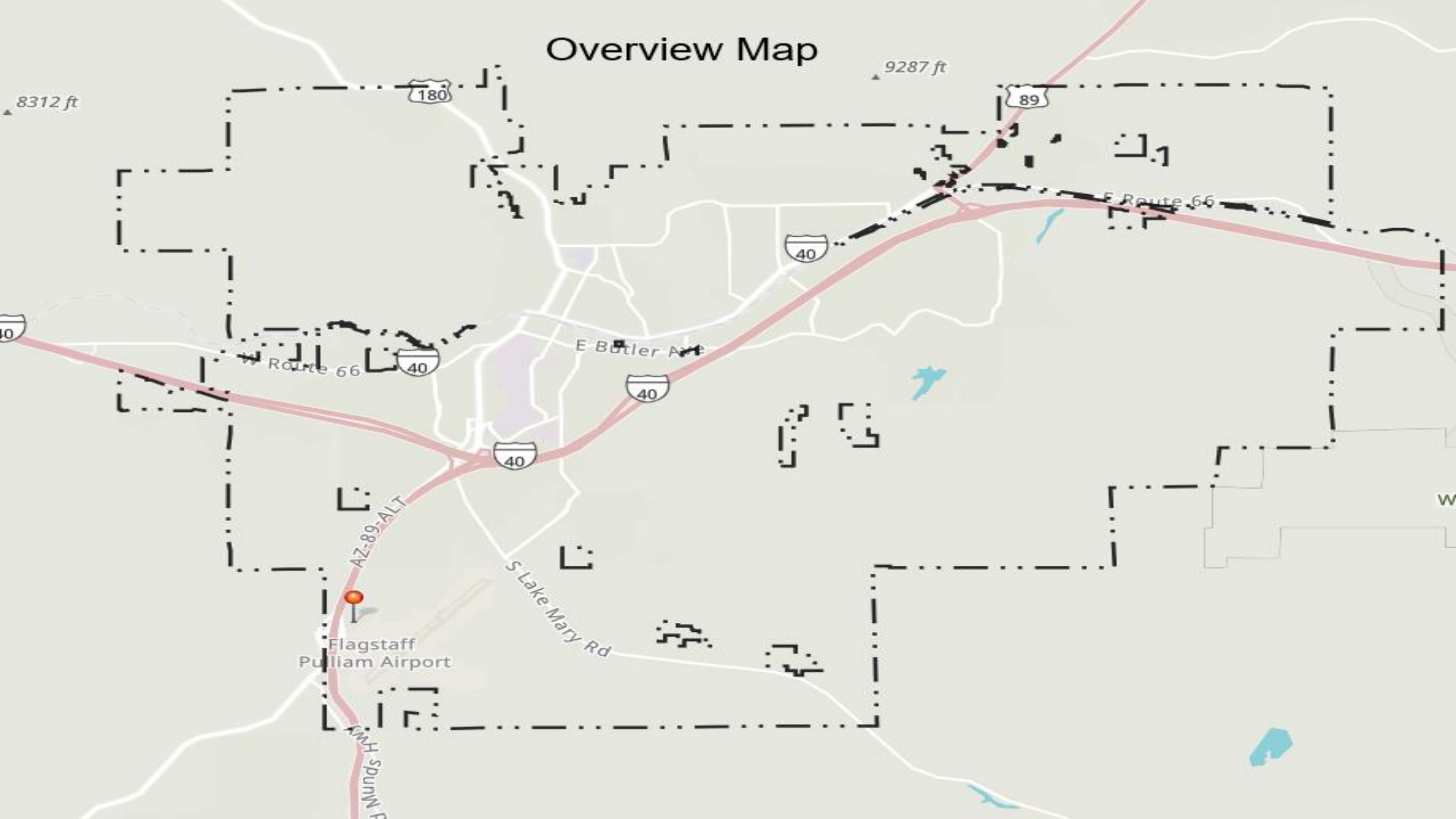
Dedicating a portion of City property for future widening of John Wesley Powell Boulevard

October 1st, 2019

Charity Lee-Real Estate Manager

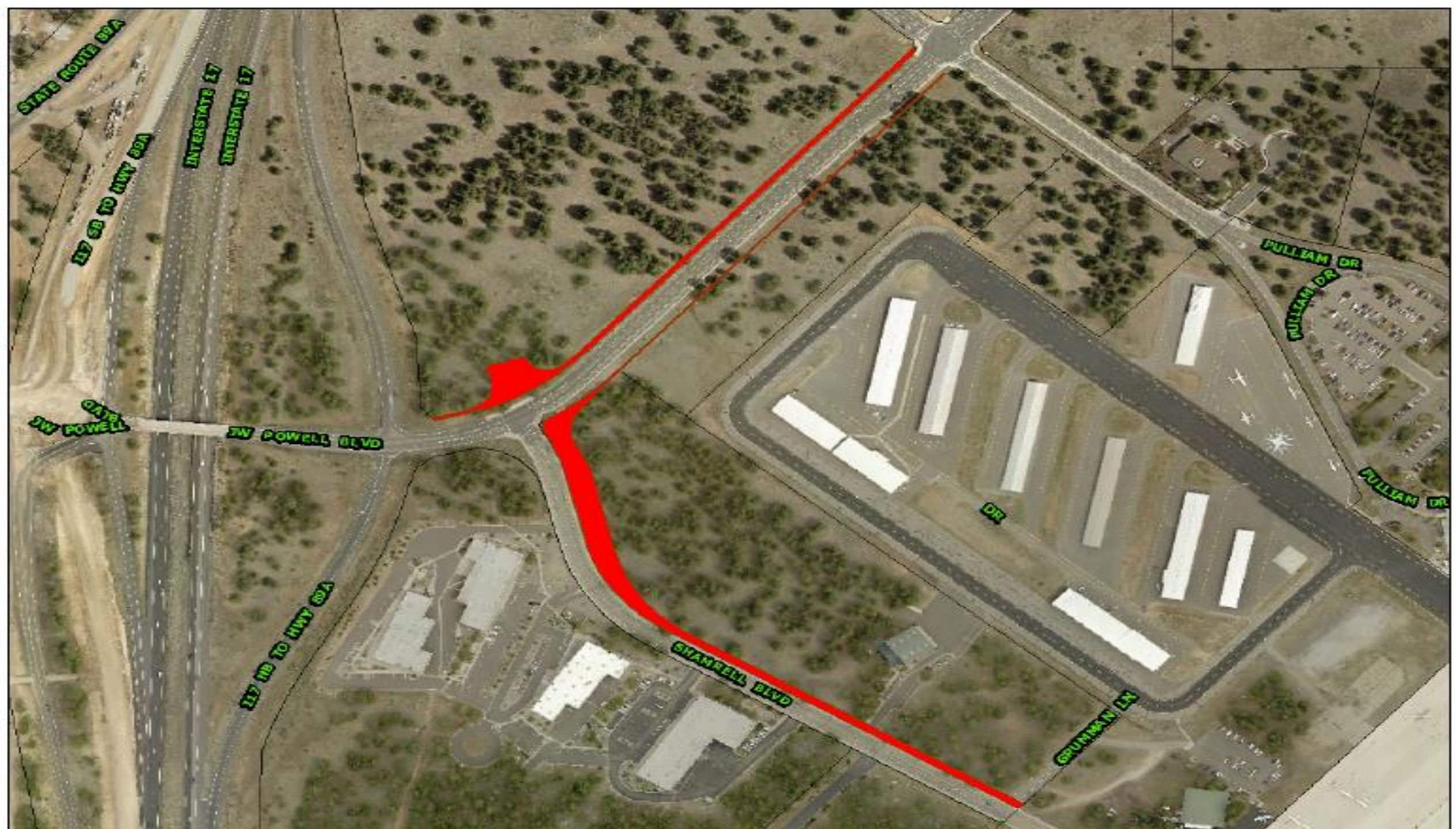
TEAM FLAGSTAFF

WE MAKE THE CITY BETTER


Overview Map
8312 ft
9287 ft
180
89
40
E Route 66
W Route 66
E Butler Ave
AZ-89-ALT
S Lake Mary Rd
Flagstaff
Pulliam Airport

Purpose

- City Staff is considering the sale or lease of City parcels 116-61-006, 116-61-008A and 116-61-005A.
- City Staff is taking a proactive approach to protect our future transportation needs prior to selling or leasing the City land.
- This ordinance will set aside the necessary right-of-way for the future widening of John Wesley Powell Boulevard.


STATE ROUTE 89A
I17 SB TO HWY 89A
INTERSTATE 17
INTERSTATE 17
I17 NB TO HWY 89A
JW POWELL
JW POWELL BLVD
PULLIAM DR
PULLIAM DR
PULLIAM DR
DR
SHAMRELL BLVD
GRUMMAN LN

Questions

?

10. E.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

:

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-47: A resolution of the Flagstaff City Council, approving an intergovernmental agreement between the Arizona Board of Regents, for and on behalf of Northern Arizona University, and the City of Flagstaff for the processing of organic material produced within City limits at the University's processing facility.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-47 by title only
2) City Clerk reads Resolution No. 2019-47 by title only (if approved above)
3) Adopt Resolution No. 2019-47

Executive Summary:

To improve waste diversion in Flagstaff, City staff is proposing a collaborative project with Northern Arizona University to collect organic waste material to process at Northern Arizona University's composting operations. The proposed intergovernmental agreement establishes a pilot composting project. Wherein, both parties will analyze the financial and operational impacts of collecting and processing organic waste composting from select City operations.

The first phase of this project would begin with the collection of organic waste produced by City Parks, such as grass clippings, pine needles, leaves and chipped tree limbs. Staff will then experiment with the collection of small volumes of other waste streams, such as food scraps from commercial kitchens and residential green waste.

Financial Impact:

The pilot program will explore the financial and operational impacts of organics composting. Staff anticipates a loss in Solid Waste tipping fee revenues usually assessed on the organic materials diverted. However, the Parks Section will incur savings from not having to pay tipping fees to Solid Waste.

During the first phase of the pilot, the financial and operational impacts will be analyzed, incorporated into recommendations for the next stage and reported back to City Council and Northern Arizona University.

Policy Impact:

The intergovernmental agreement supports the Rethink Waste Plan and Climate Action and Adaptation Plan by diverting material from the landfill and decreasing greenhouse gas emissions through the processing of organic material at Northern Arizona University's composting operation.

Connection to Council Goal, Regional Plan:

Council Goals:
Actively manage and protect all environmental and natural resources.

Take meaningful climate change action.

Regional Plan:
Goal E&C.2. Reduce greenhouse gas emissions.

Policy PF.1.7. Develop strategies and take meaningful steps toward extending the life of the landfill.

Has There Been Previous Council Decision on This:

No.

Attachments: Res. 2019-47
Composting IGA
Composting IGA Presentation

RESOLUTION NO. 2019-47

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE ARIZONA BOARD OF REGENTS, FOR AND ON BEHALF OF NORTHERN ARIZONA UNIVERSITY, AND THE CITY OF FLAGSTAFF FOR THE PROCESSING OF ORGANIC MATERIAL PRODUCED WITHIN CITY LIMITS AT THE UNIVERSITY'S PROCESSING FACILITY.

RECITALS:

WHEREAS, Northern Arizona University and City of Flagstaff desire to enter into an intergovernmental agreement for the purpose of creating a pilot composting program that will allow organic material produced within the City limits to be collected and delivered to the University's processing facility; and

WHEREAS, the City is exploring opportunities to process organic material produced within City limits with the intent of reducing the amount of material delivered to the landfill and reduce greenhouse gas emissions; and

WHEREAS, University has an existing composting operation that processes University's organic waste produced from its grounds operations and dining halls; and

WHEREAS, the parties intend to explore whether it is within each party's interest to expand the composting operation to accept material produced by the surrounding Flagstaff community.

ENACTMENTS:

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

SECTION 1. In General.

The Flagstaff City Council hereby authorizes the Mayor to execute the Intergovernmental Agreement between the Arizona Board of Regents, for and on behalf of Northern Arizona University, and the City of Flagstaff, Arizona, attached hereto as Exhibit A, which shall become effective upon the date first executed by both parties ("Effective Date").

SECTION 2. Effective Date.

This resolution shall be immediately effective upon adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 15th day of October, 2019.

_____

MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
IGA

INTERGOVERNMENTAL AGREEMENT
Composting Program Between Arizona Board of Regents for and on behalf of Northern Arizona University and the City of Flagstaff

THIS INTERGOVERNMENTAL AGREEMENT ("Agreement") is entered into this ____ day of _____, 2019, by and between the CITY OF FLAGSTAFF, a municipal corporation of the State of Arizona ("City"), and the ARIZONA BOARD OF REGENTS, a body corporate with perpetual succession pursuant to the laws of the State of Arizona, for and on behalf of Northern Arizona University, a public institution of higher education ("University").

RECITALS:

WHEREAS, the City has authority to enter into this Agreement pursuant to Arizona Revised Statutes ("A.R.S.") §§ 11-952 and 41-2632 and the Flagstaff City Charter, Article I, Section 3; and

WHEREAS, the University has authority to enter into this Agreement pursuant to A.R.S. §§ 11-952 and 15-1625 and Arizona Board of Regents Policy 3-808; and

WHEREAS, the City is exploring opportunities to process organic material produced within City limits with the intent of reducing the amount of material delivered to the landfill and reduce greenhouse gas emissions; and

WHEREAS, University has an existing composting operation that processes University's organic waste produced from its grounds operations and dining halls; and

WHEREAS, the parties intend to explore whether it is within each party's interest to expand the composting operation to accept material produced by the surrounding Flagstaff community.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

The purpose of this Agreement is to cover the activities related to a pilot composting program between the parties that will allow organic material produced within the City limits to be collected and delivered for processing at the University's processing facility. During the pilot composting program period, information will be gathered by the parties to determine the feasibility of continuing the composting program.

TERM AND TERMINATION:

This Agreement will begin upon full execution and continue for one (1) year ("Initial Term"). At the end of the Initial Term, the parties will determine if an extended period of time is needed to gather information regarding the composting program, and may enter into an amendment to renew the Agreement for one (1) additional year ("Renewal Term"). The Initial Term and

Renewal Term, if exercised, will cover the duration of the pilot composting program period. At the end of the pilot composting program period, the parties will determine whether or not to enter into an agreement for a long term composting program which will establish the specific responsibilities, costs and payment obligations between the parties.

Notwithstanding the foregoing, either party may terminate this Agreement for convenience by providing the other party ninety (90) days' prior written notice.

RESPONSIBILITIES:

City shall be responsible for the following activities:

1. Deliver to the University composting facility grass clippings and other organic material as agreed upon in monthly meetings between the parties. Such organic material shall be collected from property managed by the City's Parks and Recreation department.
2. Deliver to the University composting facility samples of other mutually agreed upon materials for processing as part of the pilot composting program under this Agreement.
3. Deliver to the University composting facility no more material than the mutually agreed upon capacity.
4. Deliver to the University composting facility the above referenced materials at mutually agreed upon times and dates.
5. Track tonnage and volume data on all materials delivered to University's composting facility.
6. Track operational costs incurred during the collection and delivery of material to the University's composting facility.

University shall be responsible for the following activities:

1. Process the mutually agreed upon organic material delivered by the City to the University's composting facility.
2. Operate and maintain its compost facility in accordance with University policies and applicable local, state and federal laws.
3. Management of the material distribution and disposal of any residual material delivered by the City to the University's composting facility.
4. Track operational costs associated with the pilot composting program. Such operational costs will include but are not limited to labor and machinery wear and tear.

PERSONNEL:

City personnel will not for any purpose be considered employees or agents of the University. The City assumes full responsibility for the actions of its personnel while performing activities and

services under this Agreement, and shall be solely responsible for their supervision, daily direction and control, payment of salary (including but not limited to withholding of income taxes and social security), workers' compensation and disability benefits.

INSURANCE AND INDEMNIFICATION:

1. University shall maintain adequate insurance (through the Arizona Department of Administration Risk Management Division, which is a self-insurance program) to cover any liability arising from the acts and omissions of NAU employees or agents participating in the pilot composting program. University shall not be responsible for maintaining insurance coverage for liability arising from the acts and omissions of City employees or agents.

2. City shall maintain adequate insurance (which may include a bona fide self-insurance program) to cover any liability arising from the acts and omissions of City employees or agents participating in the pilot composting program. City shall not be responsible for maintaining insurance coverage for liability arising from the acts and omissions of University employees or agents.

3. Each party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other party (as "indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, indemnitor's officer, officials, agents, employees, or volunteers.

NONAPPROPRIATION:

If the City's performance under this Agreement depends upon the appropriation of funds by the City Council or the University's performance under this Agreement depends upon the appropriation of funds by the Arizona Legislature, and if the City Council or the Arizona Legislature, respectively, fails to appropriate the funds necessary for performance, then either the City or the University may provide written notice to the other party and immediately cancel this Agreement without further obligation of either party. Appropriation is a legislative act and is beyond the control of the parties.

RECORD INSPECTION AND RETENTION:

The parties agree to retain all books, accounts, reports, files and other records relating to the Agreement and to make such records available at all reasonable times for inspection and audit by

the University or Auditor General of the State of Arizona, or their agents, during the term of and for a period of five (5) years after completion of this Agreement.

CONFLICT OF INTEREST:

In accordance with A.R.S. § 38-511, this Agreement may be cancelled for conflict of interest within three (3) years after its execution, without penalty or further liability.

NON-DISCRIMINATION:

The parties agree to comply with all applicable state and federal laws, rules, regulations and executive orders governing equal employment opportunity, immigration, non-discrimination, including the Americans with Disabilities Act, sexual orientation, or gender identity or expression.

THIRD PARTY BENEFICIARIES:

This Agreement is intended for the exclusive benefit of the parties hereto. Nothing herein is intended to create any rights or responsibilities to third parties.

ASSIGNMENT:

Neither party shall have the right to assign this Agreement without prior written consent of the other party.

MANNER OF FINANCING:

Each party to this Agreement shall be responsible for its own costs and budgeting for performance of their respective obligations.

DISPUTES AND ARBITRATON:

In the event of a dispute between the parties to this Agreement, the parties shall attempt to resolve the disagreement on an informal, good faith basis. If that fails, pursuant to A.R.S. §12-1518, the parties acknowledge and agree that they may be required to make use of mandatory arbitration of any legal action that is filed in the Arizona Superior Court concerning a controversy arising out of this Agreement if required by A.R.S. § 12-133.

RELATIONSHIP AND USE OF MARKS:

Except as otherwise agreed in writing, the parties acknowledge that the relationship created by this Agreement is limited to a pilot composting program. Neither party shall make any representations stating or implying the parties engage in broader transactions or that a party is otherwise associated with the other without first obtaining express written permission from the other party. In addition, neither party shall use any trade name, trademark, service mark, logo, domain name, nor any other distinctive brand feature owned or used by the other party without its express written authorization.

NOTICES:

To City:
Dylan Lenzen
City of Flagstaff Sustainability Section
211 W Aspen Ave
Flagstaff, AZ 86001

with copy to:
Patrick Brown
City of Flagstaff Purchasing Section
211 W Aspen Ave
Flagstaff, AZ 86001

To University:
Matthew Muchna
Office of Sustainability
PO Box 6016
Flagstaff, AZ 86011

with copy to:
Contracts Unit of
Contracts, Purchasing & Risk Management
PO Box 4124
Flagstaff, AZ 86011

GENERAL PROVISIONS:

1. Both parties agree to meet monthly during the term of this Agreement to discuss the quantity and quality of the material being delivered to the University composting facility, as well as the costs incurred by both parties under the pilot composting program.

2. No payments will be exchanged between the parties during the term of this Agreement. If the determination is made to enter into a long term composting program at the conclusion of the pilot composting program period, any costs associated with the long term composting program will be identified in a subsequent agreement between the parties.

COUNTERPARTS:

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

AMENDMENTS AND RELATED AGREEMENTS:

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof as of the date of execution. All amendments or modifications of this Agreement shall be in writing and approved by the parties.

IN WITNESS WHEREOF, the parties hereto have set forth their hands, through representatives duly so authorized, the day and date first above written.

ARIZONA BOARD OF REGENTS FOR AND ON BEHALF OF NORTHERN ARIZONA UNIVERSITY

_____
Rita Hartung Cheng, President

Approved as to form:

_____
Michelle G. Parker, General Counsel

CITY OF FLAGSTAFF

_____
Coral Evans, Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
City Attorney

NAU and City Composting Pilot

October 15, 2019

Dylan Lenzen, Sustainability Specialist

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

Goals for the pilot program

City of Flagstaff:

- Pilot the collection of organic materials such as, green waste from City parks, residents, and commercial food scraps

NAU:

- Analyze impacts of additional materials on existing composting operations

Both Parties:

- Assess financial and operational impacts of pilot program
- Identify a framework for a long-term partnership



Connection to City goals

- Rethink Waste Plan
  - Increase waste diversion
  - Extend the life of the landfill
- Climate Action and Adaptation Plan
  - Diverts materials
  - Reduces methane production in the landfill
- Additionally, responds to community requests for the City to explore large scale composting



Timeline

- October 2019:
  - Begin organic materials delivery to NAU and experiment with new material streams as agreed upon
  - Staff to meet monthly to discuss acceptable materials and financial and operational impacts
- October 2020:
  - Report outcomes to both agencies and seek input
  - Renew pilot agreement or enter into long-term IGA

Thank you.
Questions?

Dlenzen@flagstaffaz.gov

928.213.2158

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

:

Co-Submitter: Bret Petersen

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-51: A resolution of the Flagstaff City Council, approving an Intergovernmental Agreement between the State of Arizona, Department of Transportation, and the City of Flagstaff for the advertising, bid, award, excavation and backfill of the channel under the Rio de Flag Bridge on the Interstate 40 Business Route.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-51 by title only
2) City Clerk reads Resolution No. 2019-51 by title only (if approved above)
3) Adopt Resolution No. 2019-51

Executive Summary:

Approval of the IGA/JPA will authorize ADOT to procure the necessary work to excavate and backfill the Rio de Flag channel. Approval of the IGA/JPA will authorize the City to provide funds in the amount of $677,538.00 for the advertising, bid, award, excavation and backfill of the Rio de Flag channel to accommodate the Rio de Flag Flood Control F.U.T.S. and drainage structure. Funds for the work will come from the Rio de Flag project, and the City will be responsible for all actual costs exceeding the initial estimate.

Financial Impact:

This council action will approve funding for ADOT to advertise, bid, award, excavate and backfill for a F.U.T.S. and drainage structure in an amount of $677,538.00 as outlined in the IGA/JPA. The funding will be paid from the Rio de Flag project, account #206-08-385-3236-0-4433.

Policy Impact:

No impact.

Connection to Council Goal, Regional Plan:

Council Goal 2017 – 2019 - Transportation and Other Public Infrastructure
Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

Council Goal 2017 – 2019 - Environmental and Natural Resources
Actively manage and protect all environmental and natural resources.

Regional Plan – Policy WR 5
Manage watersheds and stormwater to address flooding concerns, water quality, environmental protections and rainwater harvesting.

Team Flagstaff Strategic Plan – Priority 3
Deliver outstanding services through a healthy environment, resources and infrastructure.

Has There Been Previous Council Decision on This:

No previous Council Decision

Options and Alternatives:

1. Approve the IGA/JPA that will authorize City funding to pay for work related to the Rio de Flag Flood Control F.U.T.S and drainage structure.
2. Reject the IGA/JPA, which will forfeit the opportunity for work to be completed at this time to accommodate the Rio de Flag Flood Control F.U.T.S and drainage structure.

Background/History:

ADOT has programmed, planned and designed a project to replace the existing bridge that crosses the Rio de Flag at Route 66. The ADOT project is scheduled to take place during the construction season of 2020.

The Rio de Flag Flood Control project is designing a Flagstaff Urban Foot Trail and the main stem (drainage structure) to extend beneath the Rt. 66 bridge. The depth of the drainage structure is below the existing channel elevation and the F.U.T.S is at or near the channel elevation. The City and ADOT have been coordinating a plan to construct the F.U.T.S and drainage structure in a safe and efficient manner.

In 2019, ADOT disclosed its intentions to replace the existing bridge. The City and ADOT discussed the idea of having the ADOT contractor excavate the material and backfill to accommodate the F.U.T.S. and drainage structure while they construct the new bridge. This idea would provide assurance for ADOT that when the box culvert is constructed, the work would not adversely impact the new bridge.

ADOT estimated the cost to advertise, bid, award, excavate and backfill at $677,538.00.

Key Considerations:

Approval and execution of the IGA/JPA, which provides the terms and conditions of this agreement and the responsibilities for the City. The agreed-upon work described in the IGA/JPA will accommodate the new ADOT bridge and future construction of the F.U.T.S and drainage structure. ADOT will be administering the project, including the work described in the IGA/JPA.

Expanded Financial Considerations:

Funding for the IGA/JPA work, $677,538.00, will come from the Rio de Flag Flood Control project 206-08-385-3236-0-4433. The Stormwater Fee rate increase started in July 2019 to fund the Stormwater Capital Improvement Program. The Rio de Flag Flood Control is part of the Stormwater Capital Improvement Program. The City will be responsible and pay for the difference between the estimated and actual costs for the ADOT project associated with the excavation and backfill line item.

Community Benefits and Considerations:

ADOT will be managing the project and overseeing the effects from construction.

Expanded Options and Alternatives:

1. Approve the IGA/JPA that will authorize City funding to pay ADOT to advertise, bid, award, excavate and backfill for the Rio de Flag Flood Control project.
2. Reject the IGA/JPA, which will forfeit the opportunity for ADOT to advertise, bid, award, excavate and backfill for the Rio de Flag Flood Control project. This option would require additional coordination with ADOT to safely and effectively construct the F.U.T.S. and drainage structure for the Rio de Flag Flood Control project.

Attachments: Res. 2019-51
IGA
Vicinity Map
Context Map
Profile View

RESOLUTION NO. 2019-51

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE STATE OF ARIZONA, DEPARTMENT OF TRANSPORTATION, AND THE CITY OF FLAGSTAFF FOR THE ADVERTISING, BID, AWARD, EXCAVATION AND BACKFILL OF THE CHANNEL UNDER THE RIO DE FLAG BRIDGE ON THE INTERSTATE – 40 BUSINESS ROUTE.

RECITALS:

WHEREAS, the State of Arizona, Department of Transportation, and the City of Flagstaff desire to enter into an intergovernmental agreement ("IGA") for the advertising, bid, award, excavation and backfill of the channel under the Rio de Flag bridge on Interstate 40 Business Route, and

WHEREAS, the City of Flagstaff had made the request of the Arizona Department of Transportation to perform the work to accommodate the future construction of the City of Flagstaff's Urban Trail System and the United States Army of Corps Engineers' drainage structure, and

WHEREAS, the City of Flagstaff will contribute $677,538.00 and be solely responsible for all excavation and backfill costs under the IGA, and

WHEREAS, the purpose of the IGA is to set forth the parties' respective duties and obligations with respect to the advertising, bid, award, excavation and backfill of the channel under the Rio de Flag bridge on the Interstate 40 Business Route; and

WHEREAS, the City Council has read and considered the staff summary report and proposed IGA attached thereto, and finds that it is in the best interests of the City to approve the IGA.

ENACTMENTS:

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

SECTION 1. In General.

The Flagstaff City Council hereby authorizes the Mayor to execute the Intergovernmental Agreement between the State of Arizona, Department of Transportation, and the City of Flagstaff, attached hereto as Exhibit A, which shall become effective upon the date first executed by both parties ("Effective Date").

SECTION 2. Effective Date.

This resolution shall be immediately effective upon adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 15th day of October, 2019.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:
IGA

ADOT CAR No.: IGA 19-0007325-I
AG Contract No.: P001 2019 001364
Project Location/Name: Rio De Flag Bridge, STR #295
Type of Work: Excavate and backfill
Federal-aid No.: B40-D(203)T
ADOT Project No.: H8905 01C
TIP/STIP No.: NA
CFDA No.: 20.205 - Highway Planning and Construction
Budget Source Item No.: NA

INTERGOVERNMENTAL AGREEMENT

BETWEEN
THE STATE OF ARIZONA
AND
THE CITY OF FLAGSTAFF

THIS AGREEMENT is entered into this date _____, pursuant to the Arizona Revised Statutes ("A.R.S.") §§ 11-951 through 11-954, as amended, between the STATE OF ARIZONA, acting by and through its DEPARTMENT OF TRANSPORTATION (the "State" or "ADOT") and the CITY OF FLAGSTAFF, acting by and through its Mayor and City Council (the "City"). The State and the City are collectively referred to as "Parties."

I. RECITALS

1. The State is empowered by A.R.S. § 28-401 to enter into this Agreement and has delegated to the undersigned the authority to execute this Agreement on behalf of the State.

2. The City is empowered by A.R.S. § 48-572 to enter into this Agreement and has by resolution, a copy of which is attached and made a part of, resolved to enter into this Agreement and has authorized the undersigned to execute this Agreement on behalf of the City.

3. In conjunction with the State's bridge replacement project and at the request of the City, the State will advertise, bid and award, the excavation and backfill of the channel under the Rio De Flag Bridge (structure number 295), on Interstate 40 Business Route ("I-40B") at milepost 196.08, (the "Project"). The purpose of the Project is to accommodate the future construction of the City's Flagstaff Urban Trails System (FUTS) and the United States Army Corps of Engineers (USACE) drainage structure. The City will contribute $677,538.00 and be solely responsible for all river excavation and backfill costs.

THEREFORE, in consideration of the mutual terms expressed in this Agreement, it is agreed as follows:

II. SCOPE OF WORK

1. The Parties agree:

   a. The Project will be performed, completed, accepted and paid for in accordance with the requirements of the Project plans and specifications.

   b. The final Project amount may exceed the initial estimate, and in such case, the City is responsible for, and agrees to pay, any and all actual costs exceeding the initial estimate, including construction engineering (CE), construction contingency, and indirect costs at the rates noted in the Cost Estimate, as shown on Exhibit A, attached and made a part of this Agreement. If the final bid amount is less than the initial estimate, the difference between the final bid amount and the initial estimate will be reimbursed to the City. The City acknowledges it remains responsible for, and agrees to pay according to the terms of this Agreement, any and all actual costs exceeding the final bid amount.

2. The State will:

   a. Execute this Agreement, and if the Project is approved by FHWA and funds for the Project are available, be the City's authorized agent for the Project.

   b. After this Agreement is executed, invoice the City for the costs associated with the Project estimated at $677,538.00. After the Project has been completed, the State will either invoice or reimburse the City for the difference between estimated and actual costs of the Project.

   c. Prepare and provide the design plans, specifications and other such documents and services required for the construction bidding and construction of the Project and incorporate comments from the City as appropriate.

   d. Notify the City of changes in pricing between the estimated and actual costs as soon as practicable.

   e. With FHWA authorization, proceed to administer construction: advertise, receive and open bids, award, and enter into a contract with the firm for the construction of the Project. Administer contract(s) for the Project and make all payments to the contractor(s).

   f. Confirm per established procedures of the State's Northcentral District Permit Office, that the City has a valid annual blanket encroachment permit on file for only routine/minor maintenance and emergency maintenance work provided by the City within the State's rights-of-way. Agree that any new construction or installation shall require a separate encroachment permit through the State's Northcentral District Permits Office, and shall issue those encroachment permits in accordance with established regulations and procedures based on scope of work.

   g. Notify the City of final inspection and acceptance of all the Project improvements.

3. The City will:

   a. Designate the State as the City's authorized agent for the Project.

   b. After the Agreement is effective, within 30 days of receipt of an invoice from the State, pay to the State $677,538.00 for the costs associated with the Project. Be responsible and pay for the difference between the estimated and actual costs of the Project within 30 days of receipt of an invoice.

   c. Review the design documents required for construction of the Project and provide comments to the State as appropriate.

   d. Not permit or allow any encroachments upon or private use of the public right-of-way during construction, except those authorized by permit. In the event of any unauthorized encroachment or improper use, the City shall take all necessary steps to remove or prevent any such encroachment or use.

   e. Grant to the State, its agents and/or contractors, by way of right-of-way permit, without cost, the temporary right to enter City rights-of-way, as required, to conduct any and all construction and preconstruction related activities for the Project, on, to and over said City rights-of-way. This temporary right will expire with completion of the Project.

   f. Maintain and follow requirements of a valid annual blanket encroachment permit for the routine/minor maintenance and emergency maintenance work provided by the City within the State's rights-of-way. Any new construction or installation shall require a separate encroachment permit as per the State's established procedures, which may be obtained through the State's Northcentral District Permits Office. Notify the State's Northcentral District Permit Office of any emergency maintenance work affecting the State right-of-way.

   g. After final inspection and acceptance of the Project is complete, continue maintenance responsibility of all sidewalks constructed, modified, or relocated by the Project, in accordance with Master Maintenance Agreement 81-007-I or any subsequent maintenance agreements, at its sole expense.

III. MISCELLANEOUS PROVISIONS

1. Pursuant to this Agreement, the City designates ADOT as the City's authorized agent for the Project.

2. This Agreement shall become effective upon signing and dating of the Determination Letter by the State's Attorney General.

3. Any change or modification to the Project will only occur with the mutual written consent of both Parties.

4. The terms, conditions and provisions of this Agreement shall remain in full force and effect until completion of the Project and all related deposits and/or reimbursements are made.

Any provisions for maintenance shall be perpetual, unless assumed by another competent entity.

5. This Agreement may be cancelled at any time prior to the award of the Project contract and after 30 days written notice to the other Party. It is understood and agreed that, in the event the City terminates this Agreement, the City shall be responsible for all costs incurred by the State up to the time of termination. It is further understood and agreed that in the event the City terminates this Agreement, the State shall in no way be obligated to complete or maintain the Project.

6. The City shall indemnify, defend, and hold harmless the State, any of its departments, agencies, officers or employees (collectively referred to in this paragraph as the "State") from any and all claims, demands, suits, actions, proceedings, loss, cost and damages of every kind and description, including reasonable attorneys' fees and/or litigation expenses (collectively referred to in this paragraph as the "Claims"), which may be brought or made against or incurred by the State on account of loss of or damage to any property or for injuries to or death of any person, to the extent caused by, arising out of, or contributed to, by reasons of any alleged act, omission, professional error, fault, mistake, or negligence of the City, its employees, officers, directors, agents, representatives, or contractors, their employees, agents, or representatives in connection with or incident to the performance of this Agreement. The City's obligations under this paragraph shall not extend to any Claims to the extent caused by the negligence of the State, except the obligation does apply to any negligence of the City which may be legally imputed to the State by virtue of the State's ownership or possession of land. The City's obligations under this paragraph shall survive the termination of this Agreement.

7. The State shall include Section 107.13 of the 2008 version of the Arizona Department of Transportation Standard Specifications for Road and Bridge Construction, incorporated into this Agreement by reference, in the State's contract with any and all contractors, of which the City shall be specifically named as a third-party beneficiary. This provision may not be amended without the approval of the City.

8. The City acknowledges and will comply with Title VI of the Civil Rights Act Of 1964.

9. This Agreement shall be governed by and construed in accordance with Arizona laws.

10. This Agreement may be cancelled in accordance with A.R.S. § 38-511.

11. The City shall retain all books, accounts, reports, files and other records relating to the Agreement for five years after completion of the Project. These documents shall be subject at all reasonable times to inspection and audit by the State. Such records shall be produced by the City at the request of ADOT.

12. This Agreement is subject to all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. 12101-12213) and all applicable Federal regulations under the Act, including 28 CFR Parts 35 and 36. The Parties to this Agreement shall comply with Executive Order Number 2009-09 issued by the Governor of the State of Arizona and incorporated by reference regarding "Non-Discrimination."

13. Non-Availability of Funds: Every obligation of the State under this Agreement is conditioned upon the availability of funds appropriated or allocated for the fulfillment of such obligations. If funds are not allocated and available for the continuance of this Agreement, this Agreement may be terminated by the State at the end of the period for which the funds are available. No liability shall accrue to the State in the event this provision is exercised, and the State shall not be obligated or liable for any future payments as a result of termination under this paragraph.

14. In the event of any controversy, which may arise out of this Agreement, the Parties agree to abide by arbitration as is set forth for public works contracts if required by A.R.S. § 12-1518.

15. The Parties shall comply with the applicable requirements of A.R.S. § 41-4401.

16. The Parties shall certify that all contractors comply with the applicable requirements of A.R.S. §35-393.01.

17. The Parties shall comply with all applicable laws, rules, regulations and ordinances, as may be amended.

18. All notices or demands upon any Party to this Agreement shall be in writing and shall be delivered electronically, in person, or sent by mail, addressed as follows:

For Agreement Administration:

Arizona Department of Transportation
Joint Project Administration
205 S. 17th Avenue, Mail Drop 637E
Phoenix, Arizona 85007
JPABranch@azdot.gov

City of Flagstaff
Attn: Bret Petersen
211 W. Aspen Avenue
Flagstaff, AZ 86001
928.213.2680
BPetersen@FlagstaffAZ.gov

For Project Administration:

Arizona Department of Transportation
Project Management Group
205 S. 17th Avenue, Mail Drop 614E
Phoenix, AZ 85007
PMG@azdot.gov

City of Flagstaff
Attn: Bret Petersen
211 W. Aspen Avenue
Flagstaff, AZ 86001
928.213.2680
BPetersen@FlagstaffAZ.gov

For Financial Administration:

Arizona Department of Transportation
Project Management Group
205 S. 17th Avenue, Mail Drop 614E
Phoenix, AZ 85007
PMG@azdot.gov

City of Flagstaff
Attn: Brandi Suda
211 W. Aspen Avenue
Flagstaff, AZ 86001
928.213.2217
BSuda@FlagstaffAZ.gov

19. In accordance with A.R.S. § 11-952 (D), attached and incorporated in this Agreement is the written determination of each Party's legal counsel that the Parties are authorized under the laws of this State to enter into this Agreement and that the Agreement is in proper form.

IN WITNESS WHEREOF, the Parties have executed this Agreement the day and year first above written.

CITY OF FLAGSTAFF

By _____
CORAL EVANS
Mayor

ATTEST:

By _____
STACY SALTZBURG
City Clerk

STATE OF ARIZONA
Department of Transportation

By _____
STEVE BOSCHEN, PE
Division Director

ATTORNEY APPROVAL FORM FOR THE CITY OF FLAGSTAFF

I have reviewed the above referenced Intergovernmental Agreement between the State of Arizona, acting by and through its DEPARTMENT OF TRANSPORTATION, and the CITY OF FLAGSTAFF, an agreement among public agencies which, has been reviewed pursuant to Arizona Revised Statutes §§ 11-951 through 11-954 and declare this Agreement to be in proper form and within the powers and authority granted to the City under the laws of the State of Arizona.

No opinion is expressed as to the authority of the State to enter into this Agreement.

DATED this _____ day of _____, 2019.

_____

City Attorney

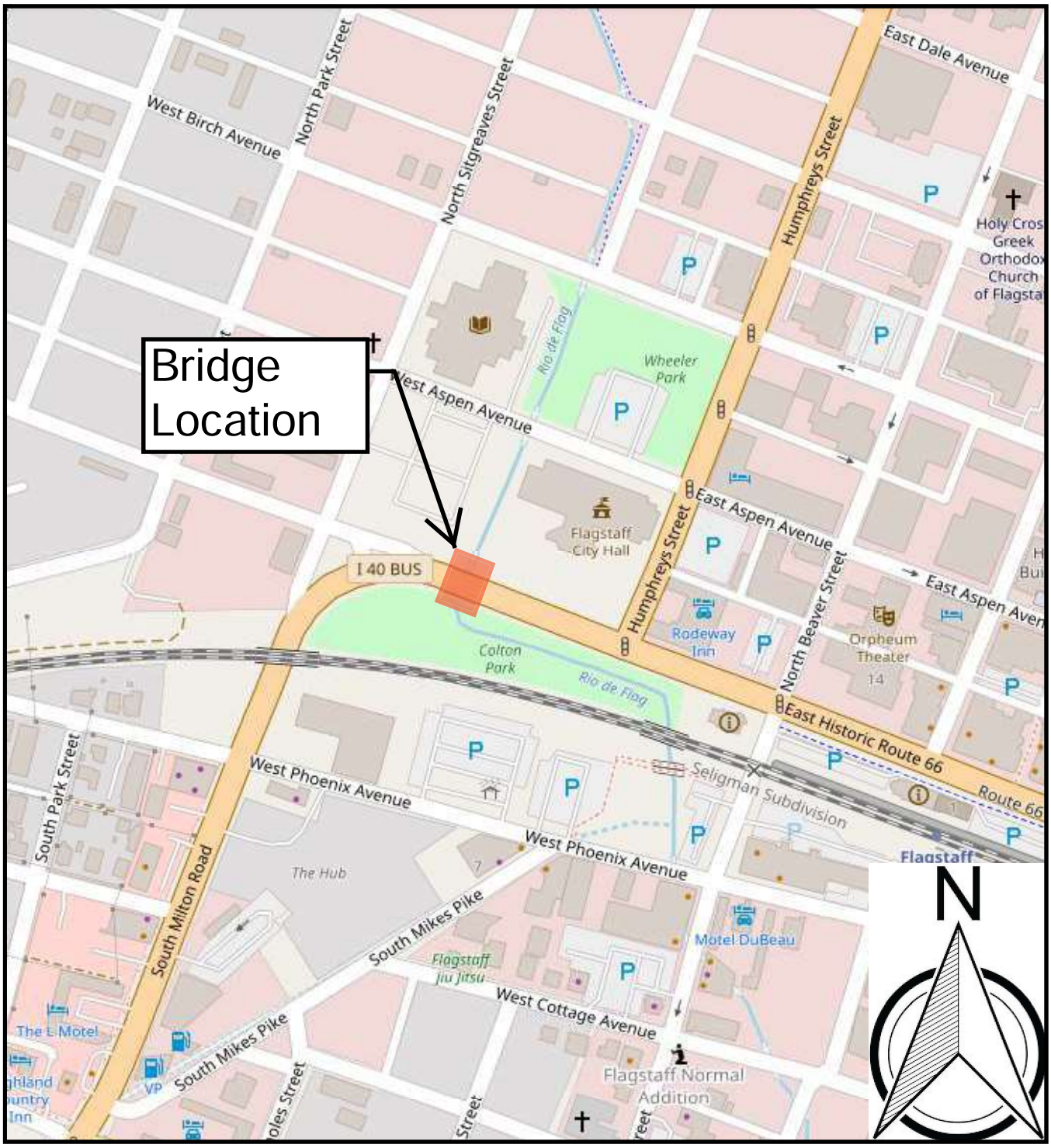
EXHIBIT A

IGA 19-0007325-I
Cost Estimate

H8905 01C (construction):

Estimated Construction Costs	$ 518,070.00
Construction Engineering at 14%	$ 72,530.00
Construction Contingencies at 5%	$ 25,904.00
Subtotal – Construction	**$ 616,504.00**
Indirect Cost Allocation Plan (ICAP) at 9.90%	**$ 61,034.00**
Estimated TOTAL City Project Cost	**$ 677,538.00**

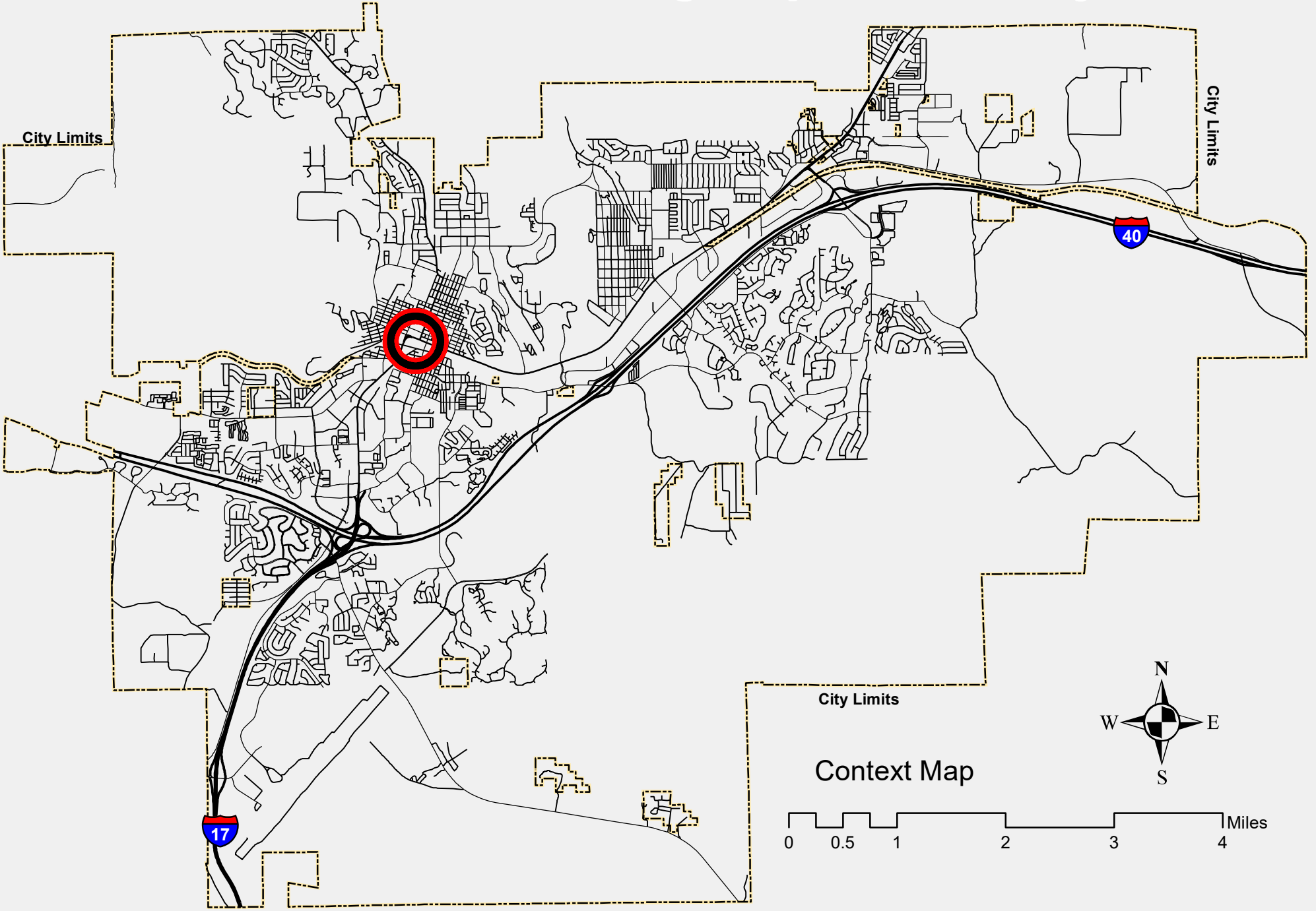
ADOT Route 66 Bridge Replacement Project



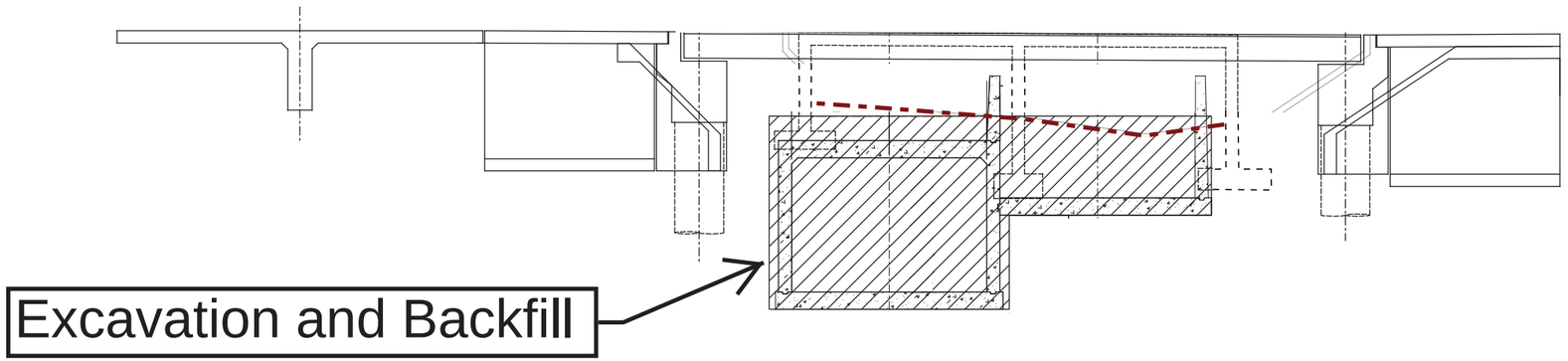
VICINITY MAP

N.T.S.

IGA/JPA ADOT Rt. 66 Bridge Replacement Project



ADOT Route 66 Bridge Replacement



Profile View

Resolution 2019-51 : IGA/JPA ADOT and COF

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Dan Symer, Zoning Code Manager

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-49 and Ordinance No. 2019-32: A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk and entitled "Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units"; and, an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code (Ordinance No. 2011-20), for the purpose of modifying chapters, divisions, and sections of Title 10, Flagstaff Zoning Code, including the sections of Division 10-20.30: Common Procedures, Division 10-20.40: Permits and Approvals, Division 10-30.60: Site Planning Design Standards, Division 10-40.30: Non-Transect Zones, Division 10-40.40: Transect Zones, Division 10-40.60: Specific to Uses, Division 10-50.30: Building Height, Division 10-50.40: Encroachments, Division 10-50.50: Fences and Screening, Division 10-50.60: Landscaping Standards, Division 10-50.100: Sign Standards, Division 10-50.90: Resource Protection Standards, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporate technical corrections and clarity, and to add new, and modify existing, requirements, provisions, and definitions.

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Hold public hearing
2) Read Resolution No. 2019-49 by title only
3) City Clerk reads Resolution No.2019-49 by title only (if approved above)
4) Read Ordinance No. 2019-32 by title only for the first time
5) City Clerk reads Ordinance No. 2019-32 by title only (if approved above)

At the November 5, 2019 Council Meeting:

6) Adopt Resolution No. 2019-49
7) Read Ordinance No. 2019-32 by title only for the final time
8) City Clerk reads Ordinance No. 2019-32 by title only (if approved above)
9) Adopt Ordinance No. 2019-32

Executive Summary:

The proposed amendment (Case No. PZ-19-00094) includes changes to the Zoning Code to resolve conflicts, incorporate technical corrections and clarity, and add new, and modify existing, requirements, provisions, and definitions.

On June 25, 2019, the Planning and Zoning Commission recommended approval of the proposed amendment to the City Council with a vote of 4-0.

Financial Impact:

There are no anticipated financial impacts affiliated with the proposed Zoning Code Text Amendment.

Policy Impact:

There are no anticipated policy impacts affiliated with the proposed Zoning Code Text Amendment.

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

Council Goals:
Revise the zoning code to remove ambiguities, and ensure it is consistent with the community values and the Regional Plan.

Team Flagstaff Strategic Plan:
Work in partnership with to enhance a safe and livable community.

Regional Plan:
Please refer to the attached Planning and Zoning Commission staff report.

Has There Been Previous Council Decision on This:

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the Code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant requests (West University Drive Entrance Sign District and Seasonal Amusement, Entertainment and Sales, Indoor), and to address changes in state law and U.S. Supreme Court decisions (i.e., Reed vs. the Town of Gilbert).

Options and Alternatives:

The City Council may adopt, modify, or deny the amendment.

Background/History:

Background

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the Code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant requests (West University Drive Entrance Sign District), and to address changes in state law and U.S. Supreme Court decisions (i.e., Reed vs. the Town of Gilbert). In addition, on June 12, 2019, the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of

technical, conflict resolution, and clarity modifications, including the addition of the Seasonal Amusement/Entertainment and Sales, Indoor and related provision to the Light Industrial (LI) zone.

Proposed Amendment

The proposed amendment includes multiple changes to the Zoning Code to resolve conflicts, incorporate technical corrections, add clarity, and simplify the existing requirements. New provisions are being added, and several sections of the reference divisions are being modified, relocated, or deleted.

The most significant of the modifications include:

- Limiting land use of Animal Keeping to be an accessory use in most residential districts, and as a primary allowed use in the Rural Residential (RR) zone and Estate Rural (ER) on lots or parcels with five acres or greater;
- Adding provisions to allow existing residential subdivisions, and homes within these subdivisions, to be developed or modified in accordance with the setback and lot size provisions shown on record for the subdivision plat approved by the City Council;
- Add outdoor storage as a primary allowed use in the Heavy Industrial (HI) zone and Heavy Industrial – Open (HI-O) zone;
- Incorporate standards for daycare home and daycare center in compliance with the State of Arizona requirements; and
- Limit the size of a vehicle that may be stored in the Industrial, Light – General land use to FHA class 6 vehicle and smaller.

Summary of the Staff Revisions to Zoning Code:

The proposed amendment includes:

1. **Notice of Public Hearings (Section 10-20.30.080)**: Changes to the public hearing notice for preliminary plats and uses within a public facility zone.
2. **Minor Improvement Permits (Section 10-20.40.080)**: Changes to clarify the requirements.
3. **Temporary Use Permits (Section 10-20.40.150)**: Incorporate changes to relocate and modify the requirements pertaining to temporary storage structures, off-site temporary construction trailer(s), and exemptions.
4. **Residential Zones (Section 10-40.30.030)**: Incorporate modifications to the land use, building form, and miscellaneous requirements. A summary of the modifications includes changes to: animal keeping as primary land use; relocation of requirements to other sections; setback modifications; allowances for lot sizes; and setbacks for previously platted subdivisions. In addition, the modifications include changes to various, miscellaneous, technical, term and cross-references, and relocation of provisions.
5. **Commercial Zones (Section 10-40.30.040)**: Incorporate modifications to the allowed uses, building form, and miscellaneous requirements. A summary of the modifications includes changes to: renaming the allowed use of Lodging to Travel Accommodations; and relocation and addition of open space requirements for residential developments. In addition, the modifications include changes to various, miscellaneous, technical, term and cross-references, and relocation of provisions.
6. **Industrial Zones (Section 10-40.30.050)**: Add outdoor storage as an allowed use in the Heavy Industrial and Heavy Industrial – Open zones; and modifications to various, miscellaneous, technical, and cross-references provisions.
7. **Public and Open Space Zones (Section 10-40.30.060)**: Correct the adoption, scrivener's errors, and table errors of the allowed uses. In addition, the modifications include changes to various, miscellaneous, technical, cross-references, and relocation of provisions.
8. **Accessory Buildings and Structures (Section 10-40.60.020**): Incorporate modifications to relocate the accessory use to a new section (Section 10-40.60.025), simplify and clarify provisions,

and relocate temporary storage containers to section 10-20.40.150.

9. **Accessory Uses (Section 10-40.60.025**): Add a new section specific to accessory uses.
10. **Day Care Home and Center (Section 10-40.60.150**): Incorporate technical modifications to conform with the State of Arizona requirements, and clarify provisions.
11. **Outdoor storage (Section 10-40.60.275)**: Add a new section specific to outdoor storage.
12. **Warehousing (Section 10-40.60.320**): Delete section and incorporate provisions into outdoor storage.
13. **Forest (Section 10-50.90.060**): Incorporate changes to clarify and modify the requirements of Forest Resource Protection Thresholds as a Percentage of Site Area for the non-transect and transect zones.
14. **Definition of Specialized Terms, Phrases, and Building Functions (Division 10-80.20)**: Modify and add various definitions of the Zoning Code, including: Accessory Buildings and Structures; Bed and Breakfast; Day Care, Center; Development Site; Development, Multiple-Family; Development – Attached Single-Family; Development – Detached, Single-Family; Development, Duplex; Development – Cluster, Dwelling, Multiple-Family, Single-Family; Factory Built Building; Industrial, Light – General; Older Individual; Parcel; Parking Structure, Above-Ground; Parking Structure, Underground; Passive Recreation; Residential Community Building Area; Sanitation Facilities; Sign; Travel Accommodation; Use, Secondary; Warehousing; Yard; Yard, Exterior; and Yard, Interior.
15. **Additional Enforcement, Technical, Figure and Term Modifications (Sections 10-30.60.040, 10-40.40.100, 10-40.60.240, 10-40.60.250, 10-40.60.280, 10-50.30.030, 10-50.40.020, 10-50.60.050, and 10-50.90.060)**: Incorporate, correct, clarify, and modify various technical, enforcement, cross references, and modifications.

Key Considerations:

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. Finding #1:

- **The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan.**

The proposed amendments are primarily to resolve conflicts, incorporate technical corrections, and add clarity to the Zoning Code. Clerical in nature, the amendments do not substantively modify the existing provisions of the Zoning Code and maintain consistency and conformance with the objectives and policies of the Regional Plan (General Plan) and applicable specific plans.

Incorporated in the proposed amendment are clarifications to the requirements for forest resource protection. Currently, the Code does not address transect zones, and existing standards are based on uses instead of the zones. The modified requirements treat all property in a particular zone consistently, regardless of use, and incorporate requirements for a property that utilize the transect zones ((E&C 3.3, E&C 4.1, E&C 6.3, E&C 10.1, E&C 10.2, and CC 1.1) of the Regional Plan).

B. Finding #2

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

The proposed amendments are not anticipated to be detrimental to the public interest, health, safety, convenience, or welfare of the City. These amendments are primarily to resolving conflicts, incorporate technical corrections, and add clarity to the Zoning Code.

C. Finding #3

- **The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.**

The proposed amendments enhance the Zoning Code's internal consistency by resolving conflicts, incorporating technical corrections, and adding clarity. Furthermore, the proposed amendments are intended to maintain the Zoning Code's purpose as a comprehensive contemporary set of land uses and requirements that are straightforward, usable, and easily understood.

