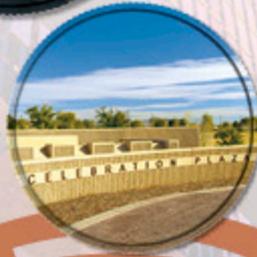


Bonded Debt

14

City Debt Obligations
Overview of Bond Types
Bond Payment Schedules



Ensuring fiscal stability means paying close attention to how we balance revenue and debt. Prudent planning and the management of our bond payment schedules over time will serve Chandler well for generations to come.



CHANDLER CITY

Bonded Debt Obligations

The City of Chandler has experienced significant growth over the last thirty years. The 1985 mid-decade census population was 63,817; the 1990-decade census was 89,862; the 2000 census population was 176,581; the 2010 census population was 236,598; and the most recent Census Bureau estimate is 260,828.

This growth created demand for infrastructure and capital projects. Citizens needed more amenities such as parks, streets, water, and wastewater facilities. Financing these capital costs was accomplished through various financing sources, referred to as “bonded debt.” This includes instruments such as general obligation bonds, revenue bonds, excise tax revenue obligations, and certificate of participation notes.

Bond Ratings

When new bonds are issued, the three major bond rating agencies typically assign a bond rating that is a reflection of the City’s ability to repay the debt. Each agency has a slightly different rating scale but, in general, top ratings are referred to as “AAA” (triple A) with lower ratings such as “A” (single A) or “B.” In some cases, distinctions are made with upper and lower case letters and “+” or “-” to further elaborate on the rating. After the initial review, the rating agencies periodically review the City’s financial position and either reaffirm the prior rating, raise the rating, or lower the rating. The City’s most recent bond ratings are as shown below:

	Fitch Ratings	Moody’s Investments	Standard and Poor’s
General Obligation	AAA*	Aaa*	AAA*
Excise Tax Revenue Obligations	AAA*	Aa1	AAA*
Water/Sewer Revenue Bonds	AA+	Aa1	AA
Highway User Fund Revenue Bonds	AA	Aa3	AA

*Highest rating level from this agency.

These high bond ratings are a positive reflection of Chandler’s strong financial management and its ability to repay outstanding debt. The higher bond ratings also represent a lower investment risk for potential bond buyers and lower debt costs for the City and its citizens.

Debt Management

Chandler’s primary debt management objectives are to minimize the cost of borrowing to taxpayers while assuring that total indebtedness does not exceed available resources and conforms to Arizona legal requirements. The necessity to incur debt in order to finance the capital program carries with it the obligation to manage the debt program effectively. As a result, the level of outstanding debt and the City’s capacity to incur and repay additional debt require careful examination.

The City’s last bond election was in May 2007 and resulted in voters approving over \$450 million in new bond authorization spread across ten program areas (Water/Sewer, Reclaimed (Reuse) Water, Parks and Recreation, Museum, Center for the Arts, Library, Public Buildings, Streets, Fire, and Police). Bond sales in January 2009 and January 2011 have reduced the available voter authorized amounts to \$245,345,000 as shown in the table on the next page.

The City most recently sold bonds requiring voter authorization during Fiscal Year (FY) 2010-11. Also, during FY 2011-12, there was a reallocation of voter authorization among Parks and Recreation, Museum, Public Building, Center for the Arts, and Streets bonds. During FY 2015-16, the City sold \$66.7 million in Excise Tax Revenue Obligation bonds.

Voter Authorization Summary

Voter Authorized Bonds	2014-15 Ending Authorization	2015-16 Bond Sales	2015-16 Ending Authorization	2016-17 Anticipated Bond Sales	Remaining Authorization
Parks and Recreation	\$ 58,750,000	\$ -	\$ 58,750,000	\$ -	\$ 58,750,000
Museum	12,730,000	-	12,730,000	-	12,730,000
Library	5,245,000	-	5,245,000	-	5,245,000
Public Building	9,960,000	-	9,960,000	-	9,960,000
Streets General Obligation	125,926,000	-	125,926,000	-	125,926,000
Storm Water Revenue/GOB	4,204,000	-	4,204,000	-	4,204,000
Public Safety/Fire	10,371,000	-	10,371,000	-	10,371,000
Public Safety/Police	12,730,000	-	12,730,000	-	12,730,000
Airport	494,000	-	494,000	-	494,000
Recycling & Solid Waste	4,935,000	-	4,935,000	-	4,935,000
TOTAL	\$ 245,345,000	\$ -	\$ 245,345,000	\$ -	\$ 245,345,000
Non-Voter Authorized Bonds*					
Water	N/A	\$ 6,635,000	N/A	\$ -	N/A
Wastewater	N/A	60,025,000	N/A	-	N/A
TOTAL	N/A	\$ 66,660,000	N/A	\$ -	N/A

* Non-voter approved debt as allowed by the City Debt Management Policy in the Budget Policies, Process, and Decisions section. Debt Service paid by dedicated water and wastewater user fees.