Community Benefits and Considerations:

Please refer to the key considerations included in this report.

Community Involvement:

In accordance with State Statute and the Zoning Code, the Planning and Zoning Commission work session and public hearing for these amendments were advertised in the Arizona Daily Sun on May 25, 2019. Also, persons of interest that were on file with the Planning and Development Services Division were notified of the work sessions and hearings via first class mail. The Planning and Zoning Commission's work session was held on June 12, 2019, and the Commission's public hearing was held on June 26, 2019. In addition, the City Council held a work session on these amendments on September 17, 2019. The City Council's public hearings were advertised in the Arizona Daily Sun on September 28, 2019.

Attachments:

Res. 2019-49
Exhibit A to Resolution 2019-49
Ord. 2019-32
PowerPoint Presentation
Planning and Zoning Commission Report

RESOLUTION NO. 2019-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED *"CASE NO. PZ-19-00094 UPDATES TO ZONING CODE 2019 – MISCELLANEOUS PART 1"*

RECITALS:

WHEREAS, pursuant to A.R.S. § 9-802 a municipality may enact or amend provisions of the City Code by reference to a public record, provided that the adopting ordinance is published in full;

ENACTMENTS:

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

SECTION 1. That certain document known as "*Case No. PZ-19-00094 Updates to Zoning Code 2019 – Miscellaneous Part 1*" attached hereto as Exhibit A is hereby declared to be a public record, and one (1) paper copy and one (1) electronic copy shall remain on file with the City Clerk in compliance with A.R.S. § 44-7041, and said copies shall remain on file with the City Clerk.

SECTION 2. Effective Date.

This resolution 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 5th day of November, 2019.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
Case No. PZ-19-00095 Updates to Zoning Code 2019 – Miscellaneous Part 1

Case No. PZ-19-00094 Updates to Zoning Code 2019 – Miscellaneous Part 1

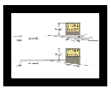
Amendment for Adoption in Flagstaff Zoning Code

HOW TO READ THIS DOCUMENT

Unless otherwise stated, provisions that are being deleted are shown in bold red strikethrough text, like this: ~~**Provisions that are being deleted are shown with a bold red strikethroughs text.**~~

Provisions that are being added are shown in bold blue text, like this: **Provisions that are being added are shown in bold blue text.**

Graphics/Figures that are being deleted are indicated with an "X" over the graphic/figure.

Graphics/Figures that are being added are indicated with a border  around the graphic/figure.

Tables that are being deleted are indicated with an "X" over the Tables.

Tables that are being added are indicated with a thick border  around the Tables.

Section 1. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.30.080 Notice of Public Hearings, as follows:

10-20.30.080 Notice of Public Hearings

A. Notice of Application. Prior to consideration of any action for a General Plan amendment, specific plan amendment, Zoning Code text amendment, Zoning Map amendment, conditional use permit, ~~**preliminary subdivision plat,**~~ variance, or appeal heard by the Board of Adjustment, ~~**or change of use within the PF (Public Facility) zone,**~~ notice shall be given in compliance with the requirements of this section. In those cases where a public hearing is required as part of the approval process, no hearing shall be scheduled until the applicant has paid the required fee(s). Fees are listed in Appendix 2, Planning Fee Schedule. All of the following applicable provisions shall be met:

~~**A.**~~ **B. Notice Requirements.** Any changes to State law notice requirements shall control over this provision in the manner of providing notice.

1. **Contents.** Every published, posted and mailed notice of public hearing shall include:

   a. The date, time, location and purpose of the hearing;

   b. The name of the body conducting the hearing, and a telephone number to receive additional information;

   c. The location and times at which the complete application and development file may be viewed by the public;

d. The address or location of the subject property;

e. A general description of the proposed development or action and the property included in the application;

f. A statement that any interested person or authorized agent may appear and be heard;

g. A statement describing how and when to submit written comments;

h. The existing zone classification; and

i. The word "Zoning," if applicable.

2. **Manner of Posting.**

a. Notices of public hearings for requests to amend the Zoning Map shall be posted on the subject property and printed so that the following are visible from a distance of 100 feet: the word "zoning"; the existing zone; the proposed zone; and the date, time and place of the hearing.

b. Notices of public hearings for all other applications such as General Plan amendments, conditional use permits, or Board of Adjustment hearings shall be posted on the subject property and printed so that the date, time and place of the hearing is visible from a distance of 100 feet.

3. **Manner of Notification.** Notices of required public hearings shall be sent by first class mail to the following persons:

a. Each real property owner (if different from the applicant) as shown on the last assessment of the property, of any land within the areas subject to the application for which the public hearing is required.

b. Each real property owner (if different from the applicant) as shown on the last assessment of the property of any land which is located within 300 feet of the property subject to the application for which the public hearing is required. The Director may expand the notification area based on the location and context of the subject property if it is determined that the potential impact of the development extends beyond the required notification boundary.

c. The situs or actual address of all tenants and residents living on the subject property.

d. All local government agencies which have reviewed and commented on the proposed development or Zoning Map amendment or which abut the subject property.

4. **Failure to Receive Notice.** Notwithstanding the notice requirements set forth in subsections (A)(2) and (3) of this section, the failure of any person or entity to receive notice shall not constitute grounds for any court to invalidate the amendments for which the notice was given.

5. **Responsibility for Providing Notice.**

a. The Director shall be responsible for placing the public hearing notices required by this section in a newspaper of general circulation within the City.

b. The applicant shall post the notice(s) as required by this section on the subject property. The applicant is required to maintain the posting and remove the sign within seven days after the public hearing and final action. Failure to remove the sign may result in the City removing the sign and charging the applicant for costs incurred. The applicant shall submit a notarized affidavit of posting and photographs of the signs posted on the subject property to the Director no less than 15 days prior to the public hearing date.

c. If notice is required to be provided by mail, the applicant is responsible for establishing a list of names and addresses of property owners in compliance with the requirements of Section 10-20.30.060(D)(3) and (5), as well as the names and situs addresses of all tenants and residents living on the subject property, in compliance with this section. The applicant shall mail a public hearing notice to each of the property owners on the list referenced above no later than 15 days prior to the public hearing date. A notarized copy of the mailing list shall be submitted to the Director prior to or on the fifteenth day prior to the public hearing date.

d. Failure to provide the documentation described in subsections (A)(5)(b) and (c) of this section will result in continuance of the case to the next available public hearing date.

6. **Time of Notice.** All required notices shall be posted or published within a time frame prior to the public hearing determined in compliance with State law as well as the review schedule on file with the Planning Section.

~~B.~~ **C. Registry of Interested Persons or Groups.** Any interested persons or groups may contact the Planning Section to register their names, addresses and other contact information so that they can be notified of all public meetings and public hearings of the Board of Adjustment, Planning Commission and/or Council.

~~C.~~ **D. Additional Noticing Requirements.**

1. In proceedings involving one or more of the following proposed changes or related series of changes in the standards governing land uses, notice shall be provided as described in subsections (C)(2) and (3) of this section:

a. A 10 percent or more increase or decrease in the number of square feet or units that may be developed.

b. A 10 percent or more increase or reduction in the allowable height of buildings.

c. An increase or reduction in the allowable number of stories of buildings.

d. A 10 percent or more increase or decrease in setback or open space requirements.

e. An increase or reduction in permitted uses.

2. Notice shall be sent to all persons or groups whose names are on the registry of persons and groups described in subsection (B) of this section who are interested in receiving such notice.

3. Notice shall be provided to real property owners in compliance with at least one of the following notification procedures:

   a. Notice shall be sent by first class mail to each real property owner, as shown on the last assessment, whose real property would be directly governed by the changes.

   b. Notice shall be included with water bills or other City mass mailings.

   c. Notice shall be published in a newspaper of general circulation published or circulated in the City in the form of a "display ad" covering not less than one-eighth of a full page.

4. In proceedings where additional requirements for citizen outreach are required as provided in Section 10-20.30.070, Additional Requirements for Citizen Outreach, full compliance with the notification requirements of that section is required.

Section 2. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.080 Minor Improvement Permits, as follows:

10-20.40.080 Minor Improvement Permits

A. **Purpose.** ~~This section establishes the requirements for a minor improvement permit to~~ **To** ensure ~~that~~ compliance with the applicable provisions of ~~this~~ **the** Zoning Code ~~is achieved~~ **, this section establishes the requirements for a Minor Improvement Permit**. ~~A minor improvement permit shall be reviewed, approved and issued by the Director prior to the placement, installation, construction or development of the following structures that do not otherwise require a building permit as required by applicable City building codes:~~

~~1. Decks;~~

~~2. Garden wall;~~

~~3. Accessory structures, such as sheds or storage containers; and~~

~~4. Fences (see Division 10-50.50, Fences and Screening).~~

B. Application. The property owner shall obtain approval of an application for a Minor Improvement Permit prior to the placement, installation, construction or development of structure that does not require a building permit in accordance with the Building Code. Structures that require the approval of an application for a Minor Improvement Permit include:

1. Accessory structures, such as sheds, storage containers, decks, fences, garden walls, patios, pergolas, trellises, wall, etc;

2. **Modification to the exterior of a structure, including materials and colors, determined to be minor by the Director for properties that are required to comply with Division 10-50.20 pursuant to Section 10-50.20.020;**

3. **Landscape modifications determined to be minor by the Director for properties that are required to comply with Division 10-50.60 pursuant to Section 10-50.60.020;**

4. **Other minor improvements determined by the Director.**

~~B.~~ **C.** Review and Final Decision.

1. The Director shall review the minor improvement permit application and supporting documentation required by Section 10-20.30.020, Application Process, for compliance with the requirements of the Zoning Code.

2. The Director, in compliance with the review schedule on file with the Planning Section, shall determine whether the minor improvement permit can be issued or if additional information is required from the applicant to complete the application. If the application is denied, the reason shall be stated in writing.

D. Exemptions. Children's play houses and tree houses less than 200 square feet in floor area do not require the approval of an application for a Minor Improvement Permit.

Section 3. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection D. Allowed Temporary Uses., paragraph 2., as follows:

Section 10-20.40.150 Temporary Use Permits

D. **Allowed Temporary Uses.** A temporary use permit shall be required for the following temporary activities. Other temporary or short-term activities that do not fall within the categories defined below shall comply with the planning permit requirements and development standards that otherwise apply to the property.

2. ~~**Construction Yards**~~ **Construction Yard(s)** – Off-Site. Off-site contractors' construction yards, for an approved construction project require a temporary use permit. Written authorization from the property owner(s) or property management company(ies) representing the property owner(s) shall be provided prior to the establishment of the off-site construction yard. The construction yard shall be removed immediately upon completion of the construction project, or the expiration of the building permit authorizing the construction project, whichever occurs first. **Immediately upon removal of the construction yard(s), the property shall be restored to the condition pre-existing the construction yard(s), or a condition approved by the Director.**

Section 4. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection D. Allowed Temporary Uses., paragraph 14., and add paragraphs 15 and 16, in numerical order, as follows:

Section 10-20.40.150 Temporary Use Permits

D. **Allowed Temporary Uses.** A temporary use permit shall be required for the following temporary activities. Other temporary or short-term activities that do not fall within the categories defined below shall comply with the planning permit requirements and development standards that otherwise apply to the property.

~~**14. Similar Temporary Activities. The Director may authorize other temporary activities that are similar to the activities listed in this subsection and that are compatible with the applicable zone and surrounding land uses.**~~

14. Temporary Storage Structures.

a. Emergency situations and construction activities that do not require a building permit. The property owner shall obtain the approval of a Temporary Use Permit within five (5) business days of the emergency, or prior to the place of the structure for construction purposes. The maximum duration that the storage structure may remain on a property:

(1) Residential and Transect Zones. Ninety (90) consecutive days, with the option of a one-time extension of additional 90 consecutive days, for a maximum total of 180 consecutive days within one year from the date that the initial temporary use permit was issued.

(2) Commercial, Industrial and Public and Open Space Zones. One hundred twenty (120) consecutive days, with the option for a one-time extension of the Temporary Use Permit additional 90 consecutive days, for a maximum total of 210 consecutive days within one year from the date that the initial temporary use permit was issued.

d. Seasonal sales storage structure.

(1) Zones allowed in: Commercial and Industrial zones.

(2) The maximum duration that the storage structure may remain on a property for any one seasonal sale event: forty-nine (49) consecutive days, with the option for a one-time extension of the Temporary Use Permit additional 14 consecutive days, for a maximum total of 63 consecutive days from the date that the initial temporary use permit was issued.

(3) Maximum occurrences in a calendar year that a storage structure may be placed on a property for seasonal sales: two (2).

e. Placement in all zones.

(1) Seasonal sales storage structure. In the commercial and industrial zones, storage structure shall be placed on the property of the seasonal sales event in a loading/dock area, or in an area where it is not visible from the public right-of-way.

(2) All other temporary storage structures. Storage structures may be placed within the rear, side, street side or front yard setback. A

storage structure may be placed in the right-of-way upon obtaining a right-of-way encroachment permit from the City's Engineering section.

f. Prohibited types of storage structures in all zones. Storage structures mounted on chassis or wheels shall not be allowed.

15. Temporary Construction Trailer(s) – Off-site. Construction trailer(s) for an approved construction project that is not located on the lot or parcel of the associated development activity is required to obtain a temporary use permit. Written authorization from the property owner(s) or property management company(ies) representing the property owner(s) shall be provided with the application for a temporary use permit. The construction trailer(s) shall be removed immediately upon completion of the development project, or the expiration of the building permit authorizing the development project, whichever occurs first. Immediately upon removal of the construction trailer(s), the property shall be restored to the condition pre-existing the construction trailer(s), or a condition approved by the Director.

16. Similar Temporary Activities. The Director may authorize other temporary activities that are similar to the activities listed in this subsection and that are compatible with the applicable zone and surrounding land uses.

Section 5. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection E. Exempt Temporary Activities., to add paragraphs 7, 8 and 9 in numerical order, as follows:

Section 10-20.40.150 Temporary Use Permits

E. **Exempt Temporary Activities.** The following temporary activities are allowed without a temporary use permit.

7. Temporary storage structures associated with a building permit. Storage structure(s) used for the purpose of construction activities may be placed on a property after a building permit for the construction activities on the property has been obtained. The owner shall cause the storage structure(s) to be removed from property within seven days after the issuance of a Certificate-of-Occupancy, Certificate-of-Completion, final inspection or expiration of the permit pertaining to the construction activities. Storage structures mounted on chassis shall not be allowed.

8. Storage structures used for moving in all zones. For the purpose of loading or unloading contents while in the process of moving, storage structures may be placed on a property for duration not to exceed 14 consecutive days. Storage structures mounted on trailers or wheels shall not be allowed.

9. Temporary Outdoor Retail Activities, Excluding Seasonal Sales. Retail uses are allowed temporary outdoor activities, such as a garden sale, sidewalk sale (excluding the use of sidewalks in the right-of-way), sales promotion, or a similar activity as determined by the Zoning Administrator.

a. The maximum occurrences that a temporary outdoor retail activity may occur on a property: One (1) occurrence per month.

b. Maximum duration of any one occurrence of a temporary outdoor retail activity: fourteen (14) consecutive days.

c. A temporary outdoor retail activity shall occur on the same property as the primary retail use that is directly associated with the activity. The temporary retail activity shall not create a nuisance (noise, smoke, odor, dust, vibration or illumination) that is greater than the primary retail use directly associated with the activity.

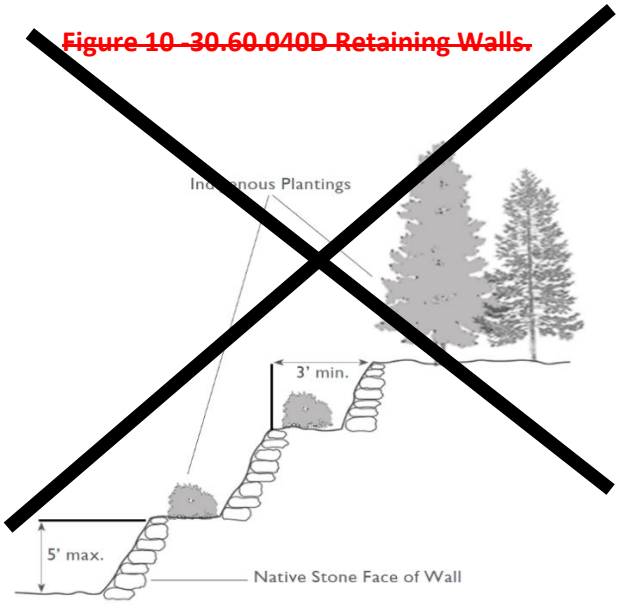
Section 6. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-30.60.040 Natural Features and Site Drainage, Subsection A. Applicable to All Zones., paragraph 1. Topography., Figure 10 -30.60.040D Retaining Walls., as follows:

10-30.60.040 Natural Features and Site Drainage

A. **Applicable to All Zones.**

1. **Topography.**

~~**Figure 10 -30.60.040D Retaining Walls.**~~



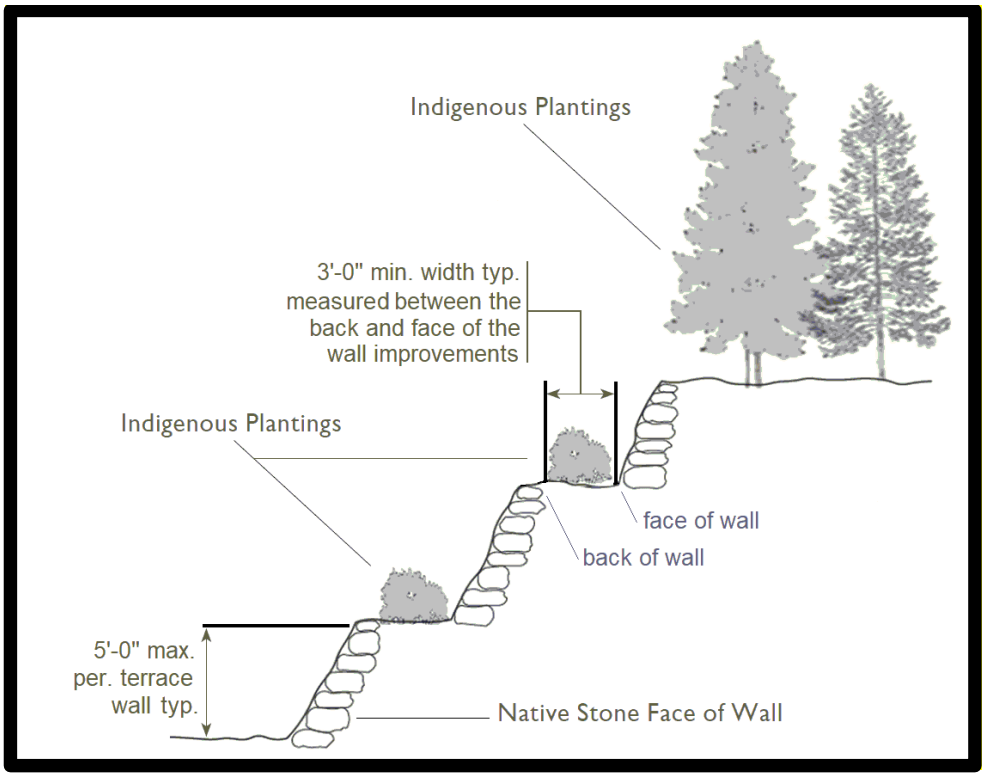


Figure 10 -30.60.040D Retaining Walls.

Section 7. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection B. Residential Zones – Allowed Uses, and the associated table, as follows – including adding grid lines and shading to the table:

Section 10-40.30.030 Residential Zones

~~B. Residential Zones – Allowed Uses.~~

B. **Residential Zones – Allowed Uses. The allowed land uses of each of the Residential Zones are shown in Table 10-40.30.050.B.**

Table 10-40.30.030.B.
Residential Zones – Allowed Uses.

Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
Ranching, Forestry and Animal Keeping								
~~Animal Keeping~~		~~See Section 10-40.60.070~~						
Animal Keeping	10-40.60.070	P[6]	P[6]	--	--	--	--	--
~~Ranching~~		~~–~~	~~–~~	~~–~~	~~–~~	~~–~~	~~–~~	~~–~~

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	**Specific Use Regulations**	**Residential Zones**						
		RR	**ER**	**R1**	**R1N**	**MR**	**HR**	**MH**
Recreation, Education and Assembly								
Commercial Campgrounds	10-40.60.130	UP	--	--	--	--	--	--
Golf Courses and Facilities		UP	UP	UP	--	--	--	--
Equestrian Recreational Facilities		UP	UP	UP	--	--	--	--
Libraries, Museums		UP	UP	UP	UP	UP	UP	UP
Meeting Facilities, Public and Private	10-40.60.230							
Regional		--	--	--	--	--	--	--
Neighborhood		P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]
Outdoor Public Uses, General		P	P	P	--	P	P	P
Places of Worship		~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]
Schools – Public and Charter		P[3]	P[3]	P[3]	P[3]	P	P	P[3]
Schools – Private		P	P	P	P	P	P	P
Trade Schools		--	--	--	--	--	--	--
Residential								
~~Accessory Building and Structures~~	~~10-40.60.020~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
~~Accessory Dwelling Units~~	~~10-40.60.030~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
Co-housing	10-40.60.120	P	P	~~P~~ PRD	--	P	P	--
Congregate Care Facilities		UP	UP	UP	UP	P	P	UP
Day Care, Centers	10-40.60.150.B	UP	UP	UP	UP	UP	UP	UP
Day Care, Home	10-40.60.150.A	P	P	P	P	P	P	P
Dormitories		--	--	--	--	UP	UP	--
Development, Duplex		~~P[4]~~ PRD	~~P[4]~~ PRD	~~P[4]~~ PRD	P	P	P	--
~~Dwelling:~~ **Development -** Cluster**, Single-Family**	10-40.60.170	P	P	~~—~~ PRD	--	--	--	--
~~Dwelling: Multiple-Family~~ **Development, Multiple-Family**		~~P[4]~~ PRD	~~P[4]~~ PRD	~~P[4]~~ PRD	--	P	P	--

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	**Specific Use Regulations**	**Residential Zones**						
		RR	**ER**	**R1**	**R1N**	**MR**	**HR**	**MH**
~~**Dwelling: Single-Family**~~ **Development, Single-Family**		P	P	P	P	~~P[4,5]~~ **PRD[4]**	~~P[4,5]~~ **PRD[4]**	P
Group Home		P	P	P	P	P	P	P
Home Occupation	10-40.60.180	P	P	P	P	P	P	P
Institutional Residential								
Custodial Care Facilities		UP	UP	UP	UP	UP	UP	UP
Homeless Shelters	10-40.60.190							
Emergency Shelters		UP	UP	UP	UP	UP	UP	UP
Short Term Housing		UP	UP	UP	UP	UP	UP	UP
Transitional Housing		UP	UP	UP	UP	UP	UP	UP
Sheltered Care Homes		UP	UP	UP	UP	UP	UP	UP
Nursing Homes		--	UP	UP	UP	UP	UP	UP
Live/Work	10-40.60.200	--	--	--	--	~~UP[4]~~ **UP/PRD**	~~UP[4]~~ **UP/PRD**	--
Manufactured Home	10-40.60.210	--	--	--	--	--	--	P
Manufactured Home Park	10-40.60.210.D	--	--	--	--	--	--	P
Manufactured Home Subdivision	10-40.60.210.C	--	--	--	--	--	--	P
Mobile Home		--	--	--	--	--	--	P
Planned Residential Development	10-40.60.280	P	P	P	P	P	P	--
Rooming and Boarding Facilities		--	UP	--	--	UP	UP	UP
Single Room Occupancy, Fraternities and Sororities		--	--	--	--	UP	UP	--
Retail Trade								
Neighborhood Market								
≤ 1,500 sf		--	--	UP	--	--	--	UP
≤ 2,500 sf		--	--	--	--	UP	--	--
≤ 5,000 sf		--	--	--	--	--	UP	--
Offices		--	--	--	--	--	UP	--
Services								

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	**Specific Use Regulations**	**Residential Zones**						
		RR	**ER**	**R1**	**R1N**	**MR**	**HR**	**MH**
Bed and Breakfast Establishments	10-40.60.110	P	P	P	P	P	P	P
Cemeteries		UP	UP	UP	--	UP	UP	UP
Hospitals		UP	UP	UP	UP	UP	UP	UP
Public Services								
Public Services Minor		P	P	P	P	P	P	P
Public Services Major		--	--	--	--	--	--	--
Emergency Services		UP	UP	UP	UP	UP	UP	UP
Transportation and Infrastructure								
Accessory Wind Energy Systems	10-40.60.040	P	P	P	--	P	P	P
Telecommunications Facilities								
AM Broadcasting Facilities	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Antenna-supporting Structure	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Attached Telecommunication Facilities	10-40.60.310	P	P	P	P	P	P	P
Colocation Facility	10-40.60.310	P	P	P	UP	P	P	P
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Stealth Telecommunication Facilities	10-40.60.310	P	P	P	P	P	P	P
Urban Agriculture								
Community Garden	10-40.60.140	P	P	P	P	P	P	P
Nurseries		UP	--	--	--	--	--	--
End Notes								
~~1~~ **1.** A definition of each listed use type is in Chapter 10-80, Definitions.								
~~2~~ **2.** A conditional use permit is required if liquor is sold or if facilities exceed 250 seats.								
~~3~~ **3.** Charter schools proposed in existing single-family residences shall be located on residential lots one acre or greater. Charter schools shall be subject to the review processes established in A.R.S. §15-189.01.**, as amended.**								
~~4. Permitted as Planned Residential Development (see Section 10-40.60.270, Planned Residential Development).~~								

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	**Specific Use Regulations**	**Residential Zones**						
		RR	**ER**	**R1**	**R1N**	**MR**	**HR**	**MH**
~~5~~ **4.** Existing single-family uses and lots recorded in MR and HR, prior to the effective date of this Zoning Code, are considered legal, conforming uses.								
~~6~~ **5.** A conditional use permit is required if the facility exceeds 250 seats and/or if the facility is located adjacent to a toxic use.								
6. Use is allowed only on a lot or parcel with a net lot area of five acres, or greater.								
Key								
P = Permitted Use								
UP = Conditional Use – Requires the Approval of a Conditional Use Permit								
PRD = Allowed Use only when part of a Planned Residential Development (see Section 10-40.60.280)								
UP/PRD = Conditional Use – Requires the Approval of a Conditional Use Permit, and the use shall be part of a Planned Residential Development (see Section 10-40.60.280)								
- - = Use Not Allowed								

Section 8. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection C. Residential Zones – Building Form Standards., as follows – including adding grid lines and shading to the table:

10-40.30.030 Residential Zones

C. **Residential Zones – Building Form Standards and Property Development Standards. The building form and property development standards shown in Table 10-40.30.030.C. shall apply to all property within the corresponding residential zone.**

Table 10-40.30.030.C. Residential Zones – Building Form and Property Development Standards.							
	Residential Zones						
	RR	ER	R1	R1N	MR	HR	MH
Residential development subdivided by a plat that was recorded before December 5, 2011							
Lot sizes	**(1) Lot sizes and setbacks shall be provided in accordance with the requirements delineated on the recorded plat. When a recorded plat does not have setbacks delineated, the Building Placement Requirements of this table shall govern.**						
Setbacks	**(2) Any lot(s) created or reconfigured in accordance with the subdivision code on, or after December 5, 2011, from a lot(s) platted before December 5, 2011, shall conform with the current requirements of the property's zone.**						
Building Placement Requirements							
~~Setback~~ **Setbacks**							
Front (min.)							
2nd Floor and Below	75'	50'	15'	15'	10'	10'	15'
Above 2nd Floor	75'	50'	15'	15'	15'	15'	15'
For Parking	--	--	25'[1]	--	--	--	--
Side (min.)							
Interior ~~Lots~~ **Side Yard**	10'	20'min./45'total	8'	6'	5'	5'	8'
~~Corner Lots (interior)~~	~~10'~~	~~20'min./45'total~~	~~8'~~	~~6'~~	~~5'~~	~~5'~~	~~12'~~
~~Corner Lots (exterior)~~ **Street Side Yard**	25'	20'	~~20'[2]~~ **15'**	6'	5'	5'	12'
Rear (min.)	10'	60'	~~25'[3]~~ **25'[2]**	15'	~~15'[4]~~ **15'[3]**	~~15'[4]~~ **15'[3]**	10'
Building Form Requirements							
Building Height (max.)	35'	35'	35'	35'	35'	~~60'[5]~~ **60'[4]**	30'
Coverage (max.)	20%	17%	35%	35%	40%	50%	43%
Density Requirements See Division 10-30.20, Affordable Housing Incentives							
Density: Gross (units/acre)							
Min.	--	--	2	2	6	10	--
Max. Outside the RPO	1	1	6	14	14	~~29[6]~~ **29[5]**	11

Table 10-40.30.030.C.
Residential Zones – Building Form and Property Development Standards.

	Residential Zones						
	RR	**ER**	**R1**	**R1N**	**MR**	**HR**	**MH**
Max. Within the RPO	1	1	5	--	9	22	4
Lot Requirements							
Area							
Gross (min.)	1 ~~ac[7]~~ ac[6]	1 ac	6,000 sf	6,000 sf	6,000 sf	6,000 sf	5 ac
Per Unit (min.)	1 ~~ac[7]~~ ac[6]	1 ac	6,000 sf	3,000 sf	~~Endnote [6]~~ Endnote [5]	~~Endnote [6]~~ Endnote [5]	4,000 sf
Width							
Interior Lots (min.)	~~100'[8]~~ 100'[7]	~~140'[9]~~ 149'[8]	~~60'[9,10]~~ 60'[8,9]	50'	~~50'[9,10]~~ 50'[8,9]	~~50'[9,11]~~ 50'[8,10]	--
Corner Lots (min.)	~~100'[8]~~ 100'[7]	~~140'[9]~~ 149'[8]	~~65'[9,10]~~ 60'[8,9]	50'	~~50'[9,10]~~ 50'[8,9]	~~50'[9,11]~~ 50'[8,10]	--
Depth (min.)	~~200'[8]~~ 200'[7]	--	~~100'[9]~~ 100'[8]	100'	~~100'[9]~~ 100'[8]	~~75'[9,11]~~ 75'[8,10]	--
Other Requirements							
Open Space ~~(% of Gross Lot Area)~~ (% of Gross Lot Area)[11]	--	--	--	--	See Table 10-40.30.030.A		
Fences and Screening	See Division 10-50.50						
Landscaping	See Division 10-50.60						
Lighting	See Division 10-50.70						
Parking	See Division 10-50.80						
Signs	See Division 10-50.100						

End Notes

~~1~~ **1.** 15' for side entrance garages, where the garage is designed as an integral element of the primary dwelling (i.e., doors and windows are consistent with the overall architectural character).

~~2~~ ~~15' on existing lots with less than 8,000 sf or less than 65' in width.~~

~~3~~ **2.** One or two story residential buildings and decks attached to those buildings may be built to 15' from the rear property line; provided, that any portion of the structure located closer than 25' to the rear property line does not exceed 50% of the lot width.

~~4~~ **3.** May be reduced for zones not subject to the Resource Protection Overlay when a minimum of 350 sf of open yard area per unit is provided, see Section 10-40.30.030(H).

~~5~~ **4.** Building height can be exceeded with approval of a Conditional Use Permit.

Table 10-40.30.030.C. Residential Zones – Building Form and Property Development Standards.							
	Residential Zones						
	RR	ER	R1	R1N	MR	HR	MH
~~6~~ **5.** The maximum number of units for each lot is based on the following:							
~~7~~ **6.** Five-acre minimum where public water supply and public streets are not available to serve the property.							
~~8~~ **7.** Where public water supply and public streets are not available to serve the property a minimum lot width of 200' and lot depth of 250' are required.							
~~9~~ **8.** Within a Planned Residential Development the minimum width and depth of a lot may vary based on the minimum lot standards applicable to the building types selected for application within a Planned Residential Development (See Section 10-40.60.280, Planned Residential Development).							
~~10~~ **9.** Lot width measured at the setback line.							
~~11~~ **10.** On lots greater than 9,000 sf: 70' minimum width on interior lots, 75' minimum width on corner lots and 100' minimum depth on all lots.							
~~12~~ **11.** Any required common open space as required in Division 10-50.110, Specific to Building Types, and areas set aside for resource preservation such as floodplains, slopes and forests (Division 10-50.90, Resource Protection Standards) may be used to satisfy this standard. In this context, "open space" includes active and passive recreation uses, landscape areas, and community gardens.							
Key							
-- Not Applicable							

Section 9. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, D. Miscellaneous Requirements – All Residential Zones., as follows:

D. **Miscellaneous Requirements – All Residential Zones.**

~~**1. Building form standards may be modified (reduced or exceeded) by the Director with the application of the clustered, affordable, or planned residential development; provided, that such application is consistent with the General Plan.**~~

~~**2. Land subdivided or developed within each residential zone shall be served by public water and sewer facilities, except for five-acre lots in the RR zone unless required by the Subdivision Regulations, City Code Title 11.**~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, of the City Code, except as specified in the RR zone (Section 10-40.30.030.E):

a. all land subdivided or split into lots or parcels shall abut a public right-of-way or private street tract; and

b. Water and sewer infrastructure shall be provided to each lot or parcel if required.

~~3.~~ **2.** Temporary uses are permitted in compliance with Section 10-20.40.150, Temporary Use Permits.

3. Accessory Uses:

a. An Accessory Dwelling Unit (ADU) use is allowed in all residential zones.

b. All other accessory uses are allowed in accordance with section 10-40.60.025.

~~4. The cultivation of vegetable gardens for home use is permitted in all residential zones.~~

4. Accessory structures:

a. An Accessory Dwelling Unit (ADU) structure shall comply with section 10-40.60.030.

b. All other accessory structures are allowed in accordance with section 10-40.60.020.

Section 10. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, to amend Subsection E. Miscellaneous Requirements – RR Zone., as follows:

E. **Miscellaneous Requirements – RR Zone.**

~~1. Five-acre parcels shall have frontage on either a public right-of-way or an access easement approved by the City Engineer.~~

~~2. One-acre parcels shall have frontage on either a public or private street improved with a paved roadway satisfactory to the City Engineer.~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, of the City Code:

a. all land subdivided or split into lots or parcels less than five acres shall abut a public right-of-way or private street tract;

b. all land subdivided into lots or parcels five acres or greater shall abut a public right-of-way or private street tract, or unless otherwise allowed by Title 11 of the City Code, an access easement approved by the City Engineer; and

b. Water and sewer infrastructure shall be provided to each lot or parcel if required.

Section 11. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection F. Miscellaneous Requirements – R1 Zone., as follows:

F. **Miscellaneous Requirements – RR, ER, and R1 Zone.**

1. ~~No more than one single-family dwelling shall be permitted on each lot, plus such accessory uses, as are related, incidental, and not detrimental to the residential environment. (Refer to subsection (F)(2) of this section for exceptions.)~~

   Unless otherwise allowed as part of a Planned Residential Development (PRD), only one single-family dwelling unit, or a single-family dwelling unit with an Accessory Dwelling Unit (ADU), is allowed per lot or parcel.

~~2. Clustered development shall be allowed in planned residential and co-housing developments~~

~~3. Each lot shall have frontage on a dedicated public street.~~

Section 12. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection G. Miscellaneous Requirements – MR and HR Zone., as follows:

G. **Miscellaneous Requirements – MR and HR Zone.**

~~1. Each lot shall have frontage on a dedicated public street.~~

~~2.~~ **1.** Common open space for other building types not specifically listed in Division 10-50.110, Specific to Building Types, such as an apartment complex, shall be provided based on the following standards:

Table ~~10-40.30.030.A~~ 10-40.30.030.G: Common Open Space Requirements	
~~Area~~ **Area**[1]	15% of gross lot area; at least one open space area shall be no less than 400 sq. ft.
Width	15' min.
Depth	15' min.
No private open space is required	
End Notes	
~~1~~ **1.** Roof decks and courtyards ~~may be~~ **are** included in the open space area calculation, but not driveways or vehicle parking areas.	

~~3.~~ **2.** In addition to the 15 percent open space requirement established in ~~subsection (C) of this section~~ **Table 10-40.30.030.C.**, ~~Building Form Standards,~~ residential projects over 50 units or more ~~are also required to~~ **shall** provide a minimum of five percent civic space. (See Section ~~10-30.60.090 (B)(1)~~ **10-30.60.090**, Civic or Public Space Requirement.)

Section 13. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection B. Commercial Zones – Allowed Uses., as follows – including adding grid lines and shading:

10-40.30.040 Commercial Zones

B. Commercial Zones – Allowed Uses**. The allowed land uses of each of the** Commercial **zones are shown in Table 10-40.30.040.B.**

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Industrial, Manufacturing, Processing and Wholesaling						
Carpenter or Cabinet Shops		--	--	--	P	-
Flammable Liquid, Gas, and Bulk Fuel – Storage and Sale		--	--	UP	--	
Manufacturing and Processing – Incidental		--	P	P	P	P
Machine or Metal Working Shops		--	--	--	P	--
Micro-brewery or Micro-distillery	10-40.60.240	--	P	P	P	P
Mini-storage Warehousing	10-40.60.250	--	--	UP[2]	P	--
Research and Development Uses	10-40.60.300	--	--	UP	--	--
Transportation or Trucking Yards		--	--	--	P	--
Vehicle Towing/Impound Yard		--	--	P[4]	--	--
Warehousing	10-40.60.330	--	P[3]	P[3]	--	P[3]
Wholesaling and Distribution		--	--	--	P	P[3]
Recreation, Education and Assembly						
Automobile, Go-kart, Miniature Automobile Racing	10-40.60.080	--	UP	UP	--	--
Commercial Campgrounds	10-40.60.130	--	--	P	--	--
Commercial Recreation Facilities, Indoor		P	P	P	--	P
Commercial Recreation Facilities, Outdoor	10-40.60.270	--	UP	UP	--	--

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Libraries, Museums		P	P	P	P	P
Meeting Facilities, Public or Private	10-40.60.230					
Regional		--	P/UP[5]	P/UP[5]	P/UP[5]	P/UP[5]
Neighborhood		P[5]	P/UP[5]	--	--	--
Outdoor Public Uses, General		P	P	P	--	--
Places of Worship		P/UP[10]	P/UP[10]	P/UP[10]	P/UP[10]	P/UP[10]
Schools – Public and Charter		P	P	P	P	P
Schools – Private		P	P	P	P	P
Theaters		P	P	P	--	P
Trade Schools		--	UP	UP	UP	UP
Residential[7]						
~~**Accessory Building and Structures**~~	~~**10-40.60.020**~~	~~**P**~~	~~**P**~~	~~**P**~~	~~**P**~~	~~**P**~~
~~**Accessory Dwelling Units**~~	~~**10-40.60.030**~~	~~**P**~~	~~**P**~~	~~**P**~~	~~**P**~~	~~**P**~~
Co-housing	10-40.60.120	P[6]	P[6]	P[6]	P[6]	P[6]
Congregate Care Facilities		UP	P	P	P	UP
Day Care, Centers	10-40.60.150.B	P	P	P	UP	UP
Day Care, Home	10-40.60.150.A	P	P	P	P	P
Dormitories		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Development, Duplex		P[6]	P[6,9]	P[6]	P[6]	P[6]
~~**Dwelling: Multiple-Family**~~ **Development, Multiple-Family**		P[6]	P[6]	P[6]	P[6]	P[6]
~~**Dwelling: Single-Family**~~ **Development, Single-Family**		--	P[9]	--	--	--
Fraternities and Sororities		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Group Homes		P[6]	P[6]	P[6]	P[6]	P[6]
Home Occupation	10-40.60.180	P[6]	P[6]	P[6]	P[6]	P[6]
Institutional Residential						
Custodial Care Facilities		P[8]	P[8]	P[8]	P[8]	P[8]

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Homeless Shelters	10-40.60.190					
Emergency Shelters		P[8]	P[8]	P[8]	P[8]	P[8]
Short Term Housing		P[8]	P[8]	P[8]	P[8]	P[8]
Transitional Housing		P	P	P	P	P
Nursing Homes		UP	UP	UP	UP	UP
Sheltered Care Homes		P	P	P	P	P
Live/Work	10-40.60.200	P	P	P	P	P
Planned Residential Development	10-40.60.280	P/UP	P/UP[9]	UP	UP	UP
Residence for Owner, Caretaker or Manager		P[6]	P[6]	P[6]	P[6]	P[6]
Rooming and Boarding Facilities		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Single Room Occupancy		UP	--	P	--	P
Retail Trade						
Bars/Taverns		P	P	P	P	P
Crematorium		P	P	P	P	--
Drive-through Retail	10-40.60.160	P	P	P	--	--
Drive-through Service		P	P	P	--	--
Farmers Markets and Flea Markets		--	P	P	P	P
General Retail Business		P	P	P	P	P
Mixed Use	10-40.60.260	P	P	P	P	P
Restaurant or Cafe		P	P	P	P	P
Services						
Bed and Breakfast Establishments	10-40.60.110	P	P	P	P	P
Cemeteries		UP	UP	UP	UP	--
Dry-cleaning, Processing		P	P	P	--	--
Equipment Rental Yard		--	UP	P	P	--

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	**Specific Use Regulations**	**Commercial Zones**				
		SC	**CC**	**HC**	**CS**	**CB**
Funeral Homes, Chapels and Mortuaries		--	P	P	--	UP
General Services		P	P	P	P	P
Hospital		UP	UP	UP	UP	UP
~~**Lodging**~~		~~**UP**~~	~~**--**~~	~~**P**~~	~~**--**~~	~~**P**~~
Medical Marijuana Dispensary	10-40.60.220	--	--	P	--	--
Office		P	P	P	P	P
Public Services						
Public Services Major		--	--	--	--	--
Public Services Minor		P	P	P	P	P
Travel Accommodations		**UP**	**--**	**P**	**--**	**P**
Emergency Services		UP	UP	UP	UP	UP
Veterinary Clinics		P	P	P	P	--
Veterinary Hospitals		--	--	UP	UP	--
Telecommunication Facilities						
AM Broadcasting Facilities	10-40.60.320	UP	UP	UP	UP	UP
Antenna-Supporting Structure	10-40.60.320	UP	UP	UP	UP	UP
Attached Telecommunication Facilities	10-40.60.320	P	P	P	P	P
Collocation Facility	10-40.60.320	P	P	P	P	P
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.320	P	P	P	P	P
Stealth Telecommunication Facilities	10-40.60.320	P	P	P	P	P
Transportation and Infrastructure						
Accessory Wind Energy Systems	10-40.60.040	P	P	P	P	P
Garages, Off-Street		P	P	P	P	P
Parking Lots, Off-Street	10-50.80	P	P	P	P	P

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Passenger Transportation Facilities		--	--	UP	UP	UP
Urban Agriculture						
Community Gardens	10-40.60.140	P	P	P	P	P
Food Production		--	--	UP[2]	UP[2]	--
Vehicle Sales and Services						
Automobile Service Station and Convenience Store	10-40.60.090	P	P	P	P	--
Automobile and Trailer Rental		--	--	P	P	--
Automobile/Vehicle Sales and Service, New and Used		--	UP	P	P	UP
Automobile/Vehicle Repair Garages – Minor	10-40.60.100	--	UP	P	P	--
Automobile/Vehicle Repair Garages – Major	10-40.60.100	--	--	P	P	--
Car Washes		P	P	P	--	--
Mobile Homes and Recreational Vehicles, Sales, and Service		--	--	P	--	--

End Notes

~~1~~ **1.** A definition of each listed use type is in Chapter 10-80, Definitions.

~~2~~ **2.** Only allowed on lots that do not have highway frontage or behind existing/new commercial uses.

~~3~~ **3.** Only permitted when incidental to permitted use.

~~4~~ **4.** This use shall be screened. See Division 10-50.50, Fences and Screening, for fencing and screening requirements.

~~5~~ **5.** A conditional use permit is required if liquor is sold or if facilities exceed 250 seats.

~~6~~ **6.** Residential uses with more than two units are allowed as part of a mixed-use development located above or behind the commercial uses ~~subject to the development standards established in the HR zone~~ and as a planned residential development (Section 10-40.60.280). ~~New developments that include residential uses with more than two units shall provide a minimum of 15% of the gross lot area in the form of common open space.~~

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	**Specific Use Regulations**	**Commercial Zones**				
		SC	**CC**	**HC**	**CS**	**CB**
~~7~~ **7.** Residential uses in the CC, HC, CS and CB zones, and residential uses and properties listed on the National Historic Registry or within the Landmarks overlay zone existing prior to the effective date of this Zoning Code are considered legal, nonconforming uses. Residential uses in the CC, HC, CS and CB zones shall be subject to the development standards established in the HR zone.						
~~8~~ **8.** Conditional use permit is required if proximity between shelter facilities is less than one-quarter mile.						
~~9~~ **9.** Single-family and duplex building types (see Division 10-50.110) are permitted by right on lots ≤9,000 sf existing prior to November 1, 2011, subject to the building placement and building form requirements of the MR zone. A conditional use permit is required for all other building types and multifamily residential uses with three or more units regardless of the size of the lot or parcel.						
~~10~~ **10.** A conditional use permit is required if the facility exceeds 250 seats and/or if the facility is located adjacent to a toxic use.						
Key						
P = Permitted Use						
UP = Conditional Use Permit Required						
-- = Use Not Allowed						

Section 14. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection C. Commercial Zones – Building Form Standards., as follows – including grid lines and shading:

Section 10-40.30.040 Commercial Zones

C. Commercial Zones – Building Form **and Property Development** Standards**. The building form and property development standards shown in Table 10-40.30.040.C. shall apply to all property with the corresponding commercial zones.**

Table 10-40.30.040.C. **Commercial Zones – Building Form and Property Development Standards**					
~~**Building Form Standards**~~	**Commercial Zones**				
	SC	**CC**	**HC**	**CS**	**CB**
Building Placement Requirements					
Setback **from property line**					
Front	15' ~~**min.**~~[1]	0'	0'[2]	0'	0'

(~~See also~~ Also see Section 10-50.60.040.B)						
Side						
	Adjacent to Residential Use	---------- ~~15' min.[7]~~ 15' min.[6] ----------				
	~~All Other Uses~~	~~0'~~	–	–	–	–
	~~Exterior~~ Street Side (min.)	10'[3]	10'[3]	10'[3]	10'[3]	0'
	All Other sides	---------- 0' ----------				
Rear						
	Adjacent to Residential	---------- 15' min. ----------				
	All Other rears	---------- 0' ----------				
Building Form Requirements						
Building Height (max.)		35'	~~60'[4,8]~~ 60'[4,7]	60'[4]	60'[4]	60'[4]
Gross FAR (max.)		~~0.8[5]~~ 0.8	~~2.5[5]~~ 2.5	~~3.0[5]~~ 3.0	~~2.0[5]~~ 2.0	No max.
Density Requirements						
Gross Density (units/acre) (max.) (Not Applicable to Mixed Use)		13	--------- ~~Refer to HR Zone~~ 29 ---------			
Lot Requirements						
Area (Gross sf) ~~(min.)~~[6] (min.)[5]		6,000	9,000	9,000	9,000	7,000
Width ~~(min.)~~[6] (min.)[5]		50'	60'	60'	60'	50'
Depth ~~(min.)~~[6] (min.)[5]		100'	100'	100'	100'	--
Open Space						
Developments with Two or More Dwelling Units		---------- 15 percent of the net lot area ----------				
Other Requirements						
Fences and Screening		See Division 10-50.50				
Landscaping		See Division 10-50.60				
Outdoor Lighting		See Division 10-50.70				
Parking		See Division 10-50.80				
Signs		See Division 10-50.100				

End Notes

~~1~~ **1.** Front setbacks shall be equal to 15' or match adjacent residential development, whichever is less.

~~2~~ **2.** No front setback required, except when required by the adoption of building setback lines along specified streets.

~~3~~ **3.** Setback may be reduced to 5' min., if the landscape street buffer is reduced in accordance with Section 10-50.60.040(B), Nonresidential Zone Buffers.

~~4~~ **4.** Conditional use permit required for structures over 60' in height.

~~5. Excludes residential square feet (gross) when above or behind commercial uses.~~

~~6~~ **5.** Within a planned residential ~~development~~ **development,** the minimum area, width, and depth of a lot may vary based on the minimum lot standards applicable to the building types selected for application within a planned residential development (see Section 10-40.60.280, Planned Residential Development).

~~7~~ **6.** Except that the setback from a proposed residential use in a commercial zone to other residential uses shall be 5' min.

[8] **7.**	Single-family dwellings and duplexes in the CC zone shall be limited to a maximum height of 35 feet consistent with the height standard for the MR zone.

Section 15. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection D. Miscellaneous Requirements – All Commercial Zones., as follows:

D. Miscellaneous Requirements – All Commercial Zones.

~~**1. Storage shall be limited to accessory storage of commodities sold at retail on the premises and shall be within an enclosed building, except as permitted in Section 10-40.60.020(E), Permanent Outdoor Accessory Uses.**~~

~~**2. Every commercial zoned lot shall have frontage on a public street.**~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided into lots or parcels shall abut a public right-of-way or private street tract, and have water and sewer infrastructure service.

~~**3.**~~ **2.** All products incidental to a permitted use which are manufactured or processed on the premises shall be sold on the premises and at retail only, and shall be further limited as follows:

a. In the CC and CB zones, such activity shall be restricted to not over 25 percent of ground floor area of the building or buildings.

b. In the CS zone, such activity shall be restricted to not over 50 percent of ground floor area of the building or buildings.

c. In the CC and CB zones, not more than five employees shall be engaged in such activity.

d. In the CS zone, not more than 10 employees shall be engaged in such activity.

4. Every development in the commercial zones shall have a refuse storage area constructed and provided in accordance with City standards.

5. Temporary uses shall be permitted in compliance with Section 10-20.40.150, Temporary Use Permits.

~~**6. The cultivation of vegetable gardens for home use is allowed in all commercial zones where residential uses are permitted.**~~

6. Accessory Uses:

a. An Accessory Dwelling Unit (ADU) use is allowed in commercial zones on a lot containing a single-family dwelling unit as the primary use.

b. All other accessory uses are allowed in accordance with section 10-40.60.025.

7. Accessory structures:

a. An Accessory Dwelling Unit (ADU) structure that complies with section 10-40.60.030. is allowed in Community Commercial (CC) zone on a lot containing a detached single-family dwelling.

b. All other accessory structures are allowed in accordance with section 10-40.60.020.

Section 16. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.050 Industrial Zones, subsection B. Industrial Zones – Allowed Uses, Table 10-40.30.050.B. Industrial Zones – Allowed Uses, to add Outdoor Storage under the use category Industrial, Manufacturing, Processing and Wholesaling, in alphabetical order, and to amend the Warehousing Specific Use Regulations, as follows:

10-40.30.050 Industrial Zones

B. **Industrial Zones – Allowed Uses.** The allowed land uses of each of the Industrial zones are shown in Table 10-40.30.050.B.

Table 10-40.30.050.B.
Industrial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Industrial Zones				
		RD	LI	LI-O	HI	HI-O
Industrial, Manufacturing, Processing and Wholesaling						
Outdoor Storage	**10-40.60.275.**	**- -**	**- -**	**- -**	**P**	**P**
Warehousing	~~10-40.60.330~~	--	P	P	P	P

Section 17. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.050 Industrial Zones, Subsection D. Miscellaneous Requirements – All Industrial Zones., as follows:

D. Miscellaneous Requirements – All Industrial Zones. ~~Temporary uses shall be permitted in compliance with Section 10-20.40.150, Temporary Use Permits~~.

1. In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided into lots or parcels shall abut a public right-of-way or private street tract, and have water and sewer infrastructure service.

2. Accessory uses are allowed in accordance with section 10-40.60.025.

3. Accessory structures are allowed in accordance with section 10-40.60.020.

Section 18. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.30.060 Public and Open Space Zones, Subsection B. Public and Open Space Zones – Allowed Uses, as follows – including table format, grid lines and shading:

10-40.30.060 Public and Open Space Zones

B. Public and Open Space Zones – Allowed Uses. The allowed land uses of each of the Public and Open Space zones are shown in Table 10-40.30.060.B

Table 10-40.30.060.B.
Public and Open Space Zones – Allowed Uses

~~Land Use[1]~~ Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF[2]~~ PF	PLF	POS
Industrial, Manufacturing, Processing and Wholesaling				
Quarrying Operations	10-40.60.280	UP	--	--
Ranching, Forestry and Animal Keeping				
Forestry		--	P	--
Ranching		--	P	--
Recreation, Education and Assembly				
Commercial Campgrounds	10-40.60.130	UP	--	--
Commercial Recreation Facilities, Indoor		UP	--	--
Commercial Recreation Facilities, Outdoor	10-40.60.270	UP	--	--
Libraries, Museums		P	--	--
Outdoor Public Uses, General		P	--	--
Open Spaces		P	P	P
Parks or Recreation Facilities				
Active Recreation		P	--	--
~~Passive Recreation[3]~~ Passive Recreation		P	P	P
Schools – Public and Charter		P	--	--
Schools – Private		UP	--	--
Universities and Colleges		P	--	--
Residential				
~~Accessory Building and Structures~~	~~10-40.60.020~~	~~P~~	~~--~~	~~--~~
~~Congregate Care Facilities~~		~~P~~	~~--~~	~~--~~

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
~~Land Use[1]~~ Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF[2]~~ PF	PLF	POS
Employee Housing		P	--	--
Institutional Residential				
Congregate Care Facilities		**P**	**--**	**--**
Convents or Monasteries		UP	--	--
Custodial Care Facilities		UP	--	--
Homeless Shelters	10-40.60.190			
Emergency Shelters		UP	--	--
Short Term Housing		UP	--	--
Transitional Housing		UP	--	--
Nursing Homes		UP	--	--
Sheltered Care Homes		UP	--	--
Retail Trade				
Farmers Markets and Flea Markets		P	--	--
Services				
Cemeteries		UP	--	--
Governmental Offices		P	--	--
Public Services				
Public Services Major		UP	--	--
Public Services Minor		UP	UP	--
Emergency Services		UP	--	--
Telecommunication Facilities				
AM Broadcasting Facilities	10-40.60.310	UP	UP	--
Antenna-supporting Structure	10-40.60.310	UP	UP	--
Attached Telecommunication Facilities	10-40.60.310	P	P	--
Collocation Facility	10-40.60.310	P	P	--
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	P	UP	--
Stealth Telecommunication Facilities	10-40.60.310	P	P	--
Transportation and Infrastructure				
Accessory Wind Energy Systems	10-40.60.040	P	P	--

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
~~Land Use[1]~~ Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF[2]~~ PF	PLF	POS
Wind Energy Production Facility		UP	P	--
Airports/Landing Strips, Heliports, or Helistops	10-40.60.060	UP	--	--
Government Service/Maintenance Facilities		P	--	--
Municipal Airports		P	--	--
Urban Agriculture				
Community Gardens	10-40.60.140	P	--	--
End Notes				
~~[1] A definition of each listed use type is in Chapter 10-80, Definitions.~~				
~~[2] A change in any allowed use to another allowed use shall be noticed in accordance with the requirements of Section 10-20.30.080, Notice of Public Hearings.~~				
~~[3] Includes parking areas and restroom facilities.~~				
Key				
P = Permitted Use				
UP = Conditional Use Permit Required				
-- = Use Not Allowed				

Section 19. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.30.060 Public and Open Space Zones, to add Subsection D. Miscellaneous Requirements – Public and Open Space Zones., as follows:

10-40.30.060 Public and Open Space Zones

D. Miscellaneous Requirements – Public and Open Space Zones.

1. **In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided shall: a) front/abut a public right-of-way or private street tract with an improved street; and b) have water and sewer infrastructure serving each lot or parcel.**
2. **Accessory uses are allowed in accordance with section 10-40.60.025.**
3. **Accessory structures are allowed in accordance with section 10-40.60.020.**

Section 20. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.40.100 T6 Downtown (T6) Standards, Subsection C. Building Placement, **Miscellaneous**, to delete the phase "stucco or", as follows:

10-40.40.100 T6 Downtown (T6) Standards

C. Building Placement
Miscellaneous
Street facades must be built to BTL within 50' of each street corner. E
The entire BTL must be defined by a building or a 24" to 48" high ~~stucco or~~ masonry wall.
Loading docks, overhead doors and other service entries shall not be located on front or street-facing facades.

Section 21. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.020 Accessory Buildings and Structures, as follows:

10-40.60.020 Accessory ~~Buildings and~~ Structures

~~**A. Applicability. Accessory buildings and structures shall be permitted in all zones in compliance with this section, provided each is incidental and subordinate to the principal use or structure. There must be a primary use established and either a principal structure on the parcel or a building permit for a principal structure issued prior to, or simultaneously with, the issuance of a building permit for an accessory building or structure. Children's play houses and tree houses less than 200 square feet in floor area are not considered accessory structures and do not require a building permit. Sheds less than or equal to 200 square feet in floor area also do not require a building permit.**~~

A. Allowance.

1. **An Accessory Dwelling Unit (ADU) structure is allowed in accordance with Sections 10-40.30.030.D. and 10-40.30.040.D.**
2. **All other accessory structures are allowed in all zones in compliance with this section.**

~~**B. Uses.**~~

~~1. An accessory structure shall be used in compliance with the permitted uses of the zone within which it is located and, if applicable, the home occupation regulations in Section 10-40.60.180, Home Occupations.~~

~~2. The use of accessory buildings or structures shall be incidental to the primary use and shall not alter the character of the primary use.~~

~~3. Temporary, occasional, seasonal or periodic uses in connection with established retail stores or shopping centers, such as outdoor garden centers, sidewalk sales, or sales promotions, are considered accessory uses and not subject to a temporary use permit in compliance with Section 10-20.40.150, Temporary Use Permits.~~

~~C.~~ **B Approvals and Standards.**

1. The property owner shall obtain permits and approvals for an accessory structure in accordance with Division 10-20.40: Permits and Approvals.

2. An accessory structure shall not be allowed on a lot or parcel without a primary structure on the same property.

3. A primary structure shall be established prior to the issuance of a permit for an accessory structure, except that a permit for an accessory structure may be issued concurrent, or after, a permit is issued for the primary structure.

~~1.~~ **4.** No manufactured home, mobile home, trailer, semi-trailer, bus, recreational vehicle, boxcar or storage container shall be used as an accessory ~~buildings or~~ structure, except as permitted in subsection ~~(D)~~ **C.** of this section.

~~2. Accessory buildings and structures shall be governed by the lot coverage, floor area ratio and setback requirements of the zone in which they are located, except as provided below.~~

5. Accessory Dwelling Units shall comply with Section 10-40.60.030.

6. Permanent Storage Structures shall comply with subsection C. of this section.

7. All other accessory structures shall comply with the property development standards of the property's zone, except as specified below:

a. On any residential lot less than one acre, the total floor area of all accessory ~~buildings and~~ structures ~~(including ADUs [Section 10-40.60.030])~~ shall be less than that of the **lot's or parcel's** ~~principal building(s)~~ **primary structure** ~~on the site~~.

b. The distance between a ~~principal~~ **primary** structure and an accessory structure shall ~~be established by~~ **comply with** the Building Code. ~~This distance may vary by occupancy type.~~

~~c. Accessory buildings and structures are not permitted in any exterior side setback and shall not occupy any portion of a required setback except as provided in Table 10-40.60.020.A, Accessory Structure Height and Location Standards.~~

c. An accessory structure is not allowed in any Street Side Yard.

~~d. One-story accessory structure(s) no more than 16 feet in height may be constructed on any lot no closer than five feet from the rear or interior side property line, except that on corner lots no accessory structure shall be permitted in any exterior yard.~~

d. Allowed Encroachments into the required setbacks in addition to Section 10-50.40.020. A non-habitable structure (e.g., garage, workshop, carport, shed, greenhouse, etc.) may encroachment into the property's required zone setbacks in accordance with Table 10-40.60.020.B.7.d.

Table 10-40.60.020.B.7.d.

Allowed Accessory Structure Encroachments into Setbacks

Yard of Encroachment	Minimum Setback
Rear yard abutting a public alley right-of-way or private alley tract:	0 feet.
Rear yard abutting another lot or parcel:	5 feet.
Interior side yard:	5 feet.
Street side yard:	No encroachment allowed.
Front Yard:	No encroachment allowed.

~~e. Encroachments into minimum required setbacks shall be in compliance with Division 10-50.40, Encroachments.~~

e. The maximum height of an accessory structure shall comply with Table 10-40.60.020.B.7.e.

Table 10-40.60.020.B.7.e.

Allowed Height of Accessory Structure

Location of Accessory Structure	Setback Requirement
Within the building envelope:	24 feet.
All other locations allowed pursuant to Table 10-40.60.020.B.7.d.	16 feet.

~~f. The maximum height of all accessory buildings and structures shall be 24 feet except as provided in Table 10-40.60.020.A, Accessory Structure~~

~~Height and Location Standards, unless the zone or overlay zone has a more restrictive height limit.~~

Table 10-40.60.020.A: Accessory Structure Height and Location Standards	
Location	Max. Height (feet)
Non-livable structures (e.g., garage, workshop, carport, shed, greenhouse)	
Within Buildable Area	24'
Min. 5' Setback to Rear and Interior Side Property Line, and 0' Setback to Rear Property Line with Alley[1]	16'
Livable structures (e.g., ADU, studio or home office)[2]	
Within Buildable Area	24'
Min. 5' Setback to Rear and Interior Side Property Line	16'
End Notes	
[1] Structures located on property lines shall be required to comply with applicable City Building Code and Fire Code requirements.	
[2] These livable structures may be located above a garage or other non-livable space.	

~~D. Temporary and Permanent Storage Containers.~~

~~1. Residential Zones. The following standards apply to the temporary and permanent use of storage containers located in all residential zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for residential use, provided the owner has applied for a temporary use permit from the Director within three days of the emergency. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the~~

~~option to renew the permit one time, for each period not to exceed 90 days.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for residential use for minor remodeling projects for which a building permit is not required provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for residential use if a building permit has been obtained from the City for major/new construction involving principal or accessory structures located on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a certificate of occupancy, at which time the storage container shall be removed.~~

~~(4) Storage containers used for temporary storage may be placed within the rear, side, or front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(5) Storage containers may be temporarily placed on property zoned for residential use for the purpose of loading or unloading household contents while in the process of moving, for a period not to exceed 14 days.~~

~~(6) Storage containers mounted on trailers/wheels shall not be permitted for temporary use in residential zones.~~

~~(7) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Storage containers may be permitted for permanent use in residential zones, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure. No storage containers are permitted on vacant or undeveloped lots where no primary structure or use has been established;~~

~~(2) Storage containers may only be placed in rear yards and interior side yards in compliance with the standards provided in Table 10-50.40.020.A (Allowed Encroachments into Setbacks, and Heights), and are not permitted in front yards or exterior side yards. Compliance with all applicable regulations of the Zoning Code is required, including lot coverage restrictions;~~

~~(3) No more than one storage container is permitted on any residential lot or parcel;~~

~~(4) The maximum size for a storage container located on property zoned for residential use shall be Ground floor uses0 square feet;~~

~~(5) The maximum height of a storage container used for storage purposes shall be nine feet measured from natural grade to the top of the container;~~

~~(6) Storage containers shall be painted a neutral, earth tone, or to match the building by which they are placed;~~

~~(7) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug-ins;~~

~~(8) No signs shall be permitted to be placed on any part of a storage container; and~~

~~(9) Storage containers mounted on trailers/wheels shall not be permitted for permanent use in residential zones.~~

~~2. Commercial and Research and Development Zones. The following standards apply to the temporary and permanent use of storage containers located in all commercial and research and development zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses, provided the owner has applied for a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time at the discretion of the Director, for a period not to exceed 90 days. Storage containers may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for research and development uses for minor remodeling projects for which a building permit is not required, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses if a building permit has been obtained from the~~

~~City for major/new construction on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a final certificate of occupancy, at which time the storage container shall be removed. Storage containers may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(4) In the case of seasonal sales events, storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use during a seasonal sales event shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time by the Director, for a period not to exceed 30 days. Storage containers used for sales events shall be placed in an area that is not visible from the public right-of-way, unless the container is placed in the loading/dock area of the subject business.~~

~~(5) Storage containers mounted on trailers/wheels shall not be permitted for temporary use in commercial and research and development zones.~~

~~(6) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Storage containers may be permitted for permanent use in commercial and research and development zones, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure. No storage containers are permitted on vacant or undeveloped lots where no primary structure or use has been established;~~

~~(2) Storage containers shall only be placed in compliance with all applicable regulations of the Zoning Code, including setbacks, FAR, and lot coverage restrictions;~~

~~(3) Storage containers shall not be placed in parking areas nor in a location where they are visible from public rights-of-way, unless the container is placed in the loading/dock area of the subject business;~~

~~(4) The maximum size for a storage container located on property zoned for commercial or research and development uses shall be 384 square feet;~~

~~(5) The maximum height of a storage container used for storage purposes shall be 10 feet measured from natural grade to the top of the container;~~

~~(6) Storage containers shall be painted a neutral, earth tone, or to match the primary building near where they are placed;~~

~~(7) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug ins;~~

~~(8) No signs shall be permitted to be placed on any part of a storage container; and~~

~~(9) Storage containers mounted on trailers/wheels shall not be permitted in commercial and research and development zones.~~

~~3. Industrial and Public Lands Zones. The following standards apply to the temporary and permanent use of storage containers located in all Industrial and Public Lands zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use, provided the owner has applied for a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time at the discretion of the Director, for a period not to exceed 90 days.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use for minor remodeling projects for which a building permit is not required, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use if a building permit has been obtained from the City for new development on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a certificate of occupancy, at which time the storage container shall be removed.~~

~~(4) Storage containers used for temporary storage may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(5) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Permanent storage containers shall be permitted on property zoned for industrial or public facilities use, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure;~~

~~(2) The storage container shall only be placed in compliance with all regulations of the Zoning Code, including setbacks, FAR, and lot coverage restrictions;~~

~~(3) The maximum size permitted for a storage container located on property zoned for industrial or public lands use shall be 320 square feet;~~

~~(4) The maximum height of a storage container used for storage purposes shall be 10 feet measured from natural grade to the top of the container;~~

~~(5) Storage containers shall be painted a neutral, earth tone, or to match the primary building near where they are placed;~~

~~(6) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug ins; and~~

~~(7) No signs shall be permitted to be placed on any part of a storage container.~~

~~E. Permanent Outdoor Accessory Uses. Permanent, outdoor accessory uses, including nurseries or garden centers, are permitted with the following conditions:~~

~~1. The accessory use is clearly incidental to the primary commercial use of the property;~~

~~2. The accessory use shall not occupy more than 10 percent of the total area of the site;~~

~~3. To accommodate the accessory use, the number of parking spaces shall not be reduced more than 10 percent below the number of spaces required by Division 10-50.80, Parking Standards, or more than 10 percent of the spaces provided;~~

~~4. The accessory use shall be conducted only between the hours of 6:00 a.m. and 9:00 p.m. or during the established business hours of operation, whichever is shorter; and~~

~~5. The accessory use shall not be located in improved parking stalls or areas.~~

C. Permanent Storage Structures.

1. Placement.

a. **Residential and Transect Zones. A storage structure shall be placed in: 1) the building envelope, and behind the rear of the primary structure; 2) the rear yard or interior side yard in compliance with the standards provided in subsection B.7.d. of this section; or 3) a combination of the building envelope's rear yard, or interior side yard in compliance with the standards provided in subsection B.7.d. of this section.**

b. **Commercial Zones. A storage structure shall: 1) be placed in compliance with the property development requirements of the property's zone; 2) be placed in a location where it is not visible from the public right-of-way, unless the container is placed in the loading/dock area; and, 3) not be placed parking areas.**

c. **Industrial and Public Facility Zones. A storage structure shall only be placed: 1) in compliance with the property development standards of the property's zone; and, 2) in a location where it is not visible from the public right-of-way, unless the container is placed in the loading/dock area.**

3. **Maximum floor area.**

   a. **Residential and Transect Zones. A storage structure's floor area shall not exceed 160 square feet.**

   b. **Commercial, Industrial, and Public and Open Space Zones. A storage structure's floor area shall not exceed 384 square feet.**

4. **Maximum height. A storage structure shall not exceed a height of 10 feet measured from finish grade directly below the container.**

5. **Maximum number of storage structures on a property in all residential and transect zones: one.**

6. **Additional requirements in the Commercial, Industrial, and Public and Open Space Zones. All property development standards of the property's zone not specified in this subsection shall apply to a storage structure.**

7. **Additional requirements in all zones.**

   a. **A storage structure shall:**

      (1) **Have an exterior color that is an earth tone with a light reflectance value of 50 or less, or matches the main color of a building on property that the structure is placed nearest to;**

      (2) **Be non-habitable, and used only for storage purposes; and**

      (3) **Not be connected to any utility service, except for an electrical service to provided lighting and electrical plugs.**

   b. **Storage structures mounted on trailers/wheels shall not be permitted.**

Section 22. Amend Title 10 FLAGSTAFF ZONING CODE, Division 10-40.60: Specific to Uses, to add Section 10-40.60.025 Accessory Uses, as follows:

10-40.60.025 Accessory Uses.

A. Accessory Uses Allowed.

1. An Accessory Dwelling Unit (ADU) use is allowed where specified in Sections 10-40.30.030 and 10-40.30.040.

2. All other accessory uses of a property are allowed in connection with a primary use on the same property.

3. An accessory use shall require the approval of a Conditional Use Permit when the accessory use is listed as primary use that requires a Conditional Use Permit in the same zone.

B. Determination of an Accessory Use. In determining that a use is accessory to a primary use, the Zoning Administrator shall find that the accessory use is clearly customary, subordinate and incidental to the primary use on the same property.

D. Additional Criteria for Accessory Uses.

1. Outdoor Storage. All outdoor storage areas shall comply with Section 10-40.60.275.

2. Animal Keeping. Animal keeping shall be maintained in conformance with Section 10-40.60.070.

3. An Accessory Dwelling Unit (ADU) shall comply with Section 10-40.60.030.

Section 23. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.150 Day Care Home and Center, as follows:

10-40.60.150 Day Care Home and Center

A. **Day Care Home.**

1. No more than one full-time person not residing on the premises may be employed in the home day care use.

2. The home day care shall be conducted in a manner that does not create adverse impacts on the residential character of the neighborhood **, including, but not limited to dust, noise, order, and traffic**.

3. During the hours of activity of the day care use, there is no limit on the amount of floor area devoted to this secondary use.

4. Outdoor activities and equipment associated with the home day care are permitted and must be screened by a minimum five-foot-high fence or wall.

5. The hours of operation shall not create adverse impacts on adjoining properties.

6. The maximum number of persons that day care services may be provided for in a dwelling or a dwelling's accessory structure shall not exceed eight persons. The maximum number of eight persons shall include children under the age of 14, and any older individual, or disabled person (14 years of age or older) that resides in the dwelling and supervision is provided for.

7. **Supervision of children, older individuals, or disabled adults is limited to less than 24-hours.**

8. **When required by the State of Arizona, all day care homes shall maintain an active state issued license.**

B. **Day Care Center.**

1. Day care center facilities shall comply with all applicable State and fire codes, including Arizona Revised Statutes.

2. Day care center on-site exterior lighting shall be consistent with Division 10-50.70, Outdoor Lighting Standards.

3. A six-foot-high solid fence or wall shall be constructed on all property lines or around the outdoor activity areas of day care centers, except in the front setback or within a traffic safety visibility area, in compliance with Division 10-50.50, Fences and Screening.

4. All day care center facilities shall have public access.

5. The hours of operation shall not create adverse impacts on adjoining properties.

6. **Supervision of children, older individuals, or disabled adults is limited to less than 24-hours.**

7. **When required by the State of Arizona, all day care homes shall maintain an active state issued license.**

Section 24. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.60.250 Mini–Storage Warehousing., as follows:

10-40.60.250 Mini–Storage Warehousing

A. ~~**No sales, service, or repair activities other than the rental of storage units are permitted on the premises.**~~

No business shall be operated out of a storage unit or outdoor storage area.

B. All storage shall be within an enclosed building, except for accessory outdoor storage: 1) is limited to operable vehicles with a valid governmental registration; and 2) shall not exceed 10 percent of the gross site area; and, shall comply with Section 10-40.60.275. Outdoor Storage.

B. Maximum ~~**leasable space per tenant shall be**~~ **area of an individual storage unit:** 1,000 square feet.

C. ~~**Outdoor storage, or the**~~ **The** storage of ~~**junk**~~ **refuse, compost,** explosives, ~~**or**~~ flammable materials, and other noxious or dangerous **materials, as determined by the City Fire Marshall,** are ~~**specifically**~~ prohibited.

D. **Minimum vehicle drive aisle width:** ~~**There shall be a of**~~ 21 feet ~~**between warehouse buildings for driveway, parking and fire lane purposes**~~.

E. Minimum fire lane width: Comply with the Fire Code.

~~**E. All storage shall be within an enclosed building except that within the compound of a self-storage warehouse where operable recreational vehicles and motor vehicles may be placed in outdoor storage areas that are separated from view from adjacent streets and property in compliance with Table 10-50.60.040.B, Buffer and Screening Requirements. Outdoor recreational vehicle storage areas shall not exceed 10 percent of the gross site area.**~~

Section 25. Amend Title 10 FLAGSTAFF ZONING CODE, to add Section 10-40.60.275 Outdoor Storage, as follows:

10-40.60.275. Outdoor Storage.

A. Screening requirement for a primary or accessory outdoor storage use.

1. Heavy Industrial (HI) and Heavy Industrial – Open sub-zone (HI-O) zones. All outdoor storage shall be completely enclosed within an area contained by a solid wall or fence, or chain link fence with slats that has minimum height of six (6) feet. A screen wall or fence within the required building area may be constructed to the maximum height allowed by the property's zone.

2. All other zones:

a. All outdoor storage shall be completely enclosed within an area contained by a solid wall or fence that is at least one (1) foot taller than the tallest object being screened.

b. The maximum height of a wall or fence within the required setbacks shall comply with Table 10-50.50.030.A.

c. A screen wall or fence within the required building area may be constructed to the maximum height allowed by the property's zone.

B Ground surface treatment. The ground of an outdoor storage area, including areas used for vehicle circulation, shall be maintained weed-free and have a dust-free surface (e. g., gravel, decomposed granite, etc.) approved by the Director. Based upon the intensity or frequency of vehicle traffic that is anticipated within the storage area, or the proximity to an adjacent residential use, the Director may require an outdoor storage area or vehicle travel lanes to have a pavement surface.

C. Non-conforming outdoor storage. Screening and ground surfaces for all outdoor storage areas shall be provide in compliance with the requirements of this section when the cumulative expansion of a non-conforming outdoor storage area, or a building with a non-conforming outdoor storage area, is enlarged by 25 percent or more.

Section 26. Amend Title 10 FLAGSTAFF ZONING CODE, Table 10-40.60.280.A: Planned Residential Development Building Type Options, as follows:

Table 10-40.60.280.A: Planned Residential Development Building Type Options

Building Type	Residential Zones See Section 10-40.30.030(C) for Building Form Standards						Commercial Zones See Section 10-40.30.040(C) for Building Form Standards				
	RR	ER	RI	R1N	MR	HR	SC	CC	HC	CS	CB
Carriage House	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--
Single-family											
Estate	✓	✓	✓	--	--	--	--	--	--	--	--
House	✓	✓	✓	✓	✓	✓	--	✓	--	--	--
Cottage	✓	✓	✓	✓	✓	✓		✓	--	--	--
Bungalow Court	✓	✓	✓	✓	✓	✓	--	✓	--	--	--
Duplex											
Side-by-Side	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Stacked	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Front-and-Back	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Stacked Triplex	--	--	--	--	✓	✓	✓	✓	--	--	--
Townhouse	--	--	✓	– ✓	✓	✓	✓	✓	✓	✓	--
Apartment House	--	--	--	--	✓	✓	✓	✓	✓	✓	--
Courtyard Apartment	--	--	--	--	✓	✓	✓	✓	✓	✓	--
Apartment Building	--	--	--	--	✓	✓	--	--	✓	--	--
Live/Work	--	--	--	--	✓	✓	✓	✓	✓	✓	✓
Commercial Block	--	--	--	--	--	--	--	✓	✓	✓	✓

Section 27. Delete Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.320 Warehousing in its entirety, as follows:

~~**10-40.60.320 Warehousing**~~

~~**Warehousing, where permitted, includes outdoor storage provided the entire storage yard is screened by a minimum six-foot-high solid fence or wall, or chain link fencing with slats. Outdoor storage includes storage yards for recreational vehicles, boats, trailers, and contractor's storage and supply yards. Surfacing requirements are to be determined by the Director, based upon the intensity of use, and may range from pavement to a permeable, dust-free, weed-free surface (e.g., gravel). Any expansions of existing storage yards or buildings with storage yards, of 25 percent or more in area, shall also provide screening for the entire yard area.**~~

Section 28. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.30.030 How Building Height Is Measured, subsection A. Applicable to All Zones., paragraph 1. Building Height Plane subparagraph b., as follows:

Section 10-50.30.030 How Building Height Is Measured

A. **Applicable to All Zones.**

1. **Building Height Plane.**

b. Primary buildings with a roof pitch greater than **or equal to** 6:12 shall be allowed an additional five feet above the maximum building height in the zone. Accessory buildings and structures regardless of roof pitch shall not be allowed any additional building height.

Section 29. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.30.030 How Building Height Is Measured, subsection A. Applicable to All Zones., Figure 10-50.30.030B. Pitched roof building height measurements (not drawn to scale)., as follows:

Section 10-50.30.030 How Building Height Is Measured

A. **Applicable to All Zones.**

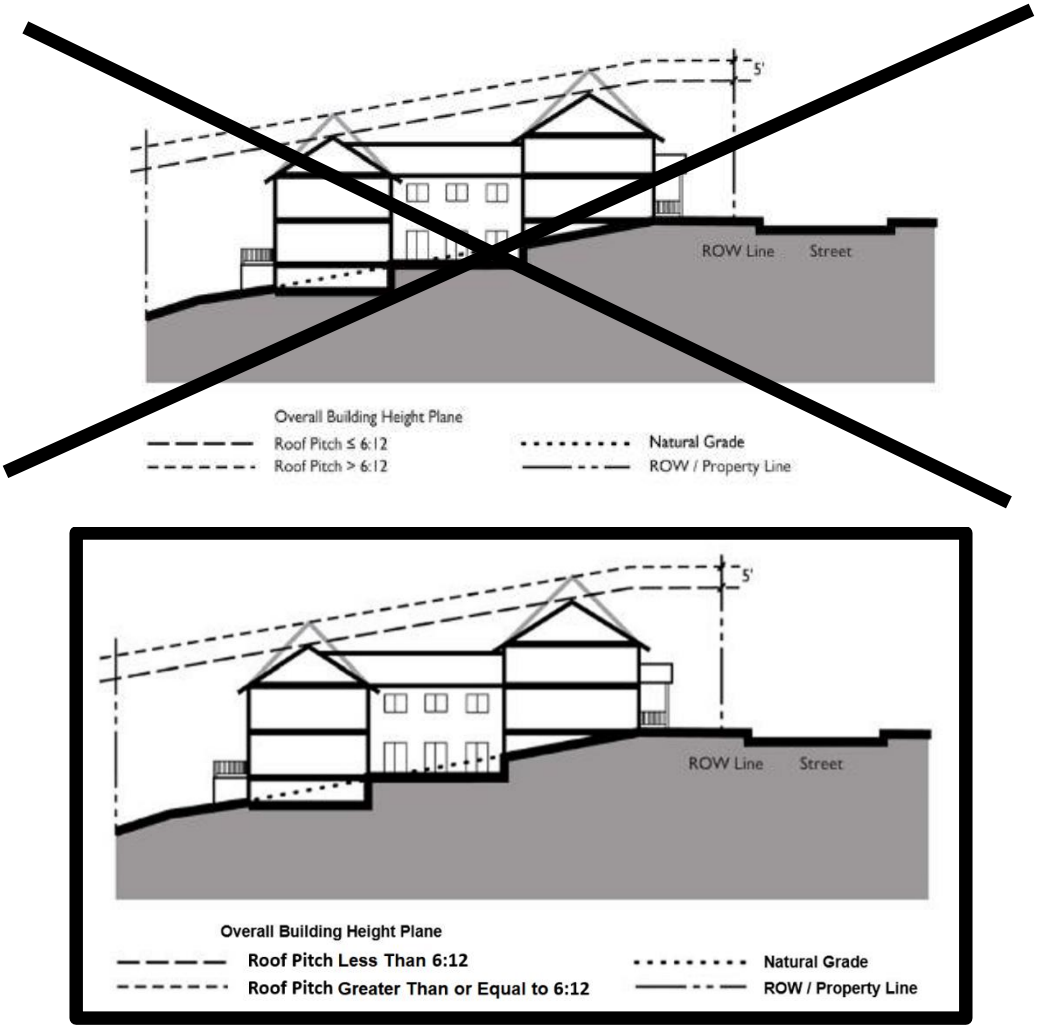


Figure 10-50.30.030B.

Pitched roof building height measurements (not drawn to scale).

Section 30. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.40.020 Encroachments into Minimum Required Setbacks, Table 10-50.40.020.A: Allowed Encroachments into Setbacks and Heights, as follows – including adding grid lines and shading to the table:

Table 10-50.40.020.A: Allowed Encroachments into Setbacks and Heights	
Arbors, Awnings, Canopies, Court Yards, Decks, Patios, Pergolas, Porches, Stoops, Trellis, Hooded Entries, Carports and Balconies[1,2,3]	
Front, Rear, ~~Exterior~~ **Street** Side Setback (max.)	~~5'~~ **5 feet**
Interior Side Setback (max.)	~~3'~~ **3 feet**
Accessory Dwelling Units (ADUs)[1]	
See Section ~~10-40.60.040~~ **10-40.60.030**	
Accessory ~~Buildings and~~ Structures[1]	
See Section 10-40.60.020	
Ground Mounted Solar Panels	
Front, Rear, ~~Exterior~~ **Street** Side Setback (max.)	~~5'~~ **5 feet**
Interior Side Setback (max.)	~~3'~~ **3 feet**
Bay Windows, Open Eaves, Cornices, Fireplaces and Chimneys, and Window Sills	
All Setbacks (max.)	~~2'~~ **2 feet**
End Notes:	
~~1~~ **1** In no case shall the permitted encroachment exceed 50 percent of the required setback.	
~~2~~ **2** Refer to applicable Building Code sections for permitted projections into setback areas and ensure that a 3' space is maintained between an open stairway and the property line.	
~~3~~ **3** Refer to applicable Building Code sections for construction less than 5' from a property line.	

Section 31. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.60.050 Landscaping Standards, subsection A. Landscape Design., Table 10-50.60.050.A: Landscape Credits for Existing Trees., as follows – including adding grid lines to the table:

Section 10-50.60.050 Landscaping Standards

A. **Landscape Design.**

Table 10-50.60.050.A: Landscape Credits for Existing Trees.	
Existing Tree Size (DBH)	**No. of Trees Not Required**
~~6 – 10"~~ **Equal to 6 inches, and less than 10 inches**	1 Tree[1]
~~10 – 18"~~ **Equal to 10 inches, and less than 18 inches**	2 Trees[1]
~~> 18"~~ **Equal to, or greater than, 18 inches**	3 Trees[1]
End Note	
~~1~~ **1.** For each tree not required to be planted, the requirement for shrubs and groundcovers associated with that tree shall be waived.	

Section 32. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.90.060. Forest, subsection B. Methodology., as follows:

10-50.90.060 Forest

B. **Methodology**

1. This section establishes a minimum forest resource protection threshold for all parcels subject to the Resource Protection Overlay (RPO). Forest resources are determined according to the resources survey requirements (Section 10-50.90.070, Resources Survey Requirements), which establish the quality and priority for forest resource protection based on a point rating system.
2. Tables ~~10-50.90.060.A~~ **10-50.90.060.B.2.a. and 10-50.90.060.B.2.b.**, ~~Forest Resource Protection Thresholds as a Percentage of Site Area,~~ shall be used to determine the minimum amount of forest resources that must be retained on-site. Protection thresholds applicable to affordable housing developments are located in Division 10-30.20, Affordable Housing Incentives.

~~Table 10-50.90.060.A: Forest Resource Protection Thresholds as a Percentage of Site Area~~

Public Lands	Residential	Commercial	Industrial	TNCP
30%	50%	30%	20%	30%

Table 10-50.90.060.B.2.a

Forest Resource Protection Thresholds as a Percentage of Site Area

Commercial Zones	Industrial Zones	Public and Open Space Zones	Residential Zones
30%	20%	30%	50%

Table 10-50.90.060.B.2.b

Forest Resource Protection Thresholds as a Percentage of Site Area

T1 Natural[1] and T2 Rural[1] zones	T3 Neighborhood[1] 1 and 2 zones	T4 Neighborhood[1] 1 and 2 zones	TNCP
80%	50%	30%	See Section 10-50.90.060.B.5.
End Notes			
1. The percentage of forest resource protection also apply to a zones sub-zones			

3. The amount of forest resources required to be protected ~~on a development site~~ **property** may be reduced through the application of the following sections of this code:

   a. Section 10-30.20.040, Affordable Housing Incentives;

   b. Section 10-30.60.030(B), Solar Orientation or Aspect;

   c. Section 10-30.60.090(B)(1), Civic or Public Space Requirement;

   d. Section 10-50.60.050(A)(1), Plant Material Considerations; and

   e. Section 10-50.80.060(E), Parking Reductions for Forest Resources.

~~3.~~ **4.** Where forest resources on a site overlap with steep slope resources, the following standards apply:

a. For affordable housing developments, refer to the standards in Section 10-30.20.040, Affordable Housing Incentives.

b. For all other developments located within the Resource Protection Overlay, up to 25 percent of the forest resources in the steep slope area may be counted towards the required amount of forest resources for the entire site at a ratio of one credit point for forest resources to 50 square feet of slope area.

~~**3. Traditional neighborhood community plans (TNCP), Division 10-30.80, are primarily concerned with the form and character of development through the application of transect zones. The transect zones provide a variety of rural to urban forms where the level of forest protection may vary. In the more urban zones such as the T4 Neighborhood and T5 Main Street transect zones, protection of forest resources is secondary to the creation of urban form and character, and, while the protection of forest resources is strongly encouraged, in most cases it may not be feasible. However, in the T1 Natural and T2 Rural transect zones virtually all of the forest resources shall be protected, while in the T3 Neighborhood zones, most forest resources shall be protected. In order to account for this character, forest resources in a traditional neighborhood community plan shall be calculated as an average across the entire site, and not specifically for each transect zone within the traditional neighborhood community plan.**~~

5. Minimum Forest Resource Protection shall be the greater of:

a. Thirty (30) percent of the gross lot, calculated as an average across the entire site; or,

b. The total percentage calculated shall be based on the location and allocation of the transect zones in the Traditional Neighborhood Community Plans (TNCP) and the corresponding transect zone requirements of Table 10-50.90.060.B.2.b.

Section 33. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.010 Definitions, "A", the terms "Accessory Buildings and Structures", "Accessory Dwelling Unit (ADU), Attached", and "Accessory Dwelling Unit (ADU), Detached", and to add the term "Accessory Dwelling Unit (ADU), Interior", as follows: as follows:

10-80.20.010 Definitions, "A"

Accessory ~~**Buildings and Structures**~~ **Structure: is a** ~~**Buildings or structures**~~ **building or structure** (including sheds, barns, garages, carports, ~~**artist or craft studios, home offices**~~, greenhouses, detached solar systems, ~~**or**~~ shade structures**, light pole, flag pole, pool, fence, wall, or other accessory structure as determined by the Zoning Administrator** which:

1. ~~Are~~ **Is** subordinate in building area, intensity of use, or purpose to the ~~principal~~ **primary** ~~building~~ **structure** ~~or use served~~;
2. Contribute to the comfort, convenience, ~~and~~ **or** necessity of the occupants of the ~~principal~~ **primary** building or use served; and
3. Are located on the same lot as the ~~principal~~ **primary** ~~building~~ **structure** or use served, with the single exception of accessory off-street parking facilities that are permitted to locate elsewhere.

Section 34. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.020 Definitions, "B", for the term, "Bed and Breakfast", "Block face", "Building Code", and "Building Envelope", as follows:

Section 10-80.20.020 Definitions, "B"

Bed and Breakfast: ~~Accommodations~~ **Is an accommodation provided and offered to transient guests for stays of less than thirty (30) days in** ~~offered by~~ a private home, consisting of a room for ~~the night~~ **sleeping, which may include separate sanitation facilities in each room,** and breakfast **is provided to the guest(s)** the next morning ~~for one inclusive~~ **and is included in the** price **of the room. Bed and breakfast is not a Travel accommodation, vacation rental or short-term rental**.

Building Code: ~~The currently in effect codes of the City of Flagstaff that establish minimum acceptable levels of safety for the construction, renovation, demolition, and occupancy of buildings and structures.~~ **Is the regulations contained in Title 4 Building Regulations of the Flagstaff City Code.**

Building envelope: is the three (3) dimensional space on a lot or parcel delineated by the property's zone requirements for building height, setback, stepback, yards and other provisions of the Zoning Code.

Section 35. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.040 Definitions, "D", for the terms "Day Care, Center" and "Day Care, Home", "Development Site", "Dwelling", "Dwelling, Cluster", and to add the terms "Development, Multiple-Family", "Development - Attached, Single-Family", "Development - Detached, Single-Family", and "Development, Duplex" as follows:

Day Care, Center: A facility**, other than a dwelling unit or an accessory structure of a dwelling unit,** ~~regulated by the State that provides~~ **where** supervision ~~for less than 24 hours per day for nine or more~~ **of** children, ~~elderly~~ **older individuals**, or disabled persons ~~in a facility other than a residence~~ **is provided for less than 24-hours**. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1.**, as amended.**

~~Day Care, Home: A home occupation in any dwelling established consistent with the State of Arizona requirements, which receives no more than eight children, elderly, or disabled adults for less than 24 hours per day. The maximum number of eight children shall be reduced in number by the number of children residing in the dwelling under the age of 14. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1.~~

Day Care, Home: A home occupation in any dwelling or an accessory structure of a dwelling, where supervision of children, older individuals, or disabled persons is provided for less than 24-hours. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1., as amended.

Development Site: Any ~~**plot**~~ **lot** or parcel of land, or combination of contiguous lots or parcels of land, whether under common ownership or multiple ownership, which constitutes a site on which development is proposed, under construction, or exists.

Dwelling Unit: ~~**One or more habitable rooms for residential use that are used as a home, residence, or sleeping place by one or more persons and which shall contain sleeping, sanitary, and cooking facilities. Dwelling includes an apartment or condominium. This does not include a motel or hotel room (see "Lodging") or suite or guest rooms in a boarding house or bed and breakfast (see "Bed and Breakfast").**~~ **Is one or more rooms as a single unit used as an independent residential living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation. A dwelling unit does not include suites or guest rooms in a travel accommodation or bed and breakfast.**

Development - Multiple-Family: Is a development consisting of any number of structures, or portion thereof, that contains a total of three or more dwelling units on a lot or parcel.

~~**Dwelling, Multiple-Family: A dwelling contained in a building comprised of three or more dwelling units.**~~

Development - Attached, Single-Family: Is a development consisting of one or more lots or parcels that contains a dwelling unit that is attached to dwelling unit on another lot or parcel.

Development - Detached, Single-Family: Is a development consisting of one or more lots or parcels that contains a single-family dwelling that is detached from a dwelling unit on another lot or parcel. A single-family development – detached include lot and parcels that contain a primary dwelling unit and an accessory dwelling unit in accordance with the provision of this code.

Development, Duplex: Is a development consisting of one or more lots or parcels that contains a duplex.

~~**Dwelling,**~~ **Development -** Cluster**, Single-Family**: ~~**Fully detached single-family residential uses**~~ **Is a Single-Family Development – Detached or co-housing** ~~**located on individual lots**~~ that ~~**include, as part of the subdivision design,**~~ **includes** common open space **and is developed to the requirements of this code.**

Section 36. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.060 Definitions, "F", for the term, **"**Factory Built Building**",** and add the term **"**Fire Code**",** as follows:

10-80.20.060 Definitions, "F"

Factory Built Building: ~~**A building including a dwelling or habitable room that is either wholly or in substantial part manufactured at an off-site location to be assembled on site, except that it does not include a manufactured home, recreational vehicle, or mobile home as defined by this chapter. Does include modular homes. These structures are built to the 2003 International Residential Code, 1994 Uniform Plumbing Code, 2003 International Mechanical Code and 2002 NEC standards as dictated by the Arizona Department of Building and Life Safety. These units are considered a permanent structure, to be installed only once. The manufacturer of the factory built will provide a "blue" manufacturer's plate affixed to the exterior of the unit. The foundation for the factory built unit must be approved by the State Office of Manufactured Housing before the installation of the factory built building. See also "Dwelling, Single-Family."**~~

As defined by the Arizona Revised Statues §41-4001, as amended, a factory built residential or commercial building is: (i) either wholly or substantially manufactured at an off-site location and transported for installation or completion, or both, on-site; (ii) constructed in compliance with adopted codes, standards and procedures of the State of Arizona; and, (iii) installed temporarily or permanently. A factory built building does not include a manufactured home, recreational vehicle, panelized building or domestic or light commercial storage building.

Fire Code: Is the regulations contained in Title 5 Fire Code of the Flagstaff City Code.

Section 37. Amend Title 10 FLAGSTAFF ZONING CODE, 10-80.20.090 Definitions, "I"., for the term "Industrial, Light – General", as follows:

10-80.20.090 Definitions, "I

Industrial, Light – General: This use includes manufacturing, storage, transportation, construction, repair, and wholesale uses that do not include hazardous wastes or resulting large truck usage/parking on the site. Light industrial uses include, but are not limited to, the following:

~~**Auto towing and storage yards**~~ **Vehicle Towing**	Leather, except tanning and finishing
	Local and interurban passenger transit

~~Auto~~ **Vehicle** repair including top, body and upholstery repair and paint shops and tire retreading and repair shops	Lumber and wood products
Communications	Miscellaneous manufacturing industries
~~Drugs~~ **Pharmaceutical Manufacturing**	Office and computing machines
Electric and electronic equipment (except electronic distribution and electrical industrial)	Paper products, except mills
	Printing and publishing
Fabricated metal	Special trade contractors
Food products, including liquor distribution, except meat products	Special warehousing and storage
	Textiles and apparel
Fuel and ice dealers	Transportation services
Furniture and fixtures	Trucking and general warehousing including mini-storage
General building contractors	Welding repair
Instruments and related products	Wholesale trade, durable and nondurable
Large truck, industrial truck and tractor repair	
Vehicle Storage, excluding Federal Highway Administration class 7, and above, vehicles and heavy equipment/construction vehicles	

Section 38. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.160 Definitions, "O", for the term "Older Individual" and "Outdoor Storage," as follows:

10-80.20.160 Definitions, "O",

Older Individual: Is any person 60 years of age, or older, unless otherwise defined in 42 U.S. Code § 3002, in which case the statue shall govern.

Outdoor Storage: is the storage of commodities, equipment, materials, merchandise, vehicles, etc. outside of a completely enclosed building.

Section 39. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.160 Definitions, "P", for the terms "Parcel," and to add the terms "Parking, Tuck-unde," "Parking Structure," "Parking Structure, Above-Ground," "Parking Structure, Podium," "Parking Structure, Underground," and "Passive Recreation," in alphabetical order, as follows:

10-80.20.160 Definitions, "P",

Parcel: ~~**A defined**~~ **Is an** area of land **defined by a legal description, and** not part of a platted subdivision

Parking, Tuck-under: is vehicle parking on fifty (50) percent or less of the ground level of a habitable building.

Parking Structure: ~~**A building containing two or more stories of parking above natural grade.**~~ **is an above-ground, podium, or underground structure used for parking vehicles.**

Parking Structure, Above-Ground: is a structure of two (2) or more levels, starting at or above-ground level.

Parking Structure, Podium: is one (1) level of vehicle parking at ground level or partially below ground level, which may have habitable structure or open space area, such as a courtyard, above the parking.

Parking Structure, Underground: is a structure of one (1) or more levels, fully below ground level, except for the ramp into the parking structure.

Passive Recreation: is the use of land in its substantial natural or restored natural state for the preservation of wildlife, the environment and recreational purposes that requires minimal development, including park and ranger facilities, facilities for picnics, pavilions, multi-use trails and paths, canoeing, fishing, educational facilities that promote the education or preservation of such lands, etc., and relate support accessory uses such as parking, restrooms, and areas for the health and well-being of the public. Passive recreation does not include the use of recreational motorized vehicles, except when authorize by law, permit, or license granted by the city, state, or federal government.

Section 40. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.190 Definitions, "s", for "sign", and to add the terms "sanitation facilities," "Seasonal Sales", "short-term rental or vacation rental", "Storage Structure", "Storage Structure, Permanent", and "Storage Structure, Temporary" as follows:

10-80.20.190 Definitions, "S",

Sanitation Facilities: is bathroom that contains any combination of, or individually, a toilet, shower, sink, tub or related bathing and sanitation fixtures.

Seasonal Sales: is a sale event that occurs during one particular time of the year for a limited period of time, including the sale of annually harvested food products, holiday trees, fireworks, pumpkins, and similar sale events uses as determined by the Zoning Administrator.

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

Short-term Rental or Vacation Rental: is a defined in accordance with the Arizona Revised Statues § 9-500.39., as amended.

Storage Structure: is a manufactured shipping container, moving container, or similar container, as determined by the Zoning Administrator, used to store one or more objects on a property. A storage structure is not a barn, garage, shed, or similar accessory structure.

Storage Structure, Permanent: is a storage structure that is attached to the ground by a foundation or device in accordance with the Building Code.

Storage Structure, Temporary: is a storage structure that is not attached to the ground and is placed on a lot or parcel.

Section 41. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.220 Definitions, "W", for the term "Warehousing", as follows:

Warehousing: ~~**Warehouse and storage operations, including screened outdoor storage.**~~ **Is the storage of merchandise, commodities or vehicles in an enclosed building.**

Section 42. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.250 Definitions, "Y", for the terms, "Yard", "Yard, Exterior", "Yard, Front", and "Yard, Interior", as follows:

Section 10-80.20.250 Definitions, "Y

Yard: ~~An~~ **is an** open area ~~at grade~~ **that is unoccupied and unobstructed from the ground upward, except as allowed by the Zoning Code,** between a principal or accessory ~~building~~ **structure,** or ~~buildings~~ **a** structure and the nearest lot line ~~that is unoccupied and unobstructed from the ground upward except as may be specifically provided in this Zoning Code~~. **Typical yard locations are identified in the Figure 10-80.20.250. Yards.**

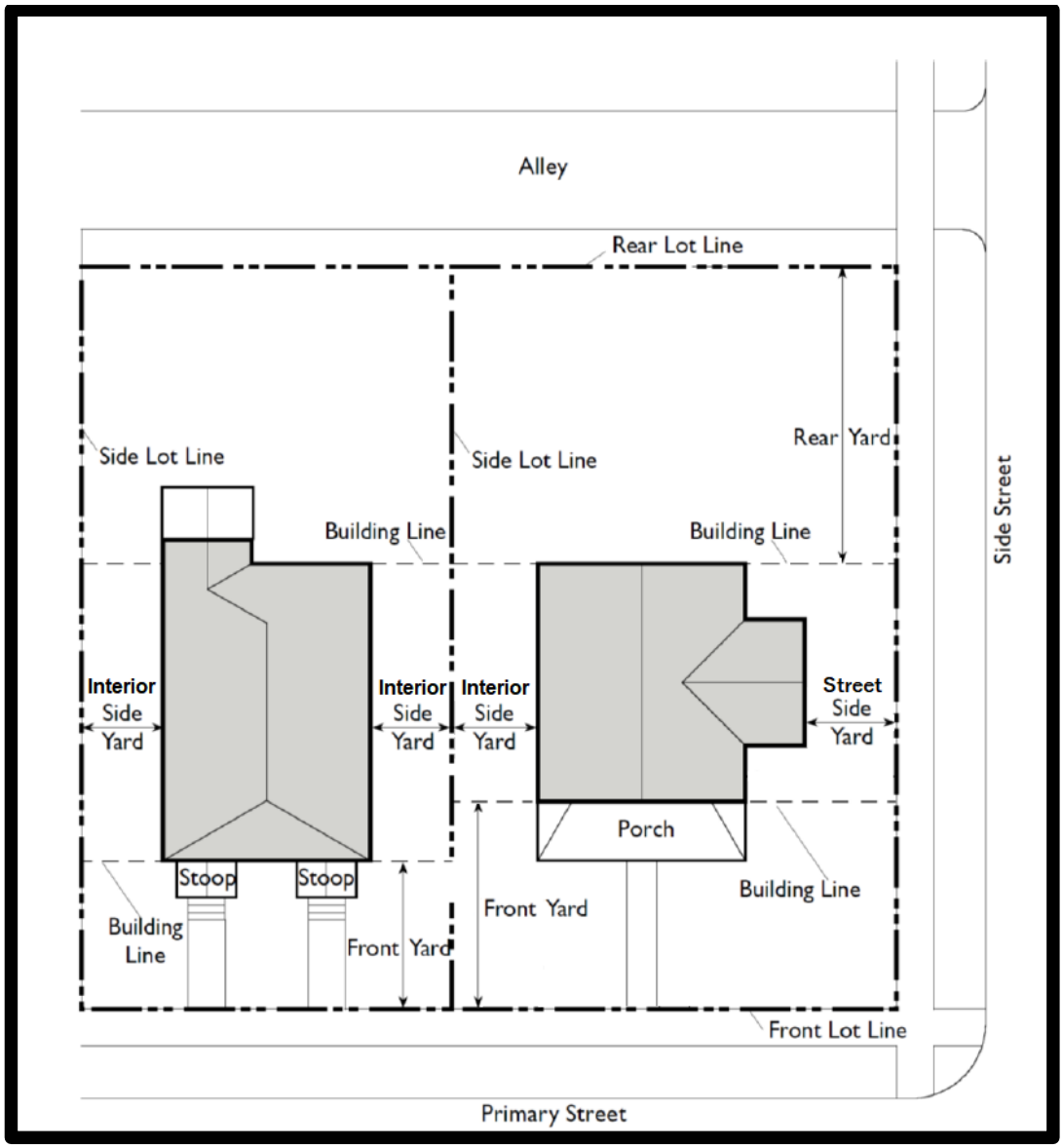
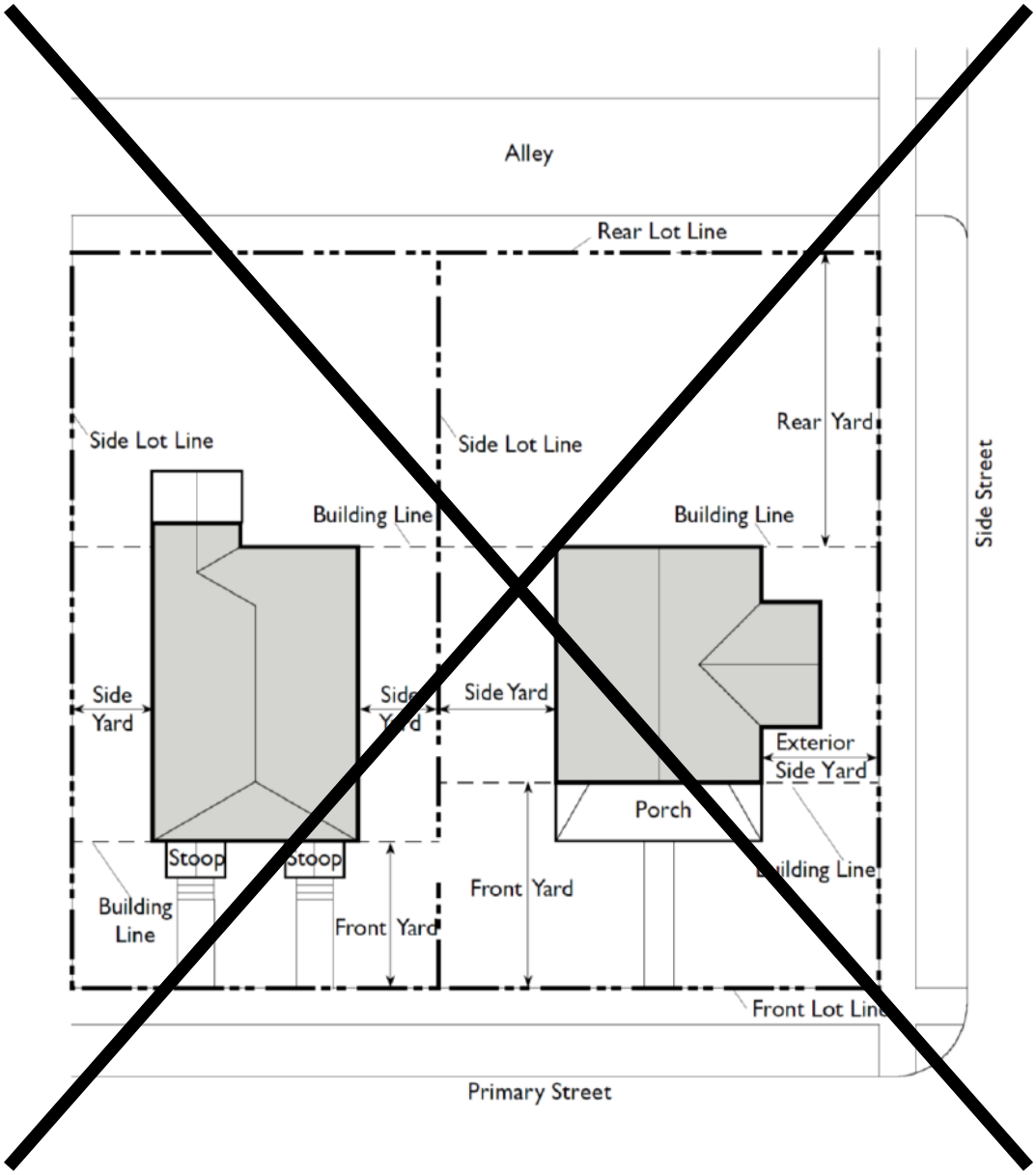


Figure 10-80.20.250. Yards.

Yard, ~~Exterior~~ Street Side: A yard extending from the front yard to the rear yard, between any building and the ~~exterior side~~ lot line abutting a street. ~~On corner lots, the exterior side yard is adjacent to a street other than the one which determines the front yard.~~

Yard, Front: A yard extending across the full width of a lot between any building and the front lot line, and measured perpendicular to the building at the closest point to the front lot line.



Yard, Interior Side: A yard extending from the front yard to the rear yard between the ~~**principal**~~ **primary** building and the side lot line adjacent to another lot measured perpendicular from the side lot line to the closest point of the ~~**principal**~~ **primary** building.

ORDINANCE NO. 2019-32

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, AMENDING THE FLAGSTAFF CITY CODE , TITLE 10, FLAGSTAFF ZONING CODE, CHAPTERS 10-20, 10-30, 10-40, 10-50, AND 10-80, AS PROVIDED IN THAT CERTAIN DOCUMENT ENTITLED "*CASE NO. PZ-19-00094 UPDATES TO ZONING CODE 2019 – MISCELLANEOUS PART 1*" DECLARED TO BE A PUBLIC RECORD BY RESOLUTION NO. 2019-32; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS:

WHEREAS, the City of Flagstaff wishes to amend Title 10 of the Flagstaff City Code, Chapters 10-20, 10-30, 10-40, 10-50, and 10-80, to ensure, among other things, correction of known errors, ease of use through simplified standards, consistency in interpretation and application of standards and procedures, and greater predictability in the application of the Zoning Code; and

WHEREAS, the Mayor and Council have, by resolution, previously declared that certain document entitled "*Case No. PZ-19-00094 Updates to Zoning Code 2019 – Miscellaneous Part 1*" (the "Proposed Zoning Code Text Amendments") to be a public record by Resolution No. 2019-32 of the City of Flagstaff; and

WHEREAS, a citizen review session was held at the Planning Commission work session on June 12, 2019, to discuss the Proposed Zoning Code Text Amendments in accordance with Section 10-20.50.040 of the Flagstaff Zoning Code; and

WHEREAS, the Planning and Zoning Commission held a public meeting on June 26, 2019, and provided a recommendation to City Council on the Proposed Zoning Code Text Amendments; and

WHEREAS, the Council has determined that the Proposed Zoning Code Text Amendments are in conformance with the General Plan, and the findings of Section 10-20.50.040 of the Flagstaff Zoning Code have been met.

ENACTMENTS:

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

SECTION 1. That certain document known as "*Case No. PZ-19-00094 Updates To Zoning Code 2019 – Miscellaneous Part 1*", one (1) paper copy and (1) electronic copy are on file in the office of the City Clerk of the City of Flagstaff, Arizona, which document is declared a public record by Resolution No. 2019-32 of the City of Flagstaff, Arizona, is hereby referred to, adopted and made a part hereof as if fully set out in this ordinance.

SECTION 2. Repeal of Conflicting Ordinances

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

SECTION 4. 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 5. 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 5th day of November, 2019.

_____
MAYOR

ATTEST:

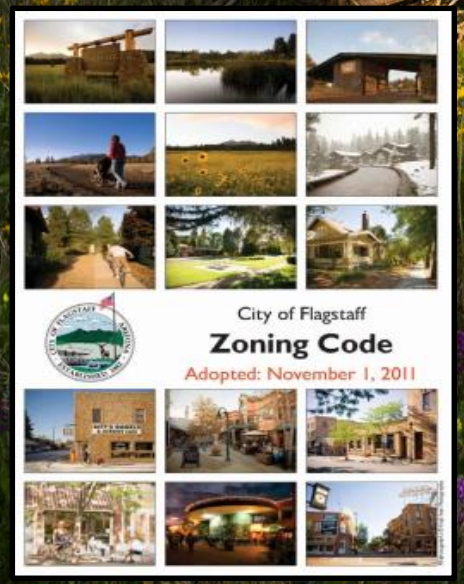
_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

City Council

City's Request to Amend the Zoning Code



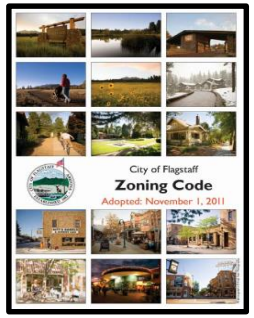
TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

Dan Symer, AICP
Zoning Code Manager

City's Proposed Zoning Code Text Amendment:

Purpose:

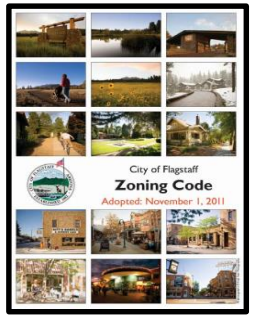
- **Resolve conflicts, incorporate technical and clarity corrections, simplify the requirements and remove redundancy, and**
- **Add to the definitions**



City's Proposed Zoning Code Text Amendment

Chapter 10-20: Administration, Procedures, and Enforcement:

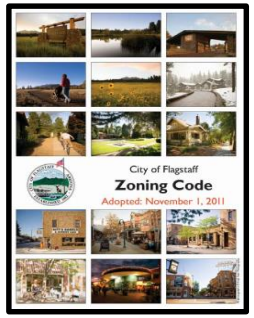
- **Notification**
  - **Preliminary subdivision plat and public facilities**
- **Minor Improvement Permits**
  - **Types (sheds, decks, fences, garden walls, patios, pergolas, trellises, wall, etc)**
  - **Modifications to the exterior of a structure and landscaping**
- **Exemptions.**
  - **Children's play houses and tree houses**



City's Proposed Zoning Code Text Amendment

Chapter 10-20: Administration, Procedures, and Enforcement:

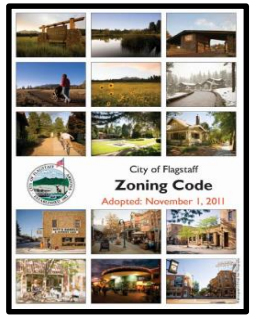
- **Temporary Use Permits and Exempt Temporary Activities**
  - **Temporary Storage Structures**
  - **Construction Yard(s)**
  - **Temporary Construction Trailer(s)**
  - **Outdoor Retail Activities (garden sale, sidewalk sale, etc.)**



City's Proposed Zoning Code Text Amendment

Section 10-40.30.030 Residential Zones:

- **Animal Keeping, as a primary use**
  - **Rural Residential (RR) and Estate Residential (ER)**
  - **Lots five acres, or greater**
- **Accessory building, structures, and dwelling units**
- **Existing subdivisions with platted setbacks and lot size**

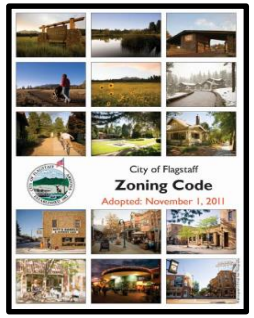


City's Proposed Zoning Code Text Amendment

Section 10-40.30.040 Commercial Zones:

- **Replaced the use of Lodging with Travel Accommodations**

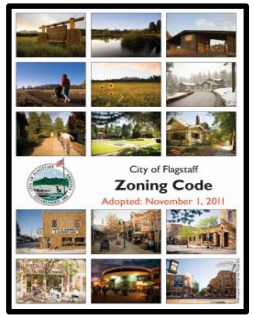
- **Removed cross reference to High Density Residential (HR) standards for density and open space and incorporated into development standards table**



City's Proposed Zoning Code Text Amendment

Section 10-40.30.050 Industrial Zones:

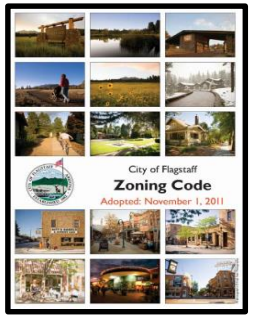
- **Separated the outdoor storage use from warehouse, allowed in Heavy Industrial and Heavy Industrial – Open as a primary use**



City's Proposed Zoning Code Text Amendment

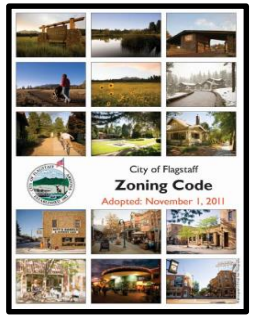
Section 10-40.60.020 Accessory Buildings and Structures:

- **Separated accessory buildings and Structures into separate sections**
  - **Accessory Structures - Section 10-40.60.020**
  - **Accessory Use - Section 10-40.60.025**
- **Deleted temporary and permanent storage containers section**
  - **Relocated temporary provision**
  - **Create a permanent storage containers section and simplified standard**



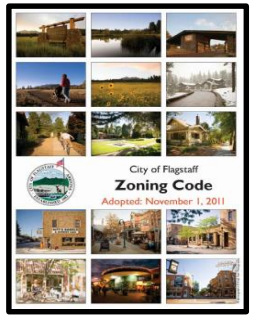
City's Proposed Zoning Code Text Amendment

- **Added definitions for temporary and permanent storage containers section**
  - **Storage Structure: is a manufactured shipping container, moving container, or similar container, as determined by the Zoning Administrator, used to store one or more objects on a property. A storage structure is not a barn, garage, shed, or similar accessory structure.**
  - **Storage Structure, Permanent: is a storage structure that is attached to the ground by a foundation or device in accordance with the Building Code.**
  - **Storage Structure, Temporary: is a storage structure that is not attached to the ground and is placed on a lot or parcel for a specific time frame no greater than the time frame allowed by the Zoning Code.**



City's Proposed Zoning Code Text Amendment

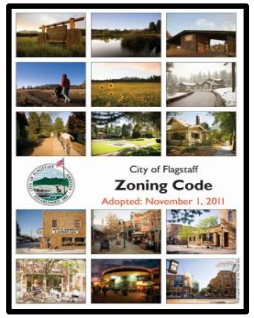
- **10-40.60.150 Day Care Home and Center**
  - **Update standards to comply with Arizona Revised Statues**
- **10-40.60.250 Mini–Storage Warehousing**
  - **Outdoor storage of vehicle shall be operable and registered**



City's Proposed Zoning Code Text Amendment

Section 10-50.90.060 Forest:

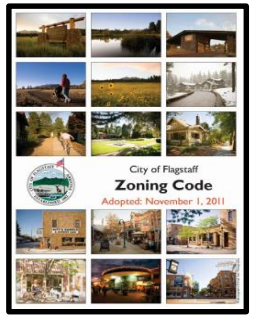
- **Clarified that the forest resource protection requirements are based on the property's zone**
- **Incorporated forest resource protection requirements for the Transect Zones with the Resource Protection Overlay**
- **Clarified the forest resource protection requirements of the a development with a Traditional neighborhood community plan**



City's Proposed Zoning Code Text Amendment

Technical Additions and Modifications:

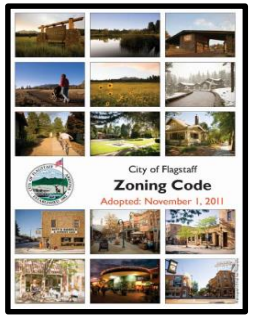
- **Miscellaneous**
  - **Various references and cross reference, scrivener's, technical, and table and formatting changes**
  - **Clarified and added definitions**



City's Proposed Zoning Code Text Amendment

Required Findings:

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

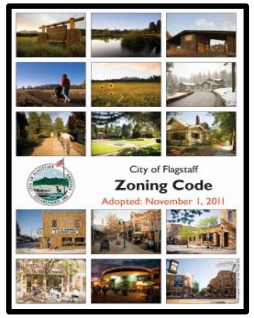


TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

City's Proposed Zoning Code Text Amendment

City Council

Comments, Questions and Discussion



PLANNING AND DEVELOPMENT SERVICES REPORT
Zoning Code Text Amendment

PUBLIC HEARING
PZ-19-00094

DATE: June 14, 2019
MEETING DATE: June 25, 2019
REPORT BY: Dan Symer, AICP

6-14-2019

REQUEST:
For a Zoning Code Text Amendment (Case No.: PZ-19-00094) to amend the Flagstaff Zoning Code (Ordinance No. 2011-20) for the purpose of modifying chapters, divisions, and sections of Title 10 Flagstaff Zoning Code, including the sections of Division 10-20.30: Common Procedures, Division 10-20.40: Permits and Approvals, Division 10-30.60: Site Planning Design Standards, Division 10-40.30: Non-Transect Zones, Division 10-40.40: Transect Zones, Division 10-40.60: Specific to Uses, Division: 10-50.30 Building Height, Division: 10-50.40 Encroachments, Division 10-50.50: Fences and Screening, Division: 10-50.60 Landscaping Standards, Division 10-50.100: Sign Standards, Division 10-50.90: Resource Protection Standards, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporating technical corrections and clarity, and to add new, and modify existing, requirements, provisions, and definitions.