Debt Coverage

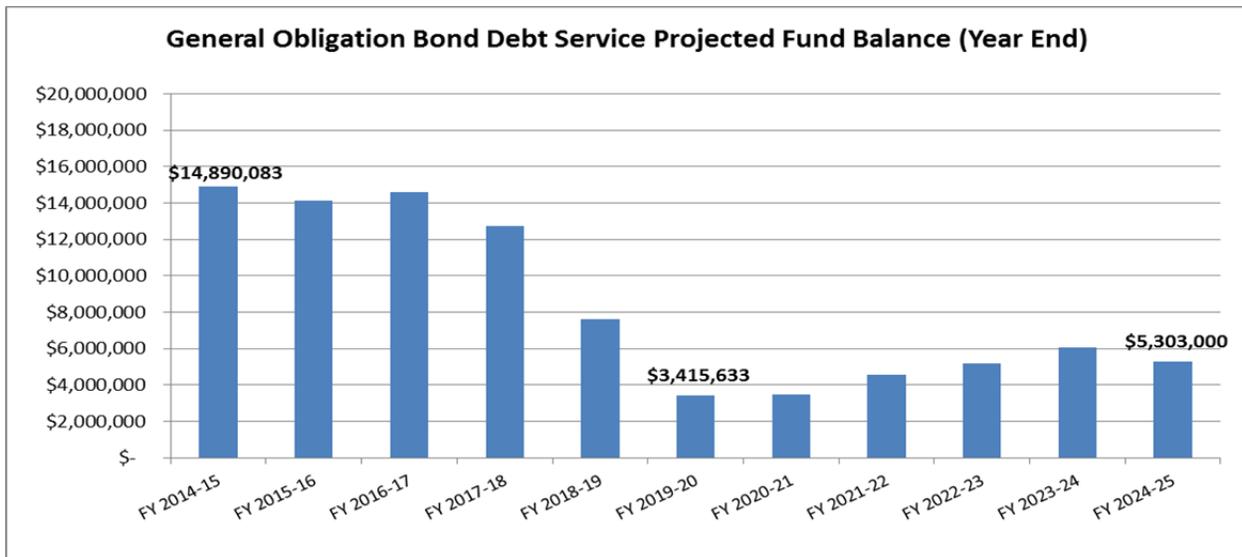
Certain debt issues include debt covenants whereby the City is required to maintain sufficient operating revenue to meet debt service requirements. In other cases, the City has debt coverage goals or objectives noted in the City's Debt Policy (Budget Policies, Processes and Decisions section) which establish good operating practice for adequate debt coverage. Projected debt coverage at the end of Fiscal Year(FY) 2016-17 is as shown:

Type of Debt	Coverage Required (Mandated or Goal)	Projected end of 2016-17	Coverage Met?
Water/Wastewater Utility Revenue Bonds	Mandated by debt covenants: 1.2 Goal: 1.5 - 2.0	6.03	Yes
Water/Wastewater General Obligation Bonds	1.2 (Goal)	3.63	Yes
Water/Wastewater Excise Tax Revenue Obligations	Mandated by debt covenants: 3.0 Goal: 5.0	3.82	Yes

Debt Service Funds

General Obligation Debt Service Fund: The General Obligation Debt Service Fund is supported by the secondary property taxes collected. Principal and interest payments for general obligation bonds are made from this fund. Fund balance is projected based upon best estimates of future assessed values, existing debt service schedules, and projected General Obligation Bond sales.

Current fund balance projections assume modest growth in assessed values and show that debt service expenses will exceed secondary property tax revenues for the next five years, causing a drawdown in the fund balance. Starting in Fiscal Year (FY) 2018-19/FY 2019-20, it is anticipated that improved property valuations and lower scheduled debt service will allow the fund balance to stabilize and eventually increase as well as create capacity to fund future capital needs. The fund balance projection is updated each year based upon new assessed value projections and any changes to general obligation debt projections as a result of new capital funding requirements. The most recent projection is shown below.