STAFF RECOMMENDATION:
Staff recommends the Planning and Zoning Commission, in accordance with the findings presented in this report, find that the required findings of the Zoning Code have been met, and make a recommendation to the City Council for approval of the Zoning Code Text Amendment.

I. Project Introduction

A. Background

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant's requests (West University Drive Entrance Sign District), and to address changes in state law and U.S. Supreme Court decisions (i.e. Reed vs the Town of Gilbert). In addition, on June 12, 2019 the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of technical, conflict resolution, and clarity modifications – including the addition of the Seasonal Amusement/Entertainment and Sales, Indoor and related provision to the into the Light Industrial (LI) zone.

B. Proposed Amendment

The proposed amendment includes multiple changes to the Zoning Code to resolve conflicts, incorporating technical corrections, add clarity, and to simplify the existing requirements. New provisions are being added, and several sections of the reference divisions are being modified, relocated, or deleted.

The most significant of the modifications include:

- Limiting land use of Animal Keeping to be an accessory use in most residential districts, and as a primary allowed use in the Rural Residential (RR) zone and Estate Rural (ER) on lots or parcels with five acres, or greater;
- Adding provisions to allow existing residential subdivisions, and homes within these subdivisions, to be developed or modified in accordance with the setback and lot size provisions shown on record subdivision plat approved by the City Council;
- Add outdoor storage as primary allowed use in the Heavy Industrial (HI) zone and Heavy Industrial – Open (HI-O) zone;
- Incorporate standards for day care home and day care center in compliance with the State of Arizona requirements; and

- Limiting the size of vehicle that maybe stored in the Industrial, Light – General land use to FHA class 6 vehicle and smaller.

Summary of the Staff Revisions to Zoning Code:

The proposed amendment includes:

1. **Notice of Public Hearings (Section 10-20.30.080):** Changes to the public hearing notice for preliminary plats and uses within a public facility zone.
2. **Minor Improvement Permits (Section 10-20.40.080):** Changes to clarify the requirements
3. **Temporary Use Permits (Section 10-20.40.150):** Incorporate changes to relocate and modify the requirements pertaining to temporary storage structures, off-site temporary construction trailer(s), and exemptions
4. **Residential Zones (Section 10-40.30.030):** Incorporate modifications to the land use, building form, and miscellaneous requirements. A summary of the modifications includes changes to: animal keeping as primary land use; relocation of requirements to other sections; setback modifications; allowances for lot sizes and setbacks for previously platted subdivisions. In addition, the modifications include changes to various, miscellaneous, technical, term and cross references, and relocation of provisions.
5. **Commercial Zones (Section 10-40.30.040):** Incorporate modifications to the allowed uses, building form, and miscellaneous requirements. A summary of the modifications includes changes to: renaming the allowed use of Lodging to Travel Accommodations; and relocation and addition of open space requirements for residential developments. In addition, the modifications include changes to various, miscellaneous, technical, term and cross references, and relocation of provisions.
6. **Industrial Zones (Section 10-40.30.050):** Add outdoor storage as an allowed use in the Heavy Industrial and Heavy Industrial – Open zones; and, modifications to various, miscellaneous, technical, and cross references provisions.
7. **Public and Open Space Zones (Section 10-40.30.060):** Correct the adoption, scrivener's and table errors of the allowed uses. In addition, the modifications include changes to various, miscellaneous, technical, cross references, and relocation of provisions.
8. **Accessory Buildings and Structures (Section 10-40.60.020):** Incorporate modifications to relocate the accessory use to a new section (Section 10-40.60.025), simplify and clarify provisions, and relocate temporary storage containers to section 10-20.40.150.
9. **Accessory Uses (Section 10-40.60.025):** Add a new section specific to accessory uses.
10. **Day Care Home and Center (Section 10-40.60.150):** Incorporate technical modifications to conform with State of Arizona requirements, and clarify provisions.
11. **Outdoor storage (Section 10-40.60.275):** Add a new section specific to outdoor storage.
12. **Warehousing (Section 10-40.60.320):** Delete section and incorporate provisions into outdoor storage.
13. **Forest (Section 10-50.90.060):** Incorporate changes to clarify and modify the requirements of Forest Resource Protection Thresholds as a Percentage of Site Area for the non-transect and transect zones
14. **Definition of Specialized Terms, Phrases, and Building Functions (Division 10-80.20)** Modify and add various definition of the Zoning Code, including: Accessory Buildings and Structures; Bed and Breakfast; Day Care, Center; Development Site; Development, Multiple-Family; Development – Attached Single-

Family; Development - Detached, Single-Family; Development, Duplex; Development - Cluster, Dwelling, Multiple-Family, Single-Family; Factory Built Building; Industrial, Light – General; Older Individual; Parcel; Parking Structure, Above-Ground; Parking Structure, Underground; Passive Recreation; Residential Community Building Area; Sanitation facilities; Sign; Travel Accommodation; Use, Secondary; Warehousing; Yard; Yard, Exterior; and Yard, Interior.

15. **Additional Enforcement, Technical, Figure and Term Modifications (Sections 10-30.60.040, 10-40.40.100, 10-40.60.240, 10-40.60.250, 10-40.60.280, 10-50.30.030, 10-50.40.020, 10-50.60.050, and 10-50.90.060):** Incorporate, correct, clarify, and modify various technical, enforcement, cross references modifications.

II. Zoning Code Text Amendment

An application for a Zoning Text Amendment shall be submitted to the Planning Director and shall be reviewed and a recommendation prepared. The Planning Director's recommendation shall be transmitted to the Planning and Zoning Commission in the form of a staff report prior to a scheduled public hearing. The recommendation shall include: an evaluation of the consistency and conformance of the proposed amendment with the goals and policies of the General Plan and any applicable specific plans; the grounds for the recommendation based on the standards and purposes of the zones set forth in Section 10-40.20 (Establishment of Zones) of the Zoning Code; and, whether the amendment should be granted, or denied.

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. Finding #1:

- **The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;**

  The proposed amendments are primarily to resolving conflicts, incorporate technical corrections and add clarity to zoning code. Clerical in nature, the amendments do not substantively modify the existing provisions of the Zoning Code and maintains consistency and conformance with the objectives and policies of the Regional Plan (General Plan) and applicable specific plans.

  Incorporated in the proposed amendment are clarification to the requirements for forest resource protection. Currently the code does not address the transect zones and existing standards are based on uses instead of the zones. The modified requirements treat all property in a particular zone consistently, regardless of use, and incorporate requirements for property that utilize the transect zones ((E&C 3.3, E&C 4.1, E&C 6.3, E&C 10.1, E&C 10.2, and CC 1.1) of the Regional Plan).

B. Finding #2

- **The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City;**

  The proposed amendments are not anticipated to be detrimental to the public interest, health, safety, convenience or welfare of the City. These amendments are primarily to resolving conflicts, incorporate technical corrections and add clarity to zoning code.

C. Finding #3

- **The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.**

  The proposed amendments enhance the zoning code's internally consistency by resolving conflicts, incorporate technical corrections and adding clarity. Furthermore, the proposed amendments are intended to maintain the zoning code's purpose as a comprehensive contemporary set land uses and requirements that are straightforward, usable and easily understood.

V. CITIZEN PARTICIPATION

In accordance with State Statute and the Zoning Code, the Planning and Zoning Commission work session and public hearing for these amendments was advertised in the Arizona Daily Sun on May 25, 2019. Also, persons of interest that are on file with the Planning and Development Services Department were notified of the work sessions and hearings via first class mail. As of the date of this report, staff has not received any comments from the public pertaining these amendments.

VI. PLANNING AND ZONING COMMISSION WORK SESSION

At the May 22, 2019 Planning and Zoning Commission Work Session, staff and the applicant reviewed the text amendment applications with the Commission. A summary Commission's comments included:

- Clarification pertaining to AirBnB and similar uses (vacation rentals and travel accommodations) was requested. Staff clarified that these uses are not include in the definition of Travel Accommodations; and, the Arizona Revised Statues limits the ability of cities to regulate much of the operation of vacation rentals and travel accommodations.
- Clarification pertaining to deletion of accessory uses from the allowed primary use table;
- A request to clarify and simplify the determination of an accessory use;
- Comments and clarification pertaining to mixed use development setbacks; and
- Editorial comments.

Attachments:

1. Draft of the Proposed Ordinance Revisions

HOW TO READ THIS DOCUMENT

Unless otherwise stated, provisions that are being deleted are shown in bold red strikethrough text, like this: ~~**Provisions that are being deleted are shown with a bold red strikethroughs text.**~~

Provisions that are being added are shown in bold blue text, like this: **Provisions that are being added are shown in bold blue text.**

Graphics/Figures that are being deleted are indicated with an "X" over the graphic/figure.

Graphics/Figures that are being added are indicated with a border  around the graphic/figure.

Tables that are being deleted are indicated with an "X" over the Tables.

Tables that are being added are indicated with a thick border  around the Tables.

Section 1. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.30.080 Notice of Public Hearings, as follows:

10-20.30.080 Notice of Public Hearings

A. Notice of Application. Prior to consideration of any action for a General Plan amendment, specific plan amendment, Zoning Code text amendment, Zoning Map amendment, conditional use permit, ~~**preliminary subdivision plat,**~~ variance, or appeal heard by the Board of Adjustment, ~~**or change of use within the PF (Public Facility) zone,**~~ notice shall be given in compliance with the requirements of this section. In those cases where a public hearing is required as part of the approval process, no hearing shall be scheduled until the applicant has paid the required fee(s). Fees are listed in Appendix 2, Planning Fee Schedule. All of the following applicable provisions shall be met:

~~**A.**~~ **B. Notice Requirements.** Any changes to State law notice requirements shall control over this provision in the manner of providing notice.

1. **Contents.** Every published, posted and mailed notice of public hearing shall include:

   a. The date, time, location and purpose of the hearing;

   b. The name of the body conducting the hearing, and a telephone number to receive additional information;

   c. The location and times at which the complete application and development file may be viewed by the public;

d. The address or location of the subject property;

e. A general description of the proposed development or action and the property included in the application;

f. A statement that any interested person or authorized agent may appear and be heard;

g. A statement describing how and when to submit written comments;

h. The existing zone classification; and

i. The word "Zoning," if applicable.

2. **Manner of Posting.**

a. Notices of public hearings for requests to amend the Zoning Map shall be posted on the subject property and printed so that the following are visible from a distance of 100 feet: the word "zoning"; the existing zone; the proposed zone; and the date, time and place of the hearing.

b. Notices of public hearings for all other applications such as General Plan amendments, conditional use permits, or Board of Adjustment hearings shall be posted on the subject property and printed so that the date, time and place of the hearing is visible from a distance of 100 feet.

3. **Manner of Notification.** Notices of required public hearings shall be sent by first class mail to the following persons:

a. Each real property owner (if different from the applicant) as shown on the last assessment of the property, of any land within the areas subject to the application for which the public hearing is required.

b. Each real property owner (if different from the applicant) as shown on the last assessment of the property of any land which is located within 300 feet of the property subject to the application for which the public hearing is required. The Director may expand the notification area based on the location and context of the subject property if it is determined that the potential impact of the development extends beyond the required notification boundary.

c. The situs or actual address of all tenants and residents living on the subject property.

d. All local government agencies which have reviewed and commented on the proposed development or Zoning Map amendment or which abut the subject property.

4. **Failure to Receive Notice.** Notwithstanding the notice requirements set forth in subsections (A)(2) and (3) of this section, the failure of any person or entity to receive notice shall not constitute grounds for any court to invalidate the amendments for which the notice was given.

5. **Responsibility for Providing Notice.**

a. The Director shall be responsible for placing the public hearing notices required by this section in a newspaper of general circulation within the City.

b. The applicant shall post the notice(s) as required by this section on the subject property. The applicant is required to maintain the posting and remove the sign within seven days after the public hearing and final action. Failure to remove the sign may result in the City removing the sign and charging the applicant for costs incurred. The applicant shall submit a notarized affidavit of posting and photographs of the signs posted on the subject property to the Director no less than 15 days prior to the public hearing date.

c. If notice is required to be provided by mail, the applicant is responsible for establishing a list of names and addresses of property owners in compliance with the requirements of Section 10-20.30.060(D)(3) and (5), as well as the names and situs addresses of all tenants and residents living on the subject property, in compliance with this section. The applicant shall mail a public hearing notice to each of the property owners on the list referenced above no later than 15 days prior to the public hearing date. A notarized copy of the mailing list shall be submitted to the Director prior to or on the fifteenth day prior to the public hearing date.

d. Failure to provide the documentation described in subsections (A)(5)(b) and (c) of this section will result in continuance of the case to the next available public hearing date.

6. **Time of Notice.** All required notices shall be posted or published within a time frame prior to the public hearing determined in compliance with State law as well as the review schedule on file with the Planning Section.

~~B.~~ **C. Registry of Interested Persons or Groups.** Any interested persons or groups may contact the Planning Section to register their names, addresses and other contact information so that they can be notified of all public meetings and public hearings of the Board of Adjustment, Planning Commission and/or Council.

~~C.~~ **D. Additional Noticing Requirements.**

1. In proceedings involving one or more of the following proposed changes or related series of changes in the standards governing land uses, notice shall be provided as described in subsections (C)(2) and (3) of this section:

   a. A 10 percent or more increase or decrease in the number of square feet or units that may be developed.

   b. A 10 percent or more increase or reduction in the allowable height of buildings.

   c. An increase or reduction in the allowable number of stories of buildings.

   d. A 10 percent or more increase or decrease in setback or open space requirements.

   e. An increase or reduction in permitted uses.

2. Notice shall be sent to all persons or groups whose names are on the registry of persons and groups described in subsection (B) of this section who are interested in receiving such notice.

3. Notice shall be provided to real property owners in compliance with at least one of the following notification procedures:

   a. Notice shall be sent by first class mail to each real property owner, as shown on the last assessment, whose real property would be directly governed by the changes.

   b. Notice shall be included with water bills or other City mass mailings.

   c. Notice shall be published in a newspaper of general circulation published or circulated in the City in the form of a "display ad" covering not less than one-eighth of a full page.

4. In proceedings where additional requirements for citizen outreach are required as provided in Section 10-20.30.070, Additional Requirements for Citizen Outreach, full compliance with the notification requirements of that section is required.

Section 2. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.080 Minor Improvement Permits, as follows:

10-20.40.080 Minor Improvement Permits

A. **Purpose.** ~~This section establishes the requirements for a minor improvement permit to~~ To ensure ~~that~~ compliance with the applicable provisions of ~~this~~ the Zoning Code ~~is achieved~~ , this section establishes the requirements for a Minor Improvement Permit. ~~A minor improvement permit shall be reviewed, approved and issued by the Director prior to the placement, installation, construction or development of the following structures that do not otherwise require a building permit as required by applicable City building codes:~~

~~1. Decks;~~

~~2. Garden wall;~~

~~3. Accessory structures, such as sheds or storage containers; and~~

~~4. Fences (see Division 10-50.50, Fences and Screening).~~

B. Application. The property owner shall obtain approval of an application for a Minor Improvement Permit prior to the placement, installation, construction or development of structure that does not require a building permit in accordance with the Building Code. Structures that require the approval of an application for a Minor Improvement Permit include:

1. Accessory structures, such as sheds, storage containers, decks, fences, garden walls, patios, pergolas, trellises, wall, etc;

2. **Modification to the exterior of a structure, including materials and colors, determined to be minor by the Director for properties that are required to comply with Division 10-50.20 pursuant to Section 10-50.20.020;**

3. **Landscape modifications determined to be minor by the Director for properties that are required to comply with Division 10-50.60 pursuant to Section 10-50.60.020;**

4. **Other minor improvements determined by the Director.**

~~B.~~ **C.** Review and Final Decision.

1. The Director shall review the minor improvement permit application and supporting documentation required by Section 10-20.30.020, Application Process, for compliance with the requirements of the Zoning Code.

2. The Director, in compliance with the review schedule on file with the Planning Section, shall determine whether the minor improvement permit can be issued or if additional information is required from the applicant to complete the application. If the application is denied, the reason shall be stated in writing.

D. Exemptions. Children's play houses and tree houses less than 200 square feet in floor area do not require the approval of an application for a Minor Improvement Permit.

Section 3. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection D. Allowed Temporary Uses., paragraph 2., as follows:

Section 10-20.40.150 Temporary Use Permits

D. **Allowed Temporary Uses.** A temporary use permit shall be required for the following temporary activities. Other temporary or short-term activities that do not fall within the categories defined below shall comply with the planning permit requirements and development standards that otherwise apply to the property.

2. ~~**Construction Yards**~~ **Construction Yard(s)** – Off-Site. Off-site contractors' construction yards, for an approved construction project require a temporary use permit. Written authorization from the property owner(s) or property management company(ies) representing the property owner(s) shall be provided prior to the establishment of the off-site construction yard. The construction yard shall be removed immediately upon completion of the construction project, or the expiration of the building permit authorizing the construction project, whichever occurs first. **Immediately upon removal of the construction yard(s), the property shall be restored to the condition pre-existing the construction yard(s), or a condition approved by the Director.**

Section 4. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection D. Allowed Temporary Uses., paragraph 14., and add paragraphs 15 and 16, in numerical order, as follows:

Section 10-20.40.150 Temporary Use Permits

D. **Allowed Temporary Uses.** A temporary use permit shall be required for the following temporary activities. Other temporary or short-term activities that do not fall within the categories defined below shall comply with the planning permit requirements and development standards that otherwise apply to the property.

~~**14. Similar Temporary Activities. The Director may authorize other temporary activities that are similar to the activities listed in this subsection and that are compatible with the applicable zone and surrounding land uses.**~~

14. Temporary Storage Structures.

a. Emergency situations and construction activities that do not require a building permit. The property owner shall obtain the approval of a Temporary Use Permit within five (5) business days of the emergency, or prior to the place of the structure for construction purposes. The maximum duration that the storage structure may remain on a property:

(1) Residential and Transect Zones. Ninety (90) consecutive days, with the option of a one-time extension of additional 90 consecutive days, for a maximum total of 180 consecutive days within one year from the date that the initial temporary use permit was issued.

(2) Commercial, Industrial and Public and Open Space Zones. One hundred twenty (120) days consecutive days, with the option for a one-time extension of the Temporary Use Permit additional 90 consecutive days, for a maximum total of 210 consecutive days within one year from the date that the initial temporary use permit was issued.

d. Seasonal sales storage structure.

(1) Zones allowed in: Commercial and Industrial zones.

(2) The maximum duration that the storage structure may remain on a property for any one seasonal sale event: forty-nine (49) days consecutive days, with the option for a one-time extension of the Temporary Use Permit additional 14 consecutive days, for a maximum total of 63 consecutive days from the date that the initial temporary use permit was issued.

(3) Maximum occurrences in a calendar year that a storage structure may be placed on a property for seasonal sales: two (2).

e. Placement in all zones.

(1) Seasonal sales storage structure. In the commercial and industrial zones, storage structure shall be placed on the property of the seasonal sales event in a loading/dock area, or in an area where it is not visible from the public right-of-way.

(2) All other temporary storage structures. Storage structures may be placed within the rear, side, street side or front yard setback. A

storage structure may be placed in the right-of-way upon obtaining a right-of-way encroachment permit from the City's Engineering section.

f. Prohibited types of storage structures in all zones. Storage structures mounted on chassis or wheels shall not be allowed.

15. Temporary Construction Trailer(s) – Off-site. Construction trailer(s) for an approved construction project that is not located on the lot or parcel of the associated development activity is required to obtain a temporary use permit. Written authorization from the property owner(s) or property management company(ies) representing the property owner(s) shall be provided with the application for a temporary use permit. The construction trailer(s) shall be removed immediately upon completion of the development project, or the expiration of the building permit authorizing the development project, whichever occurs first. Immediately upon removal of the construction trailer(s), the property shall be restored to the condition pre-existing the construction trailer(s), or a condition approved by the Director.

16. Similar Temporary Activities. The Director may authorize other temporary activities that are similar to the activities listed in this subsection and that are compatible with the applicable zone and surrounding land uses.

Section 5. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-20.40.150 Temporary Use Permits, subsection E. Exempt Temporary Activities., to add paragraphs 7, 8 and 9 in numerical order, as follows:

Section 10-20.40.150 Temporary Use Permits

E. **Exempt Temporary Activities.** The following temporary activities are allowed without a temporary use permit.

7. Temporary storage structures associated with a building permit. Storage structure(s) used for the purpose of construction activities may be placed on a property after a building permit for the construction activities on the property has been obtained. The owner shall cause the storage structure(s) to be removed from property within seven days after the issuance of a Certificate-of-Occupancy, Certificate-of-Completion, final inspection or expiration of the permit pertaining to the construction activities. Storage structures mounted on chassis shall not be allowed.

8. Storage structures used for moving in all zones. For the purpose of loading or unloading contents while in the process of moving, storage structures may be placed on a property for duration not to exceed 14 days. Storage structures mounted on trailers or wheels shall not be allowed.

9. Temporary Outdoor Retail Activities, Excluding Seasonal Sales. Retail uses are allowed temporary outdoor activities, such as a garden sale, sidewalk sale (excluding the use of sidewalks in the right-of-way), sales promotion, or a similar activity as determined by the Zoning Administrator.

a. **The maximum occurrences that a temporary outdoor retail activity may occur on a property: One (1) occurrence per month.**

b. **Maximum duration of any one occurrence of a temporary outdoor retail activity: fourteen (14) days.**

c. **A temporary outdoor retail activity shall occur on the same property as the primary retail use that is directly associated with the activity. The temporary retail activity shall not create a nuisance (noise, smoke, odor, dust, vibration or illumination) that is greater than the primary retail use directly associated with the activity.**

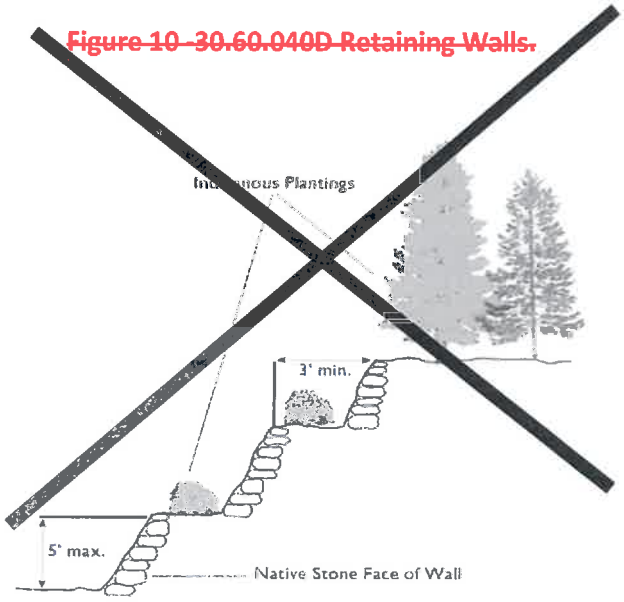
Section 6. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-30.60.040 Natural Features and Site Drainage, Subsection A. Applicable to All Zones., paragraph 1. Topography., Figure 10 -30.60.040D Retaining Walls., as follows:

10-30.60.040 Natural Features and Site Drainage

A. **Applicable to All Zones.**

1. **Topography.**

~~**Figure 10 -30.60.040D Retaining Walls.**~~



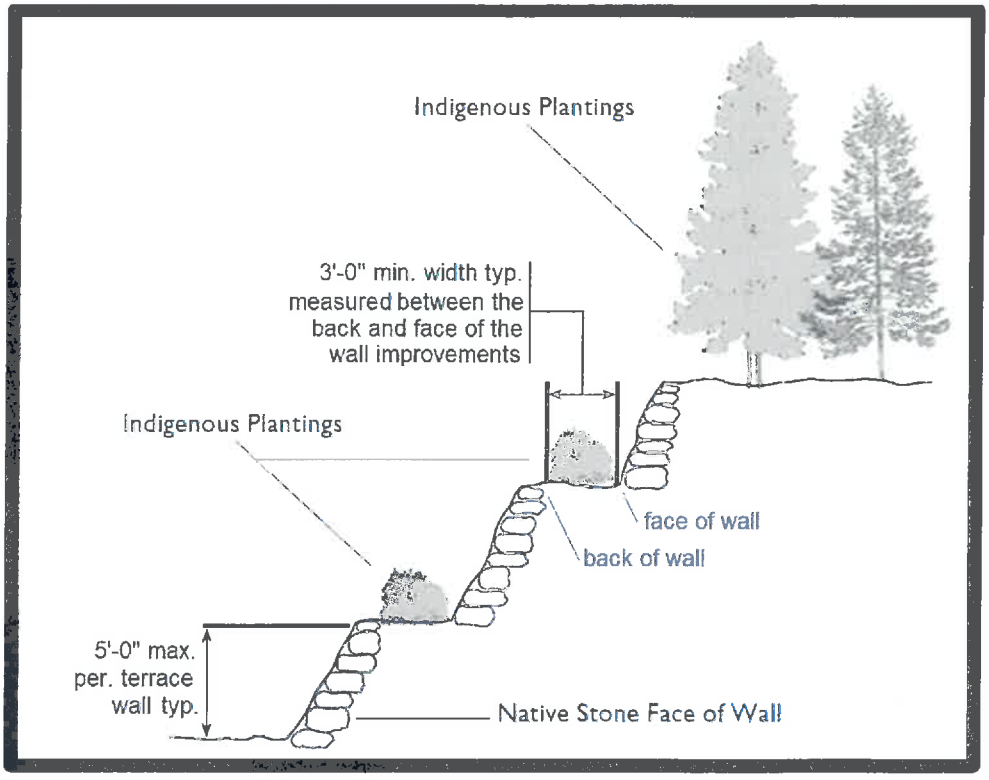


Figure 10 -30.60.040D Retaining Walls.

Section 7. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection B. Residential Zones – Allowed Uses, and the associated table, as follows – including adding grid lines and shading to the table:

Section 10-40.30.030 Residential Zones

~~B. Residential Zones – Allowed Uses.~~

B. **Residential Zones – Allowed Uses. The allowed land uses of each of the Residential Zones are shown in Table 10-40.30.050.B.**

Table 10-40.30.030.B.
Residential Zones – Allowed Uses.

Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
Ranching, Forestry and Animal Keeping								
~~Animal Keeping~~		~~See Section 10-40.60.070~~						
Animal Keeping	10-40.60.070	P[6]	P[6]	--	--	--	--	--
~~Ranching~~		~~--~~	~~--~~	~~--~~	~~--~~	~~--~~	~~--~~	~~--~~

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
Recreation, Education and Assembly								
Commercial Campgrounds	10-40.60.130	UP	--	--	--	--	--	--
Golf Courses and Facilities		UP	UP	UP	--	--	--	--
Equestrian Recreational Facilities		UP	UP	UP	--	--	--	--
Libraries, Museums		UP	UP	UP	UP	UP	UP	UP
Meeting Facilities, Public and Private	10-40.60.230							
Regional		--	--	--	--	--	--	--
Neighborhood		P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]	P/UP[2]
Outdoor Public Uses, General		P	P	P	--	P	P	P
Places of Worship		~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]	~~P/UP[6]~~ P/UP[5]
Schools – Public and Charter		P[3]	P[3]	P[3]	P[3]	P	P	P[3]
Schools – Private		P	P	P	P	P	P	P
Trade Schools		--	--	--	--	--	--	--
Residential								
~~Accessory Building and Structures~~	~~10-40.60.020~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
~~Accessory Dwelling Units~~	~~10-40.60.030~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
Co-housing	10-40.60.120	P	P	~~P~~ PRD	--	P	P	--
Congregate Care Facilities		UP	UP	UP	UP	P	P	UP
Day Care, Centers	10-40.60.150.B	UP	UP	UP	UP	UP	UP	UP
Day Care, Home	10-40.60.150.A	P	P	P	P	P	P	P
Dormitories		--	--	--	--	UP	UP	--
Development, Duplex		~~P[4]~~ PRD	~~P[4]~~ PRD	~~P[4]~~ PRD	P	P	P	--
~~Dwelling:~~ Development - Cluster, Single-Family	10-40.60.170	P	P	~~--~~ PRD	--	--	--	--
~~Dwelling: Multiple-Family~~ Development, Multiple-Family		~~P[4]~~ PRD	~~P[4]~~ PRD	~~P[4]~~ PRD	--	P	P	--

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
~~Dwelling: Single-Family~~ Development, Single-Family		P	P	P	P	~~P[4,5]~~ PRD[4]	~~P[4,5]~~ PRD[4]	P
Group Home		P	P	P	P	P	P	P
Home Occupation	10-40.60.180	P	P	P	P	P	P	P
Institutional Residential								
Custodial Care Facilities		UP	UP	UP	UP	UP	UP	UP
Homeless Shelters	10-40.60.190							
Emergency Shelters		UP	UP	UP	UP	UP	UP	UP
Short Term Housing		UP	UP	UP	UP	UP	UP	UP
Transitional Housing		UP	UP	UP	UP	UP	UP	UP
Sheltered Care Homes		UP	UP	UP	UP	UP	UP	UP
Nursing Homes		--	UP	UP	UP	UP	UP	UP
Live/Work	10-40.60.200	--	--	--	--	~~UP[4]~~ UP/PRD	~~UP[4]~~ UP/PRD	--
Manufactured Home	10-40.60.210	--	--	--	--	--	--	P
Manufactured Home Park	10-40.60.210.D	--	--	--	--	--	--	P
Manufactured Home Subdivision	10-40.60.210.C	--	--	--	--	--	--	P
Mobile Home		--	--	--	--	--	--	P
Planned Residential Development	10-40.60.280	P	P	P	P	P	P	--
Rooming and Boarding Facilities		--	UP	--	--	UP	UP	UP
Single Room Occupancy, Fraternities and Sororities		--	--	--	--	UP	UP	--
Retail Trade								
Neighborhood Market								
≤ 1,500 sf		--	--	UP	--	--	--	UP
≤ 2,500 sf		--	--	--	--	UP	--	--
≤ 5,000 sf		--	--	--	--	--	UP	--
Offices		--	--	--	--	--	UP	--
Services								

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
Bed and Breakfast Establishments	10-40.60.110	P	P	P	P	P	P	P
Cemeteries		UP	UP	UP	--	UP	UP	UP
Hospitals		UP	UP	UP	UP	UP	UP	UP
Public Services								
Public Services Minor		P	P	P	P	P	P	P
Public Services Major		--	--	--	--	--	--	--
Emergency Services		UP	UP	UP	UP	UP	UP	UP
Transportation and Infrastructure								
Accessory Wind Energy Systems	10-40.60.040	P	P	P	--	P	P	P
Telecommunications Facilities								
AM Broadcasting Facilities	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Antenna-supporting Structure	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Attached Telecommunication Facilities	10-40.60.310	P	P	P	P	P	P	P
Colocation Facility	10-40.60.310	P	P	P	UP	P	P	P
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	UP	UP	UP	UP	UP	UP	UP
Stealth Telecommunication Facilities	10-40.60.310	P	P	P	P	P	P	P
Urban Agriculture								
Community Garden	10-40.60.140	P	P	P	P	P	P	P
Nurseries		UP	--	--	--	--	--	--
End Notes								
~~1~~ **1.** A definition of each listed use type is in Chapter 10-80, Definitions.								
~~2~~ **2.** A conditional use permit is required if liquor is sold or if facilities exceed 250 seats.								
~~3~~ **3.** Charter schools proposed in existing single-family residences shall be located on residential lots one acre or greater. Charter schools shall be subject to the review processes established in A.R.S. §15-189.01., **as amended.**								
~~4~~ ~~**Permitted as Planned Residential Development (see Section 10-40.60.270, Planned Residential Development).**~~								

Table 10-40.30.030.B. Residential Zones – Allowed Uses.								
Land Use[1]	Specific Use Regulations	Residential Zones						
		RR	ER	R1	R1N	MR	HR	MH
[5] **4.** Existing single-family uses and lots recorded in MR and HR, prior to the effective date of this Zoning Code, are considered legal, conforming uses.								
[6] **5.** A conditional use permit is required if the facility exceeds 250 seats and/or if the facility is located adjacent to a toxic use.								
6. Use is allowed only on a lot or parcel with a net lot area of five acres, or greater.								
Key								
P = Permitted Use								
UP = Conditional Use – Requires the Approval of a Conditional Use Permit								
PRD = Allowed Use only when part of a Planned Residential Development (see Section 10-40.60.280)								
UP/PRD = Conditional Use – Requires the Approval of a Conditional Use Permit, and the use shall be part of a Planned Residential Development (see Section 10-40.60.280)								
-- = Use Not Allowed								

ADP

Section 8. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection C. Residential Zones – Building Form Standards., as follows – including adding grid lines and shading to the table:

10-40.30.030 Residential Zones

C. **Residential Zones – Building Form Standards and Property Development Standards. The building form and property development standards shown in Table 10-40.30.030.C. shall apply to all property within the corresponding residential zone.**

Table 10-40.30.030.C.
Residential Zones – Building Form and Property Development Standards.

	Residential Zones						
	RR	ER	R1	R1N	MR	HR	MH
Residential development subdivided by a plat that was recorded before December 5, 2011							
Lot sizes	**(1) Lot sizes and setbacks shall be provided in accordance with the requirements delineated on the recorded plat. When a recorded plat does not have setbacks delineated, the Building Placement Requirements of this table shall govern.**						
Setbacks	**(2) Any lot(s) created or reconfigured in accordance with the subdivision code on, or after December 5, 2011, from a lot(s) platted before December 5, 2011, shall conform with the current requirements of the property's zone.**						
Building Placement Requirements							
~~Setback~~ **Setbacks**							
Front (min.)							
2nd Floor and Below	75'	50'	15'	15'	10'	10'	15'
Above 2nd Floor	75'	50'	15'	15'	15'	15'	15'
For Parking	--	--	25'[1]	--	--	--	--
Side (min.)							
Interior ~~Lots~~ **Side Yard**	10'	20'min./45'total	8'	6'	5'	5'	8'
~~Corner Lots (interior)~~	~~10'~~	~~20'min./45'total~~	~~8'~~	~~6'~~	~~5'~~	~~5'~~	~~12'~~
~~Corner Lots (exterior)~~ **Street Side Yard**	25'	20'	~~20'[2]~~ **15'**	6'	5'	5'	12'
Rear (min.)	10'	60'	~~25'[3]~~ **25'[2]**	15'	~~15'[4]~~ **15'[3]**	~~15'[4]~~ **15'[3]**	10'
Building Form Requirements							
Building Height (max.)	35'	35'	35'	35'	35'	~~60'[5]~~ **60'[4]**	30'
Coverage (max.)	20%	17%	35%	35%	40%	50%	43%
Density Requirements See Division 10-30.20, Affordable Housing Incentives							
Density: Gross (units/acre)							
Min.	--	--	2	2	6	10	--
Max. Outside the RPO	1	1	6	14	14	~~29[6]~~ **29[5]**	11

Table 10-40.30.030.C.
Residential Zones – Building Form and Property Development Standards.

	Residential Zones						
	RR	ER	R1	R1N	MR	HR	MH
Max. Within the RPO	1	1	5	--	9	22	4
Lot Requirements							
Area							
Gross (min.)	1 ~~ac[7]~~ ac[6]	1 ac	6,000 sf	6,000 sf	6,000 sf	6,000 sf	5 ac
Per Unit (min.)	1 ~~ac[7]~~ ac[6]	1 ac	6,000 sf	3,000 sf	~~Endnote [6]~~ Endnote [5]	~~Endnote [6]~~ Endnote [5]	4,000 sf
Width							
Interior Lots (min.)	~~100'[8]~~ 100'[7]	~~140'[9]~~ 149'[8]	~~60'[9,10]~~ 60'[8,9]	50'	~~50'[9,10]~~ 50'[8,9]	~~50'[9,11]~~ 50'[8,10]	--
Corner Lots (min.)	~~100'[8]~~ 100'[7]	~~140'[9]~~ 149'[8]	~~65'[9,10]~~ 60'[8,9]	50'	~~50'[9,10]~~ 50'[8,9]	~~50'[9,11]~~ 50'[8,10]	--
Depth (min.)	~~200'[8]~~ 200'[7]	--	~~100'[9]~~ 100'[8]	100'	~~100'[9]~~ 100'[8]	~~75'[9,11]~~ 75'[8,10]	--
Other Requirements							
Open Space ~~(% of Gross Lot Area)~~ (% of Gross Lot Area)[11]	--	--	--	--	See Table 10-40.30.030.A		
Fences and Screening	See Division 10-50.50						
Landscaping	See Division 10-50.60						
Lighting	See Division 10-50.70						
Parking	See Division 10-50.80						
Signs	See Division 10-50.100						

End Notes

~~1~~ **1.** 15' for side entrance garages, where the garage is designed as an integral element of the primary dwelling (i.e., doors and windows are consistent with the overall architectural character).

~~2~~ ~~15' on existing lots with less than 8,000 sf or less than 65' in width.~~

~~3~~ **2.** One or two story residential buildings and decks attached to those buildings may be built to 15' from the rear property line; provided, that any portion of the structure located closer than 25' to the rear property line does not exceed 50% of the lot width.

~~4~~ **3.** May be reduced for zones not subject to the Resource Protection Overlay when a minimum of 350 sf of open yard area per unit is provided, see Section 10-40.30.030(H).

~~5~~ **4.** Building height can be exceeded with approval of a Conditional Use Permit.

Table 10-40.30.030.C. Residential Zones – Building Form and Property Development Standards.							
	Residential Zones						
	RR	ER	R1	R1N	MR	HR	MH
[6] **5.** The maximum number of units for each lot is based on the following:							
[7] **6.** Five-acre minimum where public water supply and public streets are not available to serve the property.							
[8] **7.** Where public water supply and public streets are not available to serve the property a minimum lot width of 200' and lot depth of 250' are required.							
[9] **8.** Within a Planned Residential Development the minimum width and depth of a lot may vary based on the minimum lot standards applicable to the building types selected for application within a Planned Residential Development (See Section 10-40.60.280, Planned Residential Development).							
[10] **9.** Lot width measured at the setback line.							
[11] **10.** On lots greater than 9,000 sf: 70' minimum width on interior lots, 75' minimum width on corner lots and 100' minimum depth on all lots.							
[12] **11.** Any required common open space as required in Division 10-50.110, Specific to Building Types, and areas set aside for resource preservation such as floodplains, slopes and forests (Division 10-50.90, Resource Protection Standards) may be used to satisfy this standard. In this context, "open space" includes active and passive recreation uses, landscape areas, and community gardens.							
Key							
-- Not Applicable							

Section 9. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, D. Miscellaneous Requirements – All Residential Zones., as follows:

D. **Miscellaneous Requirements – All Residential Zones.**

~~1. Building form standards may be modified (reduced or exceeded) by the Director with the application of the clustered, affordable, or planned residential development; provided, that such application is consistent with the General Plan.~~

~~2. Land subdivided or developed within each residential zone shall be served by public water and sewer facilities, except for five-acre lots in the RR zone unless required by the Subdivision Regulations, City Code Title 11.~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, of the City Code, except as specified in the RR zone (Section 10-40.30.030.E):

a. all land subdivided or split into lots or parcels shall abut a public right-of-way or private street tract; and

b. **Water and sewer infrastructure shall be provided to each lot or parcel when required.**

~~3.~~ **2.** Temporary uses are permitted in compliance with Section 10-20.40.150, Temporary Use Permits.

3. Accessory Uses:

a. An Accessory Dwelling Unit (ADU) use is allowed in all residential zones.

b. All other accessory uses are allowed in accordance with section 10-40.60.025.

~~4. The cultivation of vegetable gardens for home use is permitted in all residential zones.~~

4. Accessory structures:

a. An Accessory Dwelling Unit (ADU) structure shall comply with section 10-40.60.030.

b. All other accessory structures are allowed in accordance with section 10-40.60.020.

Section 10. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, to amend Subsection E. Miscellaneous Requirements – RR Zone., as follows:

E. **Miscellaneous Requirements – RR Zone.**

~~1. Five-acre parcels shall have frontage on either a public right-of-way or an access easement approved by the City Engineer.~~

~~2. One-acre parcels shall have frontage on either a public or private street improved with a paved roadway satisfactory to the City Engineer.~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, of the City Code:

a. all land subdivided or split into lots or parcels less than five acres shall abut a public right-of-way or private street tract;

b. all land subdivided into lots or parcels five acres or greater shall abut a public right-of-way or private street tract, or unless otherwise allowed by Title 11 of the City Code, an access easement approved by the City Engineer; and

b. Water and sewer infrastructure shall be provided to each lot or parcel when required.

Section 11. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection F. Miscellaneous Requirements – R1 Zone., as follows:

F. **Miscellaneous Requirements – RR, ER, and R1 Zone.**

1. ~~No more than one single-family dwelling shall be permitted on each lot, plus such accessory uses, as are related, incidental, and not detrimental to the residential environment. (Refer to subsection (F)(2) of this section for exceptions.)~~

   Unless otherwise allowed as part of a Planned Residential Development (PRD), only one single-family dwelling unit, or a single-family dwelling unit with an Accessory Dwelling Unit (ADU), is allowed a lot or parcel.

~~2. Clustered development shall be allowed in planned residential and co-housing developments~~

~~3. Each lot shall have frontage on a dedicated public street.~~

Section 12. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.030 Residential Zones, Subsection G. Miscellaneous Requirements – MR and HR Zone., as follows:

G. **Miscellaneous Requirements – MR and HR Zone.**

~~1. Each lot shall have frontage on a dedicated public street.~~

~~2.~~ **1.** Common open space for other building types not specifically listed in Division 10-50.110, Specific to Building Types, such as an apartment complex, shall be provided based on the following standards:

Table ~~10-40.30.030.A~~ 10-40.30.030.G: Common Open Space Requirements	
~~Area~~ **Area**[1]	15% of gross lot area; at least one open space area shall be no less than 400 sq. ft.
Width	15' min.
Depth	15' min.
No private open space is required	
End Notes	
[1] **1.** Roof decks and courtyards ~~may be~~ **are** included in the open space area calculation, but not driveways or vehicle parking areas.	

~~3.~~ **2.** In addition to the 15 percent open space requirement established in ~~subsection (C) of this section~~ **Table 10-40.30.030.C.**, ~~Building Form Standards,~~ residential projects over 50 units or more ~~are also required to~~ **shall** provide a minimum of five percent civic space. (See Section ~~10-30.60.090 (B)(1)~~ **10-30.60.090**, Civic or Public Space Requirement.)

Section 13. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection B. Commercial Zones – Allowed Uses., as follows – including adding grid lines and shading:

10-40.30.040 Commercial Zones

B. Commercial Zones – Allowed Uses. **The allowed land uses of each of the** Commercial **zones are shown in Table 10-40.30.040.B.**

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Industrial, Manufacturing, Processing and Wholesaling						
Carpenter or Cabinet Shops		--	--	--	P	-
Flammable Liquid, Gas, and Bulk Fuel – Storage and Sale		--	--	UP	--	
Manufacturing and Processing – Incidental		--	P	P	P	P
Machine or Metal Working Shops		--	--	--	P	--
Micro-brewery or Micro-distillery	10-40.60.240	--	P	P	P	P
Mini-storage Warehousing	10-40.60.250	--	--	UP[2]	P	--
Research and Development Uses	10-40.60.300	--	--	UP	--	--
Transportation or Trucking Yards		--	--	--	P	--
Vehicle Towing/Impound Yard		--	--	P[4]	--	--
Warehousing	10-40.60.330	--	P[3]	P[3]	--	P[3]
Wholesaling and Distribution		--	--	--	P	P[3]
Recreation, Education and Assembly						
Automobile, Go-kart, Miniature Automobile Racing	10-40.60.080	--	UP	UP	--	--
Commercial Campgrounds	10-40.60.130	--	--	P	--	--
Commercial Recreation Facilities, Indoor		P	P	P	--	P

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Commercial Recreation Facilities, Outdoor	10-40.60.270	--	UP	UP	--	--
Libraries, Museums		P	P	P	P	P
Meeting Facilities, Public or Private	10-40.60.230					
Regional		--	P/UP[5]	P/UP[5]	P/UP[5]	P/UP[5]
Neighborhood		P[5]	P/UP[5]	--	--	--
Outdoor Public Uses, General		P	P	P	--	--
Places of Worship		P/UP[10]	P/UP[10]	P/UP[10]	P/UP[10]	P/UP[10]
Schools – Public and Charter		P	P	P	P	P
Schools – Private		P	P	P	P	P
Theaters		P	P	P	--	P
Trade Schools		--	UP	UP	UP	UP
Residential[7]						
~~Accessory Building and Structures~~	~~10-40.60.020~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
~~Accessory Dwelling Units~~	~~10-40.60.030~~	~~P~~	~~P~~	~~P~~	~~P~~	~~P~~
Co-housing	10-40.60.120	P[6]	P[6]	P[6]	P[6]	P[6]
Congregate Care Facilities		UP	P	P	P	UP
Day Care, Centers	10-40.60.150.B	P	P	P	UP	UP
Day Care, Home	10-40.60.150.A	P	P	P	P	P
Dormitories		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Development, Duplex		P[6]	P[6,9]	P[6]	P[6]	P[6]
~~Dwelling: Multiple-Family~~ **Development, Multiple-Family**		P[6]	P[6]	P[6]	P[6]	P[6]
~~Dwelling: Single-Family~~ **Development, Single-Family**		--	P[9]	--	--	--
Fraternities and Sororities		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Group Homes		P[6]	P[6]	P[6]	P[6]	P[6]
Home Occupation	10-40.60.180	P[6]	P[6]	P[6]	P[6]	P[6]

Table 10-40.30.040.B.

Commercial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Institutional Residential						
Custodial Care Facilities		P[8]	P[8]	P[8]	P[8]	P[8]
Homeless Shelters	10-40.60.190					
Emergency Shelters		P[8]	P[8]	P[8]	P[8]	P[8]
Short Term Housing		P[8]	P[8]	P[8]	P[8]	P[8]
Transitional Housing		P	P	P	P	P
Nursing Homes		UP	UP	UP	UP	UP
Sheltered Care Homes		P	P	P	P	P
Live/Work	10-40.60.200	P	P	P	P	P
Planned Residential Development	10-40.60.280	P/UP	P/UP[9]	UP	UP	UP
Residence for Owner, Caretaker or Manager		P[6]	P[6]	P[6]	P[6]	P[6]
Rooming and Boarding Facilities		UP[6]	UP[6]	UP[6]	UP[6]	UP[6]
Single Room Occupancy		UP	--	P	--	P
Retail Trade						
Bars/Taverns		P	P	P	P	P
Crematorium		P	P	P	P	--
Drive-through Retail	10-40.60.160	P	P	P	--	--
Drive-through Service		P	P	P	--	--
Farmers Markets and Flea Markets		--	P	P	P	P
General Retail Business		P	P	P	P	P
Mixed Use	10-40.60.260	P	P	P	P	P
Restaurant or Cafe		P	P	P	P	P
Services						
Bed and Breakfast Establishments	10-40.60.110	P	P	P	P	P
Cemeteries		UP	UP	UP	UP	--
Dry-cleaning, Processing		P	P	P	--	--

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Equipment Rental Yard		--	UP	P	P	--
Funeral Homes, Chapels and Mortuaries		--	P	P	--	UP
General Services		P	P	P	P	P
Hospital		UP	UP	UP	UP	UP
~~Lodging~~		~~UP~~	~~--~~	~~P~~	~~--~~	~~P~~
Medical Marijuana Dispensary	10-40.60.220	--	--	P	--	--
Office		P	P	P	P	P
Public Services						
Public Services Major		--	--	--	--	--
Public Services Minor		P	P	P	P	P
Travel Accommodations		**UP**	**--**	**P**	**--**	**P**
Emergency Services		UP	UP	UP	UP	UP
Veterinary Clinics		P	P	P	P	--
Veterinary Hospitals		--	--	UP	UP	--
Telecommunication Facilities						
AM Broadcasting Facilities	10-40.60.320	UP	UP	UP	UP	UP
Antenna-Supporting Structure	10-40.60.320	UP	UP	UP	UP	UP
Attached Telecommunication Facilities	10-40.60.320	P	P	P	P	P
Collocation Facility	10-40.60.320	P	P	P	P	P
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.320	P	P	P	P	P
Stealth Telecommunication Facilities	10-40.60.320	P	P	P	P	P
Transportation and Infrastructure						
Accessory Wind Energy Systems	10-40.60.040	P	P	P	P	P
Garages, Off-Street		P	P	P	P	P
Parking Lots, Off-Street	10-50.80	P	P	P	P	P

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
Passenger Transportation Facilities		--	--	UP	UP	UP
Urban Agriculture						
Community Gardens	10-40.60.140	P	P	P	P	P
Food Production		--	--	UP[2]	UP[2]	--
Vehicle Sales and Services						
Automobile Service Station and Convenience Store	10-40.60.090	P	P	P	P	--
Automobile and Trailer Rental		--	--	P	P	--
Automobile/Vehicle Sales and Service, New and Used		--	UP	P	P	UP
Automobile/Vehicle Repair Garages – Minor	10-40.60.100	--	UP	P	P	--
Automobile/Vehicle Repair Garages – Major	10-40.60.100	--	--	P	P	--
Car Washes		P	P	P	--	--
Mobile Homes and Recreational Vehicles, Sales, and Service		--	--	P	--	--
End Notes						
~~1~~ **1.** A definition of each listed use type is in Chapter 10-80, Definitions.						
~~2~~ **2.** Only allowed on lots that do not have highway frontage or behind existing/new commercial uses.						
~~3~~ **3.** Only permitted when incidental to permitted use.						
~~4~~ **4.** This use shall be screened. See Division 10-50.50, Fences and Screening, for fencing and screening requirements.						
~~5~~ **5.** A conditional use permit is required if liquor is sold or if facilities exceed 250 seats.						
~~6~~ **6.** Residential uses with more than two units are allowed as part of a mixed-use development located above or behind the commercial uses ~~subject to the development standards established in the HR zone~~ and as a planned residential development (Section 10-40.60.280). ~~New developments that include residential uses with more than two units shall provide a minimum of 15% of the gross lot area in the form of common open space.~~						

Table 10-40.30.040.B. Commercial Zones – Allowed Uses						
Land Use[1]	Specific Use Regulations	Commercial Zones				
		SC	CC	HC	CS	CB
~~7~~ 7. Residential uses in the CC, HC, CS and CB zones, and residential uses and properties listed on the National Historic Registry or within the Landmarks overlay zone existing prior to the effective date of this Zoning Code are considered legal, nonconforming uses. Residential uses in the CC, HC, CS and CB zones shall be subject to the development standards established in the HR zone.						
~~8~~ 8. Conditional use permit is required if proximity between shelter facilities is less than one-quarter mile.						
~~9~~ 9. Single-family and duplex building types (see Division 10-50.110) are permitted by right on lots ≤9,000 sf existing prior to November 1, 2011, subject to the building placement and building form requirements of the MR zone. A conditional use permit is required for all other building types and multifamily residential uses with three or more units regardless of the size of the lot or parcel.						
~~10~~ 10. A conditional use permit is required if the facility exceeds 250 seats and/or if the facility is located adjacent to a toxic use.						
Key						
P = Permitted Use						
UP = Conditional Use Permit Required						
-- = Use Not Allowed						

Section 14. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection C. Commercial Zones – Building Form Standards., as follows – including grid lines and shading:

Section 10-40.30.040 Commercial Zones

C. Commercial Zones – Building Form **and Property Development** Standards. **The building form and property development standards shown in Table 10-40.30.040.C. shall apply to all property with the corresponding commercial zones.**

Table 10-40.30.040.C. Commercial Zones – Building Form and Property Development Standards					
~~Building Form Standards~~	Commercial Zones				
	SC	CC	HC	CS	CB
Building Placement Requirements					
Setback from property line					
Front	15' ~~min.~~[1]	0'	0'[2]	0'	0'

(~~See also~~ Also see Section 10-50.60.040.B)						
Side						
Adjacent to Residential Use		---------- ~~15' min.[7]~~ 15' min.[6] ----------				
~~All Other Uses~~		~~0'~~	–	–	–	–
~~Exterior~~ Street Side (min.)		10'[3]	10'[3]	10'[3]	10'[3]	0'
All Other sides		---------- 0' ----------				
Rear						
Adjacent to Residential		---------- 15' min. ----------				
All Other rears		---------- 0' ----------				
Building Form Requirements						
Building Height (max.)		35'	~~60'[4,8]~~ 60'[4,7]	60'[4]	60'[4]	60'[4]
Gross FAR (max.)		~~0.8[5]~~ 0.8	~~2.5[5]~~ 2.5	~~3.0[5]~~ 3.0	~~2.0[5]~~ 2.0	No max.
Density Requirements						
Gross Density (units/acre) (max.) (Not Applicable to Mixed Use)		13	--------- ~~Refer to HR Zone~~ 29 ---------			
Lot Requirements						
Area (Gross sf) ~~(min.)~~[6] (min.)[5]		6,000	9,000	9,000	9,000	7,000
Width ~~(min.)~~[6] (min.)[5]		50'	60'	60'	60'	50'
Depth ~~(min.)~~[6] (min.)[5]		100'	100'	100'	100'	--
Open Space						
Developments with Two or More Dwelling Units		---------- 15 percent of the net lot area ----------				
Other Requirements						
Fences and Screening		See Division 10-50.50				
Landscaping		See Division 10-50.60				
Outdoor Lighting		See Division 10-50.70				
Parking		See Division 10-50.80				
Signs		See Division 10-50.100				

End Notes

~~1~~ **1.** Front setbacks shall be equal to 15' or match adjacent residential development, whichever is less.

~~2~~ **2.** No front setback required, except when required by the adoption of building setback lines along specified streets.

~~3~~ **3.** Setback may be reduced to 5' min., if the landscape street buffer is reduced in accordance with Section 10-50.60.040(B), Nonresidential Zone Buffers.

~~4~~ **4.** Conditional use permit required for structures over 60' in height.

~~5. Excludes residential square feet (gross) when above or behind commercial uses.~~

~~6~~ **5.** Within a planned residential ~~development~~ **development,** the minimum area, width, and depth of a lot may vary based on the minimum lot standards applicable to the building types selected for application within a planned residential development (see Section 10-40.60.280, Planned Residential Development).

~~7~~ **6.** Except that the setback from a proposed residential use in a commercial zone to other residential uses shall be 5' min.

[8] **7.** Single-family dwellings and duplexes in the CC zone shall be limited to a maximum height of 35 feet consistent with the height standard for the MR zone.

Section 15. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.040 Commercial Zones, Subsection D. Miscellaneous Requirements – All Commercial Zones., as follows:

D. Miscellaneous Requirements – All Commercial Zones.

~~1. Storage shall be limited to accessory storage of commodities sold at retail on the premises and shall be within an enclosed building, except as permitted in Section 10-40.60.020(E), Permanent Outdoor Accessory Uses.~~

~~2. Every commercial zoned lot shall have frontage on a public street.~~

1. In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided into lots or parcels shall abut a public right-of-way or private street tract, and have water and sewer infrastructure service.

~~3.~~ **2.** All products incidental to a permitted use which are manufactured or processed on the premises shall be sold on the premises and at retail only, and shall be further limited as follows:

a. In the CC and CB zones, such activity shall be restricted to not over 25 percent of ground floor area of the building or buildings.

b. In the CS zone, such activity shall be restricted to not over 50 percent of ground floor area of the building or buildings.

c. In the CC and CB zones, not more than five employees shall be engaged in such activity.

d. In the CS zone, not more than 10 employees shall be engaged in such activity.

4. Every development in the commercial zones shall have a refuse storage area constructed and provided in accordance with City standards.

5. Temporary uses shall be permitted in compliance with Section 10-20.40.150, Temporary Use Permits.

~~6. The cultivation of vegetable gardens for home use is allowed in all commercial zones where residential uses are permitted.~~

6. Accessory Uses:

a. An Accessory Dwelling Unit (ADU) use is allowed in commercial zones on a lot containing a single-family dwelling unit as the primary use.

b. All other accessory uses are allowed in accordance with section 10-40.60.025.

7. **Accessory structures:**

   a. **An Accessory Dwelling Unit (ADU) structure that complies with section 10-40.60.030. is allowed in Community Commercial (CC) zone on a lot containing a detached single-family dwelling.**

   b. **All other accessory structures are allowed in accordance with section 10-40.60.020.**

Section 16. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.050 Industrial Zones, subsection B. Industrial Zones – Allowed Uses, Table 10-40.30.050.B. Industrial Zones – Allowed Uses, to add Outdoor Storage under the use category Industrial, Manufacturing, Processing and Wholesaling, in alphabetical order, and to amend the Warehousing Specific Use Regulations, as follows:

10-40.30.050 Industrial Zones

B. **Industrial Zones – Allowed Uses.** The allowed land uses of each of the Industrial zones are shown in Table 10-40.30.050.B.

Table 10-40.30.050.B.
Industrial Zones – Allowed Uses

Land Use[1]	Specific Use Regulations	Industrial Zones				
		RD	LI	LI-O	HI	HI-O
Industrial, Manufacturing, Processing and Wholesaling						
Outdoor Storage	**10-40.60.275.**	--	--	--	**P**	**P**
Warehousing	~~10-40.60.330~~	--	P	P	P	P

Section 17. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.30.050 Industrial Zones, Subsection D. Miscellaneous Requirements – All Industrial Zones., as follows:

D. **Miscellaneous Requirements – All Industrial Zones.** ~~**Temporary uses shall be permitted in compliance with Section 10-20.40.150, Temporary Use Permits.**~~

1. **In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided into lots or parcels shall abut a public right-of-way or private street tract, and have water and sewer infrastructure service.**
2. **Accessory uses are allowed in accordance with section 10-40.60.025.**
3. **Accessory structures are allowed in accordance with section 10-40.60.020.**

Section 18. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.30.060 Public and Open Space Zones, Subsection B. Public and Open Space Zones – Allowed Uses, as follows – including table format, grid lines and shading:

10-40.30.060 Public and Open Space Zones

B. Public and Open Space Zones – Allowed Uses. The allowed land uses of each of the Public and Open Space zones are shown in Table 10-40.30.060.B

Table 10-40.30.060.B.
Public and Open Space Zones – Allowed Uses

~~Land Use~~[1] Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF~~[2] PF	PLF	POS
Industrial, Manufacturing, Processing and Wholesaling				
Quarrying Operations	10-40.60.280	UP	--	--
Ranching, Forestry and Animal Keeping				
Forestry		--	P	--
Ranching		--	P	--
Recreation, Education and Assembly				
Commercial Campgrounds	10-40.60.130	UP	--	--
Commercial Recreation Facilities, Indoor		UP	--	--
Commercial Recreation Facilities, Outdoor	10-40.60.270	UP	--	--
Libraries, Museums		P	--	--
Outdoor Public Uses, General		P	--	--
Open Spaces		P	P	P
Parks or Recreation Facilities				
Active Recreation		P	--	--
~~Passive Recreation~~[3] Passive Recreation		P	P	P
Schools – Public and Charter		P	--	--
Schools – Private		UP	--	--
Universities and Colleges		P	--	--
Residential				
~~Accessory Building and Structures~~	~~10-40.60.020~~	~~P~~	~~--~~	~~--~~
~~Congregate Care Facilities~~		~~P~~	~~--~~	~~--~~

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
~~Land Use~~[1] Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF~~[2] PF	PLF	POS
Employee Housing		P	--	--
Institutional Residential				
Congregate Care Facilities		**P**	**--**	**--**
Convents or Monasteries		UP	--	--
Custodial Care Facilities		UP	--	--
Homeless Shelters	10-40.60.190			
Emergency Shelters		UP	--	--
Short Term Housing		UP	--	--
Transitional Housing		UP	--	--
Nursing Homes		UP	--	--
Sheltered Care Homes		UP	--	--
Retail Trade				
Farmers Markets and Flea Markets		P	--	--
Services				
Cemeteries		UP	--	--
Governmental Offices		P	--	--
Public Services				
Public Services Major		UP	--	--
Public Services Minor		UP	UP	--
Emergency Services		UP	--	--
Telecommunication Facilities				
AM Broadcasting Facilities	10-40.60.310	UP	UP	--
Antenna-supporting Structure	10-40.60.310	UP	UP	--
Attached Telecommunication Facilities	10-40.60.310	P	P	--
Collocation Facility	10-40.60.310	P	P	--
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	P	UP	--
Stealth Telecommunication Facilities	10-40.60.310	P	P	--
Transportation and Infrastructure				
Accessory Wind Energy Systems	10-40.60.040	P	P	--

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
~~Land Use[1]~~ Land Use	Specific Use Regulations	Public and Open Space Zones		
		~~PF[2]~~ PF	PLF	POS
Wind Energy Production Facility		UP	P	--
Airports/Landing Strips, Heliports, or Helistops	10-40.60.060	UP	--	--
Government Service/Maintenance Facilities		P	--	--
Municipal Airports		P	--	--
Urban Agriculture				
Community Gardens	10-40.60.140	P	--	--
End Notes				
~~[1] A definition of each listed use type is in Chapter 10-80, Definitions.~~				
~~[2] A change in any allowed use to another allowed use shall be noticed in accordance with the requirements of Section 10-20.30.080, Notice of Public Hearings.~~				
~~[3] Includes parking areas and restroom facilities.~~				
Key				
P = Permitted Use				
UP = Conditional Use Permit Required				
-- = Use Not Allowed				

Section 19. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.30.060 Public and Open Space Zones, to add Subsection D. Miscellaneous Requirements – Public and Open Space Zones., as follows:

10-40.30.060 Public and Open Space Zones

D. Miscellaneous Requirements – Public and Open Space Zones.

1. **In accordance with Title 11 Subdivision and Land Split Regulations, and Title 12 Engineering Design Standards and Specifications for New Infrastructure, of the City Code, all land subdivided shall: a) front/abut a public right-of-way or private street tract with an improved street; and b) have water and sewer infrastructure serving each lot or parcel.**
2. **Accessory uses are allowed in accordance with section 10-40.60.025.**
3. **Accessory structures are allowed in accordance with section 10-40.60.020.**

Section 20. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.40.100 T6 Downtown (T6) Standards, Subsection C. Building Placement, **Miscellaneous**, to delete the phase "stucco or", as follows:

10-40.40.100 T6 Downtown (T6) Standards

C. Building Placement
Miscellaneous
Street facades must be built to BTL within 50' of each street corner. (E)
The entire BTL must be defined by a building or a 24" to 48" high ~~stucco or~~ masonry wall.
Loading docks, overhead doors and other service entries shall not be located on front or street-facing facades.

Section 21. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.020 Accessory Buildings and Structures, as follows:

10-40.60.020 Accessory ~~Buildings and~~ Structures

~~A. Applicability. Accessory buildings and structures shall be permitted in all zones in compliance with this section, provided each is incidental and subordinate to the principal use or structure. There must be a primary use established and either a principal structure on the parcel or a building permit for a principal structure issued prior to, or simultaneously with, the issuance of a building permit for an accessory building or structure. Children's play houses and tree houses less than 200 square feet in floor area are not considered accessory structures and do not require a building permit. Sheds less than or equal to 200 square feet in floor area also do not require a building permit.~~

A. Allowance.

1. An Accessory Dwelling Unit (ADU) structure is allowed in accordance with Sections 10-40.30.030.D. and 10-40.30.040.D.

2. All other accessory structures are allowed in all zones in compliance with this section.

~~B. Uses.~~

~~1. An accessory structure shall be used in compliance with the permitted uses of the zone within which it is located and, if applicable, the home occupation regulations in Section 10-40.60.180, Home Occupations.~~

~~2. The use of accessory buildings or structures shall be incidental to the primary use and shall not alter the character of the primary use.~~

~~3. Temporary, occasional, seasonal or periodic uses in connection with established retail stores or shopping centers, such as outdoor garden centers, sidewalk sales, or sales promotions, are considered accessory uses and not subject to a temporary use permit in compliance with Section 10-20.40.150, Temporary Use Permits.~~

~~C.~~ **B Approvals and Standards.**

1. **The property owner shall obtain permits and approvals for an accessory structure in accordance with Division 10-20.40: Permits and Approvals.**
2. **An accessory structure shall not be allowed on a lot or parcel without a primary structure on the same property.**
3. **A primary structure shall be established prior to the issuance of a permit for an accessory structure, except that a permit for an accessory structure may be issued concurrent, or after, a permit is issued for the primary structure.**

~~1.~~ **4.** No manufactured home, mobile home, trailer, semi-trailer, bus, recreational vehicle, boxcar or storage container shall be used as an accessory ~~buildings or~~ structure, except as permitted in subsection ~~(D)~~ **C.** of this section.

~~2. Accessory buildings and structures shall be governed by the lot coverage, floor area ratio and setback requirements of the zone in which they are located, except as provided below.~~

5. **Accessory Dwelling Units shall comply with Section 10-40.60.030.**
6. **Permanent Storage Structures shall comply with subsection C. of this section.**
7. **All other accessory structures shall comply with the property development standards of the property's zone, except as specified below:**

   a. On any residential lot less than one acre, the total floor area of all accessory ~~buildings and~~ structures ~~(including ADUs [Section 10-40.60.030])~~ shall be less than that of the **lot's or parcel's** ~~principal building(s)~~ **primary structure** ~~on the site~~.

   b. The distance between a ~~principal~~ **primary** structure and an accessory structure shall ~~be established by~~ **comply with** the Building Code. ~~This distance may vary by occupancy type.~~

   ~~c. Accessory buildings and structures are not permitted in any exterior side setback and shall not occupy any portion of a required setback except as provided in Table 10-40.60.020.A, Accessory Structure Height and Location Standards.~~

   c. An accessory structure is not allowed in any Street Side Yard.

~~d. One-story accessory structure(s) no more than 16 feet in height may be constructed on any lot no closer than five feet from the rear or interior side property line, except that on corner lots no accessory structure shall be permitted in any exterior yard.~~

d. Allowed Encroachments into the required setbacks in addition to Section 10-50.40.020. A non-livable structure (e.g., garage, workshop, carport, shed, greenhouse, etc.) may encroachment into the property's required zone setbacks in accordance with Table 10-40.60.020.B.7.d.

Table 10-40.60.020.B.7.d. Allowed Accessory Structure Encroachments into Setbacks	
Yard of Encroachment	**Minimum Setback**
Rear yard abutting a public alley right-of-way or private alley tract:	0 feet.
Rear yard abutting another lot or parcel:	5 feet.
Interior side yard:	5 feet.
Street side yard:	No encroachment allowed.
Front Yard:	No encroachment allowed.

~~e. Encroachments into minimum required setbacks shall be in compliance with Division 10-50.40, Encroachments.~~

e. The maximum height of an accessory structure shall comply with Table 10-40.60.020.B.7.e.

Table 10-40.60.020.B.7.e. Allowed Height of Accessory Structure	
Location of Accessory Structure	**Setback Requirement**
Within the building envelope:	24 feet.
All other locations allowed pursuant to Table 10-40.60.020.B.7.d.	16 feet.

~~f. The maximum height of all accessory buildings and structures shall be 24 feet except as provided in Table 10-40.60.020.A, Accessory Structure~~

~~Height and Location Standards, unless the zone or overlay zone has a more restrictive height limit.~~

Table 10-40.60.020.A: Accessory Structure Height and Location Standards	
Location	Max. Height (feet)
Non-livable structures (e.g., garage, workshop, carport, shed, greenhouse)	
Within Buildable Area	24'
Min. 5' Setback to Rear and Interior Side Property Line, and 0' Setback to Rear Property Line with Alley[1]	16'
Livable structures (e.g., ADU, studio or home office)[2]	
Within Buildable Area	24'
Min. 5' Setback to Rear and Interior Side Property Line	16'
End Notes	
[1] Structures located on property lines shall be required to comply with applicable City Building Code and Fire Code requirements.	
[2] These livable structures may be located above a garage or other non-livable space.	

~~D. Temporary and Permanent Storage Containers.~~

~~1. Residential Zones. The following standards apply to the temporary and permanent use of storage containers located in all residential zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for residential use, provided the owner has applied for a temporary use permit from the Director within three days of the emergency. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the~~

~~option to renew the permit one time, for each period not to exceed 90 days.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for residential use for minor remodeling projects for which a building permit is not required provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for residential use if a building permit has been obtained from the City for major/new construction involving principal or accessory structures located on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a certificate of occupancy, at which time the storage container shall be removed.~~

~~(4) Storage containers used for temporary storage may be placed within the rear, side, or front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(5) Storage containers may be temporarily placed on property zoned for residential use for the purpose of loading or unloading household contents while in the process of moving, for a period not to exceed 14 days.~~

~~(6) Storage containers mounted on trailers/wheels shall not be permitted for temporary use in residential zones.~~

~~(7) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Storage containers may be permitted for permanent use in residential zones, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure. No storage containers are permitted on vacant or undeveloped lots where no primary structure or use has been established;~~

~~(2) Storage containers may only be placed in rear yards and interior side yards in compliance with the standards provided in Table 10-50.40.020.A (Allowed Encroachments into Setbacks, and Heights), and are not permitted in front yards or exterior side yards. Compliance with all applicable regulations of the Zoning Code is required, including lot coverage restrictions;~~

~~(3) No more than one storage container is permitted on any residential lot or parcel;~~

~~(4) The maximum size for a storage container located on property zoned for residential use shall be Ground floor uses0 square feet;~~

~~(5) The maximum height of a storage container used for storage purposes shall be nine feet measured from natural grade to the top of the container;~~

~~(6) Storage containers shall be painted a neutral, earth tone, or to match the building by which they are placed;~~

~~(7) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug-ins;~~

~~(8) No signs shall be permitted to be placed on any part of a storage container; and~~

~~(9) Storage containers mounted on trailers/wheels shall not be permitted for permanent use in residential zones.~~

~~2. Commercial and Research and Development Zones. The following standards apply to the temporary and permanent use of storage containers located in all commercial and research and development zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses, provided the owner has applied for a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time at the discretion of the Director, for a period not to exceed 90 days. Storage containers may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for research and development uses for minor remodeling projects for which a building permit is not required, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 90 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses if a building permit has been obtained from the~~

~~City for major/new construction on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a final certificate of occupancy, at which time the storage container shall be removed. Storage containers may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(4) In the case of seasonal sales events, storage containers may be placed, stored, or used for temporary storage on property zoned for commercial or research and development uses, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use during a seasonal sales event shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time by the Director, for a period not to exceed 30 days. Storage containers used for sales events shall be placed in an area that is not visible from the public right-of-way, unless the container is placed in the loading/dock area of the subject business.~~

~~(5) Storage containers mounted on trailers/wheels shall not be permitted for temporary use in commercial and research and development zones.~~

~~(6) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Storage containers may be permitted for permanent use in commercial and research and development zones, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure. No storage containers are permitted on vacant or undeveloped lots where no primary structure or use has been established;~~

~~(2) Storage containers shall only be placed in compliance with all applicable regulations of the Zoning Code, including setbacks, FAR, and lot coverage restrictions;~~

~~(3) Storage containers shall not be placed in parking areas nor in a location where they are visible from public rights-of-way, unless the container is placed in the loading/dock area of the subject business;~~

~~(4) The maximum size for a storage container located on property zoned for commercial or research and development uses shall be 384 square feet;~~

~~(5) The maximum height of a storage container used for storage purposes shall be 10 feet measured from natural grade to the top of the container;~~

~~(6) Storage containers shall be painted a neutral, earth tone, or to match the primary building near where they are placed;~~

~~(7) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug-ins;~~

~~(8) No signs shall be permitted to be placed on any part of a storage container; and~~

~~(9) Storage containers mounted on trailers/wheels shall not be permitted in commercial and research and development zones.~~

~~3. Industrial and Public Lands Zones. The following standards apply to the temporary and permanent use of storage containers located in all Industrial and Public Lands zones.~~

~~a. Temporary Use.~~

~~(1) In the case of fire, flood, or other emergency situation, storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use, provided the owner has applied for a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time at the discretion of the Director, for a period not to exceed 90 days.~~

~~(2) Storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use for minor remodeling projects for which a building permit is not required, provided the owner has obtained a temporary use permit from the Director. The duration of the temporary storage use shall be limited to a maximum of 120 days within a calendar year, with the option to renew the permit one time, for a period not to exceed 90 days.~~

~~(3) Storage containers may be placed, stored, or used for temporary storage on property zoned for industrial or public lands use if a building permit has been obtained from the City for new development on the subject property. The use shall be permitted for the time period beginning with issuance of the building permit, and expiring seven days after the issuance of a certificate of occupancy, at which time the storage container shall be removed.~~

~~(4) Storage containers used for temporary storage may be placed within the front setback, and shall not be placed in the public right-of-way unless a right-of-way encroachment permit has been obtained from the City Engineering Section.~~

~~(5) No signs shall be permitted to be placed on any part of a storage container, except for a sign displaying the name of the storage container business which shall be limited to a sign area of six square feet.~~

~~b. Permanent Use. Permanent storage containers shall be permitted on property zoned for industrial or public facilities use, subject to approval of a minor improvement permit (see Section 10-20.40.080) and the following conditions:~~

~~(1) The storage container shall be considered an accessory structure to the principal structure;~~

~~(2) The storage container shall only be placed in compliance with all regulations of the Zoning Code, including setbacks, FAR, and lot coverage restrictions;~~

~~(3) The maximum size permitted for a storage container located on property zoned for industrial or public lands use shall be 320 square feet;~~

~~(4) The maximum height of a storage container used for storage purposes shall be 10 feet measured from natural grade to the top of the container;~~

~~(5) Storage containers shall be painted a neutral, earth tone, or to match the primary building near where they are placed;~~

~~(6) Storage containers shall be used for storage only, and shall not otherwise be occupied as habitable space. Storage containers shall not be connected to sewer, water or gas service, but may be permitted to have electrical service for lighting/plug-ins; and~~

~~(7) No signs shall be permitted to be placed on any part of a storage container.~~

~~E. Permanent Outdoor Accessory Uses. Permanent, outdoor accessory uses, including nurseries or garden centers, are permitted with the following conditions:~~

~~1. The accessory use is clearly incidental to the primary commercial use of the property;~~

~~2. The accessory use shall not occupy more than 10 percent of the total area of the site;~~

~~3. To accommodate the accessory use, the number of parking spaces shall not be reduced more than 10 percent below the number of spaces required by Division 10-50.80, Parking Standards, or more than 10 percent of the spaces provided;~~

~~4. The accessory use shall be conducted only between the hours of 6:00 a.m. and 9:00 p.m. or during the established business hours of operation, whichever is shorter; and~~

~~5. The accessory use shall not be located in improved parking stalls or areas.~~

C. Permanent Storage Structures.

1. Placement.

a. **Residential and Transect Zones. A storage structure shall be placed in: 1) the building envelope, and behind the rear of the primary structure; 2) the rear yard or interior side yard in compliance with the standards provided in subsection B.7.d. of this section; or 3) a combination of the building envelope's rear yard, or interior side yard in compliance with the standards provided in subsection B.7.d. of this section.**

b. **Commercial Zones. A storage structure shall: 1) be placed in compliance with the property development requirements of the property's zone; 2) be placed in a location where it is not visible from the public right-of-way, unless the container is placed in the loading/dock area; and, 3) not be placed parking areas.**

c. **Industrial and Public Facility Zones. A storage structure shall only be placed: 1) in compliance with the property development standards of the property's zone; and, 2) in a location where it is not visible from the public right-of-way, unless the container is placed in the loading/dock area.**

3. **Maximum floor area.**

   a. **Residential and Transect Zones. A storage structure's floor area shall not exceed 160 square feet.**

   b. **Commercial, Industrial, and Public and Open Space Zones. A storage structure's floor area shall not exceed 384 square feet.**

4. **Maximum height. A storage structure shall not exceed a height of 10 feet measured from finish grade directly below the container.**

5. **Maximum number of storage structures on a property in all residential and transect zones: one.**

6. **Additional requirements in the Commercial, Industrial, and Public and Open Space Zones. All property development standards of the property's zone not specified in this subsection shall apply to a storage structure.**

7. **Additional requirements in all zones.**

   a. **A storage structure shall:**

      (1) Have an exterior color that is an earth tone with a light reflectance value of 50 or less, or matches the main color of a building on property that the structure is placed nearest to;

      (2) Be non-habitable, and used only for storage purposes; and

      (3) Not be connected to any utility service, except for an electrical service to provided lighting and electrical plugs.

   b. **Storage structures mounted on trailers/wheels shall not be permitted.**

Section 22. Amend Title 10 FLAGSTAFF ZONING CODE, Division 10-40.60: Specific to Uses, to add Section 10-40.60.025 Accessory Uses, as follows:

10-40.60.025 Accessory Uses.

A. Accessory Uses Allowed.

1. An Accessory Dwelling Unit (ADU) use is allowed where specified in Sections 10-40.30.030 and 10-40.30.040.

2. All other accessory uses of a property are allowed in connection with a primary use on the same property.

3. An accessory use shall require the approval of a Conditional Use Permit when the accessory use is listed as primary use that requires a Conditional Use Permit in the same zone.

B. Determination of an Accessory Use. In determining that a use is accessory to a primary use, the Zoning Administrator shall find that the accessory use is clearly customary, subordinate and incidental to the primary use on the same property.

D. Additional Criteria for Accessory Uses.

1. Outdoor Storage. All outdoor storage areas shall comply with Section 10-40.60.275.

2. Animal Keeping. Animal keeping shall be maintained in conformance with Section 10-40.60.070.

3. An Accessory Dwelling Unit (ADU) shall comply with Section 10-40.60.030.

Section 23. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.150 Day Care Home and Center, as follows:

10-40.60.150 Day Care Home and Center

A. **Day Care Home.**

1. No more than one full-time person not residing on the premises may be employed in the home day care use.

2. The home day care shall be conducted in a manner that does not create adverse impacts on the residential character of the neighborhood **, such as dust, noise, order, and traffic**.

3. During the hours of activity of the day care use, there is no limit on the amount of floor area devoted to this secondary use.

4. Outdoor activities and equipment associated with the home day care are permitted and must be screened by a minimum five-foot-high fence or wall.

5. The hours of operation shall not create adverse impacts on adjoining properties.

6. The maximum number of persons that day care services may be provided for in a dwelling or a dwelling's accessory structure shall not exceed eight persons. The maximum number of eight persons shall include children under the age of 14, and any older individual, or disabled person (14 years of age or older) that resides in the dwelling and supervision is provided for.

7. **Supervision of children, older individuals, or disabled adults is limited to less than 24-hours.**
8. **When required by the State of Arizona, all day care homes shall maintain an active state issued license.**

B. **Day Care Center.**

1. Day care center facilities shall comply with all applicable State and fire codes, including Arizona Revised Statutes.
2. Day care center on-site exterior lighting shall be consistent with Division 10-50.70, Outdoor Lighting Standards.
3. A six-foot-high solid fence or wall shall be constructed on all property lines or around the outdoor activity areas of day care centers, except in the front setback or within a traffic safety visibility area, in compliance with Division 10-50.50, Fences and Screening.
4. All day care center facilities shall have public access.
5. The hours of operation shall not create adverse impacts on adjoining properties.
6. **Supervision of children, older individuals, or disabled adults is limited to less than 24-hours.**
7. **When required by the State of Arizona, all day care homes shall maintain an active state issued license.**

Section 24. Amend Title 10 FLAGSTAFF ZONING CODE, 10-40.60.250 Mini–Storage Warehousing., as follows:

10-40.60.250 Mini–Storage Warehousing

A. ~~No sales, service, or repair activities other than the rental of storage units are permitted on the premises.~~

No business shall be operated out of a storage unit or outdoor storage area.

B. All storage shall be within an enclosed building, except for accessory outdoor storage: 1) is limited to operable vehicles with a valid governmental registration; and 2) shall not exceed 10 percent of the gross site area; and, shall comply with Section 10-40.60.275. Outdoor Storage.

B. Maximum ~~leasable space per tenant shall be~~ **area of an individual storage unit:** 1,000 square feet.

C. ~~Outdoor storage, or the~~ **The** storage of ~~junk~~ **refuse, compost,** explosives, ~~or~~ flammable materials, and other noxious or dangerous **materials, as determined by the City Fire Marshall,** are ~~specifically~~ prohibited.

D. **Minimum vehicle drive aisle width:** ~~There shall be a of~~ 21 feet ~~between warehouse buildings for driveway, parking and fire lane purposes~~.

E. Minimum fire lane width: Comply with the Fire Code.

~~**E. All storage shall be within an enclosed building except that within the compound of a self-storage warehouse where operable recreational vehicles and motor vehicles may be placed in outdoor storage areas that are separated from view from adjacent streets and property in compliance with Table 10-50.60.040.B, Buffer and Screening Requirements. Outdoor recreational vehicle storage areas shall not exceed 10 percent of the gross site area.**~~

Section 25. Amend Title 10 FLAGSTAFF ZONING CODE, to add Section 10-40.60.275 Outdoor Storage, as follows:

10-40.60.275. Outdoor Storage.

A. Screening requirement for a primary or accessory outdoor storage use.

1. Heavy Industrial (HI) and Heavy Industrial – Open sub-zone (HI-O) zones. All outdoor storage shall be completely enclosed within an area contained by a solid wall or fence, or chain link fence with slats that has minimum height of six (6) feet. A screen wall or fence within the required building area may be constructed to the maximum height allowed by the property's zone.

2. All other zones:

a. All outdoor storage shall be completely enclosed within an area contained by a solid wall or fence that is at least one (1) foot taller than the tallest object being screened.

b. The maximum height of a wall or fence within the required setbacks shall comply with Table 10-50.50.030.A.

c. A screen wall or fence within the required building area may be constructed to the maximum height allowed by the property's zone.

B Ground surface treatment. The ground of an outdoor storage area, including areas used for vehicle circulation, shall be maintained weed-free and have a dust-free surface (e. g., gravel, decomposed granite, etc.) approved by the Director. Based upon the intensity or frequency of vehicle traffic that is anticipated within the storage area, or the proximity to an adjacent residential use, the Director may require an outdoor storage area or vehicle travel lanes to have a pavement surface.

C. Non-conforming outdoor storage. Screening and ground surfaces for all outdoor storage areas shall be provide in compliance with the requirements of this section when the cumulative expansion of a non-conforming outdoor storage area, or a building with a non-conforming outdoor storage area, is enlarged by 25 percent or more.

Section 26. Amend Title 10 FLAGSTAFF ZONING CODE, Table 10-40.60.280.A: Planned Residential Development Building Type Options, as follows:

Table 10-40.60.280.A: Planned Residential Development Building Type Options

Building Type	Residential Zones See Section 10-40.30.030(C) for Building Form Standards						Commercial Zones See Section 10-40.30.040(C) for Building Form Standards				
	RR	ER	RI	R1N	MR	HR	SC	CC	HC	CS	CB
Carriage House	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--
Single-family											
Estate	✓	✓	✓	--	--	--	--	--	--	--	--
House	✓	✓	✓	✓	✓	✓	--	✓	--	--	--
Cottage	✓	✓	✓	✓	✓	✓		✓	--	--	--
Bungalow Court	✓	✓	✓	✓	✓	✓	--	✓	--	--	--
Duplex											
Side-by-Side	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Stacked	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Front-and-Back	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--
Stacked Triplex	--	--	--	--	✓	✓	✓	✓	--	--	--
Townhouse	--	--	✓	-- ✓	✓	✓	✓	✓	✓	✓	--
Apartment House	--	--	--	--	✓	✓	✓	✓	✓	✓	--
Courtyard Apartment	--	--	--	--	✓	✓	✓	✓	✓	✓	--
Apartment Building	--	--	--	--	✓	✓	--	--	✓	--	--
Live/Work	--	--	--	--	✓	✓	✓	✓	✓	✓	✓
Commercial Block	--	--	--	--	--	--	--	✓	✓	✓	✓

Section 27. Delete Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.320 Warehousing in its entirety, as follows:

~~10-40.60.320 Warehousing~~

~~Warehousing, where permitted, includes outdoor storage provided the entire storage yard is screened by a minimum six-foot-high solid fence or wall, or chain link fencing with slats. Outdoor storage includes storage yards for recreational vehicles, boats, trailers, and contractor's storage and supply yards. Surfacing requirements are to be determined by the Director, based upon the intensity of use, and may range from pavement to a permeable, dust-free, weed-free surface (e.g., gravel). Any expansions of existing storage yards or buildings with storage yards, of 25 percent or more in area, shall also provide screening for the entire yard area.~~

Section 28. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.30.030 How Building Height Is Measured, subsection A. Applicable to All Zones., paragraph 1. Building Height Plane subparagraph b., as follows:

Section 10-50.30.030 How Building Height Is Measured

A. **Applicable to All Zones.**

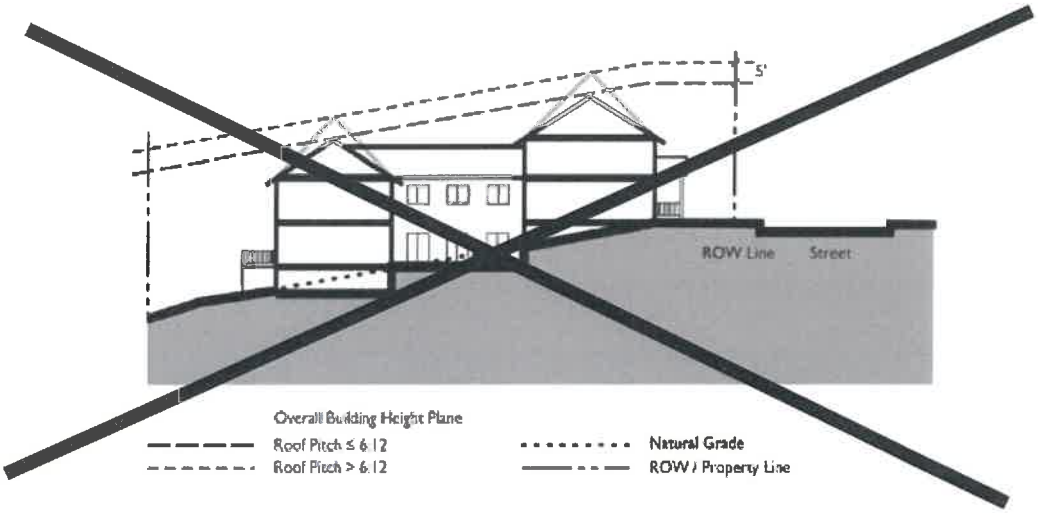
1. **Building Height Plane.**

b. Primary buildings with a roof pitch greater than **or equal to** 6:12 shall be allowed an additional five feet above the maximum building height in the zone. Accessory buildings and structures regardless of roof pitch shall not be allowed any additional building height.

Section 29. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.30.030 How Building Height Is Measured, subsection A. Applicable to All Zones., Figure 10-50.30.030B. Pitched roof building height measurements (not drawn to scale)., as follows:

Section 10-50.30.030 How Building Height Is Measured

A. **Applicable to All Zones.**



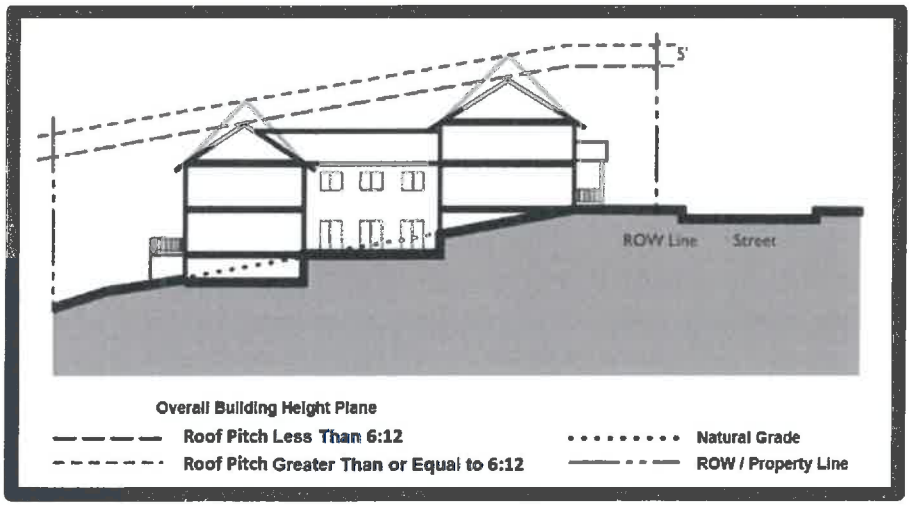


Figure 10-50.30.030B.

Pitched roof building height measurements (not drawn to scale).

Section 30. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.40.020 Encroachments into Minimum Required Setbacks, Table 10-50.40.020.A: Allowed Encroachments into Setbacks and Heights, as follows – including adding grid lines and shading to the table:

Table 10-50.40.020.A: Allowed Encroachments into Setbacks and Heights	
Arbors, Awnings, Canopies, Court Yards, Decks, Patios, Pergolas, Porches, Stoops, Trellis, Hooded Entries, Carports and Balconies[1,2,3]	
Front, Rear, ~~Exterior~~ Street Side Setback (max.)	~~5'~~ 5 feet
Interior Side Setback (max.)	~~3'~~ 3 feet
Accessory Dwelling Units (ADUs)[1]	
See Section ~~10-40.60.040~~ 10-40.60.030	
Accessory ~~Buildings and~~ Structures[1]	
See Section 10-40.60.020	
Ground Mounted Solar Panels	
Front, Rear, ~~Exterior~~ Street Side Setback (max.)	~~5'~~ 5 feet
Interior Side Setback (max.)	~~3'~~ 3 feet
Bay Windows, Open Eaves, Cornices, Fireplaces and Chimneys, and Window Sills	
All Setbacks (max.)	~~2'~~ 2 feet
End Notes:	
~~1~~ 1 In no case shall the permitted encroachment exceed 50 percent of the required setback.	
~~2~~ 2 Refer to applicable Building Code sections for permitted projections into setback areas and ensure that a 3' space is maintained between an open stairway and the property line.	
~~3~~ 3 Refer to applicable Building Code sections for construction less than 5' from a property line.	

Section 31. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.60.050 Landscaping Standards, subsection A. Landscape Design., Table 10-50.60.050.A: Landscape Credits for Existing Trees., as follows – including adding grid lines to the table:

Section 10-50.60.050 Landscaping Standards

A. **Landscape Design.**

Table 10-50.60.050.A: Landscape Credits for Existing Trees.	
Existing Tree Size (DBH)	**No. of Trees Not Required**
~~6 – 10"~~ **Equal to 6 inches, and less than 10 inches**	1 Tree[1]
~~10 – 18"~~ **Equal to 10 inches, and less than 18 inches**	2 Trees[1]
~~> 18"~~ **Equal to, or greater than, 18 inches**	3 Trees[1]
End Note	
~~1~~ **1.** For each tree not required to be planted, the requirement for shrubs and groundcovers associated with that tree shall be waived.	

Section 32. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-50.90.060. Forest, subsection B. Methodology., as follows:

10-50.90.060 Forest

B. **Methodology**

1. This section establishes a minimum forest resource protection threshold for all parcels subject to the Resource Protection Overlay (RPO). Forest resources are determined according to the resources survey requirements (Section 10-50.90.070, Resources Survey Requirements), which establish the quality and priority for forest resource protection based on a point rating system.
2. Tables ~~10-50.90.060.A~~ **10-50.90.060.B.2.a. and 10-50.90.060.B.2.b.**, ~~Forest Resource Protection Thresholds as a Percentage of Site Area,~~ shall be used to determine the minimum amount of forest resources that must be retained on-site. Protection thresholds applicable to affordable housing developments are located in Division 10-30.20, Affordable Housing Incentives.

~~Table 10-50.90.060.A: Forest Resource Protection Thresholds as a Percentage of Site Area~~

Public Lands	Residential	Commercial	Industrial	TNCP
30%	50%	30%	20%	30%

Table 10-50.90.060.B.2.a

Forest Resource Protection Thresholds as a Percentage of Site Area

Commercial Zones	Industrial Zones	Public and Open Space Zones	Residential Zones
30%	20%	30%	50%

Table 10-50.90.060.B.2.b

Forest Resource Protection Thresholds as a Percentage of Site Area

T1 Natural[1] and T2 Rural[1] zones	T3 Neighborhood[1] 1 and 2 zones	T4 Neighborhood[1] 1 and 2 zones	TNCP
80%	50%	30%	See Section 10-50.90.060.B.5.

End Notes

1. The percentage of forest resource protection also apply to a zones sub-zones

3. The amount of forest resources required to be protected ~~on a development site~~ property may be reduced through the application of the following sections of this code:
   a. Section 10-30.20.040, Affordable Housing Incentives;
   b. Section 10-30.60.030(B), Solar Orientation or Aspect;
   c. Section 10-30.60.090(B)(1), Civic or Public Space Requirement;
   d. Section 10-50.60.050(A)(1), Plant Material Considerations; and
   e. Section 10-50.80.060(E), Parking Reductions for Forest Resources.

~~3.~~ 4. Where forest resources on a site overlap with steep slope resources, the following standards apply:

a. For affordable housing developments, refer to the standards in Section 10-30.20.040, Affordable Housing Incentives.

b. For all other developments located within the Resource Protection Overlay, up to 25 percent of the forest resources in the steep slope area may be counted towards the required amount of forest resources for the entire site at a ratio of one credit point for forest resources to 50 square feet of slope area.

~~3. Traditional neighborhood community plans (TNCP), Division 10-30.80, are primarily concerned with the form and character of development through the application of transect zones. The transect zones provide a variety of rural to urban forms where the level of forest protection may vary. In the more urban zones such as the T4 Neighborhood and T5 Main Street transect zones, protection of forest resources is secondary to the creation of urban form and character, and, while the protection of forest resources is strongly encouraged, in most cases it may not be feasible. However, in the T1 Natural and T2 Rural transect zones virtually all of the forest resources shall be protected, while in the T3 Neighborhood zones, most forest resources shall be protected. In order to account for this character, forest resources in a traditional neighborhood community plan shall be calculated as an average across the entire site, and not specifically for each transect zone within the traditional neighborhood community plan.~~

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5. **Minimum Forest Resource Protection shall be the greater of:**

a. Thirty (30) percent, calculated as an average across the entire site; or,

b. The total percentage calculated shall be based on the location and allocation of the transect zones in the Traditional Neighborhood Community Plans (TNCP) and the corresponding transect zone requirements of Table 10-50.90.060.B.2.b.

Section 33. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.010 Definitions, "A", the terms "Accessory Buildings and Structures", "Accessory Dwelling Unit (ADU), Attached", and "Accessory Dwelling Unit (ADU), Detached", and to add the term "Accessory Dwelling Unit (ADU), Interior", as follows: as follows:

10-80.20.010 Definitions, "A"

Accessory ~~Buildings and Structures~~ Structure: is a ~~Buildings or structures~~ building or structure (including sheds, barns, garages, carports, ~~artist or craft studios, home offices~~, greenhouses, detached solar systems, ~~or~~ shade structures**, light pole, flag pole, pool, fence, wall, or other accessory structure as determined by the Zoning Administrator** which:

1. ~~Are~~ **Is** subordinate in building area, intensity of use, or purpose to the ~~principal~~ **primary** ~~building~~ structure ~~or use served~~;
2. Contribute to the comfort, convenience, ~~and~~ **or** necessity of the occupants of the ~~principal~~ **primary** building or use served; and
3. Are located on the same lot as the ~~principal~~ primary ~~building~~ **structure** or use served, with the single exception of accessory off-street parking facilities that are permitted to locate elsewhere.

Section 34. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.020 Definitions, "B", for the term, "Bed and Breakfast", "Block face", "Building Code", and "Building Envelope", as follows:

Section 10-80.20.020 Definitions, "B"

Bed and Breakfast: ~~Accommodations~~ **Is an accommodation provided and offered to transient guests for stays of less than thirty (30) days in** ~~offered by~~ a private home, consisting of a room for ~~the night~~ **sleeping, which may include separate sanitation facilities in each room,** and breakfast **is provided to the guest(s)** the next morning ~~for one inclusive~~ **and is included in the** price **of the room. Bed and breakfast is not a Travel accommodation, vacation rental or short-term rental.**

Building Code: ~~The currently in effect codes of the City of Flagstaff that establish minimum acceptable levels of safety for the construction, renovation, demolition, and occupancy of buildings and structures.~~ **Is the regulations contained in Title 4 Building Regulations of the Flagstaff City Code.**

Building envelope: is the three (3) dimensional space on a lot or parcel delineated by the property's zone requirements for building height, setback, stepback, yards and other provisions of the Zoning Code.

Section 35. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.040 Definitions, "D", for the terms "Day Care, Center" and "Day Care, Home", "Development Site", "Dwelling", "Dwelling, Cluster", and to add the terms "Development, Multiple-Family", "Development - Attached, Single-Family", "Development - Detached, Single-Family", and "Development, Duplex" as follows:

Day Care, Center: A facility**, other than a dwelling unit or an accessory structure of a dwelling unit,** ~~regulated by the State that provides~~ **where** supervision ~~for less than 24 hours per day for nine or more~~ **of** children, ~~elderly~~ **older individuals**, or disabled persons ~~in a facility other than a residence~~ **is provided for less than 24-hours**. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1.**, as amended.**

~~Day Care, Home: A home occupation in any dwelling established consistent with the State of Arizona requirements, which receives no more than eight children, elderly, or disabled adults for less than 24 hours per day. The maximum number of eight children shall be reduced in number by the number of children residing in the dwelling under the age of 14. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1.~~

Day Care, Home: A home occupation in any dwelling or an accessory structure of a dwelling, where supervision of children, older individuals, or disabled persons is provided for less than 24-hours. This includes adult day care or adult day health as defined in A.R.S. § 46-191.1., as amended.

Development Site: Any ~~plot~~ **lot** or parcel of land, or combination of contiguous lots or parcels of land, whether under common ownership or multiple ownership, which constitutes a site on which development is proposed, under construction, or exists.

Dwelling Unit: ~~One or more habitable rooms for residential use that are used as a home, residence, or sleeping place by one or more persons and which shall contain sleeping, sanitary, and cooking facilities. Dwelling includes an apartment or condominium. This does not include a motel or hotel room (see "Lodging") or suite or guest rooms in a boarding house or bed and breakfast (see "Bed and Breakfast").~~ **Is one or more rooms as a single unit used as an independent residential living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation. A dwelling unit does not include suites or guest rooms in a travel accommodation or bed and breakfast.**

Development - Multiple-Family: Is a development consisting of any number of structures, or portion thereof, that contains a total of three or more dwelling units on a lot or parcel.

~~Dwelling, Multiple-Family: A dwelling contained in a building comprised of three or more dwelling units.~~

Development - Attached, Single-Family: Is a development consisting of one or more lots or parcels that contains a dwelling unit that is attached to dwelling unit on another lot or parcel.

Development - Detached, Single-Family: Is a development consisting of one or more lots or parcels that contains a single-family dwelling that is detached from a dwelling unit on another lot or parcel. A single-family development – detached include lot and parcels that contain a primary dwelling unit and an accessory dwelling unit in accordance with the provision of this code.

Development, Duplex: Is a development consisting of one or more lots or parcels that contains a duplex.

~~Dwelling,~~ Development - Cluster, **Single-Family**: ~~Fully detached single-family residential uses~~ **Is a Single-Family Development – Detached or co-housing** ~~located on individual lots~~ that ~~include, as part of the subdivision design,~~ **includes** common open space **and is developed to the requirements of this code.**

Section 36. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.060 Definitions, "F", for the term, "Factory Built Building", and add the term "Fire Code", as follows:

10-80.20.060 Definitions, "F"

Factory Built Building: ~~A building including a dwelling or habitable room that is either wholly or in substantial part manufactured at an off-site location to be assembled on site, except that it does not include a manufactured home, recreational vehicle, or mobile home as defined by this chapter. Does include modular homes. These structures are built to the 2003 International Residential Code, 1994 Uniform Plumbing Code, 2003 International Mechanical Code and 2002 NEC standards as dictated by the Arizona Department of Building and Life Safety. These units are considered a permanent structure, to be installed only once. The manufacturer of the factory built will provide a "blue" manufacturer's plate affixed to the exterior of the unit. The foundation for the factory built unit must be approved by the State Office of Manufactured Housing before the installation of the factory built building. See also "Dwelling, Single-Family."~~

As defined by the Arizona Revised Statues §41-4001, as amended, a factory built residential or commercial building is: (i) either wholly or in substantial manufactured at an off-site location and transported for installation or completion, or both, on-site; (ii) constructed in compliance with adopted codes, standards and procedures of the State of Arizona; and, (iii) installed temporarily or permanently. A factory built building does not include a manufactured home, recreational vehicle, panelized building or domestic or light commercial storage building.

Fire Code: Is the regulations contained in Title 5 Fire Code of the Flagstaff City Code.

Section 37. Amend Title 10 FLAGSTAFF ZONING CODE, 10-80.20.090 Definitions, "I"., for the term "Industrial, Light – General", as follows:

10-80.20.090 Definitions, "I

Industrial, Light – General: This use includes manufacturing, storage, transportation, construction, repair, and wholesale uses that do not include hazardous wastes or resulting large truck usage/parking on the site. Light industrial uses include, but are not limited to, the following:

~~Auto towing and storage yards~~ **Vehicle Towing**	Leather, except tanning and finishing
	Local and interurban passenger transit

~~Auto~~ **Vehicle** repair including top, body and upholstery repair and paint shops and tire retreading and repair shops	Lumber and wood products
Communications	Miscellaneous manufacturing industries
~~Drugs~~ **Pharmaceutical Manufacturing**	Office and computing machines
Electric and electronic equipment (except electronic distribution and electrical industrial)	Paper products, except mills
	Printing and publishing
Fabricated metal	Special trade contractors
Food products, including liquor distribution, except meat products	Special warehousing and storage
	Textiles and apparel
Fuel and ice dealers	Transportation services
Furniture and fixtures	Trucking and general warehousing including mini-storage
General building contractors	Welding repair
Instruments and related products	Wholesale trade, durable and nondurable
Large truck, industrial truck and tractor repair	
Vehicle Storage, excluding Federal Highway Administration class 7, and above, vehicles and heavy equipment/construction vehicles	

Section 38. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.160 Definitions, "O", for the term "Older Individual" and "Outdoor Storage," as follows:

10-80.20.160 Definitions, "O",

Older Individual: Is any person 60 years of age, or older, unless otherwise defined in 42 U.S. Code § 3002.

Outdoor Storage: is the storage of commodities, equipment, materials, merchandise, vehicles, etc. outside of a completely enclosed building.

Section 39. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.160 Definitions, "P", for the terms "Parcel," and to add the terms "Parking, Tuck-unde," "Parking Structure," "Parking Structure, Above-Ground," "Parking Structure, Podium," "Parking Structure, Underground," and "Passive Recreation," in alphabetical order, as follows:

10-80.20.160 Definitions, "P",

Parcel: ~~**A defined**~~ **Is an** area of land **defined by a legal description, and** not part of a platted subdivision

Parking, Tuck-under: is vehicle parking on fifty (50) percent or less of the ground level of a habitable building.

Parking Structure: ~~**A building containing two or more stories of parking above natural grade.**~~ **is an above-ground, podium, or underground structure used for parking vehicles.**

Parking Structure, Above-Ground: is a structure of two (2) or more levels, starting at or above-ground level.

Parking Structure, Podium: is one (1) level of vehicle parking at ground level or partially below ground level, which may have habitable structure or open space area, such as a courtyard, above the parking.

Parking Structure, Underground: is a structure of one (1) or more levels, fully below ground level, except for the ramp into the parking structure.

Passive Recreation: is the use of land in its substantial natural or restored natural state for the preservation of wildlife, the environment and recreational purposes that requires minimal development, including park and ranger facilities, facilities for picnics, pavilions, multi-use trails and paths, canoeing, fishing, educational facilities that promote the education or preservation of such lands, etc., and relate support accessory uses such as parking, restrooms, and areas for the health and well-being of the public. Passive recreation does not include the use of recreational motorized vehicles, except when authorize by law, permit, or license granted by the city, state, or federal government.

Section 40. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.190 Definitions, "s", for "sign", and to add the terms "sanitation facilities," "Seasonal Sales" and "short-term rental or vacation rental", as follows:

10-80.20.190 Definitions, "S",

Sanitation Facilities: is bathroom that contains any combination of, or individually, a toilet, shower, sink, tub or related bathing and sanitation fixtures.

Seasonal Sales: is a sale event that occurs during one particular time of the year for a limited period of time, including the sale of annually harvested food products, holiday trees, fireworks, pumpkins, and similar sale events uses as determined by the Zoning Administrator.

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

Short-term Rental or Vacation Rental: is a defined in accordance with the Arizona Revised Statues § 9-500.39., as amended.

Section 41. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.220 Definitions, "W", for the term "Warehousing", as follows:

Warehousing: ~~Warehouse and storage operations, including screened outdoor storage.~~ **Is the storage of merchandise, commodities or vehicles in an enclosed building.**

Section 42. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.250 Definitions, "Y", for the terms, "Yard", "Yard, Exterior", "Yard, Front", and "Yard, Interior", as follows:

Section 10-80.20.250 Definitions, "Y

Yard: ~~An~~ **is an** open area ~~at grade~~ **that is unoccupied and unobstructed from the ground upward, except as allowed by the Zoning Code,** between a principal or accessory ~~building~~ **structure,** or ~~buildings~~ **a** structure and the nearest lot line ~~that is unoccupied and unobstructed from the ground upward except as may be specifically provided in this Zoning Code~~**. Typical yard locations are identified in the Figure 10-80.20.250. Yards.**

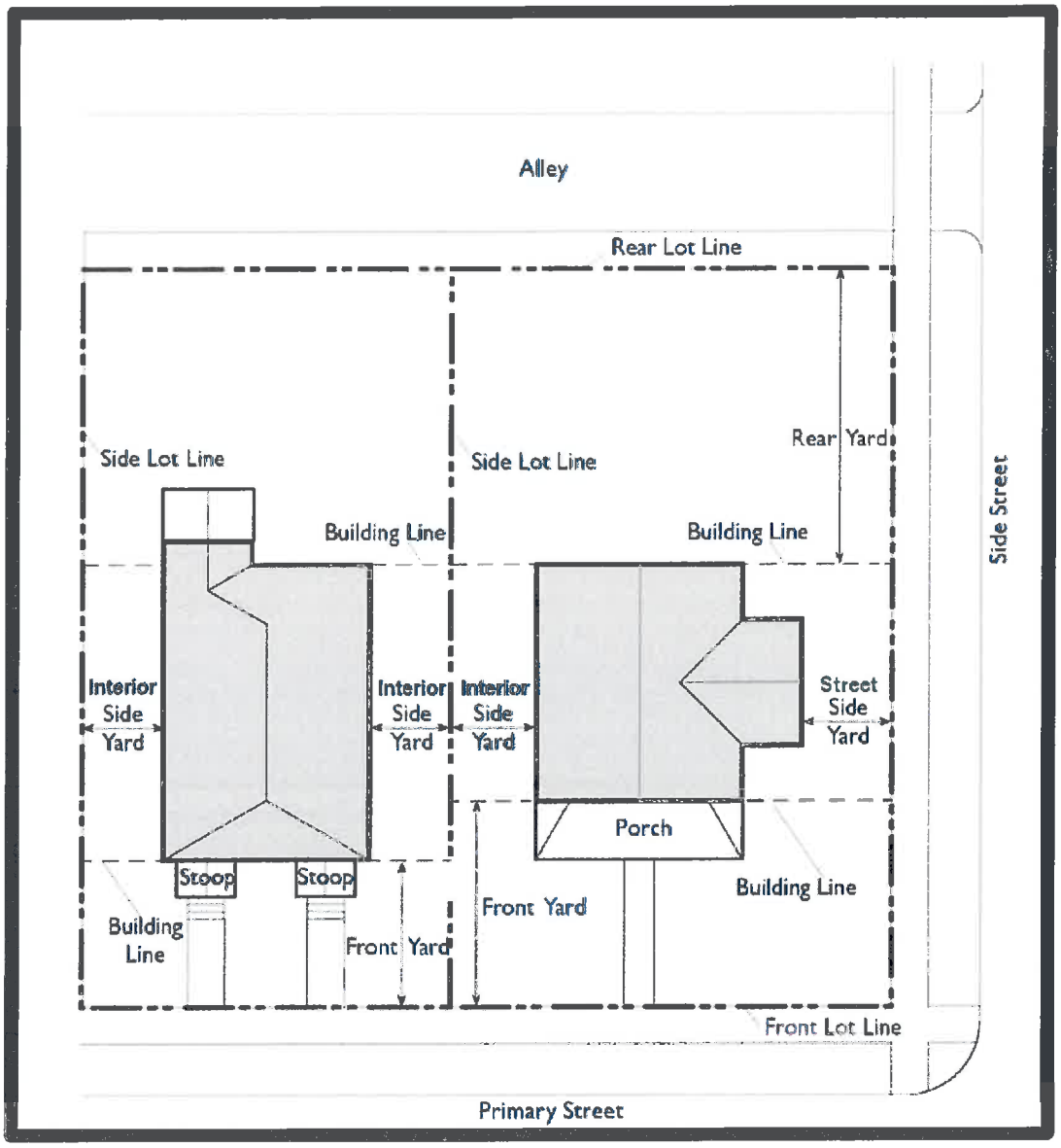
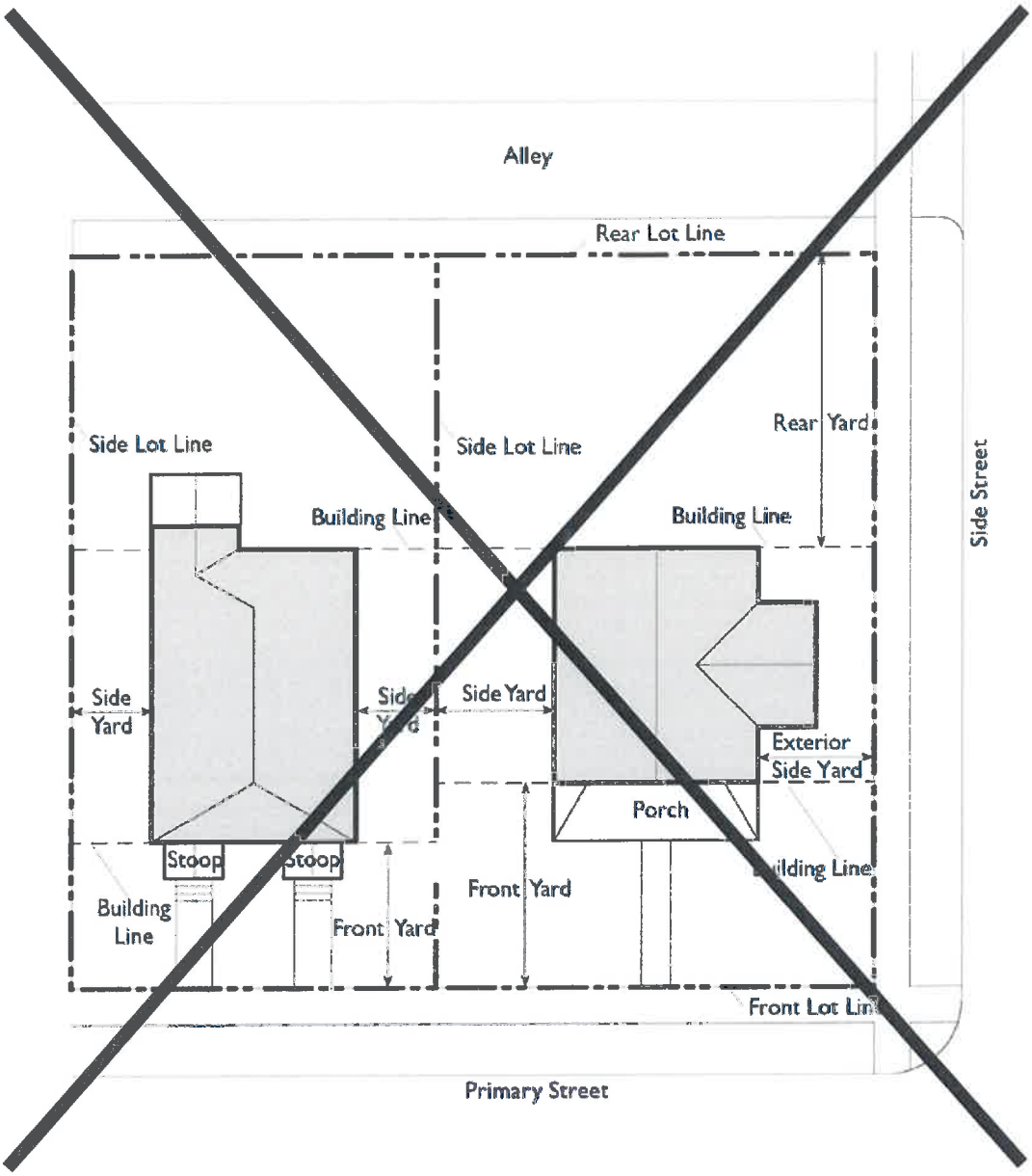


Figure 10-80.20.250. Yards.