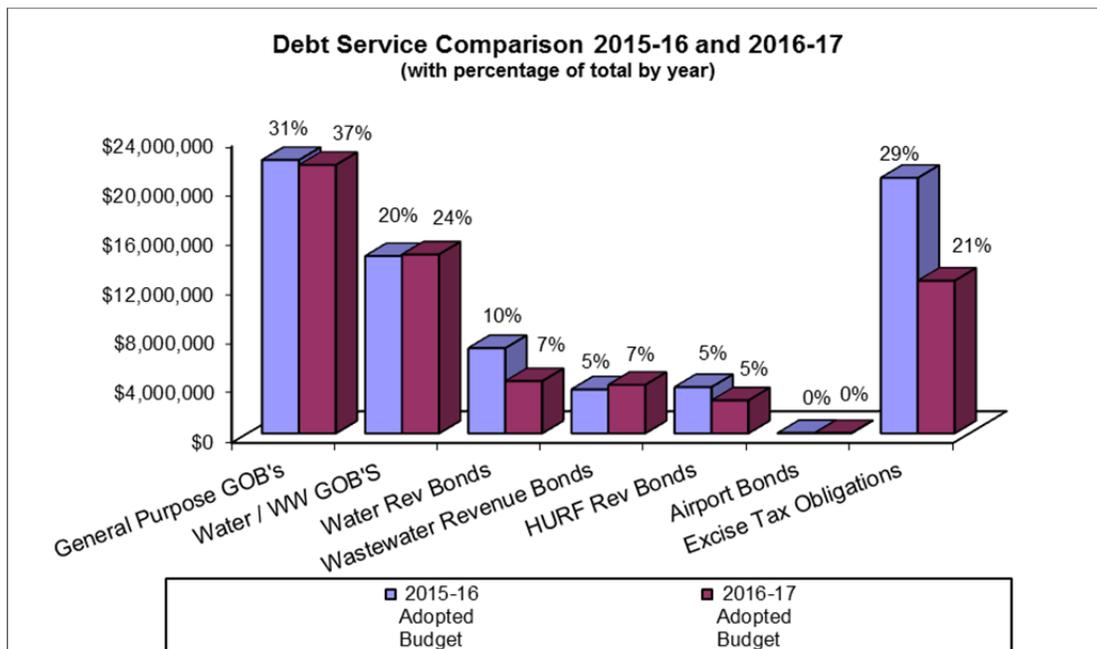
Highway User Revenue Fund (HURF) Debt Service Fund: The HURF Debt Service Fund is managed on a year-to-year basis whereby a transfer is made from the HURF Operating Fund to the HURF Debt Service Fund on an annual basis for the exact amount of principal and interest due for the year. The fund balance returns to \$0 at the end of each fiscal year.

Enterprise Fund Debt Service: Water, Wastewater, and Airport debt service is paid from their respective Enterprise operating funds and directly supported by each Enterprise's user fees. Some older debt issues also have debt service costs paid by water, wastewater, and reclaimed water system development funds. Separate Debt Service Funds are not maintained to pay Debt Service in Enterprise Funds, but managed within each of their Enterprise operating funds.

FUNCTION:	Debt Service	COST CENTER:	7500
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Description	2014-15 Actual Expenditures	2015-16 Adopted Budget	2015-16 Adjusted Budget	2015-16 Estimated Expenditures	2016-17 Adopted Budget	% Change Adopted to Adopted
General Purpose GOBs	\$ 24,144,028	\$ 22,140,176	\$ 22,140,176	\$ 21,706,981	\$ 21,740,608	-1.80%
Water GOBs	10,793,202	8,864,118	8,864,118	8,929,353	8,935,903	0.81%
Wastewater GOBs	5,574,105	5,498,043	5,498,043	5,565,997	5,552,897	1.00%
Water Revenue Bonds	3,935,853	6,905,180	6,905,180	6,905,180	4,230,660	-38.73%
Wastewater Revenue Bonds	4,103,544	3,559,970	3,559,970	3,559,971	3,931,890	10.45%
HURF Revenue Bonds	4,432,047	3,745,650	3,745,650	3,745,650	2,671,438	-28.68%
Airport GOB's	27,938	27,313	27,313	27,313	26,563	-2.75%
Excise Tax Revenue Obligations	10,814,175	20,689,993	20,689,993	9,998,019	12,364,102	-40.24%
Total Cost Center - 7500	\$ 63,824,892	\$ 71,430,443	\$ 71,430,443	\$ 60,438,464	\$ 59,454,061	-16.77%
General Debt Service Fund	\$ 24,144,028	\$ 22,140,176	\$ 22,140,176	\$ 21,706,981	\$ 21,740,608	
Highway User Revenue Debt Svc	4,432,047	3,745,650	3,745,650	3,745,650	2,671,438	
Water System Dev Fees	89,656	72,138	72,138	72,138	161,682	
Water Operating	18,355,354	21,296,860	21,296,860	18,281,817	16,381,107	
Reclaimed Water SDF	273,370	183,974	183,974	183,974	611,826	
Wastewater System Dev Fees	543,759	365,942	365,942	365,942	1,216,977	
Wastewater Operating	15,958,740	23,598,390	23,598,390	16,054,649	16,643,860	
Airport Operating	27,938	27,313	27,313	27,313	26,563	
Grand Total	\$ 63,824,892	\$ 71,430,443	\$ 71,430,443	\$ 60,438,464	\$ 59,454,061	