Yard, ~~Exterior~~ Street Side: A yard extending from the front yard to the rear yard, between any building and the ~~exterior side~~ lot line **abutting a street.** ~~**On corner lots, the exterior side yard is adjacent to a street other than the one which determines the front yard.**~~

Yard, Front: A yard extending across the full width of a lot between any building and the front lot line, and measured perpendicular to the building at the closest point to the front lot line.



Yard, Interior Side: A yard extending from the front yard to the rear yard between the ~~principal~~ **primary** building and the side lot line adjacent to another lot measured perpendicular from the side lot line to the closest point of the ~~principal~~ **primary** building.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Dan Symer, Zoning Code Manager
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-48 and Ordinance No. 2019-31: A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk and entitled "Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units"; and, an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code (Ordinance No. 2011-20), for the purpose of modifying chapters, divisions, and sections of Title 10, Flagstaff Zoning Code, including the sections of Division 10-40.60: Specific to Uses, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporate technical corrections and clarity, and to add new and modify existing requirements, provisions, and definitions.

STAFF RECOMMENDED ACTION:

At the October 15, 2019 Council Meeting:

1) Hold public hearing
2) Read Resolution No. 2019-48 by title only
3) City Clerk reads Resolution No.2019-48by title only (if approved above)
4) Read Ordinance No. 2019-31 by title only for the first time
5) City Clerk reads Ordinance No. 2019-31 by title only (if approved above)

At the November 5, 2019 Council Meeting:

6) Adopt Resolution No. 2019-48
7) Read Ordinance No. 2019-31 by title only for the final time
8) City Clerk reads Ordinance No. 2019-31 by title only (if approved above)
9) Adopt Ordinance No. 2019-31

Executive Summary:

The proposed amendment (Case No. PZ-19-00095) includes changes to the Zoning Code to resolve conflicts, incorporate technical corrections, add clarity, and to simplify the existing requirements pertaining to accessory dwelling units.

On August 14, 2019, the Planning and Zoning Commission recommended approval of the proposed amendment to the City Council with a vote of 4-0.

Financial Impact:

There are no anticipated financial impacts affiliated with the proposed Zoning Code Text Amendment.

Policy Impact:

There are no anticipated policy impacts affiliated with the proposed Zoning Code Text Amendment.

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

Council Goals:
Revise the zoning code to remove ambiguities, and ensure it is consistent with the community values and the Regional Plan.

Team Flagstaff Strategic Plan:
Work in partnership with to enhance a safe and livable community.

Regional Plan:
Please refer to the attached Planning and Zoning Commission staff report.

Has There Been Previous Council Decision on This:

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant requests (West University Drive Entrance Sign District and Seasonal Amusement, Entertainment and Sales, Indoor), and to address changes in state law and U.S. Supreme Court decisions (i.e., Reed vs. the Town of Gilbert).

Options and Alternatives:

The City Council may adopt, modify, or deny the amendment.

Background/History:

Background

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the Code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant requests (West University Drive Entrance Sign District), and to address changes in state law and U.S. Supreme Court decisions (i.e., Reed vs. the Town of Gilbert). In addition, on June 12, 2019, the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of technical, conflict resolution, and clarity modifications, including adding the Seasonal Amusement/Entertainment and Sales, Indoor and related provisions to the Light Industrial (LI) zone. Also, on June 26, 2019, the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of miscellaneous technical, conflict resolution, and clarity modifications.

Proposed Amendment

The proposed amendment includes multiple changes to the Zoning Code to resolve conflicts, incorporate technical corrections, add clarity, and to simplify the existing requirements. New provisions are being added, and several sections of the reference divisions are being modified, relocated, or deleted. The proposed amendment includes:

- Accessory Dwelling Units (ADUs) (10-40.60.030): Modify the design and development standards for ADUs to reclassify attached and detached ADUs to attached, detached, and interior ADUs. Revise, consolidate, and clarify the provisions for the ADUs to address the new types of ADUs. Incorporate provisions related to subdividing a lot that contains an existing ADU. Incorporate clarifications and modifications pertaining to an ADU on a lot greater than one acre.
- Definition of Specialized Terms, Phrases, and Building Functions (Division 10-80.20): Modify and add various definitions of the Zoning Code, including: Accessory Dwelling Unit (ADU), Attached; Accessory Dwelling Unit (ADU), Detached; and Accessory Dwelling Unit (ADU), Interior.

Key Considerations:

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. Finding #1:

- **The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan.**

The most significant of the proposed modifications pertain to the reclassification of attached and detached ADUs to attached, detached, and interior ADUs. This modification is intended to provide clarity to the different types of ADUs and maintains promoting this use, where appropriate (NH 3.2 of the Regional Plan).

The proposed amendments are primarily to resolve conflicts, incorporate technical corrections, and add clarity to the Zoning Code. Clerical in nature, the amendments do not substantively modify the existing provisions of the Zoning Code and maintain consistency and conformance with the objectives and policies of the Regional Plan (General Plan) and applicable specific plans.

B. Finding #2

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

The proposed amendments are not anticipated to be detrimental to the public interest, health, safety, convenience, or welfare of the City. These amendments are primarily to resolve conflicts, incorporate technical corrections, and add clarity to the Zoning Code.

C. Finding #3

- **The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.**

The proposed amendments enhance the Zoning Code's internal consistency by resolving conflicts, incorporating corrections, and adding clarity. Furthermore, the proposed amendments are intended to maintain the Zoning Code's purpose as a comprehensive contemporary set of land uses and requirements that are straightforward, usable, and easily understood.

Community Benefits and Considerations:

Please refer to the key considerations included in this report.

Community Involvement:

On May 29, 2019, a public open house meeting and the Planning and Zoning Commission's work session and public hearing were advertised in the Arizona Daily Sun in accordance with State Statute and the Zoning Code. Also, persons of interest that were on file with the Planning and Development Services Division were notified of the work session and hearing via first class mail. Additional notification of the Planning and Zoning Commission's public hearing was published in the Arizona Daily Sun on July 27, 2019, in accordance with State Statute and the Zoning Code. The public open house meeting was held on June 10, 2019, which was attended by one person. The Planning and Zoning Commission's work session was held on June 26, 2019, and the Commission's public hearing was held on August 14, 2019. In addition, the City Council held a work session on these amendments on September 17, 2019. The City Council's public hearings were advertised in the Arizona Daily Sun on September 28, 2019.

Attachments:

Res. 2019-48
Exhibit A to Resolution
Ord. 2019-31
Presentation
Planning and Zoning Commission Report

RESOLUTION NO. 2019-48

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED *"CASE NO. PZ-19-00095 UPDATES TO ZONING CODE 2019 – ACCESSORY DWELLING UNITS"*

RECITALS:

WHEREAS, pursuant to A.R.S. § 9-802 a municipality may enact or amend provisions of the City Code by reference to a public record, provided that the adopting ordinance is published in full;

ENACTMENTS:

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

SECTION 1. That certain document known as "*Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units*" attached hereto as Exhibit A is hereby declared to be a public record, and one (1) paper copy and one (1) electronic copy shall remain on file with the City Clerk in compliance with A.R.S. § 44-7041, and said copies shall remain on file with the City Clerk.

SECTION 2. Effective Date.

This resolution 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 5th day of November, 2019.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units

Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units

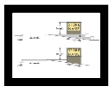
Proposed Flagstaff Zoning Code Amendment

HOW TO READ THIS DOCUMENT

Unless otherwise stated, provisions that are being deleted are shown in bold red strikethrough text, like this: ~~**Provisions that are being deleted are shown with a bold red strikethrough text.**~~

Provisions that are being added are shown in bold blue text, like this: **Provisions that are being added are shown in bold blue text.**

Graphics/Figures that are being deleted are indicated with an "X" over the graphic/figure.

Graphics/Figures that are being added are indicated with a border  around the graphic/figure.

Tables that are being deleted are indicated with an "X" over the Tables.

Tables that are being added are indicated with a thick border  around the Tables.

Section 1. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection A. Applicability., as follows – including adding grid lines to the table:

10-40.60.030 Accessory Dwelling Units (ADUs)

A. **Applicability.** Accessory dwelling units (ADUs) or carriage houses (see Section 10-50.110.040, Carriage House,) where allowed by Division 10-40.30, Non-Transect Zones, and Division 10-40.40, Transect Zones, are subject to the ~~**following**~~ requirements ~~**and standards.**~~ **of this section.**

~~**1. Existing Dwelling. An ADU may only be permitted on a lot if a detached single-family dwelling already exists on the lot or the single-family dwelling will be constructed in conjunction with the ADU.**~~

~~**2. Occupancy. The property owner, which shall include title holders and contract purchasers, must occupy either the primary residence or the ADU as their principal residence. The residence or ADU that is not occupied by the property owner may be rented or leased for a period of no less than 30 days to unrelated persons.**~~

~~**3. Movable Habitable Space. A mobile home, recreational vehicle, or other movable habitable space that does not comply with the Building Code shall not be used as an ADU. A manufactured or modular unit placed on a**~~

~~permanent foundation may be used as a second unit in compliance with this section.~~

4. **B. ~~Not Intended for Sale.~~ Not to be sold.** An ADU shall not be sold separately from the primary structure.

Section 2. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection B. Design and Development Standards., as follows – including adding grid lines to the table:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~B.~~ C. Design, ~~and~~ Development and Exception Standards.

~~1. An ADU shall meet the design and development standards established in Table 10-40.60.030.A, Design and Development Standards, and Table 10-40.60.030.B, Building Form Standard Exceptions.~~

~~2. The maximum height of all accessory buildings and structures shall comply with Table 10-40.60.030.A, Design and Development Standards, unless the zone or overlay zone has a more restrictive height limit.~~

1. An ADU shall comply with Table 10-40.60.030.C. Design, Development and Exceptions Standards.

Table 10-40.60.030.A : Design and Development Standards

Size	An ADU, excluding any garage or carport area and other non-living areas such as workshops or greenhouses, shall be no less than 300 square feet in gross floor area and shall not exceed 600 square feet in gross floor area, except that on residential lots one acre or more in size, the area of an ADU may be increased to a maximum of 1,000 square feet. The area of ADUs that utilize alternative green construction methods that cause the exterior wall thickness to be greater than normal shall be measured based on the interior dimensions of the walls.
Building Height	Standards for the height of accessory structures and ADUs are established in Table 10-40.60.020.A, Accessory Structure Height and Location Standards.
Density	In single-family residential zones no more than one ADU per single-family residential lot may be established. In multifamily residential zones the density limit applicable to that zone shall apply.

Table 10-40.60.030.A : Design and Development Standards	
Amenities	An ADU shall contain a kitchenette and bathroom (sink, toilet, shower), as well as living and sleeping spaces, which may be in the same room (i.e., a studio).
Attachment	An attached ADU shall share at least one wall or roof structure with the primary dwelling and shall have an access connection to a common area within the primary dwelling that is either continuously open or may be locked off with the use of a door. An attached ADU may have an additional external access. An ADU not meeting these requirements is a detached ADU.
Number of occupants	No more than two persons shall reside in an ADU.
Architectural Compatibility	• ADU shall be designed as a subordinate structure to the primary structure on the in terms of its mass, size and architectural character. • ADU shall maintain the architectural design, character, style and appearance of the primary structure as a single-family dwelling. • Exterior materials, windows, doors, roof pitch, and architectural details shall be consistent and compatible between the primary residence and the ADU. • Windows facing an adjoining residential property shall be designed to protect the privacy of neighbors; alternatively, fences, or walls shall be required to provide screening in compliance with Division 10-50.50, Fences and Screening.
Alley Orientation	When an ADU is adjacent to an alley, every effort shall be made to orient the ADU to the alley with the front access door and windows facing the alley. Parking provided off the alley shall maintain a 24-foot back-out area, inclusive of the alley.
Entrance	An entrance to an attached ADU or an ADU located within a primary residence shall be located on the side or rear of the primary residence, and shall not face a street.
Parking	Parking shall be in compliance with Division 10-50.80, Parking Standards, and the parking standards in Division 10-40.40, Transect Zones.

Table 10-40.60.030.A : Design and Development Standards	
Utility Service	An ADU shall be connected to the utilities (except telephone and television) of the primary dwelling unit and may not have separate services.
Building Form Standards	ADUs shall meet the same building form standards as a principal building in the zone. See Table 10-40.60.020.A, Accessory Structure Height and Location Standards.
Home Occupations	Home occupations shall be allowed subject to Section 10-40.60.180, Home Occupations, in either the ADU or the primary residence, but not both.

Table 10-40.60.030.B: Building Form Standard Exceptions[1]			
	Parcel/Lot Size (Min.)	**Setback (Min.)**	**Lot Coverage**
Detached	6,000 sf	In compliance with Table 10-40.60.020.A	Exempt from lot coverage requirements[1]
Attached	No minimum[1]	In compliance with the standards of the underlying zone	
End Notes			
[1]ADUs in the RR zone shall meet the requirements established in Section 10-40.30.030(C).			

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
(1) ADU Standards	**(a) Attached ADU: An Attached ADU shall share a common wall or roof structure with the remainder of the primary dwelling unit, and comply with the fire separations of the building and fire codes.** **(b) Detached ADU: A Detached ADU shall be physically detached, from the primary dwelling unit, including a separate roof structure, and comply with the fire separations of the building and fire codes.** **(c) Interior ADU: An interior ADU is a delineated area within the primary dwelling unit, and is neither attached or detached.** **(Please refer to the definition of Attached, Detached, and Interior ADU in Division 10-80.20.)**
(2) Alley Orientation (Detached ADU)	**(a) When a detached ADU is adjacent to an alley, the ADU's primary entry/exit access door and windows shall face the alley, unless approved by the Planning Director.**
(3) Amenities	**(a) An ADU shall contain independent living, sleeping, eating, cooking, and sanitation facilities as part of the ADU, which may be in the same room (i.e., a studio/efficiency dwelling).**
(4) Architectural Compatibility	**(a) An Attached or Detached ADU shall be designed as a subordinate structure to the primary structure on the lot or parcel in terms of its mass and size; and, the ADU's architectural character (colors, details, doors, materials, roof pitch, and windows, etc.) shall be compatible with the primary dwelling unit.** **(b) An Interior ADU shall be designed as an integrated and subordinate part of the primary dwelling unit. The Interior ADU shall, at a minimum, have interior pedestrian access to the common areas such as a foyer, living room, laundry room, basement, etc., of the primary dwelling unit, and share the primary entrance and exit. Exterior modifications to accommodate an interior ADU, shall be developed with an architectural character (colors, details, doors, materials, roof pitch, and windows, etc.) with the existing structure.** **(c) Windows facing an adjoining residential property shall be designed to protect the privacy of neighbors; alternatively, fences, or walls shall be required to**

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	provide screening in compliance with Division 10-50.50, Fences and Screening.
(5) Building Form and Property Development Standards	(a) Setbacks. An ADU shall comply with the setback requirements of the property's zone, and as allowed in (d) and 14 of this table. (b) Building height. The maximum height of an attached and detached ADU, measured in accordance with 10-50.30.030: 24 feet (c) Lot Coverage. The lot coverage requirements of a property's zone shall: (i) Not apply to attached and detached ADU; and, (ii) Apply to a dwelling unit containing an interior ADU. (d) Encroachment into setbacks. (i) The encroachments specified in Section 10-50.40.020 are allowed. (ii) The development of a detached ADU on the second floor of a garage that was developed prior to February 16, 2016, and is in the required setback(s), shall be allowed, provided that no exterior additions or an increase in building height was developed to accommodate the ADU.
(6) Density	(a) In single-family residential zones no more than one ADU per single-family residential lot or parcel is allowed. (b) In zones that allow multiple-family developments, the density requirements of the zone count an ADU as a dwelling unit.
(7) Entrance (Attached and Interior ADU)	(a) Attached ADU. The pedestrian entrance to an Attached ADU shall not face the same street as the pedestrian entrance of the primary dwelling unit, except: (i) In zones that allow duplexes that are not required to be part of a Planning Residential Development; (ii) If the façade of the ADU with the pedestrian entrance is setback at least 50 feet from the property line; or

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	(iii) If the ADU's pedestrian entrance will not be visible from the same street that the pedestrian entrance of the primary dwelling unit is visible from. (b) Interior ADU. A pedestrian entrance to an Interior ADU shall be located on the interior side or rear side of the primary dwelling unit, and may be located on a street side façade of the primary dwelling unit, provided that the primary entrance to the primary dwelling does not face the same street side.
(8) Home Occupations	(a) Home occupations shall be allowed subject to Section 10-40.60.180, Home Occupations, in either the ADU or the primary residence, but not both.
(9) Lot Size, (Detached ADU)	(a) Minimum lot size: 6,000 square feet.
(10) Movable Habitable Space	(a) A mobile home, recreational vehicle, or other movable habitable space shall not be used as an ADU. (b) A manufactured or modular unit placed and secured on a permanent foundation in conformance with the Building Code may be used as an ADU in compliance with this section.
(11) Number of occupants	(a) Maximum number of persons allowed to reside in an ADU: two persons.
(12) Required Occupancy	(a) The property owner, which includes title holders and contract purchasers, shall occupy either the primary residence or the ADU as their principal residence. The residence or ADU that is not occupied by the property owner that is rented or leased shall be for a period of no less than 30 days.
(13) Parking	(a) Parking shall be in compliance with Division 10-50.80, Parking Standards, and the parking standards in Division 10-40.40, Transect Zones. (b) Parking provided with alley access shall maintain a 24-foot wide back-out area, inclusive of the alley.
(14) Placement	(a) An ADU shall be constructed or placed on the same lot or parcel as the primary dwelling unit.

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	(a) An ADU is allowed only on a lot or parcel containing a detached single-family dwelling unit. (b) An ADU is not allowed on a lot or parcel containing a duplex or triplex on properties zoned Rural Residential (RR), Estate Residential (ER), Single-Family Residential (R1), Single-Family Residential Neighborhood (R1N), Manufactured Housing (MH). (c) Additional placement regulations are contained in Section 10-40.60.030.D.
(15) Size, ADU	(a) Minimum Size: 300 square feet in gross floor area. (b) Maximum Size. (i) Lots less than one acre: 600 square feet in gross floor area. (ii) Lots equal to or greater than one acre: 1,000 square feet in gross floor area; but, an ADU shall not be larger than fifty percent of the gross floor area of the primary dwelling unit, or 600 square feet, whichever is greater. (c) Allowance for Green Construction. The maximum size of an ADU constructed with green construction methods that cause the exterior walls to be greater than eight-inches shall be: (i.) Minimum Size: 300 square feet in gross floor area, minus the area of the exterior walls. (ii) Maximum Size. (ii.a.) Lots less than one acre: 600 square feet in gross floor area, minus the area of the exterior walls. (ii.b.) Lots equal to or greater than one acre: 1,000 square feet in gross floor area; but, an ADU shall not be larger than fifty percent of the gross floor area of the primary dwelling unit, or 600 square feet, whichever is greater. The area of the ADU shall include the area of the exterior walls.
(16) Subdividing a lot with an ADU	(a) Attached and Interior ADU. A lot or parcel containing an ADU shall not be subdivided into two or more lots or parcels unless each lot or parcel complies with the Zoning

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	Code and Subdivision Ordinance. The ADU shall completely remain on one lot. **(b) Detached ADU. The lot or parcel containing a Detached ADU shall not be subdivided into two or more lots or parcels unless each lot or parcel complies with the Zoning Code and Subdivision Ordinance.** **(i) When an existing detached ADU will remain on the new lot or parcel created by subdivision, the property owner is required to modify the primary dwelling unit and ADU of the subdivided lots to comply with the Flagstaff City Code, including providing separate utility services connected to each unit, and obtain a new Certification-of-Occupancy for the units (when required by the Building Official), prior to City Staff recording the subdivision of the property. The ADU that remains on the new lot or parcel shall be considered a primary dwelling unit, unless a new primary dwelling unit is constructed on the new lot or parcel.**
(17) Utility Service	**(a) An ADU shall be connected to the utilities (except telephone and television) of the primary dwelling unit and may not have separate services.**

Section 3. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection C. Building Placement., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~C.~~ **D. Building Placement.** In addition to the standards provided in Table ~~10-40.60.030.A~~ **10-40.60.030.C.** ~~, Design and Development Standards~~ , ADUs proposed as part of the subdivision platting and approval process may be located on the rear or interior side property line under the following conditions ~~as~~ illustrated in Figures ~~10-40.60.030A~~ **10-40.60.030.D.1.** and ~~10-40.60.030B~~ **10-40.60.030.D.2., and:**

1. The ADU is located above a garage; and
2. Four ADUs designed and constructed together are located at the common intersection of the rear and interior side of four lots; or

3. Two ADUs designed and constructed together and with direct access to an alley are located at the common intersection of the rear and interior side of two lots.

~~Figure 10-40.60.030A~~

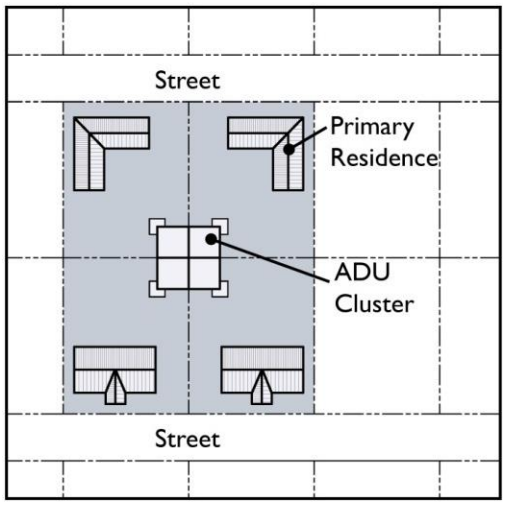


Figure 10-40.60.030.D.1.

Four ADUs located at the common intersection of the rear and interior side of four lots

~~Figure 10-40.60.030B~~

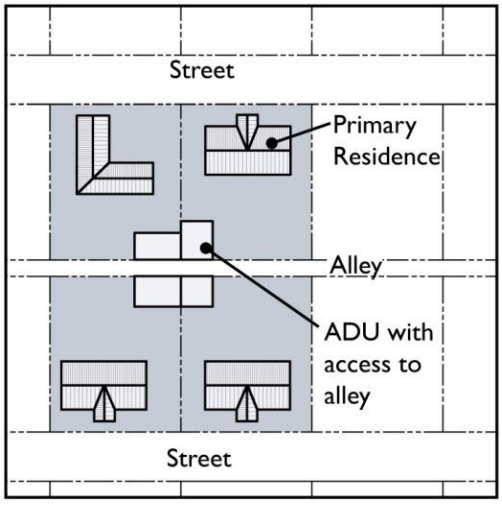


Figure 10-40.60.030.D.2.

Two ADUs with direct access to an alley

Section 4. Amend the subsection letter of Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection D. Restrictive Covenant., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~D.~~ **E. Restrictive Covenant.**

Section 5. Amend the subsection letter of Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection E. Findings for Approval of ADUs., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~E.~~ **F. Findings for Approval of ADUs**. An application for approval of an ADU shall be based on the following findings:

1. The exterior design of the ADU is compatible with the primary residence and does not dominate it or surrounding properties. This has been achieved through use of compatible and complimentary architectural building forms, construction

materials, colors, landscaping, and other methods that conform to acceptable construction practices.

2. The exterior design of the ADU is in suitable proportion with and maintains the scale of the neighborhood.
3. The ADU does not result in excessive noise, traffic or parking congestion.
4. The site plan provides open space and landscaping that is useful for both the ADU and the primary residence. Open space and landscaping provides for privacy and screening of adjacent properties.
5. The location and design of the ADU maintains a compatible relationship to adjacent properties and does not significantly impact the privacy, light, air, solar access or parking of adjacent properties.
6. Major access stairs, decks, entry doors and major windows on one and one-half and two story structures face the primary residence to the maximum extent it is feasible, or the rear alley, if applicable. Windows that face neighboring side or rear setbacks are installed so the bottom of the window is a minimum of six feet above the floor.
7. Buildings, structures, and other features of the site plan, such as walkways and driveways, are oriented and located to maintain natural and historic resources to the maximum extent feasible and to minimize alteration of natural landforms.

Section 6. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.010 Definitions, "A", for the terms, "**Accessory Dwelling Unit (ADU), Attached**", and "**Accessory Dwelling Unit (ADU), Detached",** and add the term "Accessory Dwelling Unit (ADU), Interior", as follows:

10-80.20.010 Definitions, "A"

Accessory Dwelling Unit (ADU), Attached: ~~**A subordinate living unit added to or created within a primary dwelling that provides basic requirements for independent living, sleeping, eating, cooking, and sanitation. The ADU shares a common wall or roof structure with the primary dwelling and has an access connection to a common area within the primary dwelling.**~~ **Is a subordinate dwelling unit on a lot or parcel that is physically attached to the primary dwelling unit by a wall or roof. An Attached ADU does not include a duplex, two-family dwelling, townhouse or townhome, condominium unit, single room occupancy development or co-housing.**

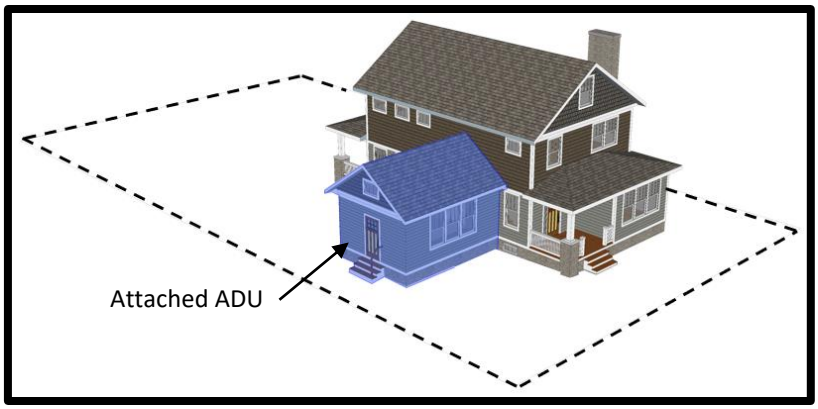


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Attached.

Accessory Dwelling Unit (ADU), Detached: ~~**A subordinate living unit added to or detached from a primary dwelling that has a primary access that is completely detached from the primary dwelling and that provides basic requirements for independent living, sleeping, eating, cooking, and sanitation.**~~ **Is a subordinate dwelling unit on a lot or parcel that is physically detached from the primary dwelling unit.**

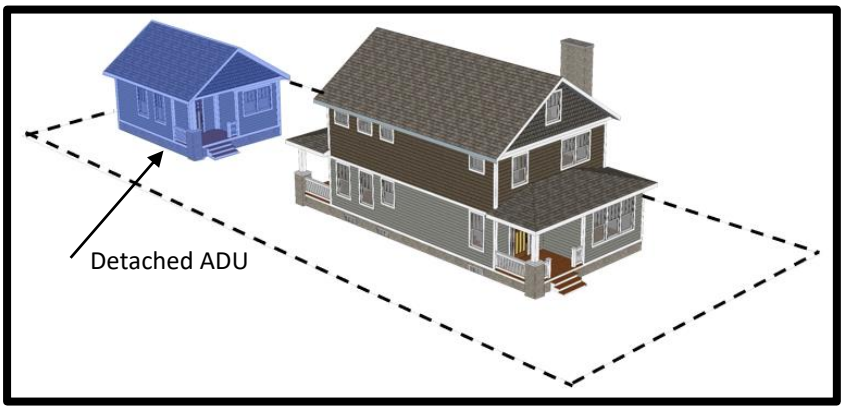


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Detached.

Accessory Dwelling Unit (ADU), Interior: Is a delineated living area located within a dwelling unit that has interior pedestrian access to the common area of the dwelling unit, such as a foyer, living room laundry room, basement, etc., shares a primary entrance and exit, contains permanent facilities for living, sleeping, eating, cooking and sanitation, and may have a separate secondary entrance/exit.

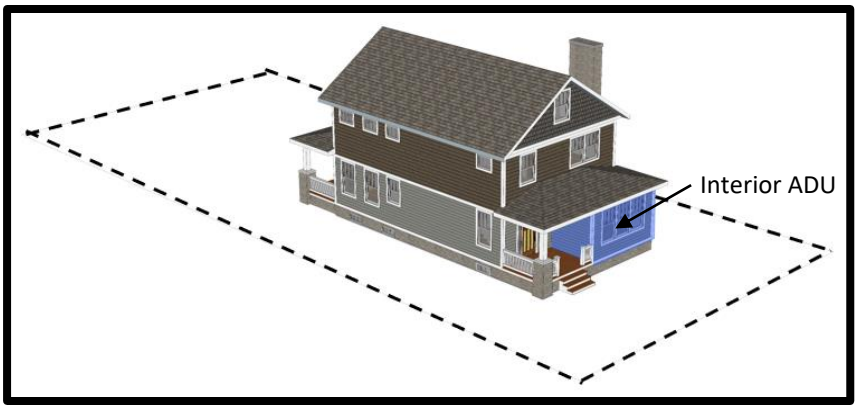


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Interior.

ORDINANCE NO. 2019-31

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA, AMENDING THE FLAGSTAFF CITY CODE , TITLE 10, FLAGSTAFF ZONING CODE, CHAPTERS 10-40 AND 10-80, AS PROVIDED IN THAT CERTAIN DOCUMENT ENTITLED "*CASE NO. PZ-19-00095 UPDATES TO ZONING CODE 2019 – ACCESSORY DWELLING UNITS*" DECLARED TO BE A PUBLIC RECORD BY RESOLUTION NO. 2019-48; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City of Flagstaff wishes to amend Title 10 of the Flagstaff City Code, Chapters 10-40 and 10-80, to ensure, among other things, correction of known errors, ease of use through simplified standards, consistency in interpretation and application of standards and procedures, and greater predictability in the application of the Zoning Code; and

WHEREAS, the Mayor and Council have, by resolution, previously declared that certain document entitled "*Case No. PZ-19-00095 Updates to Zoning Code 2019 - Accessory Dwelling Units"* (the "Proposed Zoning Code Text Amendments") to be a public record by Resolution No. 2019-48 of the City of Flagstaff; and

WHEREAS, a citizen review session was held at the Planning Commission work session on June 26, 2019, to discuss the Proposed Zoning Code Text Amendments in accordance with Section 10-20.50.040 of the Flagstaff Zoning Code; and

WHEREAS, the Planning and Zoning Commission held a public meeting on August 14, 2019, and provided a recommendation to City Council on the Proposed Zoning Code Text Amendments; and

WHEREAS, the Council has determined that the Proposed Zoning Code Text Amendments are in conformance with the General Plan, and the findings of Section 10-20.50.040 of the Flagstaff Zoning Code have been met.

ENACTMENTS:

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

SECTION 1. That certain document known as "Case No. PZ-19-00095 Updates to Zoning Code 2019 – Accessory Dwelling Units", one (1) paper copy and (1) electronic copy are on file in the office of the City Clerk of the City of Flagstaff, Arizona, which document is declared a public record by Resolution No. 2019-48 of the City of Flagstaff, Arizona, is hereby referred to, adopted and made a part hereof as if fully set out in this ordinance.

SECTION 2. Repeal of Conflicting Ordinances

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

SECTION 4. 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 5. 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 5th day of November, 2019.

_____
MAYOR

ATTEST:

_____
CITY CLERK

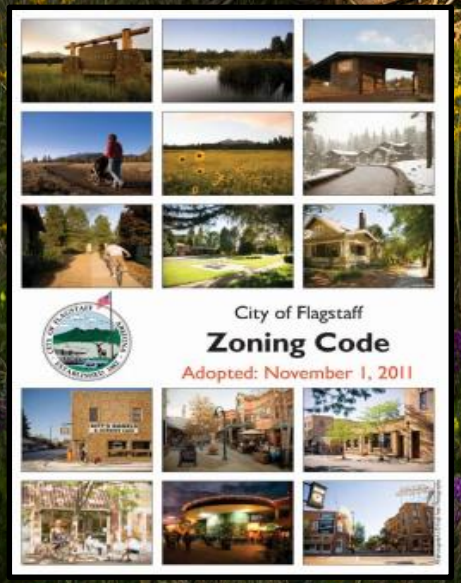
APPROVED AS TO FORM:

_____
CITY ATTORNEY

City Council

City's Request
to Amend the Zoning Code

Accessory Dwelling Units



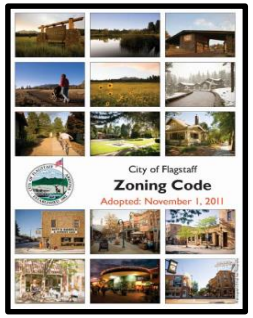
TEAM FLAGSTAFF
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Dan Symer, AICP
Zoning Code Manager

City's Proposed Zoning Code Text Amendment

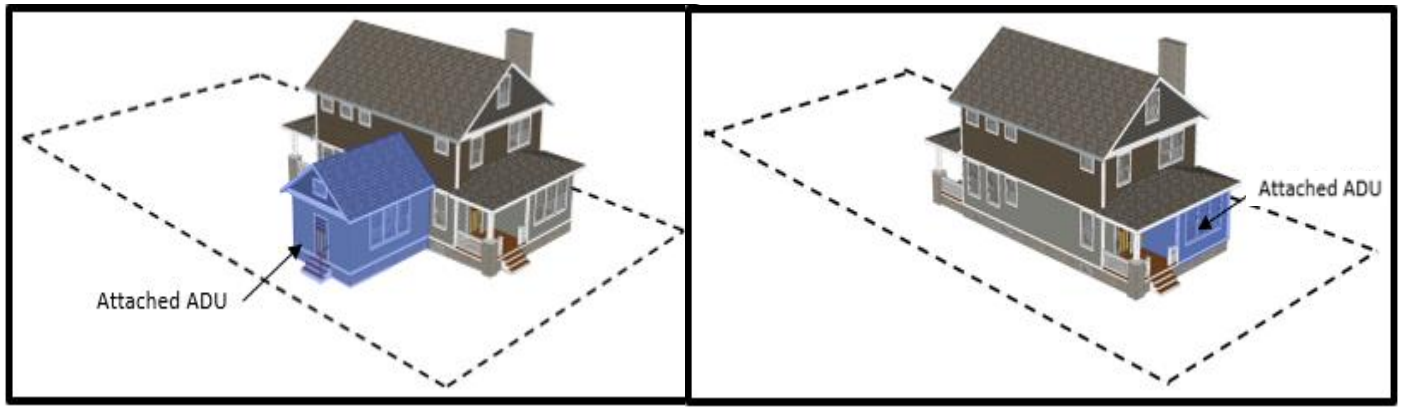
Accessory Dwelling Units (ADU):

- **Modify types:**
  - **Existing: Attached and Detached**
  - **Proposed: Attached, Detached, and Interior**
- **Resolve conflicts, incorporating technical and clarity corrections**

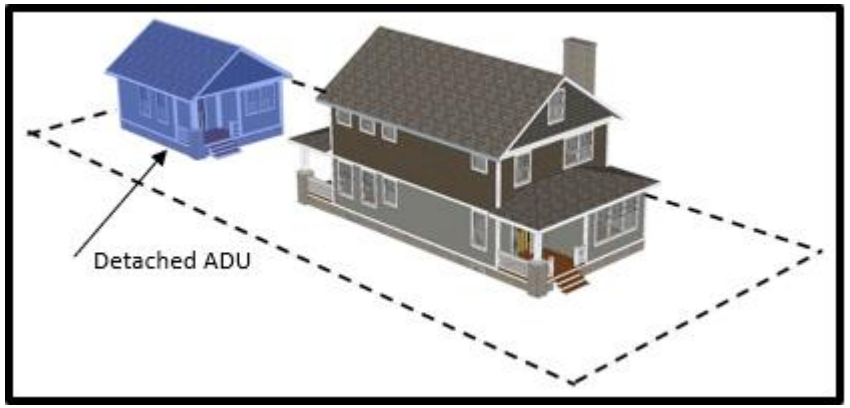


City's Current Zoning Code Provisions

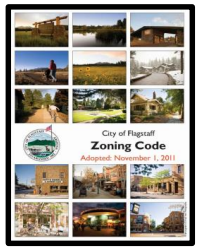
Accessory Dwelling Units:



Attached

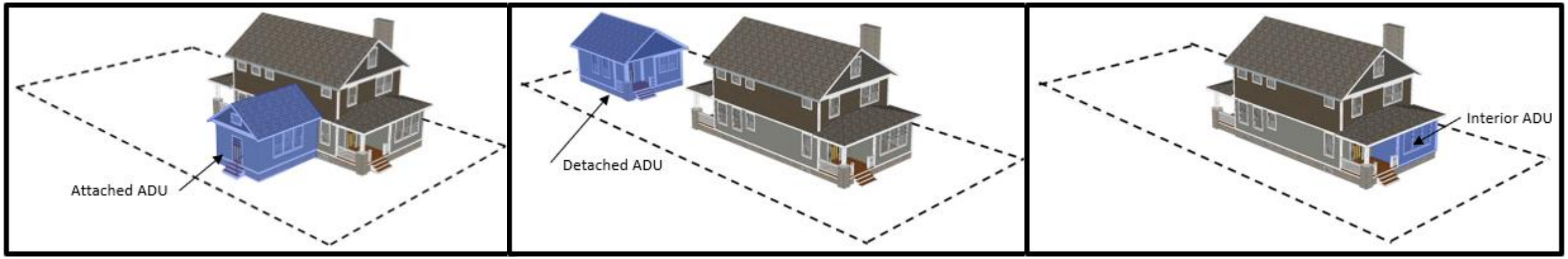


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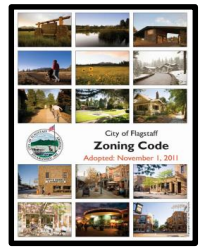


City's Proposed Zoning Code Text Amendment

Accessory Dwelling Units:



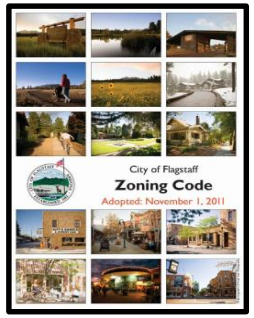
Attached **Detached** **Interior**



City's Proposed Zoning Code Text Amendment

Accessory Dwelling Units:

- **Modify standards to address proposed ADU types**
- **Clarify size maximum of an ADU on lots greater than 1 acre.**
- **Clarify that a ADU may only be provide on properties that contains a detached single-family dwelling unit**
- **Incorporate provisions to subdivide a lot containing an ADU**

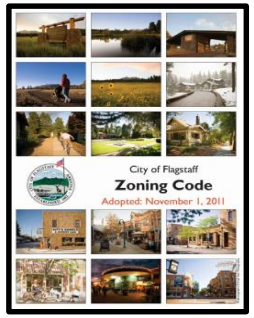


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City's Proposed Zoning Code Text Amendment

City Council

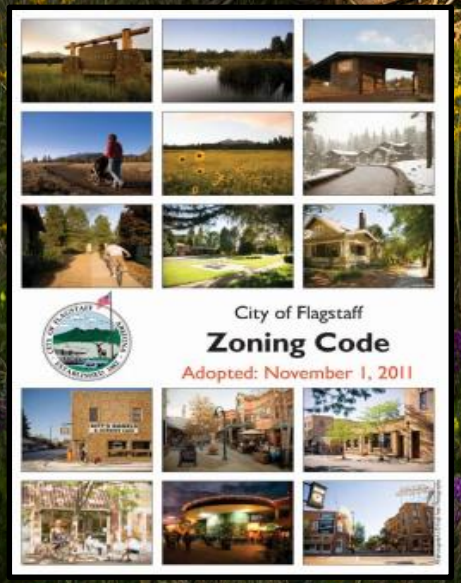
Comments, Questions and Discussion



City Council

City's Request
to Amend the Zoning Code

Accessory Dwelling Units



TEAM FLAGSTAFF
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Dan Symer, AICP
Zoning Code Manager

PLANNING AND DEVELOPMENT SERVICES REPORT
Zoning Code Text Amendment

PUBLIC HEARING
PZ-19-00095

DATE: August 1, 2019
MEETING DATE: August 14, 2019
REPORT BY: Dan Symer, AICP

REQUEST:
For a Zoning Code Text Amendment (Case No.: PZ-19-00095) to amend the Flagstaff Zoning Code (Ordinance No. 2011-20) for the purpose of modifying chapters, divisions, and sections of Title 10 Flagstaff Zoning Code, including the sections of Division 10-40.60: Specific to Uses, and Division 10-80.20: Definition of Specialized Terms, Phrases, and Building Functions, to resolve conflicts, incorporate technical corrections and clarity, and to add new and modify existing, requirements, provisions, and definitions.

STAFF RECOMMENDATION:
Staff recommends the Planning and Zoning Commission, in accordance with the findings presented in this report, find that the requirements of the Zoning Code have been met, and make a recommendation to the City Council for approval of the Zoning Code Text Amendment.

I. Project Introduction

A. Background

The Zoning Code was adopted by the City Council on November 1, 2011, to replace the former Land Development Code. Since its adoption, the code has been amended several times to address procedures, add clarity, resolve conflicts, address planning initiatives (accessory dwelling units), incorporate applicant's requests (West University Drive Entrance Sign District), and to address changes in state law and U.S. Supreme Court decisions (i.e. Reed vs the Town of Gilbert). In addition, on June 12, 2019 the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of technical, conflict resolution, and clarity modifications – including adding the Seasonal Amusement/Entertainment and Sales, Indoor and related provisions to the Light Industrial (LI) zone. Also, on June 26, 2019 the Planning and Zoning Commission recommended approval to the City Council of an amendment to the Zoning Code to address a series of miscellaneous technical, conflict resolution, and clarity modifications.

B. Proposed Amendment

The proposed amendment includes multiple changes to the Zoning Code to resolve conflicts, incorporate technical corrections, add clarity, and to simplify the existing requirements. New provisions are being added, and several sections of the reference divisions are being modified, relocated, or deleted. The proposed amendment includes:

- **Accessory Dwelling Units (ADUs) (10-40.60.030):** Modify the design and development standards for ADUs to reclassify attached and detached ADUs to attached, detached, and interior ADUs. Revise, consolidate, and clarify the provisions for the ADUs to address the new types of ADUs. Incorporate provisions related to subdividing a lot that contains an existing ADU. Incorporate clarifications and modifications pertaining to an ADU on a lot greater than one acre.
- **Definition of Specialized Terms, Phrases, and Building Functions (Division 10-80.20):** Modify and add various definition of the Zoning Code, including: Accessory Dwelling Unit (ADU), Attached; Accessory Dwelling Unit (ADU), Detached; and Accessory Dwelling Unit (ADU), Interior.

II. Zoning Code Text Amendment

An application for a Zoning Text Amendment shall be submitted to the Planning Director and shall be reviewed and a recommendation prepared. The Planning Director's recommendation shall be transmitted to the Planning and Zoning Commission in the form of a staff report prior to a scheduled public hearing. The recommendation shall include: an evaluation of the consistency and conformance of the proposed amendment with the goals and policies of the General Plan (Regional Plan) and any applicable specific plans; the grounds for the recommendation based on the standards and

purposes of the zones set forth in Section 10-40.20 (Establishment of Zones) of the Zoning Code; and, whether the amendment should be granted, or denied.

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. **Finding #1:**

- **The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;**

  The most significant of the proposed modifications pertains to the reclassification attached and detached ADUs to attached, detached, and interior ADUs. This modification is intended to provide clarity to the different types of ADUs, and maintains promoting this use, where appropriate (NH 3.2 of the Regional Plan).

  The proposed amendments are primarily to resolve conflicts, incorporate technical corrections and add clarity to the Zoning Code. Clerical in nature, the amendments do not substantively modify the existing provisions of the Zoning Code and maintains consistency and conformance with the objectives and policies of the Regional Plan (General Plan) and applicable specific plans.

B. **Finding #2**

- **The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City;**

  The proposed amendments are not anticipated to be detrimental to the public interest, health, safety, convenience or welfare of the City. These amendments are primarily to resolving conflicts, incorporate technical corrections and add clarity to the Zoning Code.

C. **Finding #3**

- **The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.**

  The proposed amendments enhance the zoning code's internal consistency by resolving conflicts, incorporate corrections and adding clarity. Furthermore, the proposed amendments are intended to maintain the zoning code's purpose as a comprehensive contemporary set of land uses and requirements that are straightforward, usable and easily understood.

V. CITIZEN PARTICIPATION

In accordance with State Statute and the Zoning Code, the Planning and Zoning Commission work session and public hearing for these amendments was advertised in the Arizona Daily Sun on May 29, 2019. Also, persons of interest that are on file with the Planning and Development Services Department were notified of the work sessions and hearings via first class mail. Also, on June 10, 2019 a public open house meeting was held. This meeting was attended by one person that merely desired to obtain a copy of the proposed amendments.

VI. PLANNING AND ZONING COMMISSION WORK SESSION

At the June 26, 2019 Planning and Zoning Commission Work Session, staff reviewed the text amendment application with the Commission. The Commission had a series of questions to clarify there understanding of the code and editorial comments.

Attachments:

1. Proposed Ordinance Revisions

Proposed Flagstaff Zoning Code Amendment.

Accessory Dwelling Units

Case No. PZ-190095

HOW TO READ THIS DOCUMENT

Unless otherwise stated, provisions that are being deleted are shown in bold red strikethrough text, like this: ~~**Provisions that are being deleted are shown with a bold red strikethrough text.**~~

Provisions that are being added are shown in bold blue text, like this: **Provisions that are being added are shown in bold blue text.**

Graphics/Figures that are being deleted are indicated with an "X" over the graphic/figure.

Graphics/Figures that are being added are indicated with a border  around the graphic/figure.

Tables that are being deleted are indicated with an "X" over the Tables.

Tables that are being added are indicated with a thick border  around the Tables.

Section 1. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection A. Applicability., as follows – including adding grid lines to the table:

10-40.60.030 Accessory Dwelling Units (ADUs)

A. **Applicability.** Accessory dwelling units (ADUs) or carriage houses (see Section 10-50.110.040, Carriage House,) where allowed by Division 10-40.30, Non-Transect Zones, and Division 10-40.40, Transect Zones, are subject to the ~~following~~ requirements ~~and standards.~~ **of this section.**

~~1. Existing Dwelling. An ADU may only be permitted on a lot if a detached single-family dwelling already exists on the lot or the single-family dwelling will be constructed in conjunction with the ADU.~~

~~2. Occupancy. The property owner, which shall include title holders and contract purchasers, must occupy either the primary residence or the ADU as their principal residence. The residence or ADU that is not occupied by the property owner may be rented or leased for a period of no less than 30 days to unrelated persons.~~

~~3. Movable Habitable Space. A mobile home, recreational vehicle, or other movable habitable space that does not comply with the Building Code shall not be used as an ADU. A manufactured or modular unit placed on a~~

~~permanent foundation may be used as a second unit in compliance with this section.~~

~~4.~~ **B.** ~~**Not Intended for Sale.**~~ **Not to be sold.** An ADU shall not be sold separately from the primary structure.

Section 2. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection B. Design and Development Standards., as follows – including adding grid lines to the table:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~**B.**~~ **C. Design, ~~and~~ Development and Exception Standards.**

~~**1. An ADU shall meet the design and development standards established in Table 10-40.60.030.A, Design and Development Standards, and Table 10-40.60.030.B, Building Form Standard Exceptions.**~~

~~**2. The maximum height of all accessory buildings and structures shall comply with Table 10-40.60.030.A, Design and Development Standards, unless the zone or overlay zone has a more restrictive height limit.**~~

1. An ADU shall comply with Table 10-40.60.030.C. Design, Development and Exceptions Standards.

Table 10-40.60.030.A : Design and Development Standards

Size	An ADU, excluding any garage or carport area and other non-living areas such as workshops or greenhouses, shall be no less than 300 square feet in gross floor area and shall not exceed 600 square feet in gross floor area, except that on residential lots one acre or more in size, the area of an ADU may be increased to a maximum of 1,000 square feet. The area of ADUs that utilize alternative green construction methods that cause the exterior wall thickness to be greater than normal shall be measured based on the interior dimensions of the walls.
Building Height	Standards for the height of accessory structures and ADUs are established in Table 10-40.60.020.A, Accessory Structure Height and Location Standards.
Density	In single-family residential zones no more than one ADU per single-family residential lot may be established. In multifamily residential zones the density limit applicable to that zone shall apply.

Table 10-40.60.030.A : Design and Development Standards	
Amenities	An ADU shall contain a kitchenette and bathroom (sink, toilet, shower), as well as living and sleeping spaces, which may be in the same room (i.e., a studio).
Attachment	An attached ADU shall share at least one wall or roof structure with the primary dwelling and shall have an access connection to a common area within the primary dwelling that is either continuously open or may be locked off with the use of a door. An attached ADU may have an additional external access. An ADU not meeting these requirements is a detached ADU.
Number of occupants	No more than two persons shall reside in an ADU.
Architectural Compatibility	• ADU shall be designed as a subordinate structure to the primary structure on the in terms of its mass, size and architectural character. • ADU shall maintain the architectural design, character, style and appearance of the primary structure as a single-family dwelling. • Exterior materials, windows, doors, roof pitch, and architectural details shall be consistent and compatible between the primary residence and the ADU. • Windows facing an adjoining residential property shall be designed to protect the privacy of neighbors; alternatively, fences, or walls shall be required to provide screening in compliance with Division 10-50.50, Fences and Screening.
Alley Orientation	When an ADU is adjacent to an alley, every effort shall be made to orient the ADU to the alley with the front access door and windows facing the alley. Parking provided off the alley shall maintain a 24-foot back-out area, inclusive of the alley.
Entrance	An entrance to an attached ADU or an ADU located within a primary residence shall be located on the side or rear of the primary residence, and shall not face a street.
Parking	Parking shall be in compliance with Division 10-50.80, Parking Standards, and the parking standards in Division 10-40.40, Transect Zones.

Table 10-40.60.030.A : Design and Development Standards	
Utility Service	An ADU shall be connected to the utilities (except telephone and television) of the primary dwelling unit and may not have separate services.
Building Form Standards	ADUs shall meet the same building form standards as a principal building in the zone. See Table 10-40.60.020.A, Accessory Structure Height and Location Standards.
Home Occupations	Home occupations shall be allowed subject to Section 10-40.60.180, Home Occupations, in either the ADU or the primary residence, but not both.

Table 10-40.60.030.B: Building Form Standard Exceptions[1]			
	Parcel/Lot Size (Min.)	**Setback (Min.)**	**Lot Coverage**
Detached	6,000 sf	In compliance with Table 10-40.60.020.A	Exempt from lot coverage requirements[1]
Attached	No minimum[1]	In compliance with the standards of the underlying zone	
End Notes			
[1]ADUs in the RR zone shall meet the requirements established in Section 10-40.30.030(C).			

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
(1) ADU Standards	(a) Attached ADU: An Attached ADU shall share a common wall or roof structure with the remainder of the primary dwelling unit, and comply with the fire separations of the building and fire codes. (b) Detached ADU: A Detached ADU shall be physically detached, from the primary dwelling unit, including a separate roof structure, and comply with the fire separations of the building and fire codes. (c) Interior ADU: An interior ADU is a delineated area within the primary dwelling unit, and is neither attached or detached. (Please refer to the definition of Attached, Detached, and Interior ADU in Division 10-80.20.)
(2) Alley Orientation (Detached ADU)	(a) When a detached ADU is adjacent to an alley, the ADU's primary entry/exit access door and windows shall face the alley, unless approved by the Planning Director.
(3) Amenities	(a) An ADU shall contain independent living, sleeping, eating, cooking, and sanitation facilities as part of the ADU, which may be in the same room (i.e., a studio/efficiency dwelling).
(4) Architectural Compatibility	(a) An Attached or Detached ADU shall be designed as a subordinate structure to the primary structure on the lot or parcel in terms of its mass and size; and, the ADU's architectural character (colors, details, doors, materials, roof pitch, and windows, etc.) shall be compatible with the primary dwelling unit. (b) An Interior ADU shall be designed as an integrated and subordinate part of the primary dwelling unit. The Interior ADU shall, at a minimum, have interior pedestrian access to the common areas such as a foyer, living room, laundry room, basement, etc., of the primary dwelling unit, and share the primary entrance and exit. Exterior modifications to accommodate an interior ADU, shall be developed with an architectural character (colors, details, doors, materials, roof pitch, and windows, etc.) with the existing structure. (c) Windows facing an adjoining residential property shall be designed to protect the privacy of neighbors; alternatively, fences, or walls shall be required to

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	provide screening in compliance with Division 10-50.50, Fences and Screening.
(5) Building Form and Property Development Standards	(a) Setbacks. An ADU shall comply with the setback requirements of the property's zone, and as allowed in (d) and 14 of this table. (b) Building height. The maximum height of an attached and detached ADU, measured in accordance with 10-50.30.030: 24 feet (c) Lot Coverage. The lot coverage requirements of a property's zone shall: (i) Not apply to attached and detached ADU; and, (ii) Apply to a dwelling unit containing an interior ADU. (d) Encroachment into setbacks. (i) The encroachments specified in Section 10-50.40.020 are allowed. (ii) The development of a detached ADU on the second floor of a garage that was developed prior to February 16, 2016, and is in the required setback(s), shall be allowed, provided that no exterior additions or an increase in building height was developed to accommodate the ADU.
(6) Density	(a) In single-family residential zones no more than one ADU per single-family residential lot or parcel is allowed. (b) In zones that allow multiple-family developments, the density requirements of the zone count an ADU as a dwelling unit.
(7) Entrance (Attached and Interior ADU)	(a) Attached ADU. The pedestrian entrance to an Attached ADU shall not face the same street as the pedestrian entrance of the primary dwelling unit, except: (i) In zones that allow duplexes that are not required to be part of a Planning Residential Development; (ii) If the façade of the ADU with the pedestrian entrance is setback at least 50 feet from the property line; or

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	(iii) If the ADU's pedestrian entrance will not be visible from the same street that the pedestrian entrance of the primary dwelling unit is visible from. (b) Interior ADU. A pedestrian entrance to an Interior ADU shall be located on the interior side or rear side of the primary dwelling unit, and may be located on a street side façade of the primary dwelling unit, provided that the primary entrance to the primary dwelling does not face the same street side.
(8) Home Occupations	(a) Home occupations shall be allowed subject to Section 10-40.60.180, Home Occupations, in either the ADU or the primary residence, but not both.
(9) Lot Size, (Detached ADU)	(a) Minimum lot size: 6,000 square feet.
(10) Movable Habitable Space	(a) A mobile home, recreational vehicle, or other movable habitable space shall not be used as an ADU. (b) A manufactured or modular unit placed and secured on a permanent foundation in conformance with the Building Code may be used as an ADU in compliance with this section.
(11) Number of occupants	(a) Maximum number of persons allowed to reside in an ADU: two persons.
(12) Required Occupancy	(a) The property owner, which includes title holders and contract purchasers, shall occupy either the primary residence or the ADU as their principal residence. The residence or ADU that is not occupied by the property owner that is rented or leased shall be for a period of no less than 30 days.
(13) Parking	(a) Parking shall be in compliance with Division 10-50.80, Parking Standards, and the parking standards in Division 10-40.40, Transect Zones. (b) Parking provided with alley access shall maintain a 24-foot wide back-out area, inclusive of the alley.
(14) Placement	(a) An ADU shall be constructed or placed on the same lot or parcel as the primary dwelling unit.

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	(a) An ADU is allowed only on a lot or parcel containing a detached single-family dwelling unit. (b) An ADU is not allowed on a lot or parcel containing a duplex or triplex on properties zoned Rural Residential (RR), Estate Residential (ER), Single-Family Residential (R1), Single-Family Residential Neighborhood (R1N), Manufactured Housing (MH). (c) Additional placement regulations are contained in Section 10-40.60.030.D.
(15) Size, ADU	(a) Minimum Size: 300 square feet in gross floor area. (b) Maximum Size. (i) Lots less than one acre: 600 square feet in gross floor area. (ii) Lots equal to or greater than one acre: 1,000 square feet in gross floor area; but, an ADU shall not be larger than fifty percent of the gross floor area of the primary dwelling unit, or 600 square feet, whichever is greater. (c) Allowance for Green Construction. The maximum size of an ADU constructed with green construction methods that cause the exterior walls to be greater than eight-inches shall be: (i.) Minimum Size: 300 square feet in gross floor area, minus the area of the exterior walls. (ii) Maximum Size. (ii.a.) Lots less than one acre: 600 square feet in gross floor area, minus the area of the exterior walls. (ii.b.) Lots equal to or greater than one acre: 1,000 square feet in gross floor area; but, an ADU shall not be larger than fifty percent of the gross floor area of the primary dwelling unit, or 600 square feet, whichever is greater. The area of the ADU shall include the area of the exterior walls.
(16) Subdividing a lot with an ADU	(a) Attached and Interior ADU. A lot or parcel containing an ADU shall not be subdivided into two or more lots or parcels unless each lot or parcel complies with the Zoning

Table 10-40.60.030.C. Accessory Dwelling Units Design, Development and Exceptions Standards.	
	Code and Subdivision Ordinance. The ADU shall completely remain on one lot. (b) Detached ADU. The lot or parcel containing a Detached ADU shall not be subdivided into two or more lots or parcels unless each lot or parcel complies with the Zoning Code and Subdivision Ordinance. (i) When an existing detached ADU will remain on the new lot or parcel created by subdivision, the property owner is required to modify the primary dwelling unit and ADU of the subdivided lots to comply with the Flagstaff City Code, including providing separate utility services connected to each unit, and obtain a new Certification-of-Occupancy for the units (when required by the Building Official), prior to City Staff recording the subdivision of the property. The ADU that remains on the new lot or parcel shall be considered a primary dwelling unit, unless a new primary dwelling unit is constructed on the new lot or parcel.
(17) Utility Service	(a) An ADU shall be connected to the utilities (except telephone and television) of the primary dwelling unit and may not have separate services.

Section 3. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection C. Building Placement., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~C.~~ **D. Building Placement.** In addition to the standards provided in Table ~~10-40.60.030.A~~ **10-40.60.030.C.** ~~, Design and Development Standards~~ , ADUs proposed as part of the subdivision platting and approval process may be located on the rear or interior side property line under the following conditions ~~as~~ illustrated in Figures ~~10-40.60.030A~~ **10-40.60.030.D.1.** and ~~10-40.60.030B~~ **10-40.60.030.D.2., and:**

1. The ADU is located above a garage; and
2. Four ADUs designed and constructed together are located at the common intersection of the rear and interior side of four lots; or

3. Two ADUs designed and constructed together and with direct access to an alley are located at the common intersection of the rear and interior side of two lots.

~~Figure 10-40.60.030A~~

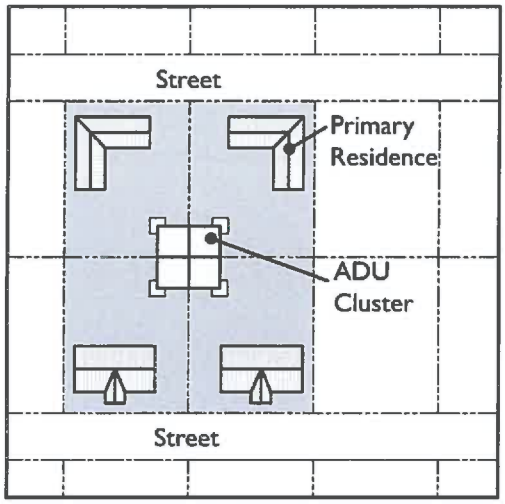


Figure 10-40.60.030.D.1.

Four ADUs located at the common intersection of the rear and interior side of four lots

~~Figure 10-40.60.030B~~

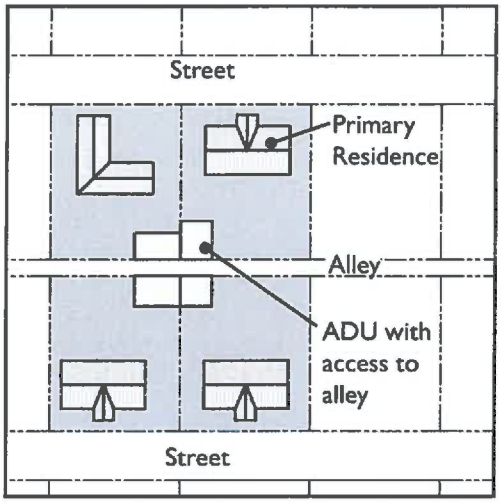


Figure 10-40.60.030.D.2.

Two ADUs with direct access to an alley

Section 4. Amend the subsection letter of Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection D. Restrictive Covenant., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~D.~~ **E. Restrictive Covenant.**

Section 5. Amend the subsection letter of Title 10 FLAGSTAFF ZONING CODE, Section 10-40.60.030 Accessory Dwelling Units (ADUs)., subsection E. Findings for Approval of ADUs., as follows:

10-40.60.030 Accessory Dwelling Units (ADUs)

~~E.~~ **F. Findings for Approval of ADUs.** An application for approval of an ADU shall be based on the following findings:

1. The exterior design of the ADU is compatible with the primary residence and does not dominate it or surrounding properties. This has been achieved through use of compatible and complimentary architectural building forms, construction

materials, colors, landscaping, and other methods that conform to acceptable construction practices.

2. The exterior design of the ADU is in suitable proportion with and maintains the scale of the neighborhood.
3. The ADU does not result in excessive noise, traffic or parking congestion.
4. The site plan provides open space and landscaping that is useful for both the ADU and the primary residence. Open space and landscaping provides for privacy and screening of adjacent properties.
5. The location and design of the ADU maintains a compatible relationship to adjacent properties and does not significantly impact the privacy, light, air, solar access or parking of adjacent properties.
6. Major access stairs, decks, entry doors and major windows on one and one-half and two story structures face the primary residence to the maximum extent it is feasible, or the rear alley, if applicable. Windows that face neighboring side or rear setbacks are installed so the bottom of the window is a minimum of six feet above the floor.
7. Buildings, structures, and other features of the site plan, such as walkways and driveways, are oriented and located to maintain natural and historic resources to the maximum extent feasible and to minimize alteration of natural landforms.

Section 6. Amend Title 10 FLAGSTAFF ZONING CODE, Section 10-80.20.010 Definitions, "A", for the terms, "**Accessory Dwelling Unit (ADU), Attached**", and "**Accessory Dwelling Unit (ADU), Detached",** and add the term "Accessory Dwelling Unit (ADU), Interior", as follows:

10-80.20.010 Definitions, "A"

Accessory Dwelling Unit (ADU), Attached: ~~**A subordinate living unit added to or created within a primary dwelling that provides basic requirements for independent living, sleeping, eating, cooking, and sanitation. The ADU shares a common wall or roof structure with the primary dwelling and has an access connection to a common area within the primary dwelling.**~~ **Is a subordinate dwelling unit on a lot or parcel that is physically attached to the primary dwelling unit by a wall or roof. An Attached ADU does not include a duplex, two-family dwelling, townhouse or townhome, condominium unit, single room occupancy development or co-housing.**

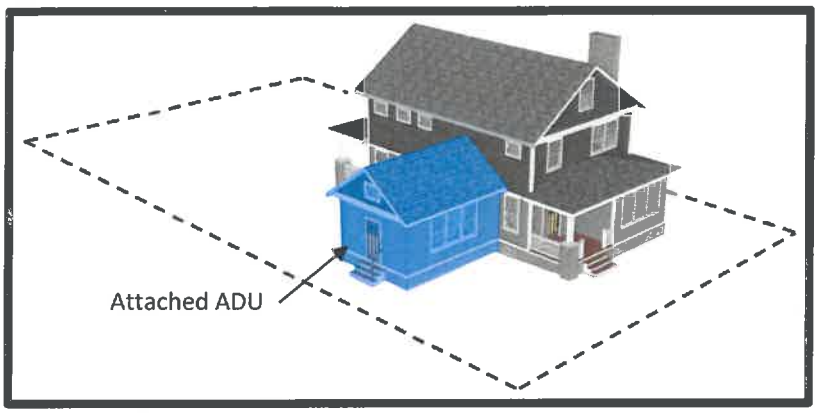


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Attached.

Accessory Dwelling Unit (ADU), Detached: ~~A subordinate living unit added to or detached from a primary dwelling that has a primary access that is completely detached from the primary dwelling and that provides basic requirements for independent living, sleeping, eating, cooking, and sanitation.~~ Is a subordinate dwelling unit on a lot or parcel that is physically detached from the primary dwelling unit.

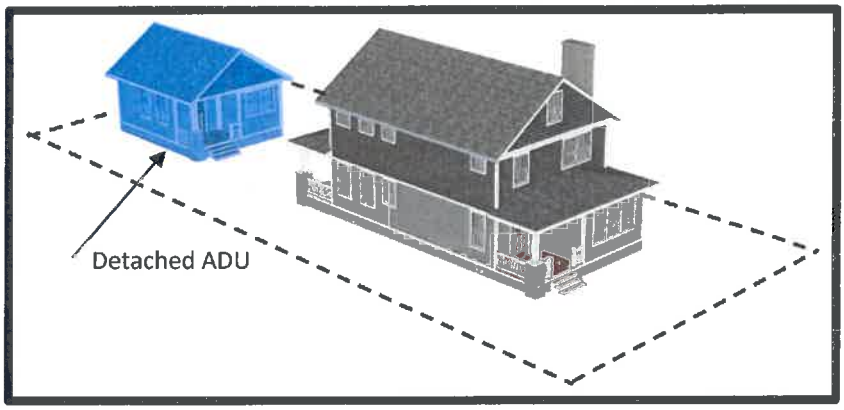


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Detached.

Accessory Dwelling Unit (ADU), Interior: Is a delineated living area located within a dwelling unit that has interior pedestrian access to the common area of the dwelling unit, such as a foyer, living room laundry room, basement, etc., shares a primary entrance and exit, contains permanent facilities for living, sleeping, eating, cooking and sanitation, and may have a separate secondary entrance/exit.

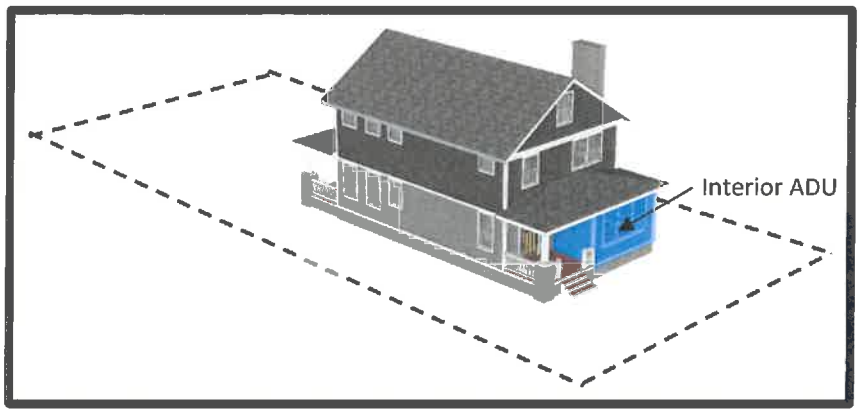


Figure 10-80.20.010. Accessory Dwelling Unit (ADU), Interior.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

:

Co-Submitter: Jack Fitchett

Date: 10/11/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-45: A resolution approving an Intergovernmental Agreement (IGA) between the Arizona Department of Economic Security and the City of Flagstaff to provide up to $150,000 in voluntary city funding to qualified developmental disability service providers within the city limits of Flagstaff, Arizona; and establishing an effective date.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-45 by title only
2) City Clerk reads Resolution No. 2019-45 by title only (if approved above)
3) Adopt Resolution No. 2019-45

Executive Summary:

The purpose of this Agreement is to provide for increased state and local funding in FY2020 to developmental disability services (DDS) providers operating within City limits, to help pay for increased labor costs due to an increase in the minimum wage.

The Arizona Department of Economic Security (ADES) will distribute the funding. The funding will be distributed to Division of Developmental Disabilities (DDD) Qualified Vendors who provide services to ALTCS/DDD members in zip codes 86001, 86003, and 86004 within the City of Flagstaff limits.

The ADES will provide funding not to exceed $350,000 from DDD's Medicaid expenditure authority with the combined funds from DDD and the City will go to DDD Qualified Vendors in Flagstaff. The ADES will spend two dollars ($2) of the DDD's Medicaid expenditure authority monies for each dollar ($1) that the City provides as voluntary payments to DDD's Qualified Vendors. The City will provide up to $150,000 in funding, which has already been budgeted.

The ADES will determine which DDD Qualified Vendors are eligible to be funded as authorized by House Bill 2747, Section 108 on pages 78 - 79. (See Attached). The ADES will refund any of the City's unspent voluntary payment to the City by July 31, 2020. The ADES will provide quarterly funding distribution reports to the City. The reports will include DDD Qualified Vendors

name, date of payment, ADES amount and City amount. The agreement expires August 31, 2020 unless extended by mutual agreement, not to exceed five (5) years. The agreement may be terminated by mutual agreement at any time.

Financial Impact:

Funding for the initial term of the agreement is included in the adopted FY2020 budget in account 001-09-402-1310-1-4206 Non-department.

Policy Impact:

No policy impacts at this time.

Connection to Council Goal, Regional Plan:

Connection to Council Goals:
1. Economic Development
2. Personnel

Connection to the City of Flagstaff Strategic Plan:
1. Work in partnership to enhance a safe and livable community

Has There Been Previous Council Decision on This:

Council directed staff to help provide funding for developmental disability services providers, at public meetings held in February, March, April, May 2019. At a public meeting in June 2019 the Council approved the FY 2020 budget, which includes $150,000 in funding for DDS providers operating in City limits.

Options and Alternatives:

1. Approve the Agreement; or
2. Do not approve the Agreement and direct staff to propose use of $150,000 for other community needs.

Background/History:

In the November 2016 General Election City voters passed the Minimum Wage Act (Proposition 414, a local voter initiative) in the November 2016 election. The Minimum Wage Act increases the City of Flagstaff's minimum wage from $8.05 per hour in 2016 to $15.00 by 2021, or $2.00 above the State minimum wage, whichever is greater, through set increases on determined dates commencing on July 1, 2017.

In the same November 2016 General Election Arizona voters passed the Fair Wages and Healthy Families Act (the "FWHFA") (Proposition 206, a state voter initiative) raising the State minimum wage from $8.05 per hour to $12.00 per hour by 2020 through set increases on determined dates to begin January 1, 2017.

On March 21, 2017, the City Council adopted Ordinance No. 2017-08, amending the Minimum Wage Act by a super-majority vote of 6-1, to provide for gradual increase in the minimum wage to $15.00 an hour by 2021, as contemplated by voters. Without this amendment, there would

have been a drastic increase in the minimum wage from $8.05 to $12.00 an hour (almost a 50% increase) within six months, due to the compounding effect of the passage of the FWHFA.

As a result of the Minimum Wage Act (and the FHWFA), many Flagstaff employers had to start paying employees more money for their work. Currently the local minimum wage is $12.00 per hour, and the State minimum wage is $11.00 per hour.

On January 29, 2019 SB1225 titled; Appropriation; Developmental Disabilities Services Providers was introduced by Senator Sylvia Allen (LD6). The purpose of SB1225 was to provide emergency funding in the amount of $508,600 from the State general fund and $1,176,100 from developmental disabilities Medicaid authority to developmental disabilities services providers (DDSPs) that experienced the highest mandated labor cost increases for services provided in a geographic service area located in northern Arizona as designated by the Arizona health care cost containment system administration due to the passage of proposition 414 which established higher incremental minimum wage rate increases than the State. SB1225 passed its assigned committees and passed the Senate with a vote of 26-4 on February 14, 2019. SB1225 was then transmitted to the House. On April 4, 2019, a proposed amendment to SB1225 was introduced by Representative Regina Cobb (LD 5). SB1225 was introduced into the Appropriation Committee with the following proposed amended language:

1. Decreasing the $508,600 amount to $172,924;
2. Inserting the one-time emergency clause;
3. Inserting that the department may spend $1 of the monies appropriated by this subsection for each $2 that the city of Flagstaff provides;
4. Eliminating the “Arizona health care cost containment system administration” and replacing it with “the city of Flagstaff.”

The amendment to SB1225 passed the Appropriation Committee with a vote of 9-2. City staff provided City Council with the proposed amended language and began discussions on providing voluntary payments as noted in the amended language of SB1225. City staff at the direction of city council began reviewing options to provide city funding in support of the amended language of SB1225 through the city’s FY2020 budget process. City staff identified $50,000 for City Council consideration. City Council then modified the approval amount to total $150,000. The $150,000 was approved by City Council during the April 2019 Council retreat and approved in June 2019 as part of the final budget. The governor signed HB2747 which specified ADES will spend two dollars ($2) of the DDD's Medicaid expenditure authority monies for each dollar ($1) that the City provides as voluntary payments to DDD's Qualified Vendors.

Key Considerations:

The City and State funding appropriations to help DDS providers pay for increased labor costs are for this fiscal year only. The City, State, and local community will need to work together to find a long-term solution for ensuring that DDS providers can afford to provide services in Flagstaff, and to ensure that all Flagstaff workers are paid at least minimum wage. The City has limited funding to help provide social services, and there are many competing needs.

The DES is requiring the form of Agreement that is attached to this staff summary.

Expanded Financial Considerations:

None.

Community Benefits and Considerations:

DDS providers provide important services to the Flagstaff community.

Community Involvement:

Local DDS providers Hozhoni Foundation and Quality Connection expressed concerns of keeping their services within the City limits due to the increase in labor costs associated with the Minimum Wage Act coupled with the FWHFA. City staff had numerous discussions with Hozhoni staff and social service provider associations regarding the SB1225, HB2747 and the voluntary amount the City will allocate towards reducing their labor costs.

Expanded Options and Alternatives:

None.

Attachments:

Res. 2019-45
IGA
HB 2747 pg 78-79
DES_COF PPT

RESOLUTION NO. 2019-45

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY AND THE CITY OF FLAGSTAFF TO PROVIDE $150,000 IN VOLUNTARY CITY TO QUALIFIED DEVELOPMENTAL DISABILITY SERVICE PROVIDERS WITHIN THE CITY LIMITS OF FLAGSTAFF, AZ AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS:

WHEREAS, the City of Flagstaff voters passed the Minimum Wage Act or Proposition 414, a voter initiative, in the November 2016 election increasing the City of Flagstaff's minimum wage from $8.05 per hour in 2016 to $15.00 by 2021 through established increases on determined dates to begin on July 1, 2017; and

WHEREAS, Arizona voters passed the Fair Wages and Healthy Families Act or Proposition 206, a voter Initiative in the November 2016 election raising the state minimum wage from $8.05 per hour to $12.00 per hour by 2020 through established increases on determined dates to begin on July 1, 2017; and

WHEREAS, On March 21, 2017, the city council passed an amendment to the Minimum Wage Act (Ordinance 2017-08) with a supermajority vote of 6-1 authorized by Article 4, Section 1(6)(C) and 1(14) of the Arizona constitution to combat the compounding effects of the Fair Wages and Healthy Families Act (Proposition 206) and the Minimum Wage Act passing concurrently, which would of required Flagstaff's minimum wage to increase to $12.00 per hour July 1, 2017, a drastic increase; and

WHEREAS, developmental disability service providers within the City of Flagstaff are experiencing increased labor costs due to the higher minimum wage rate established by the two propositions; and

WHEREAS, On January 29, 2019, SB1225 *Appropriation; Developmental Disabilities Services Providers,* was introduced by Senator Sylvia Allen (LD6) to provide emergency funding in the amount of $508,600 from the state general fund and $1,176,100 from developmental disabilities Medicaid authority to Developmental Disabilities Service Providers that experienced the highest mandated labor cost increases for services provided in a geographic service area located in northern Arizona; and

WHEREAS, On April 4, 2019, a proposed amendment to SB1225 was introduced by Representative Regina Cobb (LD5) and passed with a 9-2 due pass vote in the Appropriation Committee.

WHEREAS, the city council approved $150,000 during the FY20 budget process as a one-time voluntary payment to assist qualified Developmental Disabilities Service Providers within the city limits of Flagstaff that have experienced increased labor costs due to the higher minimum wage rate in Flagstaff, AZ; and

WHEREAS, the Arizona Department of Economic Security is duly authorized to execute and administer contracts under A.R.S. §41-1954 and the City attest that is has the authority to enter into this IGA by virtue of the authorities set forth in Arizona Revised Statutes §11-951, §11-952; and the parties further attest that the scope and purpose of this agreement does not exceed the powers inherent to each party by virtue of their organizational statutory authorities. Arizona Revised Statutes §11-954.

ENACTMENTS:

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

SECTION 1. In General.

The Flagstaff City Council hereby authorizes the Mayor to execute the Intergovernmental Agreement between the Arizona Department of Economic Security and the City of Flagstaff, Arizona, attached hereto ("IGA"), which shall become effective upon the date first executed by both parties ("Effective Date").

SECTION 2. Effective Date.

This resolution shall be immediately effective upon adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 1st day of October 2019.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Direct Contract

Contract No.: CTR046165

Description: Flagstaff Voluntary Payment

DEPARTMENT OF ECONOMIC SECURITY
Your Partner For A Stronger Arizona

Contract between the Department of Economic Security (the "Department") and City of Flagstaff (the "City or Contractor").

WHEREAS the Contractor is:

[ ] a Non-profit Organization as defined in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as prescribed in 2 C.F.R. § 200;

[ ] a For-profit Organization; and

WHEREAS the Department is duly authorized to execute and administer contracts under A.R.S. §41-1954;

THEREFORE, the Department and City agree to abide by all the terms and conditions set forth in this Contract.

Contract Term: This contract shall be effective 9/1/2019 (or date of last signature) and shall terminate on 8/31/2020, unless extended in accordance with the Section six (6) Extension.

BY SIGNING THIS FORM ON BEHALF OF THE CONTRACTOR, THE SIGNATORY CERTIFIES HE/SHE HAS THE AUTHORITY TO BIND THE CONTRACTOR TO THIS CONTRACT.

FOR AND ON BEHALF OF THE
ARIZONA DEPARTMENT OF ECONOMIC SECURITY:

Signature of Authorized Individual

Yesenia *Sandoval*

Typed Name

Procurement Manager

Title

Date

FOR AND ON BEHALF OF THE CITY OF FLAGSTAFF:

Signature of Authorized Individual

Typed Name

Title

Date

Contractor Mailing Address

Contractor Mailing Address (cont.)

Contact Name and Title

Phone number and Email address

Direct Contract	
Contract No.:	CTR046165
Description:	Flagstaff Voluntary Payment

DEPARTMENT OF ECONOMIC SECURITY
Your Partner For A Stronger Arizona

Scope of Work

1. Arizona Department of Economic Security (ADES) Mission and Vision Statement

1.1 ADES Mission: The Arizona Department of Economic Security makes Arizona stronger by helping Arizonans reach their potential through temporary assistance for those in need, and care for the vulnerable.

1.2 ADES Vision: All Arizonans who qualify receive timely ADES services and achieve their potential.

2. Purpose of Contract

2.1. Purpose Statement: The purpose of this agreement is for the City of Flagstaff to provide funding to the Arizona Department of Economic Security that will be matched through the Developmental Disabilities Medicaid expenditure authority, and then distributed to Division of Developmental Disabilities (DDD) Qualified Vendors that have experienced cost increases in the City of Flagstaff as a result of the Proposition 414 Minimum Wage Act.

2.2. Legal Authority: A.R.S. § 41-1954(A)(6) provides ADES, hereafter referred to as the Department, the authority to contract and incur obligations within the general scope of its activities and operations.

2. Definitions

3.1 *Division of Developmental Disabilities (DDD)* **-** A Division of the Department of Economic Security that provides supports and services that help enable eligible individuals with opportunities to exercise their rights and responsibilities of independent decision-making and engagement in the community.

3.2 *DDD Qualified Vendors –* For the purposes of this agreement, this term applies to DDD Qualified Vendors who also provide services to ALTCS/DDD members in zip codes 86001, 86003, and 86004 (City of Flagstaff limits).

3.3 *Proposition 414* – Minimum Wage Act that established a new City of Flagstaff minimum wage schedule effective July 1, 2017.

3. Service Description

The City will provide ADES voluntary payment for labor cost increases for DDD Qualified Vendors.

4. Background

On November 8, 2016 Proposition 414 the Minimum Wage Act (the "**Act**"), was a citizen initiative on Flagstaff ballot. It was approved by 53.99% of voters. The Act established a new City of Flagstaff minimum wage schedule effective July 1, 2017.

5. Contractor Requirements

The Contractor Shall:

5.1. Provide voluntary payment not to exceed $150,000 to ADES.

ADES will:

5.2. Provide funding not to exceed $350,000 from DDD's Medicaid expenditure authority, the combined funds from DDD and the City will go to DDD Qualified Vendors in Flagstaff.

5.3. Spend two dollars ($2) of the DDD's Medicaid expenditure authority monies for each dollar ($1) that the City provides as voluntary payments to DDD's Qualified Vendors.

5.4. Determine which DDD Qualified Vendors are eligible to be funded as authorized by House Bill 2747, Section 108 on pages 78 - 79.

5.5. Refund any of the City's unspent voluntary payment to the City by July 31, 2020.

6. EXTENSION

This agreement may be extended through a mutual written amendment of the parties, but in no event for a total period that exceeds five (5) years.

7. TERMINATION

7.1. This agreement may be terminated by mutual agreement of the parties at any time during the term of this agreement.

7.2. Each Party shall have the right to terminate this agreement by personal delivery or by certified mail, return receipt requested, to the other party written notice of termination at least thirty (30) days prior to the effective date of said termination. Either party may terminate this Agreement upon thirty (30) working days written notice to the other party.

8. AMENDMENTS

8.1. This agreement may be amended only by mutual written amendment. No agent, employee, or other representative of either Party is empowered to alter any of the terms of this Agreement, unless amended in writing and signed by an authorized representative of the respective Parties.

8.2. Each party shall give written notice to the other party of any non-material alteration that affects the provisions of this Agreement. Non-material alterations that do not require a written amendment are as follows:

8.2.1. Change of telephone number;

8.2.2. Change in authorized signatory; and/or

8.2.3. Change in the name and/or address of the person to whom notices are to be sent.

9. MANNER OF FINANCING

9.1. Funds paid by the City to ADES shall not be derived from federal source or federal funds. Payments to ADES by the City shall be voluntary permissible non-federal funds.

9.2. Each party shall appropriate funding called for hereunder.

10. REPORTING REQUIREMENTS

ADES shall provide to the City the following reports:

10.1. Quarterly funding distribution reports within thirty (30) days of quarter end. Reports will include DDD Qualified Vendors name, date of payment, ADES amount and City amount.

11. PAYMENT REQUIREMENTS

City will provide voluntary payment to ADES within 30 days of execution of this IGA.

12. NOTICES, REPORTS, AND CORRESPONDENCE

12.1. All notices to the City regarding this agreement shall be sent to the following address:

City of Flagstaff
ATTN: Cliff Bryson
211 W. Aspen Avenue
Flagstaff, AZ 86001

Or via email
CBryson@flagstaffaz.gov

12.2. All notices to ADES regarding this agreement shall be sent to the following address:

Arizona Department of Economic Security
ATTN:DDD Contracts - 2HC3
1789 W Jefferson St.
Phoenix, AZ 850007

13. APPLICABLE LAW

This Agreement shall be governed and interpreted by the laws of the State of Arizona. The materials and services supplied under this Agreement shall comply with all applicable Federal, State and local laws. The Contractor shall maintain all applicable licenses and permit requirements.

14. ARBITRATION

The Parties to this Agreement agree to resolve all disputes arising out of or relating to this Agreement through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S.§§ 12-1518(B) and 12-133, except as may be required by other applicable statutes.

15. AUDIT

15.1. In accordance with A.R.S. § 35-214, the Contractor shall retain and shall contractually require each subcontractor to retain all data, books and other records ("records") relating to this Agreement for a period of five (5) years after the completion of this Agreement except if subject to Health Insurance Portability & Accountability Act which is six (6) years from the date of final payment. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, Contractor shall produce an original copy of any or all such records.

15.2. All contracts and subcontracts for the furnishing of goods, equipment, labor, materials or services to the state, or any of its agencies, boards, commissions or departments, there shall be a provision that all books, accounts, reports, files and other records relating to the contract shall be subject at all reasonable times to inspection and audit by the state for five years after completion of the contract. The contract provision shall also require that such records be produced at such state offices as designated by the state in the contract

16. CONFLICT OF INTEREST

16.1. In accordance with A.R.S. § 38-511, the State may within three years after execution terminate the agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the agreement on behalf of either party, at any time while the agreement is in effect, becomes an employee or agent of any other party to the Agreement in any capacity or a consultant to any other party to the agreement with respect to the matter of the agreement.

16.2. The state, its political subdivisions or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the state, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the state, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

17. E-VERIFY

In accordance with A.R.S. § 41-4401, Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with A.R.S. § 23-214, Subsection A.

18. FEDERAL IMMIGRATION AND NATIONALITY ACT

18.1. By entering into the agreement, the Contractor warrants compliance with the Federal Immigration and Nationality Act. (FINA) and all other Federal immigration laws and regulations related to the immigration status of its employees. The Contractor shall obtain statements from its subcontractors certifying compliance and shall furnish the statements to the Procurement Officer upon request. These warranties shall remain in effect through the term of the agreement. The Contractor and its subcontractors shall also maintain Employment Eligibility Verification forms (I-9) as required by the U.S. Department of Labor's Immigration and Control Act, for all employees performing work under the Agreement. I-9 forms are available for download at USCIS.GOV.

18.2. The State may request verification of compliance for any Contractor or subcontractor performing work under the agreement. Should the State suspect or find that the Contractor or any of its subcontractors are not in compliance, the State may pursue any and all remedies allowed by law, including, but not limited to suspension of work, termination of the agreement for default, and suspension and/or debarment of the City. All costs necessary to verify compliance are the responsibility of the City.

19. INDEMNIFICATION:

19.1. Each party (as "Indemnitor") agrees to defend, indemnify, and hold harmless the other party (as "Indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such Claims which result in vicarious/derivative liability to the Indemnitee are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers. The State of Arizona, Department of Economic Security is self-insured per A.R.S. 41-621.

19.2. In addition, should (City of Flagstaff) utilize a contractor(s) and subcontractor(s) the indemnification clause between (City of Flagstaff) and its contractor(s) and subcontractor(s) shall include the following:

19.3. To the fullest extent permitted by law, contractor shall defend, indemnify, and hold harmless the (City of Flagstaff) and the State of Arizona, and any jurisdiction or agency issuing any permits for any work arising out of this agreement, and its departments, agencies, boards, commissions, universities, , officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of the contractor or any of the directors, officers, agents, or employees or subcontractors of such contractor. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims

arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by such contractor from and against any and all claims. It is agreed that such contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. Additionally on all applicable insurance policies, contractor and its subcontractors shall name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as an additional insured and also include a waiver of subrogation in favor of the State.

20. IT 508 COMPLIANCE

Unless specifically authorized in the agreement, any electronic or information technology offered to the State of Arizona under this agreement shall comply with A.R.S. §§ 18-131 and §§ 18-132 and Section 508 of the Rehabilitation Act of 1973, which requires that employees and members of the public shall have access to and use of information technology that is comparable to the access and use by employees and members of the public who are not individuals with disabilities.

21. NON-AVAILABILITY OF FUNDS

In accordance with A.R.S. § 35-154, every payment obligation of the State under this Agreement is conditioned upon the availability of funds appropriated or allocated for payment of such obligation. If funds are not allocated and available for the continuance of this agreement, this agreement may be terminated by the State at the end of the period for which funds are available. No liability shall accrue to the State in the event this provision is exercised, and the State shall not be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

22. NON-DISCRIMINATION

The Contractor shall comply with State Executive Order No. 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

23. OFFSHORE PERFORMANCE OF WORK PROHIBITED

Due to security and identity protection concerns, direct services under this agreement shall be performed within the borders of the United States. Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and may involve access to secure or sensitive data or personal client data or development or modification of software for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the specifications, this definition does not apply to indirect or 'overhead' services, redundant back-up services or services that are incidental to the performance of the Agreement. This provision applies to work performed by subcontractors at all tiers.

24. PARTICIPATION IN BOYCOTT OF ISRAEL

Contractor warrants it is not engaged in a boycott of Israel as defined by A.R.S. § 35-393.01.

25. RIGHT OF OFFSET

ADES shall be entitled to offset against any sums due the City, any expenses or costs incurred by ADES, or damages assessed by ADES concerning the Contractor's non-conforming performance or failure to perform the agreement. The right to offset may include, but is not limited to, a deduction from an unpaid balance and a collection against the bid and/or performance bonds. Any offset taken for damages assessed by the ADES shall represent a fair and reasonable amount for the actual damages and shall not be a penalty for non-performance."

26. THIRD- PARTY ANTITRUST VIOLATIONS

The Contractor assigns to ADES any claim for overcharges resulting from antitrust violations concerning materials or services supplied by third parties to the Contractor, toward fulfillment of this Agreement.

27. CONFIDENTIALITY

27.1. The Contractor shall observe and abide by all applicable State and federal statutes, rules and regulations regarding the use or disclosure of information including, but not limited to, information concerning applicants for and recipients of contract services. To the extent permitted by law, the Contractor shall release information to ADES and to the Attorney General's Office as required by the terms of this agreement, by law or upon their request.

27.2. The Contractor shall comply with the requirements of Arizona Address Confidentiality Program, A.R.S. § 41-161 et. seq. ADES will advise the Contractor as to applicable policies and procedures ADES has adopted for such compliance.

28. DATA SHARING AGREEMENT

When determined by ADES that sharing of confidential data will occur with the City, the Contractor shall complete ADES Data Sharing Request Agreement and submit the completed Agreement to ADES Program Designated Staff prior to any work commencing or data shared. A separate Data Sharing Request Agreement shall be required between the Contractor and each ADES Program sharing confidential data.

House Engrossed

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 263

HOUSE BILL 2747

AN ACT

AMENDING LAWS 2014, SECOND SPECIAL SESSION, CHAPTER 2, SECTION 9; AMENDING LAWS 2017, CHAPTER 305, SECTION 115, AS AMENDED BY LAWS 2018, CHAPTER 276, SECTION 2; AMENDING LAWS 2018, CHAPTER 276, SECTIONS 118 AND 141; APPROPRIATING MONIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.

B. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $48,400,000 is appropriated from the federal child care and development fund block grant to the department of economic security for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.

C. The appropriations made in subsections A and B of this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2020.

Sec. 106. Department of economic security; food bank storage and distribution; supplemental appropriation; fiscal year 2018-2019; exemption

A. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $950,000 is appropriated from the state general fund in fiscal year 2018-2019 to the department of economic security for food bank storage and distribution of food.

B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Sec. 107. Department of economic security; developmental disabilities program expenses; supplemental appropriations; fiscal year 2018-2019

In addition to any other appropriations made in fiscal year 2018-2019, the sum of $10,400,000 from the state general fund, $1,000,000 from the health services lottery monies fund established by section 36-108.01, Arizona Revised Statutes, and $24,071,300 from developmental disabilities medicaid expenditure authority are appropriated in fiscal year 2018-2019 to the department of economic security for division of developmental disabilities program expenses.

Sec. 108. Supplemental appropriation; department of economic security; developmental disabilities services providers; mandated labor costs; exemption

A. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $500,000 from expenditure authority is appropriated in fiscal year 2018-2019 to the department of economic security for assistance to developmental disabilities services providers. The total includes the following changes by fund:

1. $150,000 from voluntary payments made by political subdivisions.

2. $350,000 from developmental disabilities medicaid expenditure authority.

B. The department may spend $2 of the developmental disabilities medicaid expenditure authority monies appropriated in subsection A of this section for each $1 that the city of Flagstaff provides as voluntary payments for this purpose. The department shall distribute the monies to

for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.

B. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $48,400,000 is appropriated from the federal child care and development fund block grant to the department of economic security for child care subsidies to increase the number of children served and to increase maximum reimbursement levels.

C. The appropriations made in subsections A and B of this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, through June 30, 2020.

Sec. 106. Department of economic security; food bank storage and distribution; supplemental appropriation; fiscal year 2018-2019; exemption

A. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $950,000 is appropriated from the state general fund in fiscal year 2018-2019 to the department of economic security for food bank storage and distribution of food.

B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Sec. 107. Department of economic security; developmental disabilities program expenses; supplemental appropriations; fiscal year 2018-2019

In addition to any other appropriations made in fiscal year 2018-2019, the sum of $10,400,000 from the state general fund, $1,000,000 from the health services lottery monies fund established by section 36-108.01, Arizona Revised Statutes, and $24,071,300 from developmental disabilities medicaid expenditure authority are appropriated in fiscal year 2018-2019 to the department of economic security for division of developmental disabilities program expenses.

Sec. 108. Supplemental appropriation; department of economic security; developmental disabilities services providers; mandated labor costs; exemption

A. In addition to any other appropriations made in fiscal year 2018-2019, the sum of $500,000 from expenditure authority is appropriated in fiscal year 2018-2019 to the department of economic security for assistance to developmental disabilities services providers. The total includes the following changes by fund:

1. $150,000 from voluntary payments made by political subdivisions.

2. $350,000 from developmental disabilities medicaid expenditure authority.

B. The department may spend $2 of the developmental disabilities medicaid expenditure authority monies appropriated in subsection A of this section for each $1 that the city of Flagstaff provides as voluntary payments for this purpose. The department shall distribute the monies to

IGA CTR046165
Developmental Disabilities Service Providers

CLIFF BRYSON

TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

10/01/19 Presentation Outline

1. History
2. IGA Language
3. Resolution

DES/COF IGA

History

- 11/06/16
  - Passage of the Minimum Wage Act or Proposition 414 voter initiative, rasining the City of Flagstaff's minimum wage from $8.05 per hour in 2016 to $15.00 by 2021.
  - Arizona voters passed the Fair Wages and Healthy Families Act or Proposition 206 voter initiative, raising the state minimum wage from $8.05 per hour to $12.00 per hour by 2020.

DES/COF IGA

History Cont.

- **03/21/17**
  - City council passed an amendment to the Minimum Age Act (Ordinance 2017-08) establishing a new timeline for the minimum wage increases.
  - Designed to combat the compounding effects of the Minimum Wage Act and the Fair Wages & Healthy Families Act passing concurrently, which would have required Flagstaff's minimum wage to increase to $12.00 per hour July 1, 2017, a drastic increase.

DES/COF IGA

History Cont.

- **07/01/17**
  - Flagstaff's Minimum Wage Act took effect raising the Flagstaff's minimum wage to $10.50 per hour instead of $12.00 per hour.
  - As of 01/01/19, the city's minimum wage is $12.00.
- **01/29/19**
  - SB1225 titled; *Appropriation; Developmental Disabilities Services Providers*, was introduced by Senator Sylvia Allen.

DES/COF IGA

History Cont.

- **SB1225:**

Emergency funding in the amount of $508,600 from the state general fund and $1,176,100 from developmental disabilities Medicaid authority to developmental disabilities services providers (DDSPs) that experienced the highest mandated labor cost increases for services provided in a geographic service area located in northern Arizona……

- ***Passed Assigned Committees***

DES/COF IGA

History Cont.

❖SB1225 Amended on 04/04/19:

- Decreasing the $508,600 amount to $172,924;
- Inserting the one-time emergency clause;
- Inserting that the department may spend $1 of the monies appropriated by this subsection for each $2 that the city of Flagstaff provides;
- Eliminating the “Arizona health care cost containment system administration” and replacing it with “the city of Flagstaff.” *(Amendment passed)*

DES/COF IGA

History Cont.

- City staff discussions on providing voluntary payment based on the amended language with council.
- Review of options to provide funding by staff as directed by council though FY20 budget process.
- $50k first identified
- Final amount of $150K approved by council.

DES/COF IGA

IGA Language

- 1x amount not to exceed $150k for FY20.
- Arizona Department of Economic amount not to exceed $350k from Division of Development Disabilities' (DDD) Medicaid expenditure authority.
- Dispersed to DDD qualified vendors who also provide services to ALTCS/DDD members in zip codes 86001, 86003, and 86004 (City of Flagstaff).
- DES to determine which DDD Qualified Vendors are eligible to be funded as authorized by House Bill 2747, Section 108 on pages 78 – 79.

DES/COF IGA

IGA Language Cont.

- DES to refund any of the City's unspent voluntary payment to the City by July 31, 2020.
- DES to provide quarterly funding distribution reports within thirty (30) days of quarter end.
  - *Reports include DDD Qualified Vendors name, date of payment, ADES amount and City amount.*
- *Contract expires 08/31/20*

DES/COF IGA

Resolution

See Attached Resolution

Questions

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Cliff Bryson, Senior Management Analyst

Co-Submitter: Jack Fitchett

Co-Submitter: Jack Fitchett

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE:

Consideration and Adoption of Resolution No. 2019-50: A resolution of the Flagstaff City Council urging the United States Congress to ratify the United States-Mexico Agreement (USMCA).

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2019-50 by title only
2) City Clerk reads Resolution No. 2019-50 by title only (if approved above)
3) Adopt Resolution No. 2019-50

Executive Summary:

On September 30, 2018, the United States, Canada and Mexico announced they had reached a trilateral free trade agreement in principle after conducting negotiations talks on the North American Free Trade American (NAFTA). The agreement called the United States-Mexico-Canada Agreement or USMCA (NAFTA 2.0) is intended to replace the old NAFTA by creating a modernized free-trade system between the three governments addressing emerging issues, such as but not limited to the organization of regulatory systems, e-commerce and the protection of intellectual property. The USMCA changes some of the rules and processes governing how certain goods are traded within North America and mechanisms available for how trade disputes are resolved. The USMCA allows Americans to trade more than $3.8 billion (approximately $1.4 trillion annually) in goods and services every day with Mexico and Canada supporting more than 12 million American jobs. The U.S.-manufactured goods exports to Mexico and Canada support the jobs of more than 2 million American workers across the United States. Most U.S. manufacturing sectors (38 out of 42) and most states (46 out of 50) count Canada or Mexico as their first- or second-largest foreign purchasers. The U.S. agricultural exports to Canada and Mexico quadrupled from $8.9 billion in 1993 to $40 billion in 2018, and the two countries are top markets for U.S. grains, dairy products, meats, fresh fruits, and vegetables. Nearly one-third of U.S. agricultural exports went to Mexico and Canada in 2017. Canada and Mexico are the top two export destinations for U.S. small and medium-sized business with more than 120,000 of which these businesses sell their goods and services in our

Canada and Mexico. The USMCA ensures that the US products and services will have preferred access to the Mexican and Canadian markets.

For Arizona, Mexico and Canada are the top two trading partners in terms of total trade as well as top two destination for Arizona products and services, with more than 228,000 Arizona jobs dependent on trade and investment with Mexico and Canada. The State of Arizona trade with Canada and Mexico totaled over $20 billion in Arizona. The USMCA is a strong and advanced trade agreement negotiated that benefits Arizona workers, farmers, ranchers and businesses in return will increase tourism and economic activities in the city of Flagstaff toward economic and community vitality.

Financial Impact:

None.

Policy Impact:

None

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

Economic Development.

Has There Been Previous Council Decision on This:

Previous council discussion occurred during the Tuesday September 17, 2019 council meeting and approved to bring forth a resolution urging the US Congress to ratify the United States-Mexico-Canada Agreement (USMCA).

Background/History:

The United States–Mexico–Canada Agreement (USMCA) is based on the North American Free Trade Agreement (NAFTA) which originally came into effect on January 1, 1994. The USMCA is the result of a 2017–2018 renegotiation of NAFTA by its member states, which informally agreed to the terms on September 30, 2018, and formally on October 1. The USMCA was signed by United States President Donald Trump, Mexican President Enrique Peña Nieto, and Canadian Prime Minister Justin Trudeau on November 30, 2018 during the 2018 G20 Summit in Buenos Aires. The language of the agreement was submitted before the US Congress for a 60-day review for possible changes. On June 16, 2019, Mexico fully ratify the agreement through their legislature while the United States and Canada have yet to ratify. The USMCA contains the following key changes:

Dispute Resolution

- NAFTA Chapter 20, country-to-country dispute resolution mechanism maintained
- NAFTA Chapter 19, anti-dumping/countervailing duty dispute-resolution mechanism maintained
- NAFTA Chapter 11, investor-state dispute resolution mechanism (ISDS) eliminated between Canada and the United States.
- *ISDS was a mechanism that allowed private corporations to take legal action against a foreign government if it believes that foreign government's policies infringe on the corporation's rights to engage in commerce in that country in accordance with the terms of NAFTA*

Automotive Rules of Origin and Regional Value Content

- Total North American content of a vehicle must equal 75% (up from 62.5%).
- 70% of all steel, aluminum, and glass used in the production of the automobile must originate in North America.
- Part content will be divided up into core, principal, and complementary parts with content requirements of 75%, 65%, and 60% respectively.
- 40% of an automobile and 45% of a light truck must be produced using an average labor wage of $16/hour.
- Quotas totaling 2.6 million Canadian and Mexican vehicles (well above the current 1.8 million) were established the USMCA.
- Quotas of $32.4 billion in Canadian auto parts imports and $108 billion in Mexican auto parts imports were established in the USMCA.

Dairy Market Access

- Restrictions on the import of U.S. ultra-filtered milk into Canada have been removed.
- U.S. producers will have access to an additional 3.6% of Canada's dairy market.
- Canada's dairy supply management system, which places limits on foreign imports is maintained.

Intellectual Property

- Pharmaceutical companies can maintain patents on biologics for a 10-year term, up from eight years.
- The term of copyright was extended from 50 years after an author's death to 70 years.

Sunset Clause

- Terms of USMCA will remain in effect for a period of 16 years, at which time the parties can choose to revisit and/or renegotiate those terms, or withdraw from the agreement altogether.
- After six years, the term of USMCA's sunset (16 years) can be revisited and potentially extended if the parties feel doing so would be beneficial.

Section 232 Tariffs

- No resolution on steel and aluminum tariffs, or Canadian and Mexican countermeasures.

Attachments: Res. 2019-50

RESOLUTION NO. 2019-50

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL URGING THE UNITED STATES CONGRESS TO RATIFY THE UNITED STATES-MEXICO-CANADA AGREEMENT (USMCA)

RECITALS:

WHEREAS, the United States has reached an agreement with Mexico and Canada in the renegotiation of the North American Free Trade Agreement (NAFTA). The United States Mexico Canada Agreement (USMCA) is the strongest and most advanced trade agreement ever negotiated. It is good for the United States, Mexico, and Canada in a way that truly benefits our workers, farmers, ranchers and businesses;

WHEREAS, when finalized and implemented, the agreement will create more balanced, reciprocal trade that supports high-paying jobs for Americans and grows the North American economy;

WHEREAS, Canada and Mexico are Arizona's top two trading partners in terms of total trade as well as top two destination for Arizona products and services;

WHEREAS, more than 228,000 Arizona jobs are dependent on trade and investment with Mexico and Canada;

WHEREAS, two-way trade with Mexico and Canada totaled over $20 billion in Arizona;

WHEREAS, the USMCA will create a more level playing field for American workers, including improved rules of origin for automobiles, trucks, other products, and disciplines on currency manipulation;

WHEREAS, the USMCA will benefit American farmers, ranchers, and agribusinesses by modernizing and strengthening food and agriculture trade throughout North America. Greater protection in the agricultural sector is offered in the new trade agreement, which is an industry of great interest to Arizona;

WHEREAS, the USMCA ensures that the US products and services will have preferred access to the Mexican and Canadian markets;

WHEREAS, the new digital trade chapter contains the strongest disciplines of any international agreement, providing a firm foundation for the expansion and investment in innovative products and services where Arizona companies and the U.S. has a competitive advantage; and

WHEREAS, the USMCA will boost tourism and economic activities in the city of Flagstaff toward economic and community vitality.

ENACTMENTS:

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

FOLLOWS:

SECTION 1. A letter shall be transmitted to every member of Arizona delegation in the United States Congress and Arizona Senators Krysten Sinema and Martha McSally urging the immediate ratification of the United States Mexico Canada Agreement (USMCA).

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 15th day of October, 2019.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Trevor Henry, Project Manager
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE

Rio de Flag Flood Control Project - Update

STAFF RECOMMENDED ACTION:

Facilitate Council discussion with an update on the project.

EXECUTIVE SUMMARY:

- The US Army Corps of Engineers continues to move forward with administering the Flood Control Project.
- The project plans have been submitted and are in the review process. USACE's approval of the final design is anticipated by May of 2020.
- The City of Flagstaff has implemented the Stormwater Fee increase, July 2019.
- The City of Flagstaff is working on right-of-way acquisition and environmental clearances.
- The City of Flagstaff continues discussions with Burlington Northern and Santa Fe Railway Co.
- Total project cost estimate has increased from $106M to $121M.

INFORMATION:

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

Council Goal 2017 – 2019 - Transportation and Other Public Infrastructure Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

Council Goal 2017 – 2019 - Environmental and Natural Resources: Actively manage and protect all environmental and natural resources.

Regional Plan – Policy WR 5
Manage watersheds and stormwater to address flooding concerns, water quality, environmental protections, and rainwater harvesting.

Team Flagstaff Strategic Plan – Foster a Resilient and Economically Prosperous City:
Deliver outstanding services through a healthy environment, resources and infrastructure.

Has There Been Previous Council Decision on This:
The Rio de Flag project has been before various City Councils for updates within the last 14 years. Council has acted on executing the original Project Cooperation Agreement between the City and the U.S. Army Corps of Engineers, approving concurrent fiscal year budgets and consulting service contracts.

City Council considered the Stormwater Fee increase as presented by staff on November 20, 2018.

City Council award of a professional services contract with Beta Public Relations, LLC on March 19, 2019, for a Public Outreach Campaign.

Staff provided a project update at the June 11, 2019 council meeting.

Staff will provide an update to the council on the Rio de Flag Flood Control Project. The presentation will include estimated project cost, schedule and current topics.

Attachments: Presentation

Attachments: Presentation



City of Flagstaff

Rio de Flag Flood Control Project

October 15, 2019 Council Update

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

Agenda

- **Importance and History of the Rio de Flag Flood Control Project**
- **Completed Preliminary Elements**
- **Efforts to Address Community Concerns**
- **History/Background of Funding and Schedule**
- **Cost Estimate**
- **Project Schedule**
- **Current Topics**
  - US Army Corps, BNSF Railway (BNSF), Property/Environmental, Public Outreach
- **Summary**



Project Importance

Flood control for the Rio de Flag is one of the most important issues facing the Flagstaff Community.

- A significant flood would result in damage to approximately **1,500 structures** valued at over **$916M** and cause **$93M** in economic damages for a **total impact of over $1 Billion dollars**
- **Improvements will provide:**
  - Elimination of hazards of flooding for many Flagstaff residents
  - Opportunity for Downtown and Southside redevelopment
  - Elimination of flood insurance requirements and restrictive floodplain management regulations

History and Background

- **Feasibility Study conducted in the late 1990s**
- **City entered into a Project Cooperation Agreement with the Army Corps in 2004**
  - City Responsibilities in Project Cooperation Agreement
    - Contribute up to **35%** of cost
    - Provide all Land, Easements, Rights-Of-Way, Relocations & Disposals, including BNSF land
    - Provide full environmental clearance

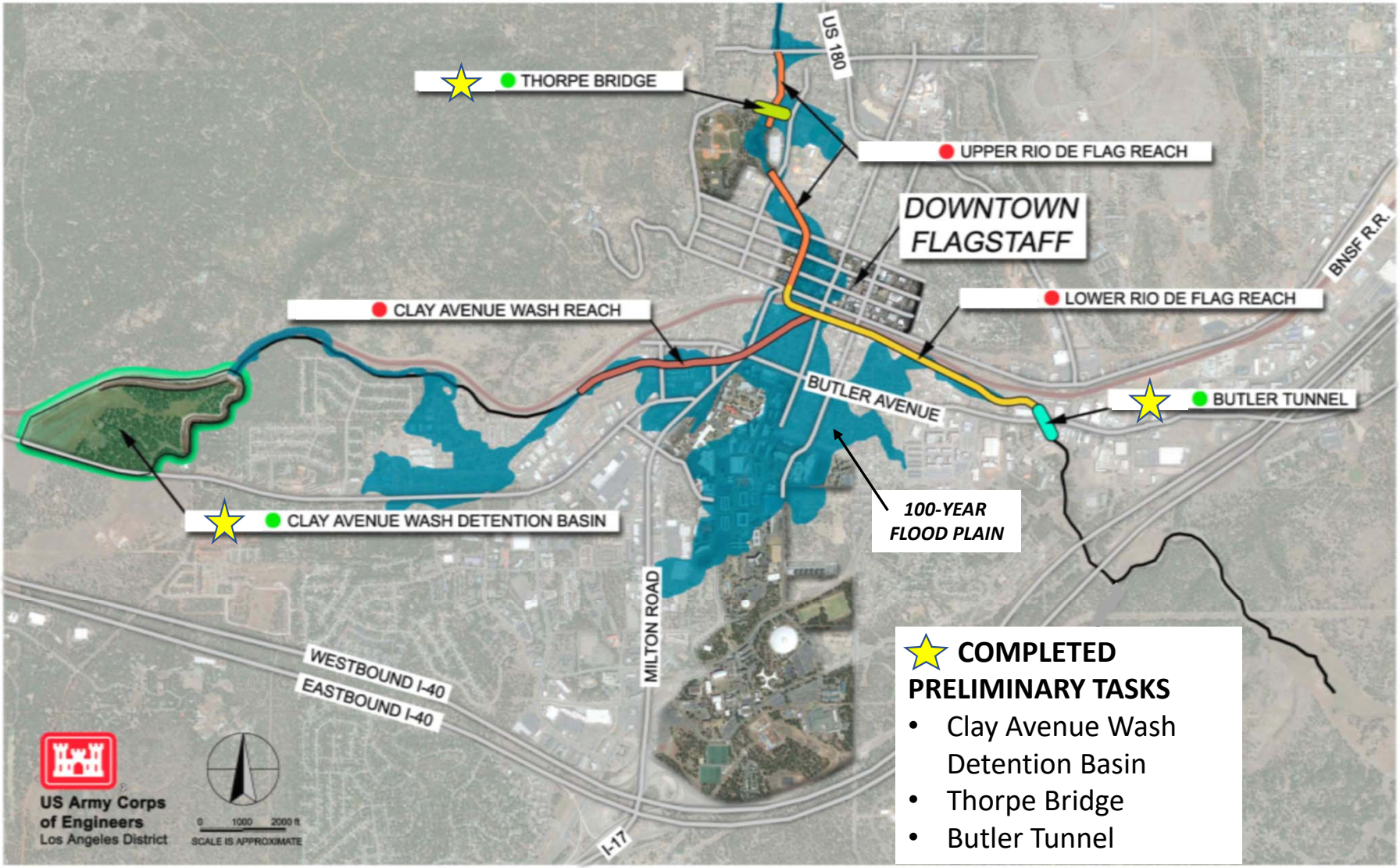
History and Background

Cost/Funding History

- Originally authorized in the Water Resources Development Act of **2000 for $24M**
- Reauthorized in **2008 for $54M**
- Now authorized for **$102.9M** (Water Infrastructure Improvements Act for the Nation 2016)
- Stormwater fee was increased to fund City Stormwater projects, including the Rio de Flag. Fee was initiated in **July 2019**
- Current estimate is **$121M**
- In 2018, Federal funding was received **($1.3M)** to complete 100% Design. The City provided a match in the amount of **$700K** for the design completion.