The Fiscal Year 2016-17 budget provides \$59,454,061 for principal and interest on existing debt as shown in the chart above for each bond type and funding source. The following graph provides summarized data of the debt service comparison of adopted budgets of two fiscal years and the category percentage of total debt.



General Obligation Bond Capacity Available

General obligation bonds are used to finance a variety of public projects and require voter approval. These bonds are backed by the full faith and credit of the City and are secured by the ad valorem taxing power of the City. Limitations for bonding capacity are set by state statute.

Under Arizona Constitution Article IX, section 8 (amended by Proposition 104 in 2006), cities may issue General Obligation Bonds for streets and transportation facilities, public safety, law enforcement, fire and emergency services facilities, water, wastewater, artificial light, acquisition and development of land for open space preserves, parks, playgrounds, and recreation facilities up to an amount not exceeding 20% of secondary assessed value. Cities may also issue General Obligation Bonds for all other general purposes (e.g., airport, center for the arts, library, and museum) not included in the 20% debt margin category up to an amount not exceeding 6% of the secondary assessed value.

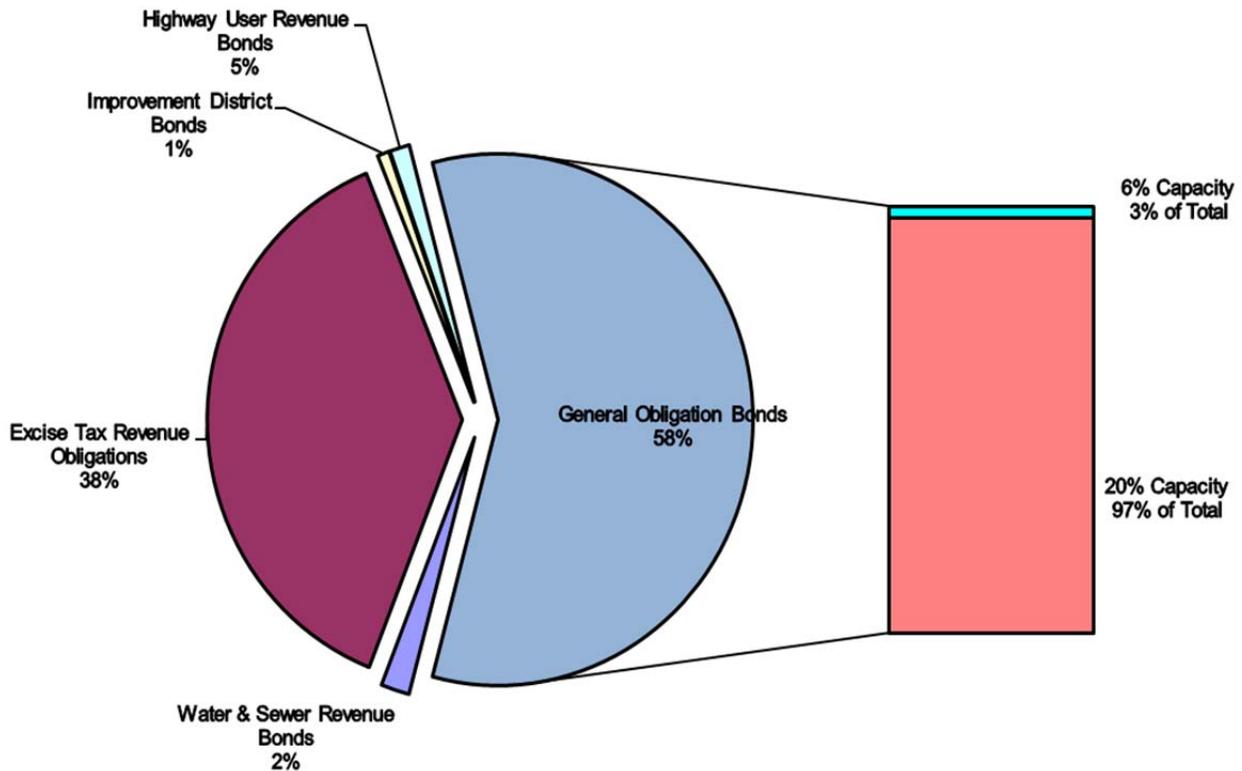
The City's available bonding capacity for Fiscal Year (FY) 2016-17 is given below.

	20%	6%
2016 Net Assessed Full Cash Value	\$ 3,167,080,795	\$ 3,167,080,795
Legal Bond Limit	\$ 633,416,159	\$ 190,024,848
Outstanding Bonded Debt Previously Issued	(300,551,350)	(8,993,650)
Anticipated Bond Sales in FY 2016-17	-	-
Bonding Capacity Available	\$ 332,864,809	\$ 181,031,198

The 20% and 6% bonding capacity is based on a 2016 Net Assessed Full Cash Value of \$3,167,080,795.

Summary of Outstanding Bonds By Type

Type of Issue	Principal Bond Amount	% Total
General Obligation Bonds (Combined)		
6% Capacity	\$ 8,993,650	
20% Capacity	300,551,350	
Total General Obligation Bonds	\$ 309,545,000	58.29%
Water & Sewer Revenue Bonds	9,595,000	1.81%
Excise Tax Revenue Obligations	201,285,000	37.90%
Highway User Revenue Bonds	6,685,000	4.95%
Improvement District Bonds	3,960,000	0.75%
Total	\$ 531,070,000	100.00%



The following pages present breakdowns of the principal and interest payments for all City bond issues outstanding as of June 30, 2016.

**Annual Bond Obligation for All
Existing Bonds and Obligations**

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 33,000,000	\$ 21,091,206	\$ 54,091,206
July 1, 2018	38,590,000	19,773,981	58,363,981
July 1, 2019	38,910,000	18,534,056	57,444,056
July 1, 2020	37,770,000	17,123,863	54,893,863
July 1, 2021	33,025,000	15,790,413	48,815,413
July 1, 2022	34,115,000	14,472,813	48,587,813
July 1, 2023	35,200,000	13,040,563	48,240,563
July 1, 2024	36,140,000	11,325,663	47,465,663
July 1, 2025	37,990,000	9,545,963	47,535,963
July 1, 2026	37,745,000	8,039,438	45,784,438
July 1, 2027	36,410,000	6,419,813	42,829,813
July 1, 2028	36,990,000	4,857,125	41,847,125
July 1, 2029	16,240,000	3,467,575	19,707,575
July 1, 2030	16,375,000	2,865,375	19,240,375
July 1, 2031	17,015,000	2,259,125	19,274,125
July 1, 2032	17,160,000	1,628,675	18,788,675
July 1, 2033	17,310,000	993,875	18,303,875
July 1, 2034	5,465,000	339,575	5,804,575
July 1, 2035	5,620,000	175,625	5,795,625
TOTAL	\$ 531,070,000	\$ 171,744,719	\$ 702,814,719

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 33,000,000	\$ 21,091,206	\$ 54,091,206
Maximum Requirement	2018	\$ 38,590,000	\$ 19,773,981	\$ 58,363,981

⁽¹⁾ Actual payments are made one day prior to maturity date.



Schedule of Total Outstanding Debt

	Original Issue	Outstanding 7/1/2016	2016-17		
			Principal	Interest	Payment
Revenue Bonds					
Highway User Revenue:					
Series 2003	\$ 5,000,000	\$ 1,000,000	\$ 1,000,000	\$ 50,000	\$ 1,050,000
Refunding Series 2010	10,450,000	1,865,000	770,000	60,088	830,088
Refunding Series 2014	8,660,000	3,820,000	645,000	146,350	791,350
	\$ 24,110,000	\$ 6,685,000	\$ 2,415,000	\$ 256,438	\$ 2,671,438
Water:					
Series 2005	\$ 10,000,000	\$ 1,750,000	\$ 1,750,000	\$ 87,500	\$ 1,837,500
Refunding Series 2014	11,079,850	5,491,500	-	219,660	219,660
	\$ 36,564,850	\$ 7,241,500	\$ 1,750,000	\$ 307,160	\$ 2,057,160
Sewer:					
Refunding Series 2014	\$ 4,320,150	\$ 2,353,500	\$ -	\$ 94,140	\$ 94,140
	\$ 19,805,150	\$ 2,353,500	\$ -	\$ 94,140	\$ 94,140
Total HURF & Enterprise Revenue Bonds	\$ 80,480,000	\$ 16,280,000	\$ 4,165,000	\$ 657,738	\$ 4,822,738
General Obligation Bonds					
General & Enterprise Funds:					
Series 2006	\$ 30,905,000	\$ 6,675,000	\$ 6,675,000	\$ 300,375	\$ 6,975,375
Series 2007	111,045,000	22,700,000	3,200,000	745,000	3,945,000
Refunding Series 2007	22,960,000	11,495,000	3,385,000	520,894	3,905,894
Series 2009	252,000,000	47,505,000	9,125,000	1,771,250	10,896,250
Series 2011A	9,925,000	8,875,000	575,000	336,750	911,750
Refunding Series 2011B	10,360,000	1,630,000	795,000	57,250	852,250
Refunding Series 2014	214,540,000	210,665,000	475,000	8,294,450	8,769,450
Total General Obligation Bonds	\$ 651,735,000	\$ 309,545,000	\$ 24,230,000	\$ 12,025,969	\$ 36,255,969
Excise Tax Revenue Obligations:*					
Series 2009	\$ 34,040,000	\$ 19,955,000	\$ 1,335,000	\$ 797,075	\$ 2,132,075
Series 2011	15,000,000	11,420,000	770,000	428,250	1,198,250
Series 2013	104,500,000	103,250,000	1,500,000	4,587,500	6,087,500
Series 2015	66,660,000	66,660,000	500,000	2,446,275	2,946,275
Total Excise Tax Revenue Obligations	\$ 220,200,000	\$ 201,285,000	\$ 4,105,000	\$ 8,259,100	\$ 12,364,100
Improvement District Bonds:					
Series 2008 - Spectrum ID	\$ 7,370,000	\$ 3,960,000	\$ 500,000	\$ 148,400	\$ 648,400
Total Improvement District Bonds	\$ 7,370,000	\$ 3,960,000	\$ 500,000	\$ 148,400	\$ 648,400
Total Bonded Debt & Obligations	\$ 959,785,000	\$ 531,070,000	\$ 33,000,000	\$ 21,091,206	\$ 54,091,206

* Non-voter approved debt as allowed by the City Debt Management Policy in the Budget Policies, Process, and Decisions section. The Debt Service is paid by dedicated water and wastewater user fees.

**Combined General Obligation Bonds
6% Capacity Portion Outstanding**

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 451,750	\$ 345,262	\$ 797,012
July 1, 2018	1,959,900	331,710	2,291,610
July 1, 2019	1,968,400	265,106	2,233,506
July 1, 2020	2,557,750	188,394	2,746,144
July 1, 2021	237,950	88,352	326,302
July 1, 2022	242,850	79,413	322,263
July 1, 2023	249,900	69,699	319,599
July 1, 2024	256,850	57,204	314,054
July 1, 2025	174,100	44,362	218,462
July 1, 2026	176,200	37,398	213,598
July 1, 2027	461,000	28,588	489,588
July 1, 2028	257,000	8,995	265,995
TOTAL	\$ 8,993,650	\$ 1,544,481	\$ 10,538,131

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 451,750	\$ 345,262	\$ 797,012
Maximum Requirement	2020	\$ 2,557,750	\$ 188,394	\$ 2,746,144

⁽¹⁾ Actual payments are made one day prior to maturity date.

**Combined General Obligation Bonds
20% Capacity Portion Outstanding**

<i>Maturity Date⁽¹⁾</i>	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 23,778,250	\$ 11,680,707	\$ 35,458,957
July 1, 2018	24,565,100	10,735,534	35,300,634
July 1, 2019	24,516,600	10,039,138	34,555,738
July 1, 2020	24,262,250	9,244,806	33,507,056
July 1, 2021	23,557,050	8,498,799	32,055,849
July 1, 2022	24,042,150	7,613,887	31,656,037
July 1, 2023	24,740,100	6,652,201	31,392,301
July 1, 2024	25,428,150	5,415,196	30,843,346
July 1, 2025	26,860,900	4,143,789	31,004,689
July 1, 2026	27,318,800	3,165,603	30,484,403
July 1, 2027	26,039,000	1,997,163	28,036,163
July 1, 2028	25,443,000	890,505	26,333,505
TOTAL	\$ 300,551,350	\$ 80,077,326	\$ 380,628,676

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 23,778,250	\$ 11,680,707	\$ 35,458,957
Maximum Requirement	2017	\$ 23,778,250	\$ 11,680,707	\$ 35,458,957

⁽¹⁾ Actual payments are made one day prior to maturity date.

**Combined General Obligation Bonds
Enterprise Supported**

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 9,990,000	\$ 4,498,800	\$ 14,488,800
July 1, 2018	9,780,000	4,155,100	13,935,100
July 1, 2019	9,640,000	3,884,900	13,524,900
July 1, 2020	9,325,000	3,595,700	12,920,700
July 1, 2021	9,525,000	3,315,950	12,840,950
July 1, 2022	9,650,000	2,957,810	12,607,810
July 1, 2023	9,555,000	2,571,810	12,126,810
July 1, 2024	9,475,000	2,094,060	11,569,060
July 1, 2025	10,020,000	1,620,310	11,640,310
July 1, 2026	10,525,000	1,250,760	11,775,760
July 1, 2027	9,500,000	790,010	10,290,010
July 1, 2028	11,036,000	386,260	11,422,260
TOTAL	\$ 118,021,000	\$ 31,121,470	\$ 149,142,470

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 9,990,000	\$ 4,498,800	\$ 14,488,800
Maximum Requirement	2017	\$ 9,990,000	\$ 4,498,800	\$ 14,488,800

⁽¹⁾ Actual payments are made one day prior to maturity date.

**Combined General Obligation Bonds
Ad Valorem Supported**

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 14,215,000	\$ 7,525,606	\$ 21,740,606
July 1, 2018	16,719,000	6,911,331	23,630,331
July 1, 2019	16,845,000	6,419,344	23,264,344
July 1, 2020	17,495,000	5,837,500	23,332,500
July 1, 2021	14,270,000	5,271,200	19,541,200
July 1, 2022	14,635,000	4,735,490	19,370,490
July 1, 2023	15,435,000	4,150,090	19,585,090
July 1, 2024	16,210,000	3,378,340	19,588,340
July 1, 2025	17,015,000	2,567,840	19,582,840
July 1, 2026	16,970,000	1,952,240	18,922,240
July 1, 2027	17,000,000	1,235,740	18,235,740
July 1, 2028	14,664,000	513,240	15,177,240
TOTAL	\$ 191,473,000	\$ 50,497,961	\$ 241,970,961

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 14,215,000	\$ 7,525,606	\$ 21,740,606
Maximum Requirement	2018	\$ 16,719,000	\$ 6,911,331	\$ 23,630,331

⁽¹⁾ Actual payments are made one day prior to maturity date.

Water and Sewer Revenue Bonds

Revenue bonds are payable from a specific source of revenue, do not affect the property tax rate, and are not subject to a legal limitation on the amount of bonds that may be issued. However, the electorate must authorize these bonds. Pledged revenue may be derived from utility operations, grants, and excise or other specified revenue sources. Proceeds from the sale of these bonds are used to improve and extend the existing municipal water and wastewater systems, including the construction or improvement of transmission lines, wells, storage, and pumping facilities. Funds are also used to acquire, improve, and install wastewater treatment and effluent reuse facilities.

The City has agreed to establish, maintain, and collect rates and other charges in an amount sufficient to produce revenues remaining after payment of net operating expenses in each fiscal year equal to a minimum of 120% of the aggregate annual debt service requirements on outstanding revenue bonds. Therefore, the utility net operating revenues need to exceed the maximum annual water and sewer revenue bond debt service cost by a 1.2 ratio. The annual debt service payment is paid from water and sewer user fees and system development fees.

The City has made a prepayment on Series 2005 Refunding Water and Sewer Revenue Bonds in June 2016, which resulted in approximately \$228,000 of present value savings. The reductions in debt service are reflected in the schedule below.

Combined Water and Sewer Revenue Bonds Outstanding

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i> ⁽²⁾	<i>Interest Payable</i> ⁽²⁾	<i>Fiscal Total</i>
July 1, 2017	\$ 1,750,000	\$ 401,300	\$ 2,151,300
July 1, 2018	3,160,000	313,800	3,473,800
July 1, 2019	2,345,000	187,400	2,532,400
July 1, 2020	2,340,000	93,600	2,433,600
TOTAL	\$ 9,595,000	\$ 996,100	\$ 10,591,100

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 1,750,000	\$ 401,300	\$ 2,151,300
Maximum Requirement	2018	\$ 3,160,000	\$ 313,800	\$ 3,473,800

⁽¹⁾ Actual payments are made one day prior to maturity date.

⁽²⁾ The July 1, 2017 principal and interest payments reflect the July 1, 2016 cash redemption of the \$5,725,000 July 1, 2017 maturity of the Series 2005 Water & Sewer Revenue Refunding Bonds.

Street and Highway User Revenue Fund (HURF) Bonds

This type of revenue bond is used solely for the purpose of improving, constructing, and reconstructing the major streets, arterial collectors, and local streets within the City. The bonds are secured by gas tax revenues collected by the State and distributed to Arizona cities and towns based on a formula of population and gas sales within the county of origin.

The amount of HURF bonds that may be issued by the City is limited by the amount of annual HURF revenues received from the State. Annual debt service must not exceed 50% of the annual HURF revenue received by the City.

HURF Bonds Outstanding

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 2,415,000	\$ 256,438	\$ 2,671,438
July 1, 2018	2,220,000	163,988	2,383,988
July 1, 2019	2,050,000	79,200	2,129,200
TOTAL	\$ 6,685,000	\$ 499,625	\$ 7,184,625

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 2,415,000	\$ 256,438	\$ 2,671,438
Maximum Requirement	2017	\$ 2,415,000	\$ 256,438	\$ 2,671,438

⁽¹⁾ Actual payments are made one day prior to maturity date.

Excise Tax Revenue Obligations

Excise Tax Revenue Obligations (ETRO) are payable from pledged revenue (but paid from dedicated Enterprise Funds user fees), do not affect the property tax rate, and are not subject to a statutory limitation on the amount of bonds that may be issued. The City may issue additional ETROs only if the total amount of excise taxes in the immediately preceding fiscal year is equal to at least three times the maximum annual debt service. Unlike other City debt instruments, ETROs do not require voter authorization. Pledged revenue may be derived from all unrestricted excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, and license and permit fees.

The City issued ETROs for the first time in Fiscal Year (FY) 2008-09 for a water reclamation facility expansion and to refund water and sewer revenue bonds in the amount of \$34,040,000. ETROs were issued again in FY 2010-11 for \$15,000,000, FY 2013-14 for \$109,500,000 and in FY 2015-16 for \$66,660,000.

This is a form of non-voter approved debt as allowed by the City Debt Management Policy in the Budget Policies, Process, and Decisions section. This debt service is paid by dedicated water and wastewater user fees.

Excise Tax Revenue Obligations Outstanding

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 4,105,000	\$ 8,259,100	\$ 12,364,100
July 1, 2018	6,165,000	8,100,950	14,265,950
July 1, 2019	7,485,000	7,856,513	15,341,513
July 1, 2020	8,045,000	7,512,563	15,557,563
July 1, 2021	8,645,000	7,141,763	15,786,763
July 1, 2022	9,220,000	6,741,913	15,961,913
July 1, 2023	9,575,000	6,305,963	15,880,963
July 1, 2024	10,455,000	5,853,263	16,308,263
July 1, 2025	10,955,000	5,357,813	16,312,813
July 1, 2026	10,250,000	4,836,438	15,086,438
July 1, 2027	9,910,000	4,394,063	14,304,063
July 1, 2028	11,290,000	3,957,625	15,247,625
July 1, 2029	16,240,000	3,467,575	19,707,575
July 1, 2030	16,375,000	2,865,375	19,240,375
July 1, 2031	17,015,000	2,259,125	19,274,125
July 1, 2032	17,160,000	1,628,675	18,788,675
July 1, 2033	17,310,000	993,875	18,303,875
July 1, 2034	5,465,000	339,575	5,804,575
July 1, 2035	5,620,000	175,625	5,795,625
TOTAL	\$ 201,285,000	\$ 88,047,788	\$ 289,332,788

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 4,105,000	\$ 8,259,100	\$ 12,364,100
Maximum Requirement	2029	\$ 16,240,000	\$ 3,467,575	\$ 19,707,575

⁽¹⁾ Actual payments are made one day prior to maturity date.

Improvement District Bonds

Improvement Districts are generally formed only by property owners in a designated area within the City in which they must agree to be assessed for the repayment of the costs of constructing improvements that benefit the owner's property. Improvement District bonds are secured by a lien on the property and improvements of all parcels of each district. The State does not require legal appropriation of funds for improvement districts. Improvement District bonds are typically issued to finance local streets, water, or sewer improvements, or to acquire an existing water or sewer operation.

There is no statutory debt limit or legal limit to the amount of improvement district bonds that may be issued.

Improvement District Bonds Outstanding

<i>Maturity Date</i> ⁽¹⁾	<i>Bonds Payable</i>	<i>Interest Payable</i>	<i>Fiscal Total</i>
July 1, 2017	\$ 500,000	\$ 148,400	\$ 648,400
July 1, 2018	520,000	128,000	648,000
July 1, 2019	545,000	106,700	651,700
July 1, 2020	565,000	84,500	649,500
July 1, 2021	585,000	61,500	646,500
July 1, 2022	610,000	37,600	647,600
July 1, 2023	635,000	12,700	647,700
TOTAL	\$ 3,960,000	\$ 579,400	\$ 4,539,400

	<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Fiscal Total</i>
This Year's Requirement	2017	\$ 500,000	\$ 148,400	\$ 648,400
Maximum Requirement	2019	\$ 545,000	\$ 117,600	\$ 651,700

⁽¹⁾ Actual payments are made one day prior to maturity date.