Break for Questions





RIO DE FLAG MAINSTEM PROJECT MAP

Clay Wash Detention Basin



Butler Tunnel



Thorpe Bridge



Completed Preliminary Project Elements

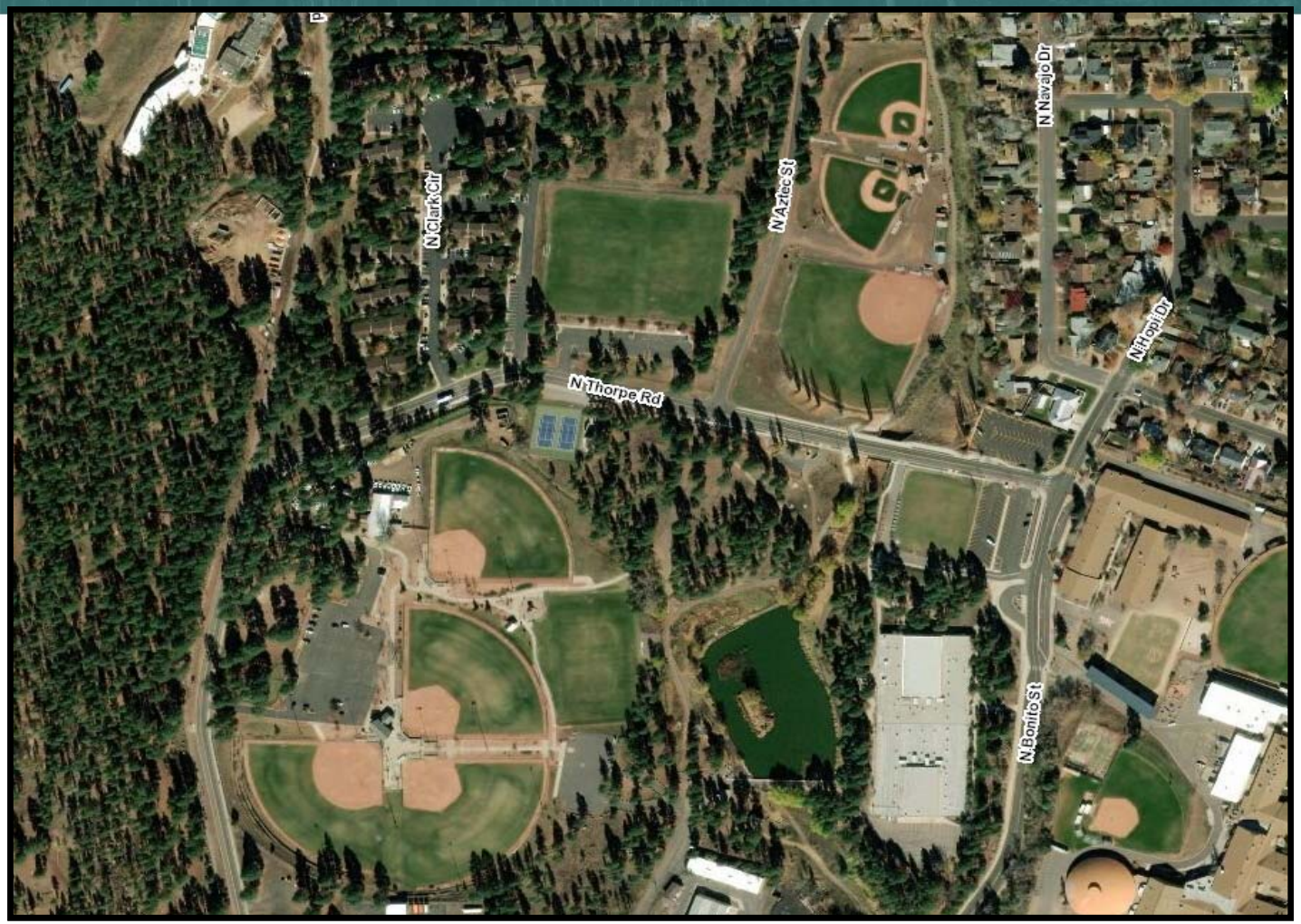
- Clay Avenue Wash Detention Basin - **2009 ($6.4 M)**
- Butler Tunnel - **2010 ($3.6M)**
- Thorpe Bridge - **2012 ($2.7M)**
- Dredged Frances Short Pond
- Army Corps Cost-to-Date: **$28M**
- City of Flagstaff Cost-to-Date: **$17M**

- Conducted multiple rounds of Value Engineering
- Property acquisition, environmental clearances and public engagement continue
- Project design is nearing completion with eight (8) consultants working to meet **May 2020 deadline**

Break for Questions



Thorpe Park Ball Fields



ADDRESSING COMMUNITY CONCERNS

Detention and Floodwalls

Thorpe Park Detention Alternative - 2000 Feasibility Study

- Negative input from community - Breach risk and impacts to Thorpe Park
- Included tall floodwalls and extensive levees adjacent to private parcels
- Restricted recreational use for Thorpe Park
- Channel culvert size reduced downstream
- Did *NOT* include keeping RDF flows in existing Southside alignment
  - Southside alignment along railroad tracks - preferred alternative (>25 years)
  - Utilizes historic channel (pre-development of Flagstaff)
  - Natural topography and lack of development support this concept

Break for Questions



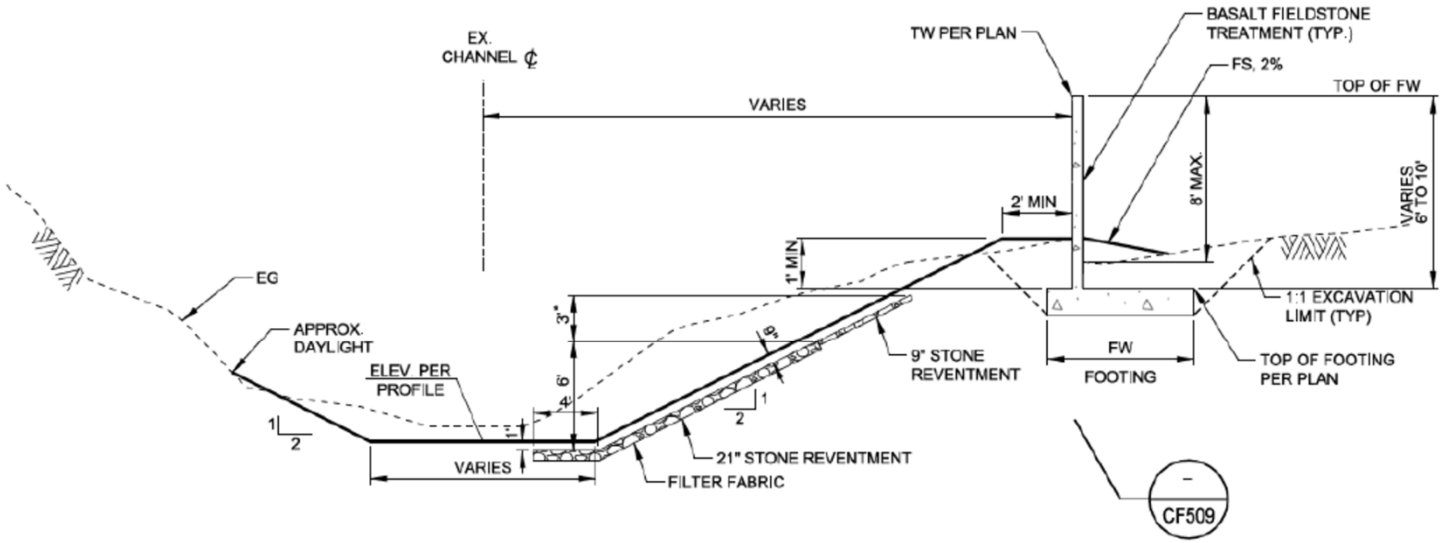
ADDRESSING COMMUNITY CONCERNS

Detention and Floodwalls

TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

Navajo Drive Flood Wall

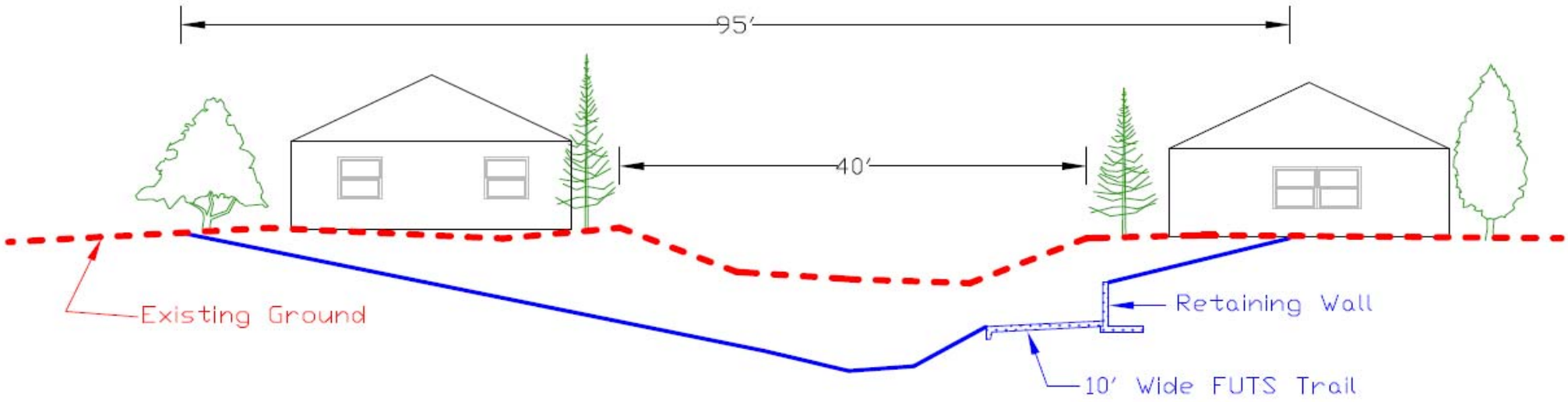
- Public comment - Wall was too tall and on property line
- Design Team worked to relocate away from the property line and lower the wall



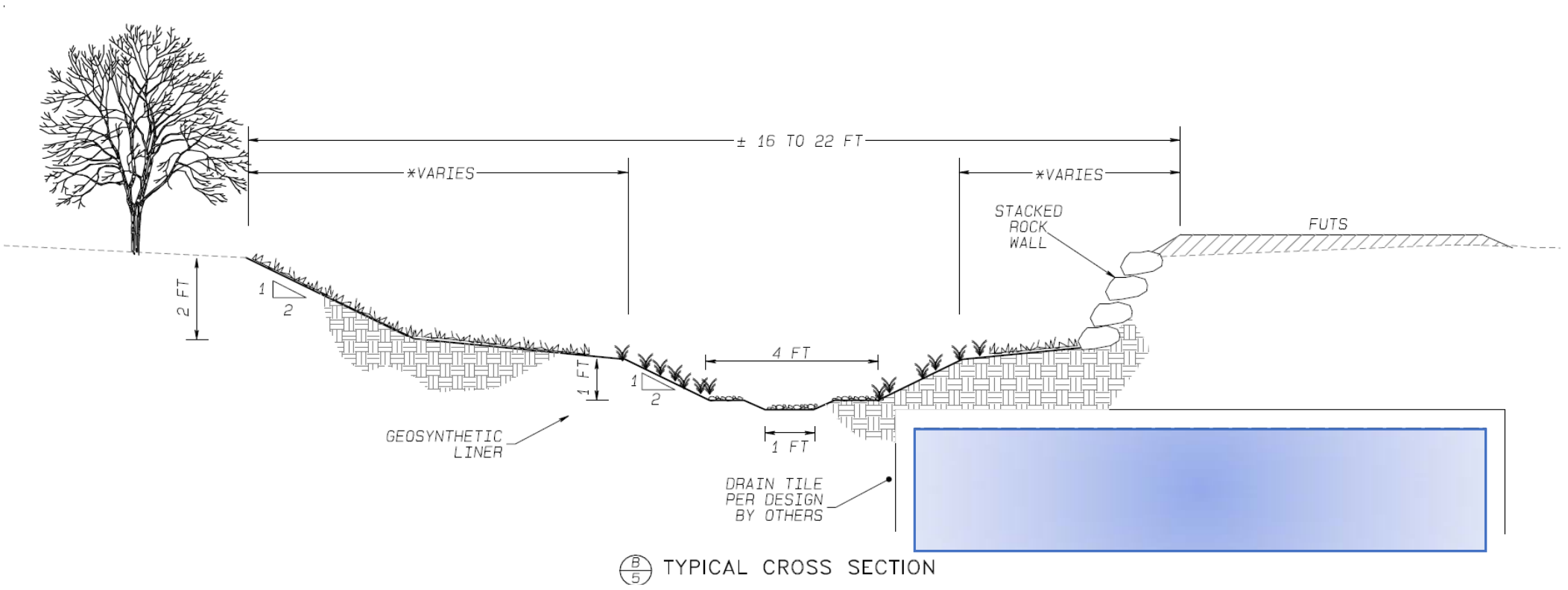
C1 TYP. SECTION - FLOODWALL ALONG RIO DE FLAG
STA.215+00 TO 217+02 AND STA.225+00 TO 236+51

SCALE: N.T.S

Open Channel



Composite Channel – Upper Reach



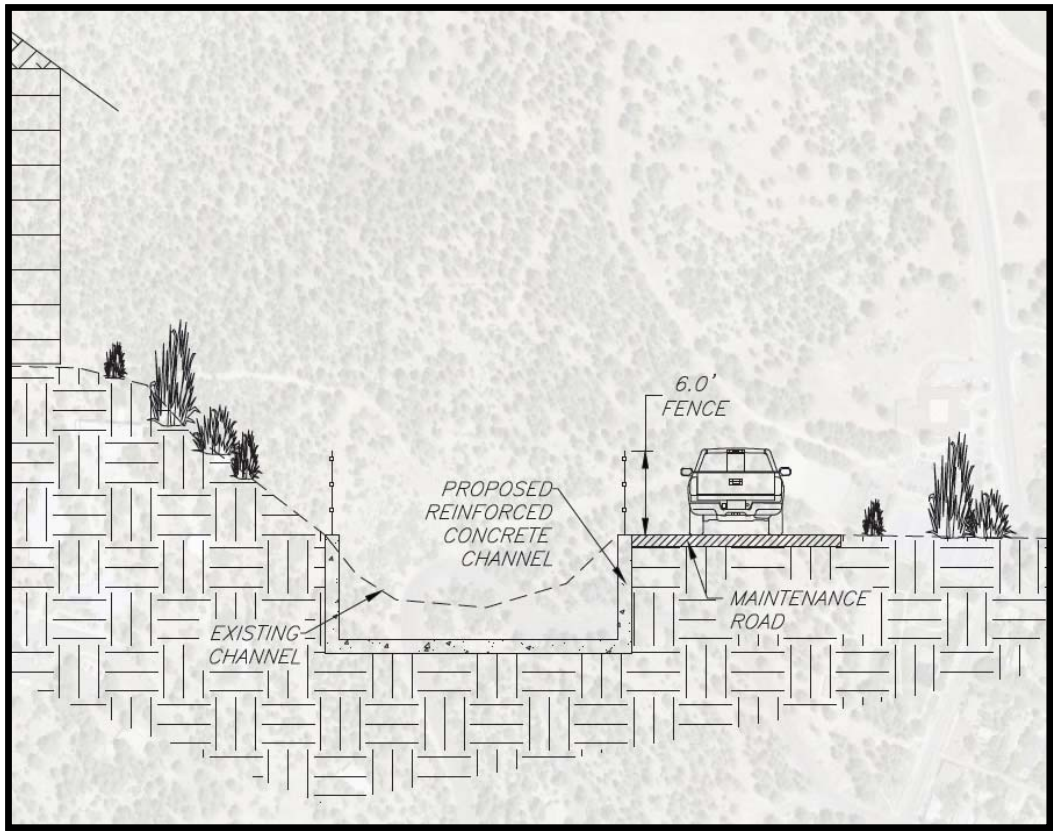
Break for Questions



Clay Avenue Reach Cross Sections

West Section - Open Channel

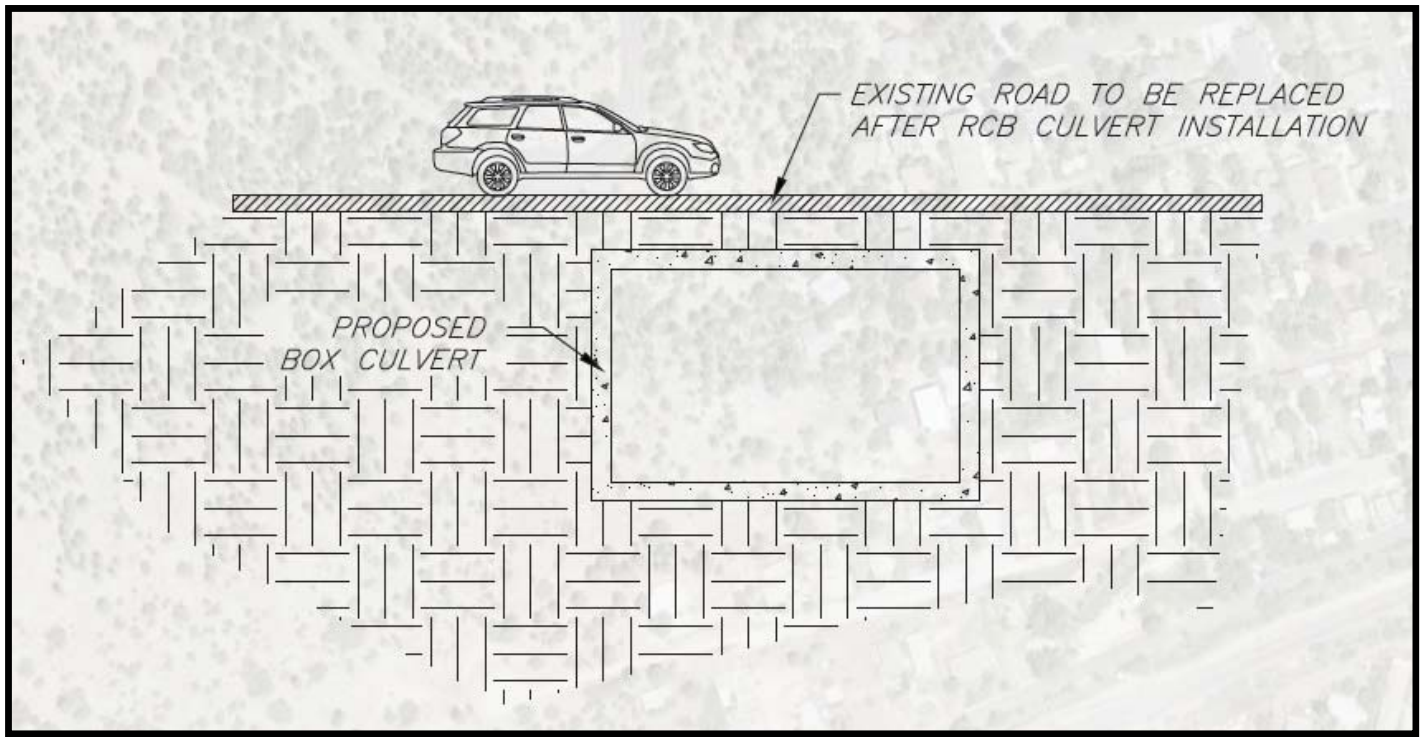
Millpond Apartments to Blackbird Roost



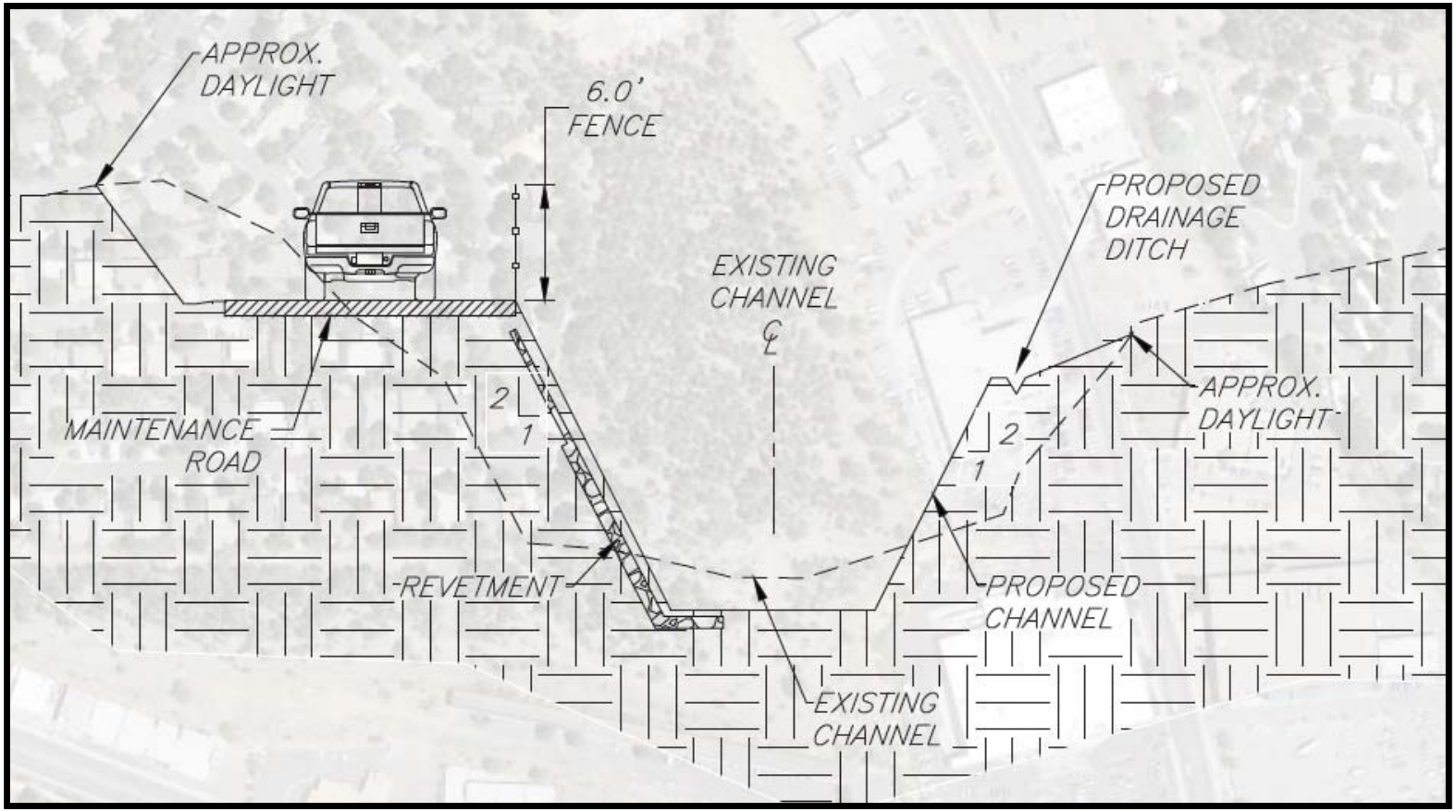
Clay Avenue Reach Cross Sections

East Section - Closed Channel

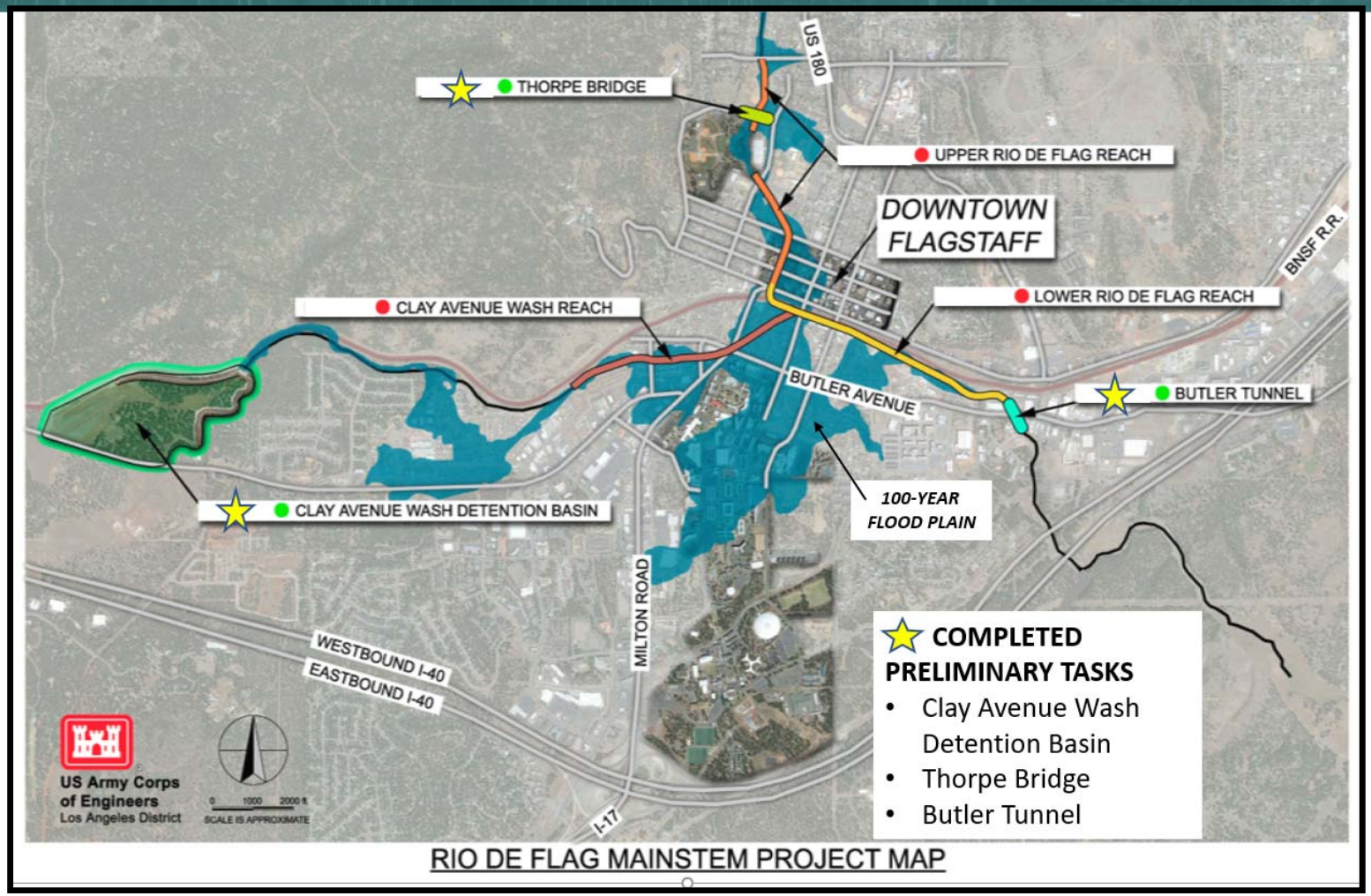
Blackbird Roost to Phoenix Avenue



Lower Reach Cross Section



Break for Questions



RIO DE FLAG MAINSTEM PROJECT MAP

ADDRESSING COMMUNITY CONCERNS

FEMA Design Concept Report

In 2014, the City conducted a study to evaluate the cost and feasibility of reducing the project capacity to FEMA 100-year flood standards. Findings included:

- Size of drainage structures were reduced
- Did not remove requirements for underground box structure in upper reach
- Requires City to break Cooperation Agreement with Army Corps
- Requires City to provide **100% of project funding ($63M)**; no funding source
- Council decided to “Stay the Course” with the Army Corps and the current design

Break for Questions



Project Cost

- Previous Total Project Cost **$106M**
- Rio de Flag Total Project Cost is **$121M**
  - Inflation Cost
  - Increases in Construction Cost
- City of Flagstaff share - **$42M**
- Army Corps share - **$79M**



Project Schedule

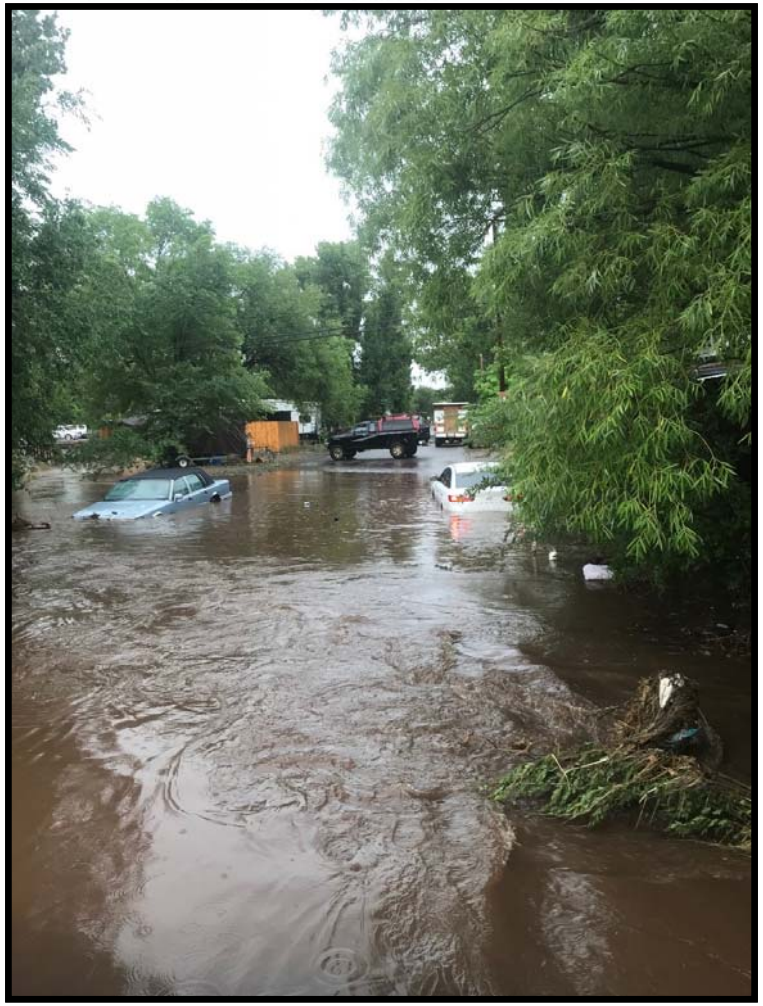
Design

- Draft 100% plans City's second review - **Oct 2019**
- Army Corps Agency Technical Review - **Dec 2019**
- Safety Assurance Review - **Feb 2020**
- Approved Design, Bid-Ready - **May 2020**

Construction (Army Corps Preliminary Schedule)

- Lower Reach - **2 years**
- Clay Avenue Reach - **2 years**
- Upper Reach - **2 years**

Break for Questions



CURRENT TOPICS

US Army Corps

- District funding request in **Oct 2019 - $62M**
  - Tentative confirmation of funding in **Spring 2020**
- Responsible for Tetra Tech's contract
- Revise Environmental Impact Statement
- Certify Project Limits



CURRENT TOPICS

BNSF Railway

- Review and approve draft 100% plans
- Grant site access for environmental testing and cleanup
- Construction and Maintenance agreement
- Track Window



CURRENT TOPICS

City of Flagstaff

- Environmental remediation on all residential and commercial properties
- Property Acquisition
- Utility Relocations
- Lateral Storm Drain Infrastructure
- Betterments, i.e. landscaping beyond base project amenities

CURRENT TOPICS

Public Outreach

- Two meetings - **Summer 2019**
  - Property owners and public at large
- Public Outreach going forward
  - Three meetings
  - Three council updates
- City Website
  - Draft Composite Channel

https://www.flagstaff.az.gov/4189/Rio-De-Flag-Flood-Control



SUMMARY

- Project team is aggressively pursuing completion of the final design and pre-construction requirements (e.g. environmental clearances and property agreements)
- Goal for completion and approval is **May 2020**
- Army Corps LA District has requested **$62M** to contract remaining portions of project
- City staff continues to coordinate with the community on project elements (e.g. composite channel to provide surface flow, desired landscaping)
- Proceeding with Army Corps will result in a 100-year flood protection at a cost of approximately **$42M** to Flagstaff residents

Closing



CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: Stacy Saltzburg, City Clerk

Date: 10/10/2019

Meeting Date: 10/15/2019

TITLE

Future Agenda Item Request (F.A.I.R.) A Citizens' Petition requesting 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.

STAFF RECOMMENDED ACTION:

Council direction.

EXECUTIVE SUMMARY:

In accordance with Art. II, Sect. 17 of the Flagstaff City Charter, any citizen may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City...who shall present it to the Council at its next regular meeting. The attached petition was filed with the City Clerk's Office on September 24, 2019, requesting that the Council consider declaring 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

INFORMATION:

Chapter 1-12 of the Flagstaff City Code formalizes the information to be required, and the attached petition conforms to those requirements. As outlined in this chapter, the petition is to be submitted to the Council under Future Agenda Item Request (F.A.I.R.) to determine if there is Council interest in placing the item on a future agenda for consideration.

Attachments: Petition #2019-02

PETITION TO FLAGSTAFF CITY COUNCIL

Pursuant to Flagstaff City Charter Article II Section 17 and Flagstaff City Code Title I Chapter 12

RECEIVED
SEP 24 2019
BY:

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 jshannon27808@mail.com

(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/14/19	Joseph Shannon	2882 WEST NORVA ST 86001	Joseph Shannon
9/14/19	Diane Traylor	3833 N. STEVE'S BLVD Flagstaff, AZ 86004	Diane Traylor
9/14/19	Valarie A. Bryant	1300 N. Indian Spring Ln Flagstaff, AZ 86004	Valarie A Bryant
9/14/19	EVA PUTZOVA	1700 E LINDA VISTA DR	
9/14/19	JEFF BALMAT	6741 E ANAZAZI DR FLAGSTAFF 86004	
9/14/19	CHARLES BAME	3335 N. MANOR RD, FLAGSTAFF AZ	Charles Bame
9-14-19	Joan Stone	1825 E Arrowhead Flagstaff A	
9-14-19	Cynthia L Jones	2601 N Eday Dr Flagstaff, AZ 86001	Cynthia L Jones
9/14/19	Tallei Tatunney Rogers	2715 E Hembergh Dr Flagstaff 86004	
9/14/19	Stephanie Abel	1713 E. Mountain View Flagstaff, AZ 86004	Stephanie Abel

RECEIVED BY CITY OF FLAGSTAFF		
DATE RECEIVED	**BY**	**COUNCIL MEETING DATE**
9/24/19	Stacy Fobar	10/15/19

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: Flagstaff City Council's response to the Global Climate Crisis PAGE 2 OF 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/14/19	Cassidy Mott	695 S. Knoles Dr. Apt 301 Flagstaff, AZ 86011	Cassidy Mott
9/14/19	Mary McDowell	3720 N. Groundview Dr Flagstaff, AZ 86004	Mary McDowell
9/14/19	James Guidetti	709 Old Munds F129, 86005	
9/14/19	SEAN AUSTIN	1251 N Pine Cliffs Dr FLAG AZ 86001	
9-14-19	Marcia Burns	801 W. Cherry Ave. Flag AZ	Marcia Burns
9-14-19	JAY Larsen	3375 E Lockett Flag	
9-14-19	Tierra James	7601 S Lake Mary Rd Flagstaff, AZ	
9-14-19	Tony Roybal	6910 Chris Ln.	
9-14-19	Lynn Weller	4000 N. Luzern 86004	Lynn Weller
9-14-19	DAN TOPPING	4000 N. Luzern Cir 86004	
9/14/19	Jac Tolchin	2915 E Lewis Flag AZ 86004	
9-20-19	Sara Ryan	1160 N Rockridge Rd Flagstaff AZ 86001	
9/20/19	Mara Anderson	2803 N Jamison Blvd Flagstaff 86004	Mara Anderson
9/20/19	Erika Elz	4 University Dr DUGG 46 Allen Hall 257	
9/20/19	ERIKA RAND	2536 W PIKES PEAK DR FLAGSTAFF AZ 86001	
9/20/19	GABRIEL REY-GOODLATTE	2536 W Pikes Peak Dr Flagstaff AZ 86001	
9/20/19	Ethan Tsitouris	5585 Pumpkin Ranch AZ	Ethan Tsitouris
9/20/19	Dottina Pegeen	1013 Navajo Dr	
9/20/19	Gabriel Macias	2400 N. Cortland Blvd #122	
9/20/19	Robert Wallace	4410 S Lamar Rd Flagstaff AZ 86005	
9/20/19	ORION REY	2536 W. PIKES PEAK DRIVE FLAGSTAFF AZ 86001	ORION

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 3 **OF** 17

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 Beegle	1362 E Hatch dr	
9/20/19	Tacey Heelberg	875 E. Pine Knoll Dr.	
9/20/19	Kimberly Anderson	3747 W. State Ave Phx	
9/20/19	Sofia Ramcke	4016 S. Lexrax	
9/20/19	Sierra Stewart	997 E Pine Knoll Dr. #227	
9/20/2019	Hope Hecht	1350 S. KNOLES DR	~~Hope Hecht~~
9/20/19	Christina Meeks	1350 S. KNOLES DR #401	
9/20/19	Claire Simchuk	1185 W. University Ave #18 156	
9/20/19	Deborah W McFatter	1078 N Sky View St FLG	
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. Bidahochi Dr.	
9/20/19	Renee Dimas	1350 S Knoles Dr Unit #4130-1	
9/20/19	Ramón DC 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. ~~E. Indigo Ct.~~	
9/20/19	Erica McIlwraith	2535 E. Jeffrey Lp.	
9/20/19	Ann Schepper	2401 W Rt 66 #29	
9/20/19	Elizabeth Dannenbrink	4868 S. Elves Chasm Trl.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 4 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Thomas Kaiser	211 W Cottage Ave #4	
9/20/19	Ben Flory	6258 W. Camino de Oro	
9/20/19	CYNTHIA HAUSERMAN	210 Navajo Trail #336	
9/20/19	Kyle Thomas	2195 W. Reading Court	
9/20/19	Emily Aitken	2195 W Reading Ct	
9/20/19	Catherine Clark	1201 E Ponderosa Pkwy	
9/20/19	Breanna Fimbres	2076 S W. Ridge Rd	
9/20/19	Leo Crowder	555 W Forest Meadows St	
9.20.19	ERIC BROWN	1011 N. ELIZABETH	
9/20/19	Cecilia Barnhill	S. San Francisco	
9/20/19	Donald Hepburn	825 W Route 66 #204	
9/20/2019	Paul Keene	1303 E. Dunsover 86004	
9/20/19	Olivia Kruse	901 S O'Leary St apt 13	
9/20/19	Mackenzie Roberts	901 S O'Leary St. apt 13	
9/20/19	Julia Smith	515 S Maricopa St. #102	
9/20/19	Cassidy Mott	695 S. Knoles Dr, Flagstaff AZ, 86011 Apt. 301	
9/20/19	Kalah Knight	6870 Bean Flagstaff Blvd	
9/20/19	Samantha Fellwright	313 Clayton Ave Rockville, MD	
9/20/19	N.J. CARLILE	PO BOX 1003 FLAGSTAFF, AZ 86002	
9/20/19	Alec Garcia	2506 S Hutter Lane, Flagstaff AZ	
8/20/19	Nancy Schenemann-Brehm	925 N. Sinagua Hts. Dr, Flagstaff 86004	
9/20/19	Kyle Thomas	850 S Knoles Dr. Flagstaff, AZ 86001	
9/20/19	David Hosking	2726 W. Adirondack Ave	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Kalima Nameth	555 W. Forest Meadows St	
9/20/19	Alexa Portman	555 W. Forest Meadows St	
9/20/19	Jacqui Foreman	219 E. Zuni Drive	
9/20/19	Bianca Dillard	405 Beaver Creek	
9/20/19	Kim Curtis	1805 N. Beaver St	
9/20/19	Elliott Greenberg	520 Forest Rd	
9/20/19	Sierra Bryan	2800 S. Highland Mesa Rd #7-208	
9/20/19	Kelsey Blakley	1750 N Vista Dr	
9/20/19	Michael Daugherty	240 W. Saunders Dr #162	
9/20/19	Ethan Tsitoulis	5285 Pumpkin Patch Rd	
9/20/19	Esiah contreras	1807 N Main St.	
9/20/19	JoAnna Perea	10013 North Lillian	
9/20/19	Gabriel Macias	2404 N. Cortland.	
9/20/19	Joseph Perea	10013 North Lillian	
9/20/19	Daniella Hernandez	13 E Dupont Ave	
9/20/19	Camila Hernandez	1450 W. Kaibab Ln.	
9/20/19	Dorothy Hoagland	2530 N. Sweet Clover Way	
9/20/19	Larry Brett Larson	2398 N Keystone Dr	
9/20/19	Isabelle morse	813 W. university ave	
9/20/19	William Gallegos	8920 Olivine St NE	
9/20/19	Amber Hoagland	2530 N Sweet Clover Way	
9/20/19	TYffany Sweeney	1971 North Meteor dr.	
9/20/19	annadeiming	2800 s highland mesa rd.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 6 **OF** 17

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	Morgan Allen
9/20/19	Em Bee	I dK	
9/20/19	Robin Tittelbaugh	3520 N. Eiger Mt. Rd.	Robin Tittelbaugh
9/20/19	Sarah Tittelbaugh	3520 N. Eiger Mt. Rd.	Sarah Tittelbaugh
9/20/19	Mackenzie Spillman	416 N. Bertrand St	Mackenzie Spillman
9/20/19	Madeline Trilling	2226 N Lantern Ln Flg.	Madeline Trilling
9/20/19	Zane Walden	4343 E. Soliere Ave. Apt. 208	
9/20/19	Eden Fahy	2710 N. Fremont Ave.	Eden Fahy
9/20/19	Ella Moore	1665 N. Turquoise Dr.	Ella Moore
9/20/19	PEARL GARNER	1931 N. CONTINENTAL	
9/20/19	Micah Turner	3335 N. Estates St.	
9/20/19	Aleona Page	7980 Picture Canyon Trl.	
9/20/19	Grant Cerrohaus	496 E Clover Creek Dr.	
9/20/19	Abigail Glazer	4995 S. Pyrite Rd	
9/20/19	Hyrum Rayner	315 N. Park Dr	
9/20/19	Rowan Sullivan	2107 Lockwood DR	
9/20/19	Indigo Corvidae	1500 E. Linda Vista Dr.	
9/20/19	Jessi Quizar	1500 E. Linda Vista Dr.	
9/20/19	Timothy Shaya	4169 S Orchard Lake Dr	
9/20/19	Shandiin Arnold	5490 N Park Drive	
9/20/19	BROOKE PHILLIPS	2310 W. BLACKHAWK LN.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 7 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Connie Bullis	4760 Bright Angel Trl	Connie Bullis
9/20/19	Meagen Owen	4161 N. Bidahochi Dr.	Meagen Owen
9/20/19	Jacob McAdams	1500 S san francisco st	Jacob McAdams
9/20/19	Alana Nichols	1362 E Hatcher Dr	
9/20/19	Sara Kubisty	575 S Seville Ln	
9/20/19	Lucy Bayge	991 E. Pine Knoll Dr. #602	
9-20-19	Roseanne Fulcher	150 E Camille Dr.	R Fulcher
9.20.19	Dorothy A Rissel	150 E Camille Dr	
9/20/19	Jody Clements	889 W Riordan Rd #1004-344	
09/20/2019	Andrew Volz	520 S. Verde St	Andrew F. Volz
9/20/19	Pirjo P. Atkinson	2104 GOLDRUSH LANE Coconino	Pirjo P. Atkinson
9/20/19	Mary McKell	111 E Oak Ave Fly	Mary McKell
9/20/19	Kathy Flores	1021 N Hopi	Kathy Flores
9/20/19	Shawn Newell	3308 N. Grand View Dr.	Shawn Newell
9/20/19	Kelsey Hontz	602 N Leroux Street	Kelsey Hontz
9/20/19	Josh Ostby	624 W Ponce 66	
9/20/19	Monique Scraggs	Henslow	
9/20/19	Cora M. Phillips	3100 N Kyle Loop Flagstaff	
9/20/19	melinda calnimptewa	442 Piccadilly LN.	
9/20/19	Karis Begaye	442 Piccadilly LN	
9/20/19	Caitlyn Burford	417 W. Cedar Ave, FLG	
9/20	Matthew Muchna	417 W. Cedar Ave,	
9/20/19	Kara Koenitzer Tate	2398 N. Keystone Dr. 86004	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 8 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Monty Glaser	901 S. Cleary Rd	
9/20/19	Shonto Begay	603 W. Birch #1 Flagstaff, AZ 86001	
9/20/19	Shelley Jones	851 N. Silver View St Flagstaff, AZ 86004	
9/20/19	Ron JONES	4128 N. 55th Pl Scottsdale AZ 85251	
9/20/19	John Bodensteiner		
9/20/19	Donna Bodensteiner	Scottsdale AZ	
9/20/19	TRUMAN SHOAFF	2418 TORENA PL FLG, AZ	
9/20/19	Zachary Hansen	817 cella Mountainaire	
9/20/19	Rachel McCormick	1655 E Appalachian Rd	
9/20/19	Sarah VanEss	6565 E Eagle Crest Dr	
9/20/19	Celia Barotz	3354 N. Crest 86001	
9/20/19	MARILYN WASSMAN	1055 E. APPLE WAY FLAGSTAFF, AZ 86001	
9/20/19	Nicole Sasses	3160 S. Troxler Cir. FLAGSTAFF, AZ 86005	
9/20/19	Michele A. James	713 W. Grand Canyon Ave. Flagstaff, AZ 86001	
09/20/19	Sydney Gibney	McConnell Hall	
09/20/19	Kara Valenzuela	McConnell Hall	
9/20/19	Camila Hes Neustadt	3960 N. Aloso Way 86004, Flagstaff AZ	
9/20/19	Grace Martin		
9/20/19	Megan Smith	2772 W Pico del Monte Cir, 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

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
09-20	[illegible]	270 Adobe Ln.	[illegible]
9-20	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
9/2	[illegible]	[illegible]	[illegible]
9/20	Brad Bernier	[illegible]	[illegible]
9/20	[illegible]	3328 N Moore Rd.	[illegible]
9/20	Natalie Jacobs	604 N. San Francisco	[illegible]
9/20	Elliot Kennedy	630 E [illegible] DR	[illegible]
9/20	Shaun Willson	20701 N. [illegible]	[illegible]
9/20	Andrew Fockler	2518 E Miller Dr.	[illegible]
9/20	Olivia Garcia	1732 N Lakeview In	[illegible]
9/20	Kennedy Heck	3535 west nicole lane	[illegible]
9/20	Olivia Tardone	7700 N snowbowl rd	[illegible]
9/20	Maya Webner	707 W Tombstone Cir	[illegible]
9/20	Peyton Ellis	2301 E. 5th Ave	[illegible]
9/20	Gabriella Garcia	1732 N lakeview In	[illegible]
9/20	Emily Nore	7 mountain view dr.	[illegible]
9/20	Ashley Hansen	7 E University Dr	[illegible]
9/20	adeline Jones	7E university Dr	[illegible]
9/20	Patrick Counihan	3400 Lake Mary Rd	[illegible]
9/20	Julia freeborn	215 W Dupont Ave	[illegible]
9/20	Sarah Jacobson	4 E University Dr	[illegible]
9/20	Josh Dries	301 N SKYVIEW St	[illegible]

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis **PAGE** 10 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	ERIC SOLDERS	7880 N Rain Valley Rd Flagstaff AZ	
9/20/19	MARK ALLEN AND CO	7860 B GEMINI DR.	
9-20-19	DARIEN DEGNER	144 W. GOLD RUSH	
9/20/19	Sena Gachnang	601 E. Piccadilly Dr. 313	
9/20/19	Clayson Benally	6026 Columbine Blvd Flag AZ	
9/20/19	Liam Friedrici	713 W. Grand Canyon Ave.	
9/20/19	Barrett Miller	3160 S. Traylor Circle	
9/20/19	STEPHANIE HAMMOND	11160 RODEO Rd. AZ 86004 Flagstaff	
9/20/19	Aidan Buckstead	11160 Rodeo Rd	
9/20/19	Crystal Kelly	Po Box 5279, Leupp AZ 86035	
9/20/19	Erika Benally	1720 E Thunderbird Rd #1073 Phoenix Az	
9/20/19	Jasmine Yazzie	8391 N christensen 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 Hachina tr.	
9/20/19	Kathleen Preston	1624 N. San Francisco St.	
9/20/19	Steve Zavadnyik	1408 N. Lomalai 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 Tamarax St #1010	
9 20 19	Suhei Eddy	Tuba City S Tamarax St #1010	
9-20-19	George villas	3705 Final Dr. Flagstaff AZ 86005	
9/20/19	Tonya Garcia	8720 N Rogers Roost	

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 Kachina Way	
9/20/19	Harry Snyder	[illegible]	
9/20/19	Evan Britt-Meyer	3617 Arrowhead Ln	
9/20/2019	Jessica Bedin	8615 Jupiter Ln.	
9/20/19	Kelly Roberson	1401 N 4th St	
9/20/19	Bella Bass	1131 linda vista	
9/20/19	Wyatt Runge	1275 N Fanning dr	
9/20/19	Paul Holmes	3023 N Woodlise R	
9/20/19	Chuck Reinshagen	3121 N. park dr.	
9/20/19	Marlee Stephens	2805 N. Lantern L	
9/20/19	Samuel Rhodes	3310 W. Mountain Dr.	
9/20/19	Keeta Bippus	3022 N Peakview	
9/20/19	Milo Nash-Hayes	98 W separation canyon Trl	
9/20/19	Florence McPhee	822 W. Santa Fe Ave,	
9/20/19	Roman James	8601 S Yuma drive	
9/20/19	Nora Hungate	1730 N Kittredge rd	
9/20/19	Sascha Palatinsky	2812 W Hale dr	
9/20/19	Téa Iucci	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	Andy Filar	2275 E Hanley Dr	
9/20/19	Isaiahs Beltran	3212 N Childress	
9/20/19	Henry Todd	1510 N Bandtail 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	~~3721 N~~	Zandra Vaiza
9/20/2019	Ameera Bippus	Twilight Way	Ameera Bippus
9/20/19	Alina Skrocki	2636 N Doves Nest Lane	Alina Skrocki
9/20	Maayan Cohen	721 W. Aspen	
9/20	Sydney Gizney	McConnell Hall	Sydney Gizney
9/20	Karla Villarzuba	McConnell Hall	
9/20	Romie Wareham	8605 Arroyo Dr.	
9-20	Elizabeth Brixen	2147 N. Belleview Ln.	Elizabeth Brixen
1-20	Veela Fowler	116 N. Aztec St.	
9-20	Kaylee Elison	1980 N Venus Dr	
9/20	Emma Hagen	4090 N Snbera Ln	
9/20	Caroline Jordan	5150 N Bandtail Ridge	
9/20	Shane Reagan	Turtle creek ct.	
9/20	Jim Holtje	3809 E Mallard Ln.	
9-20-19	Izabella Vaiza	3721 N. Stevens Blvd	
9/20/19	Nichole Hamberger	413 E Edison	
9/20/19	Lauren Mitchell-St. John	321 N Park St #C	
9/20/19	Ina Nearsilver	2184 S. Linmar Ln	
9/20/19	Edward Sullivan	9183 N. Lunar dr	
9/20/19	Christy Bolognani	520 W Birch #1	
9/20/19	Callie Gabelman	8675 Arroyo Trail	
9/20/19	Hannah Abuzainch	2809 N. Fox Run Dr.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 13 **OF** 19

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20	Evangeline Chappas	407 Comanche St	Evangeline Chappas
9/20	Mira Fitz-Hesler	1990 N. Meteor Dr.	
9/20	Harlow Kelley	1121 W. Azure Dr.	
9/20	Sandra Lubarsky	1021 N. Navajo Dr.	Sandra B. Lubarsky
9/20	Marcus Ford	1021 N. Navajo	
9/20/19	Naima Schuller	103 N. Hilltop Dr.	
9/20/19	ETHAN AUMAN	1140 PINECLIFF DR.	
9/20/19	Amelia Hill	1547 Daystream Dr	Amelia Hill
9/20	Mo Cooney	3205 W. Brenda Loop	Mo Cooney
9/20/19	Mathias C-N	997 E. Pine Knoll dr.	Mathias
9/20/19	Abby Speri	1138 W. Mexican Hat trl	Abby Speri
9/20/19	MICA SONG	3117 N. Meadow Brook Drive	Mica Song
9/20	Maryn Coate	1821 N. Deer Crossing	Maryn Coate
9 20	Kevin Ketchus	3450 South Dobbin st	
9/20	Mike Taylor	2020 E Chisholm trl	MT
9/20	Laura Taylor	2020 E Chisholm trail	Laura Ron Taylor
9/20	Tatiana Gillick	5200 N Magdalena Rd	Tatiana Gillick
9/20	AJ Flores	1670 N Center St	
9/20	Susan Gillick	5200 N. Magdalena Rd	Susan Gillick
9/20	Andy Gould	2458 N Eagle Dr 86004	Andrew Gould
9/20	Rachel C. Tso	8960 Princess Ave Flagstaff, AZ 86004	Rachel C Tso
09/20/2019	John Marvel	2096 W. Fresh Air St. Flg	
09/20/2019	Kristin Marvel	"	Kristin Marvel

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ PAGE 14 OF 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20	ABBIE LETOURNEAU	400 E Pineknoll	Dr. Abbie Le
9/20	Elizabeth Eyshu	824 W. Route 66	
9/20	Megan White	400 E. Pine Knoll Dr.	
9/20	Kerry Nugent	2393 W. Mission Timber Dr	
9/20	Theresa Prichard	615 N. Apollo Wy	
09/20	Steve LaFaces	9185 Starfield	
9/20	LIANE GIUNTA	4343 E. SOLIERE AVE	
9/20	BILL ANDERSON	7980 RIO RANCHO	
9/20	Linda Fox	2654 W. Jadyn Dr.	
9/20	Mackenzie Roberts	901 S. O'Leary Street apt 113	
9/20	Tim Aydelott	9758 Lunar Drive	
9/20/19	Christine Brown	2675 N. Nelson Dr	
9/20/19	Frederica Hall	5001 Wayward Way	
9/20/19	Oceanna Boulanger	1075 S. Beaver St.	
9/20/19	Emma Cole	1830 S Milton Rd	
9/20/19	Hallie Calhan	1075 S. Beaver St	
9/20/19	Soledad Garcia	3330 S Litzler Ln.	
9/20/19	Karlike Jansen	E. University Dr.	
9/20/19	Emily Segovia Maze	E. University Dr.	
9/20/19	Marissa Largo	1924 N St	
9/20/19	ENGA LOKEY	675 W. Cl	
9/20/19	Ariannah Carreon	3465 E Longhorn Dr	
9/20/19	Natalynn Slatten	7 E. University Dr.	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 15 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
Sept. 20, 2019	Mary Guaraldi	4279 East Coburn Flagstaff	Mary Guaraldi
9/20/19	Alexandra Geter	1730 N Izabel St. Apt. A, Flagstaff 86004	Alexandra Geter
9/20/19	Nancy Curvet	1750 N Blue Spruce Circle, FG 86001	Nancy Elayne Curvet
9/20/19	Aubrey Sonderegger	3851 N Patterson Blvd Flagstaff, AZ 86004	Aubrey Sonderegger
9/20/19	Gary Lee	4830 Paintbrush Flagstaff 86004	Gary Lee
9/20/19	Julian Bard	4. University drive BLDG 46	
9/20/19	Mary McCarty	6603 E. Anazazi Dr. 86004	
9/20/19	Emma Liu	4455 E Meadow View Dr. 86004	
9/20/19	Shea Blackburn	7. E. University Dr Bldg. 48	
9/20/19	Rebecca Criando	7 E University Dr Bldg 48	
09/20/19	Susan Jamel	4110 N. Cedar Ave Flagstaff AZ 86004	Susan A. Jamel

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE:_ Flagstaff City Council's response to the Global Climate Crisis ____ **PAGE** 16 **OF** 17

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	Remy Phillips	204 N. Elden St	Remy Phillips
9/20/19	Dermot Corbett	4120 E. Cohen Dr.	Dermot Corbett
9/20/19	Zoi Lytle	2011 Strimbaugh	Zoi Lytle
9/20/19	Emma Duskiz	3016 W. Foothills Way	Emma Duskiz
9/20/19	Ed Kabotie	3101 N. Ft Valley Rd	Ed Kabotie
9/20/19	Matthew Satchen	4343 E. Solivus Blvd	Matthew Satchen
9/20/19	ELIZABETH HAMLIN	620 N. Curling Smoke	Elizabeth Hamlin
9/20/19	Carson Woodcraft	3212 W. Cooper Dr.	Carson Woodcraft
9/20/19	Kale Elisen	1040 N Venus Dr	Kale Elisen
9/20/19	Carrie Harrington	7712 Saturn Dr	Carrie 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	2270 E HEMBERG DR	Nathan Renn
9/20/19	Emily Renn	2220 E Hemberg Dr.	Emily Renn
9/20/19	Kelsey Hundtofft	327 N Summit Ave	Kelsey Hundtofft
9.20.19	Alicyn Gitlin	116 S. Spring St.	Alicyn Gitlin
9/20/19	Susan Bischoff	3200 S. LITZLER DR apt T-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

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
9/20/19	GABRIELLE SEQUEIRA	1200 SKNOLES [redacted]	
9/20/19	David Spence	8610 Arroyo Trail Flagstaff AZ 86004	David A. Spence
9-20-19	Elysse Voyer	4984 S Pyrite Rd. Flagstaff, AZ 86005	Elysse N.
9/20/19	James Ingram	3200 E Matterhorn Dr Flagstaff, AZ 86004	
9/20/19	Gabrielle Arsenault	2800 S Highland Mesa Rd Flagstaff AZ 86001	Gabrielle Arsenault
9/20/19	Travis Braun	214A W Dale Ave Flagstaff AZ 86001	
9/20/19	Rachel Buthers	214A W Dale Ave	Flagstaff, AZ Rachel B
9/20/19	Sandra Goodman	3396 Kachina Trl	Flagstaff, AZ Goodman

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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.





19. B.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Saltzburg, City Clerk
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE

Future Agenda Item Request (F.A.I.R.): A request by Councilmember Whelan to place on a future agenda a discussion about the name Agassiz to see if the Agassiz designation in Flagstaff is named after biologist Louis Agassiz and, if so, look at renaming anything named after him due to accusations of racism.

STAFF RECOMMENDED ACTION:

Council direction.

EXECUTIVE SUMMARY:

Rule 4.01, Procedures for Preparation of Council Agendas, of the City of Flagstaff City Council Rules of Procedure outlines the process for bringing items forward to a future agenda. Councilmember Whelan has requested this item be placed on an agenda under Future Agenda Item Requests (F.A.I.R.) to determine if there are two other members of Council interested in placing it on a future agenda.

INFORMATION:

Attachments:

19. C.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Saltzburg, City Clerk
Date:	10/10/2019
Meeting Date:	10/15/2019

TITLE

Future Agenda Item Request (F.A.I.R.): A request by Councilmember Whelan to place on a future agenda a discussion regarding pocket parks.

STAFF RECOMMENDED ACTION:

Council direction.

EXECUTIVE SUMMARY:

Rule 4.01, Procedures for Preparation of Council Agendas, of the City of Flagstaff City Council Rules of Procedure outlines the process for bringing items forward to a future agenda. Councilmember Whelan has requested this item be placed on an agenda under Future Agenda Item Requests (F.A.I.R.) to determine if there are two other members of Council interested in placing it on a future agenda.

INFORMATION:

Attachments: