



CITY OF SURPRISE
Regular City Council Meeting Agenda
16000 N. Civic Center Plaza
Surprise, AZ 85374

Tuesday, June 19, 2018 @ 6:00 PM
COUNCIL CHAMBERS

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A. Call To Order

B. Roll Call

C. Pledge of Allegiance

D. PROCLAMATION AND COMMUNITY ACKNOWLEDGEMENTS

District Citywide [Proclamation acknowledging the 243rd birthday of the United States Army.](#) None
Mayor
Wolcott

E. City Manager Report:

F. City Attorney Report:

G. City Clerk Report:

District Internal [Consideration and action to appoint John Williams to fill the resident vacancy on the Tourism Commission with a term expiration of June 30, 2021.](#) None
Sherry Ann
Aguilar, City
Clerk

District Internal [Consideration and action to appoint Glenn Stark to fill the remainder of a term due to vacancy for the Tourism Commission - Chamber of Commerce Representative.](#) None
Sherry Ann
Aguilar, City
Clerk

H. Call To The Public:

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins.

[Download the Call to the Public form](#) (PDF download requires [Adobe Acrobat Reader](#))

[Fill out the Call to the Public form online](#) If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

The Call to the Public form is also available at the front counter.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no

separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

I. Regular City Council Meeting Agenda:

Consent Agenda:

- | | | | |
|----|-------------------|---|---|
| 1. | District Citywide | <u>Consideration and action regarding the amendment to the contract for services between the City of Surprise and Area Agency on Aging for Fiscal Year FY2018, amending the FY18 capital and operating list of items over \$50,000, and to authorize the city to accept additional grant funding in the amount of \$5,000 for the Congregate Meal Program by amending the FY18 budget and reallocating appropriations within the grants fund; Resolution # 2018-96.</u> | None
Joe Gladieux,
HSCV Dept. |
| 2. | District Citywide | <u>Consideration and action pertaining to approval of the City's amended Investment Policy; Resolution # 2018-88.</u> | None
Lindsey Duncan,
Finance Director |
| 3. | District Citywide | <u>Consideration and action approving the updated Fiscal Year 2019 City of Surprise Comprehensive Financial Management Policies; Resolution # 2018-107.</u> | None
Lindsey Duncan/Holly Osborn,
Finance |
| 4. | District Citywide | <u>Consideration and action on the minutes of June 5, 2018 Regular City Council Work Session; Special City Council Meeting and Regular City Council Meeting.</u> | None
Sherry Ann Aguilar,
City Clerk |
| 5. | District 2 | <u>Consideration and action on a request by Nicholas Guttilla (Agent) for an Interim Permit/Person Transfer/Corporation and Sampling Privileges for Series 09 license for Safeway #977 (Also known as Albertson's) located at 14551 W. Grand Avenue, Surprise, AZ 85374 (License #09070567).</u> | None
Sherry Ann Aguilar, City Clerk |
| 6. | District 5 | <u>Consideration and action on a Series 12 Restaurant - New License/LLC) request by Kristopher David Ora Olson, Agent for Pieology Pizzeria located at 14321 W. Bell Road, #100, Surprise, AZ 85374.</u> | None
Sherry Ann Aguilar, City Clerk |
| 7. | District 6 | <u>Consideration and action on a series 12 (Restaurant - Interim Permit/New License) request by Maryann Germain, Owner/Agent for Under Review Sports Grill located at 13699 N. Litchfield Road, Surprise, AZ 85379.</u> | None
Sherry Ann Aguilar, City Clerk |
| 8. | District Citywide | <u>Consideration and action pertaining to adoption of the City of Surprise Intelligent Transportation Systems (ITS) Strategic Plan; Resolution #2018-90.</u> | None
Karl Zook,
Public Works Department |
| 9. | District Citywide | <u>Consideration and action pertaining to approval of an</u> | None |

	<u>Intergovernmental Agreement (IGA) between the City of Glendale and Surprise for Surprise Police Officers' authorization to work events outside the University of Phoenix Stadium; Resolution # 2018-91.</u>	Christine DeSanti, Police Dept.
10. District 1	<u>Consideration and action on a Fiscal Year 2018 budget amendment by reallocating appropriations in the amount of \$20,000 from the Donation Contingency Fund to the Police Donations Supplies and Services Funds to increase spending authority; Resolution #2018-86.</u>	None Christine DeSanti, Police Dept.
11. District Citywide	<u>Consideration and action pertaining to the approval of the procurement of the art piece "Full Equinox" for the City's permanent art collection.</u>	None Paul Bernardo, Govt & Comm. Pship Dir.
12. District Citywide	<u>Consideration and action pertaining to an amendment to the FY2018 Budget by reallocating revenue appropriations of \$174,200 from Other Grant Revenue within the Grant Revenue Fund and expenditure appropriations from contingency within the Grants Fund due to increased revenue received from ticket surcharges for the 2018 Spring Training Season; Resolution #2018-95.</u>	None Kendra Pettis, Sports & Tourism Director
13. District Citywide	<u>Consideration and action pertaining to a Fiscal Year 2018 Budget amendment reallocating appropriation of \$2,100 from Project P54070 to Project P54100 within the General Capital Projects Fund to cover additional expenses for the 8 Acre Park fence project; Resolution #2018-93.</u>	None Donna Miller, CRS Director
14. District Citywide	<u>Consideration and action pertaining to approval of Amendment Number Two to the Intergovernmental Agreement with Maricopa County for Workforce Development Services; Resolution #2018-92.</u>	None Seth Dyson, HSCV Director
15. District Citywide	<u>Consideration and action approving an Intergovernmental Agreement with the Arizona Game and Fish Commission to continue the Community Fishing Program at Surprise Lake located within the Surprise Community Park; Resolution # 2018-68.</u>	None Donna Miller, CRS Director
16. District Citywide	<u>Consideration and action pertaining to acceptance of Fiscal Year 2019 grant funds in the amount of \$60,000 from Area Agency on Aging Region One and approval of the Agreement between the Agency and Surprise related thereto; Resolution # 2018-81.</u>	None Joe Gladieux, HSCV Dept.
17. District 1	<u>Consideration and action pertaining to approval of the Final Plat entitled, "Plath Minor Land Division" dated May 9, 2018, a approximately 4.59 acre property generally located north of the Dynamite Road Alignment and east of 166th Avenue in a RR (Residential Ranch) zoning district.</u>	None Shirley Phan - Community Development
18. District Citywide	<u>Consideration and action on approving an Intergovernmental Agreement with Maricopa Association of Governments for the development of an Active Transportation Plan.</u>	None Martin Lucero -

- | | | |
|-----|--|--|
| | | Community Development |
| 19. | District Citywide <u>Consideration and action on the final draft of the Surprise Arts and Culture Master Plan, which the Arts and Cultural Advisory Commission has recommended for approval.</u> | None
Joshua Mike - Community Development |
| 20. | District 1 <u>Consideration and action on a Partial Release of land from the Verdugo Development Agreement; Resolution 2018-98.</u> | None
Lloyd Abrams - Community Development |
| 21. | District Citywide <u>Consideration and action pertaining to an amendment to the Fiscal Year 2018 Capital and Operating List Items over \$50,000 to include an increase in the online utility payment contract line item by \$60,000; Resolution #2018-104.</u> | None
Lindsey Duncan, Finance Director |
| 22. | District 3 <u>Consideration and action to vacate a portion of public roadway located on Citrus Road between Peoria Avenue and Cactus Road; Resolution #2018-103.</u> | None
Lloyd Abrams, Community Development |

Regular Agenda Item - Public Hearing:

- | | | |
|-----|---|--|
| 23. | District Citywide <u>Consideration and action pertaining to a text amendment to Chapter 42 by adding a new article III, titled Urban Camping; Ordinance #2018-08.</u> | None
Seth Dyson, Human Service & Community Vitality |
|-----|---|--|

Regular Agenda Item - Non-Public Hearing:

- | | | |
|-----|--|--|
| 24. | District 1 <u>Consideration and action on the Tourism Five Year Strategic Plan (2018-2023) as recommended by the Tourism Advisory Commission.</u> | None
Kendra Pettis, Sports/Tourism Director |
| 25. | District Citywide <u>Consideration and action pertaining to approval of an annual agreement between the City of Surprise and the Greater Phoenix Economic Council (GPEC) for the participation and support of regional economic development programs, in the amount of \$60,471 in fiscal year 2019.</u> | None
Jeanine Jerkovic, ED Director |
| 26. | District Citywide <u>Consideration and action levying a certain sum of money for FY2019 to be assessed against the valuation of property for primary and secondary tax purposes; Resolution # 2018-101.</u> | None
Lindsey Duncan and Holly Osborn, Finance |
| 27. | District Citywide <u>Consideration and action setting forth the FY2019 levy of property tax rates for Street Light Improvement Districts (SLID)</u> | None
Lindsey |

- | | | |
|-----------------------|---|---|
| 28. District Citywide | <u>Consideration and action approving the sale and execution and delivery of Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, evidencing proportionate interests of the holders thereof in a Series 2018 Purchase Agreement; Approving the form and authorizing the execution and delivery of such Series 2018 Purchase Agreement and other necessary agreements for such sale; Delegating authority to determine certain matters and terms with respect to the foregoing; Authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by the resolution and declaring an emergency. Resolution # 2018-99.</u> | None
Lindsey
Duncan,
Finance
Director |
| 29. District Citywide | <u>Consideration and action pertaining to approval of an amendment to the FY18 Capital and Operating List of Items over \$50,000; amending the FY18 budget by reallocating appropriations of \$342,000 from Grants Fund Contingency to Services in the Election 2017 Debt Service Fund; and GO Bond update; Resolution # 2018-71.</u> | None
Lindsey
Duncan,
Finance
Dept. |
| 30. District 1 | <u>Presentation and discussion pertaining to the FY2018 Financial Status Report through March 2018.</u> | None
Lindsey
Duncan,
Finance
Director |

J. Other Business and Future Agenda Items:

K. Mayor/Council Reports:

L. Executive Session:

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city'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 (A.R.S. §38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-

401.03 (A)(6)).

- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

M. Adjournment:

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: June 14, 2018 at 1:22 PM, Amended Item #23 - Amended Ordinance 2018-08, Urban Camping Ordinance on Monday, June 18, 2018 @ 9:02 a.m.

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Mayor Wolcott
Submitting Department:	Government & Community Partnerships	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Proclamation acknowledging the 243rd birthday of the United States Army.

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

[Click to download](#)

No Attachments Available



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Sherry Ann Aguilar, City Clerk
Submitting Department:		District:	Internal
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action to appoint John Williams to fill the resident vacancy on the Tourism Commission with a term expiration of June 30, 2021.

Motion:

I move to appoint John Williams to fill the resident vacancy on the Tourism Commission with a term expiration of June 30, 2021.

Background:

This request follows the process in the City Code relating to filling Boards and Commission vacancies.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

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☐ [Williams Application](#)

5:30 4pm
6-11-18

Date & Time Received by City Clerk's Office: 5-3-18 12:25 PM



City of Surprise

APPOINTMENT APPLICATION FOR ALL SURPRISE BOARDS AND COMMISSIONS

Name: John Williams Date Submitted: 5/3/2018 6-7-18

Resident of Surprise: X Yes No Number of Years: 18

Board/Commission Applying For: ~~ERS~~ Tourism

Education: Med, Educational Leadership, Grand Canyon University; MS, Health Administration, Towson University; BS, Hofstra University

EMPLOYMENT BACKGROUND:

Present Employer/Position: DUSD, Athletic Director

Previous Employer(s)/Position (Last 5 Years): DUSD & PEORIA

Unified School District, Teacher &
ATHLETIC TRAINER

Special Qualifications (Include list of Surprise activities or organizations you have participated in and dates):

9 1/2 years City Council, Youth Council Volunteer

(Continued on Reverse Side)

Do you currently serve, or have you previously served on any other City of Surprise Boards/Commissions? If yes, which one(s):

Statement as to why you want to serve as a Board Member for the City of Surprise:

CONTINUE SERVICE TO THE COMMUNITY, HELPING
SUPPORT THE GROWTH OF REE SERVICES
AND LEISURE ACTIVITIES FOR OUR CITY.

Additional Information/Comments:

INTERESTED IN CONTINUING SERVICE IN OUR
COMMUNITY IN AN AREA THAT HAS
REMARKABLE IMPACT ON FAMILIES AND YOUTH

I, John Williams certify that to the best of my knowledge, all
information given herewith is true and correct. I understand that any falsification or
misrepresentation of facts will be cause for dismissal from the position if I am appointed
by the City Council.


Applicant's Signature



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Sherry Ann Aguilar, City Clerk
Submitting Department:		District:	Internal
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action to appoint Glenn Stark to fill the remainder of a term due to vacancy for the Tourism Commission - Chamber of Commerce Representative.

Motion:

I move to appoint Glenn Stark to fill the remainder of a term due to vacancy for the Tourism Commission - Chamber of Commerce Representative.

Background:

This request follows the City Code pertaining to filling vacancies for City Boards and Commissions.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

Click to download

☐ [Stark Application](#)

Date/Time/Initials Received by Clerk's Office: _____



City of Surprise

APPOINTMENT APPLICATION FOR ALL SURPRISE COMMISSIONS

Name: GLENN L. STARK Date Submitted: 5/31/18

Resident of Surprise: X Yes _____ No Number of Years: _____

Board/Commission(s) you are applying for? TOURISM BOARD

Education: BS / Networking & Telecommunications

EMPLOYMENT BACKGROUND:

Present Employer/Position: Self-Employed Co-owner
of CRUISE PLANNERS CARLA & GLENN STARK

Previous Employer(s)/Position (Last 5 Years): US ARMY Retired

Special Qualifications (Include list of Surprise activities or organizations you have participated in and dates):

CHAMBER of Commerce, VFW Post 285,
SURPRISE City Academy

(Continued on Reverse Side)

Do you currently serve, or have you previously served on any other City of Surprise Commissions? If yes, which one(s):

NO

Statement as to why you want to serve as a Commission Member for the City of Surprise:

AS A TRAVEL AGENT, I Believe I have A
DIFFERENT OUTLOOK ON TOURISM IN SURPRISE
AND THE WEST VALLEY. What would
I look for to recommend to A
paying client to VACATION IN
SURPRISE.

Additional Information/Comments:

I, Glena L. STARK certify that to the best of my know-
ledge, all information given herewith is true and correct. I understand that any
falsification or misrepresentation of facts will be cause for dismissal from the
position if I am appointed by the City Council.


Applicant's Signature

Please return to:

City Clerk's Office
16000 N. Civic Center Plaza
Surprise, AZ. 85374
623-222-1200

Please note that applications are accepted on an open rolling basis and shall be maintained as an active application for future vacancies.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Joe Gladieux, HSCV Dept.
Submitting Department:	Human Service & Community Vitality	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action regarding the amendment to the contract for services between the City of Surprise and Area Agency on Aging for Fiscal Year FY2018, amending the FY18 capital and operating list of items over \$50,000, and to authorize the city to accept additional grant funding in the amount of \$5,000 for the Congregate Meal Program by amending the FY18 budget and reallocating appropriations within the grants fund; Resolution # 2018-96.

Motion:

I move to approve Resolution # 2018-96.

Background:

The City of Surprise, through its Human Service & Community Vitality (HSCV) Department, applied for a continuation of a grant from Area Agency on Aging that has been in place since 2004. The grant award will serve to support the congregate meal program and a portion of the Senior Center multipurpose operations that support the program.

Objective Analysis:

This action will allow the HSCV Department to maintain the congregate meal service program at the Senior Center.

Policy Compliant:

This action is compliant with City and Council policies.

Financial Impact:

This additional grant award is to assist in covering the meals for the remainder of the fiscal year for special event hosting for a one-time total of \$5,000.

Budget Impact:

The allocation represents a reallocations of appropriations in the amount of \$5,000 from contingency within the Grants Fund to increase spending authority within the Special Event Hosting line of the Area Agency on Aging Grant.

FTE Impact:

This action does not have an effect on current staffing levels.

ATTACHMENTS:

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☐ [Resolution](#)

RESOLUTION # 2018-96

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE CONTRACT FOR SERVICES BETWEEN THE CITY OF SURPRISE AND AREA AGENCY ON AGING FOR FISCAL YEAR 2018, AMENDING THE FISCAL YEAR 2018 CAPITAL AND OPERATING LIST OF ITEMS OVER \$50,000, AND TO AUTHORIZE THE CITY TO ACCEPT ADDITIONAL GRANT FUNDING IN THE AMOUNT OF \$5,000 FOR THE CONGREGATE MEAL PROGRAM BY AMENDING THE FISCAL YEAR 2018 BUDGET AND REALLOCATING APPROPRIATIONS WITHIN THE GRANTS FUND.

WHEREAS, the City of Surprise, through its Human Service & Community Vitality Department, applied for a continuation of a grant from Area Agency on Aging that has been in place since 2004;

WHEREAS, the FY2018 contract for services was adopted by Council Resolution # 2017-72 on June 20, 2017;

WHEREAS, the additional funding will serve to support the congregate meal program for the remainder of the fiscal year;

WHEREAS, the FY2018 budget, including the FY2018 Capital and Operating List of Items Over \$50,000, was adopted by Council Resolution #2017-64 on June 6, 2017;

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the City Manager, or his designees, is authorized to conduct all negotiations and to execute and submit all documents and other necessary or desirable instruments in connection with said agreements as described in *Exhibit A*.

Section 2. That the statements and schedules attached as *Exhibit B* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

Section 3. That the statements and schedules attached as *Exhibit C* and incorporated by reference are adopted, the Fiscal Year 2018 Capital and Operating List of Items Over \$50,000 of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this _____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

CONTRACT FOR SERVICES AMENDMENT BETWEEN
THE CITY OF SURPRISE AND *AREA AGENCY ON AGING*

CONTRACT FOR SERVICES BETWEEN

AMENDMENT 1

2018-39-SUR

Area Agency on Aging, Region One, Incorporated *AND*
1366 East Thomas Road, Suite 108
Phoenix, Arizona 85014
602-264-2255 fax: 602-230-9132

City of Surprise
16000 North Civic Center Plaza
Surprise, Arizona 85374
623-222-1500 fax: 623-222-1501

EFFECTIVE DATE OF THIS AMENDMENT: May 1, 2018

PURPOSE OF THE AMENDMENT:

1. Increase Area Agency funding for the Congregate Meal program by \$5,000 from \$38,300 to \$43,300 for additional operational support.

EXCEPT AS PROVIDED HEREIN, ALL TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AS HERETOFORE CHANGED AND/OR AMENDED REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT. IN WITNESS THEREBY OF SIGNATURE, THE PARTIES ENTER INTO THIS CONTRACT:

**AREA AGENCY ON AGING,
REGION ONE, INCORPORATED**

CITY OF SURPRISE

Signature and Date

Mary Lynn Kasunic, President & CEO
Area Agency on Aging, Region One

Signature and Date

Seth Dyson, Director
Human Services & Community Vitality

CONTRACT SUMMARY
FIXED PRICE WITH PRICE ADJUSTMENT

CONTRACT #: 2018-39-SUR

CONTRACTOR: City of Surprise

TYPE: *Amendment 1*

CONTRACT TERM: July 1, 2017 to June 30, 2018

Contract Reimbursement Ceiling for all Services: TOTAL: \$ 55,000

CONTRACT OPERATING BUDGET

REVENUE	Congregate Meals	Multipurpose Operations
Area Agency	43,300	11,700
Project Income	14,500	-
Non-Fed Inkind	-	-
Non-Fed Cash	103,629	155,092
Other Federal	3,500	2,300
TOTAL	164,929	169,092
EXPENSES		
Personnel	75,981	121,396
ERE	14,898	27,296
Prof&Outside	3,500	2,300
Travel	200	-
Space	8,550	12,400
Equipment	-	-
Materials/Supl	60,600	5,300
Operating Svc	1,200	400
Indirect	-	-
TOTAL	164,929	169,092
UNITS	8,000	4,100
UNIT RATE	\$ 20.62	\$ 41.24

EXHIBIT B

1. Appropriation - The allocations below represent a reallocation of appropriations in the amount of \$5,000 from contingency within the Grants Fund to the Congregate Meal Program to increase spending authority within the Special Event Hosting line of the Area Agency on Aging Grant. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority. Additionally, these allocations do not increase or decrease the total budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants	Human Svcs and Comm Vitality	#G51500 FY 18 AAA - Meals	R	38,300	5,000	43,300
Grants	Human Svcs and Comm Vitality	#G51500 FY 18 AAA - Meals	E	38,300	5,000	43,300
Grants	General Operations	Contingency	E	7,167,600	(5,000)	7,162,600
Grants	General Operations	Other	R	11,820,300	(5,000)	11,815,300
Expense Total				7,205,900	-	7,205,900
Revenue Total				11,858,600	-	11,858,600

EXHIBIT C

1. List of Operating Items Over \$50,000 - This Resolution would provide authorization to add an additional \$5,000 to Fiscal Year 2018 Capital and Operating List of Items Over \$50,000.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
18051	AAA Congregate Meals	71,300	5,000	76,300



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Lindsey Duncan, Finance Director
Submitting Department:	Finance Dept	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of the City's amended Investment Policy; Resolution # 2018-88.

Motion:

I move to approve Resolution # 2018-88.

Background:

The investment of public monies is regulated by Title 35 of Arizona Revised Statutes (A.R.S). Investment policies are an important element of sound financial principles which demonstrate the City's commitment to invest public monies in a manner that will maintain the safety of principal, maintain liquidity, and provide an industry benchmark yield.

The City's Investment Policy was adopted by City Council Resolution #04-171 on August 26, 2004 and later amended by City Council Resolution #07-62 on May 24, 2007. The policies cover the areas of Investment Authority; Delegation of Authority; Policy Adoption; Internal Control; Prudence; Investment Objectives; Authorized and Eligible Investments; Safekeeping and Custody; Ethics and Conflicts of Interest; Authorized Financial Institutions; and Reporting.

The major changes proposed by staff are summarized below:

1. Streamline language and simplify procedures to facilitate application of the policy.
2. Remove investment options that carry a high degree of risk, such as commercial paper, and document the City's objective to approach volatile investments with caution.
3. Include additional categories of funds, unless otherwise specified, in order to accommodate for the City's growth.
4. Remove references to ineligible investments.
5. Remove irrelevant definitions.

Objective Analysis:

The City's Investment Policy provides guidance to ensure the sound and prudent investment of public monies.

Policy Compliant:

This item is compliant with City and Council policies.

Financial Impact:

None at this time; however, this item will direct the City's investment activities going forward.

Budget Impact:

None at this time; however, topics covered in this item could lead to future actions which may have a budgetary impact.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

Click to download

☐ [Resolution 2018-88](#)

RESOLUTION #2018-88

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY
OF SURPRISE, ARIZONA ADOPTING AN AMENDED
INVESTMENT POLICY TO MAINTAIN CLEAR AND CONCISE
GUIDANCE FOR INFORMED INVESTMENT STRATEGIES.**

WHEREAS, pursuant to Arizona Revised Statutes § 35-323, the City of Surprise has the authority to invest public monies;

WHEREAS, the City's Investment Policy was adopted by City Council Resolution #04-171 on August 26, 2004 and amended by City Council Resolution #07-62 on May 24, 2007;

WHEREAS, the Finance Department recommended changes to the Investment Policy at the Regular City Council Work Session on June 5, 2018; and

WHEREAS, City Council has reviewed the proposed changes and believes they improve and clarify the investment policies of the City of Surprise.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Investment Policy set forth in Exhibit A attached hereto and incorporated by reference herein is adopted as the official Investment Policy of the City of Surprise, Arizona.

Section 2. The Finance Director is hereby authorized and directed to take the appropriate steps to incorporate the changes into the Investment Policy of the City of Surprise and disseminate the new policy as necessary.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

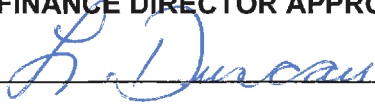
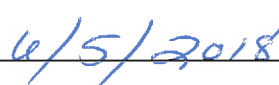
Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

CITY OF SURPRISE INVESTMENT POLICY

 SURPRISE ARIZONA		Standard Operating Procedure INVESTMENTS	
PROCESS: Investment Activities With Public Monies			
POLICY REFERENCE: Arizona Revised Statutes (ARS) Title 35; City of Surprise, Arizona Comprehensive Financial Management Policies; Generally Accepted Accounting Principles (GAAP)			
ISSUE DATE: August 26, 2004 Resolution 04-171	LAST AMENDED DATE: May 24, 2007 Resolution 07-62	EFFECTIVE DATE: June 19, 2018 Resolution 2018-88	
FINANCE DIRECTOR APPROVAL: 		APPROVAL DATE: 	

GENERALLY

The City will consolidate public monies identified for investment from governmental funds, proprietary funds, and internal service funds in order to maximize investment earnings and to increase efficiencies with regard to investment management pricing, safekeeping costs, and administration costs. Funds that are contractually or statutorily restricted from investment activities will be exempted from this policy. Investment income will be allocated to the various funds based on their respective participation of cash balances and in accordance with [Governmental Accounting Standards Board \(GASB\)](#). The investment of public monies is regulated by [Title 35 of Arizona Revised Statutes \(A.R.S.\)](#).

PURPOSE

This policy applies to the investment activities of the City of Surprise with the intent to invest public monies in a manner that will maintain the safety of principal, maintain liquidity to meet operating requirements, and provide an industry benchmark yield.

DEFINITIONS

Benchmark- a comparative base for measuring the performance or risk tolerance of the investment portfolio which should represent a close correlation to the level of risk and the average duration of the portfolio's investments

Broker- a third-party who brings buyers and sellers together for a commission

Certificates of Deposit (CD) - a marketable receipt for funds deposited in a bank or thrift institution for a specific time period at a stated rate of interest

Credit Risk- the risk of loss due to the failure of the security issuer or backer

Dealer- as opposed to a broker, a third-party who acts as a principal in all transactions, buying and selling his own account

Delivery vs. Payment (DVP) - delivery of securities with an exchange of money for the securities

Delivery vs. Receipt (DVR) - delivery of securities with an exchange of a signed receipt for the securities

Diversification- dividing investment funds among a variety of securities offering independent returns

Interest Rate Risk- the risk that the market value of securities held in the portfolio will decline due to increases in market interest rates subsequent to their purchase

Investment Advisor- an investment firm with demonstrated expertise in the management of investment portfolios that acts as a fiduciary for client assets and held to the "Prudent Expert" standard of care; registered with and regulated by the [Securities and Exchange Commission \(SEC\)](#) under the Investment Advisors Act of 1940; and compensated on the basis of assets under management, not transactions

Liquidity- an asset that can be converted easily and rapidly into cash without a substantial loss of value

Market Value- the price at which a security is trading and could probably be purchased or sold

Maturity- the date upon which the principal or stated value of an investment becomes due and payable

Nationally Recognized Statistical Ratings Organization (NRSRO) – a national credit rating agency that provides reliable and credible credit ratings that are used by the U.S. government in several regulatory areas, used frequently by investors, and used as benchmarks by federal and state agencies

Pooled Investment Fund- the aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment

Portfolio- collection of securities held by an investor

Primary Dealer- a group of government securities dealers including the SEC, registered securities brokers, dealers, banks, and a few unregulated firms, who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight

Prudent Person Rule- an investment standard that, depending on the state, requires either a) that a fiduciary, such as a trustee, invest money only in a list of securities selected by the custody state, also known as the "legal list" or b) that the trustee invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of principal

Public Monies- money that is generated or levied by a governmental agency to provide goods and services for public purposes

Safekeeping- a service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection

Securities & Exchange Commission (SEC) – an agency created by Congress to protect investors in securities transactions by administering securities legislation

Uniform Net Capital Rule- SEC Rule 15C3-1 outlining capital requirements for brokers and dealers

Yield- the current rate of return on an investment security generally expressed as a percentage of the security's current price

Yield to Maturity- the rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return

POLICIES

1. Investment Management Authority

- a. Authority to manage the investment program of the City is granted to the Finance Director or his/her designee and derived from the [A.R.S. § 35-323](#).

2. Delegation of Authority

- a. The Finance Director shall have responsibility for the operation of the investment program and shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. No person may engage in investment transactions except as provided under the terms of this policy and the procedures established by the Finance Director.
- b. The Finance Director has the authority to manage internally or to delegate the management of the investment program to an investment advisor. If authority to manage all or a part of the investment program of the City is delegated to an investment advisor, the Finance Director is responsible for:
 - i. Periodic investment portfolio reporting
 - ii. Evaluating the performance of the externally managed portfolio
 - iii. Monitoring the investment advisor's compliance with the City's Investment Policy
 - iv. Conveying the investment needs of the City to the investment advisor
 - v. Developing investment strategy with the investment advisor

2. Investment Policy Adoption

- a. The City's Investment Policy shall be adopted by City Council. The Policy shall be reviewed on an annual basis by the Finance Director when applicable, and any modifications made must be approved and adopted by the City Council.

3. Internal Control

- a. The Finance Director shall establish internal controls that are designed to prevent losses due to fraud, negligence, third-party misrepresentation, and other foreseeable circumstances that may arise in the operations of the investment function. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that a) the cost of a control should not exceed the benefits likely to be derived and b) the valuation of costs and benefits requires estimates and judgments by management.
- b. The internal controls shall address the following points:
 - i. Control of collusion
 - ii. Segregation of duties
 - iii. Custodial safekeeping
 - iv. Delegation of authority
 - v. Documented confirmation of transactions for investments and wire transfers

4. Prudence

- a. The standard of prudence to be used by investment officials shall be the "uniform prudent act" standard and shall be applied in the context of managing an overall portfolio. The Finance Director, acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried out in accordance with the terms of the City's Investment Policy.

5. Investment Policy Objectives

- a. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.
 - i. Safety
 - a. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to prudently mitigate credit risk and interest rate risk.

- b. Credit risk can be mitigated by diversification of the investment portfolio.
- c. Interest rate risk can be mitigated by structuring the investment portfolio so that securities mature concurrently with the anticipated cash flow requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity, and utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

ii. Liquidity

- a. The investment portfolio shall remain sufficiently liquid to meet anticipated cash flow requirements. This is to be accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash flow needs.

iii. Yield

- a. The investment portfolio shall be designed to optimize the yield the City obtains from the portfolio taking into account the criteria of the City's Investment Policy, the liquidity needs of the City, and the current interest rate outlook/economic condition while remaining compliant with the policy.

6. Authorized and Eligible Investments for Public Monies

- a. Consistent with the City's [Policy Section 5 Investment Policy Objectives](#) and [A.R.S. § 35-323 \(A\)](#), only the following investments will be permitted:
 - i. Certificates of deposit in eligible depositories - 50% sector limit, must be insured or fully collateralized.
 - ii. Interest bearing savings accounts in banks and savings and loan institutions doing business in the State of Arizona whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under [A.R.S. § 35-323 \(A\)](#).
 - iii. The pooled investment funds established by the State Treasurer pursuant to [A.R.S. § 35-326](#).
 - iv. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.
 - v. Bonds or other evidences of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section [A.R.S. § 11-635](#). - 40% sector limit, 5% issuer limit.

- vi. Bonds, notes, or evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment. Investments in this category must be rated "A" or the equivalent or better by a NRSRO - 40% sector limit, 5% issuer limit.
- vii. Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. Investments in this category must be rated "A" or the equivalent or better by a NRSRO - 40% sector limit, 5% issuer limit. An investment shall not be made if:
 - a. The face value of all such obligations, and similar obligations outstanding, exceeds 50% of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.
 - b. A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
- b. Investment Rating Downgrade
 - i. The City may be invested in a security whose rating is downgraded by a NRSRO. In the event of a downgrade, the designated investment advisor shall report the downgrade to the Finance Director. In the event of a downgrade below the minimum credit rating criteria permitted by this Investment Policy, the designated investment advisor shall immediately report the downgrade, sell the investment and reinvest proceeds upon approval of Finance Director.
- c. Portfolio Management
 - i. Following the primary objective of this policy, investments shall be actively managed to take advantage of market opportunities. In so doing, negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes, to enhance portfolio returns, or to restructure maturities to increase yield and/or reduce risk.

d. Concentration and Diversification

- i. Any percentage sector limitation for a particular category of investment in this section is applicable only on the date of purchase of the investment. Credit criteria listed in this section refer to the credit of the issuing organization at the time the security is purchased.
- ii. It is the policy of the City to diversify its investment portfolios. The investments shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities.

7. Safekeeping and Custody

a. Delivery vs. Payment

- i. All trades of marketable securities will be executed (cleared and settled) on a Delivery vs. Payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

b. Third Party Safekeeping

- i. Securities will be held by an independent third party safekeeping institution selected by the City. All securities will be evidenced by safekeeping receipts in the name of the City of Surprise.

8. Ethics and Conflicts of Interest

- a. City employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program or which could impair his/her ability to make impartial investment decisions. Employees and investment officials shall disclose, within sixty (60) days, any material interests in financial institutions with which they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

9. Authorized Brokers/Dealers

- a. The City or the City's investment advisor will maintain a list of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under [Securities and Exchange Commission \(SEC\) Rule 15C3-1 \(Uniform Net Capital Rule\)](#).
- b. If the City maintains a list, all broker/dealers who desire to become qualified for investment transactions must supply the following:
 - i. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines

- ii. Proof of [Financial Industry Regulatory Authority \(FINRA\)](#) certification
- iii. Proof of state registration
- iv. Completed broker/dealer questionnaire
- v. Certification of having read and understood and agreeing to comply with the City's Investment Policy.
- vi. Evidence of adequate insurance coverage
- c. A periodic review of the financial condition and registration of all the City's qualified broker/dealers will be conducted by the Finance Director. If the City uses an investment advisor, the Finance Director may request to periodically review the advisor's approved broker/dealer list.

10. Reporting of Managed Securities

- a. The Finance Director or his/her designee shall produce for the governing body of the City a quarterly investment report. The report should include:
 - i. A list of individual securities held at the end of the reporting period
 - ii. The realized and unrealized gains or losses in the portfolio
 - iii. The duration of the portfolio
 - iv. The maturity date and market value of each security held in the portfolio
 - v. The yield to maturity of the portfolio and of each security held in the portfolio
 - vi. The periodic interest earnings of each security held in the portfolio
 - vii. The credit quality of each security held in the portfolio



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Lindsey Duncan/Holly Osborn, Finance
Submitting Department:	Finance Dept	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action approving the updated Fiscal Year 2019 City of Surprise Comprehensive Financial Management Policies; Resolution # 2018-107.

Motion:

I move to approve Resolution # 2018-107.

Background:

Comprehensive financial policies are an important element of a solid financial structure and long-term financial planning. These policies are reviewed and updated annually. The policies cover the areas of Operating Management, Capital Management, Debt Management, Minimum Fund Balance, and Financial Reporting.

For FY2019, finance staff is recommending the following edits to the financial policies:

1. Revise Operating Management Policy 5 to reflect the City Council's existing authority to amend the adopted budget for movement to or from personnel and any other category; any change to major Capital Improvement Plan (CIP) projects; all use of contingency; and any change to the number of full-time positions.
2. Revise Operating Management Policy 6 to reflect the City Manager's existing authority to amend the adopted budget for movement between part-time and full-time appropriation and movement of non-CIP projects or minor CIP projects between divisions.
3. Revise Operating Management Policy 7 to expand the Finance Director's authority to amend the adopted budget related to carryforward increases; developer reimbursements and debt service obligations when the agreement has been previously approved by City Council; and adjustments between the Community and Recreation Services (CRS) Department and Sports and Tourism Department.
4. Add Operating Management Policy 8 to reflect the Department Director's existing authority to amend

the adopted budget for the movement of supplies, services, and personnel between divisions.

5. Revise Operating Management Policy 19 by removing the City Manager's authority to approve the acceptance of grant funding when time restrictions do not permit the approval of City Council. This is inconsistent with the City's best practice.
6. Revise Operating Management Policy 25 to state that a consultant "may", rather than "will", hire a consultant to update the indirect cost model periodically. A model has been acquired allowing annual staff updates with consultant support/modification as needed.
7. Revise Operating Management Policy 26 to include administrative transfers within capital funds for the recordation of capital assets as a transfer type that does not require City Council action. Capital assets related to the enterprise funds are recorded in the corresponding capital fund which were recently established to improve the accuracy of financial forecasting.
8. Revise Capital Management Policy 30 to clarify that funding for the repair and replacement of capital equipment and infrastructure must be fully expended within the fiscal year it is appropriated.
9. Revise Minimum Fund Balance Policy 48 (a) to include the Ground Ambulance Fund in the calculation of the General Fund's three-part reserve.
10. Revise Minimum Fund Balance Policy 48 (k) to adjust the targeted reserve for the Workers' Compensation Self-Insurance Trust Fund from twice the amount of budgeted claims to \$1,500,000 as required by the Industrial Commission.

Objective Analysis:

The City's comprehensive financial policies provide the roadmap for financial operations and demonstrate the City's commitment to sound financial management practices.

Policy Compliant:

This item is compliant with City and Council policies.

Financial Impact:

None at this time; however, topics covered in this presentation could lead to future actions which may have a fiscal impact.

Budget Impact:

Budgetary impacts resulting from revisions to the Comprehensive Financial Management Policies have been incorporated as part of the FY2019 budget.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

Click to download

- ☐ [Comprehensive Financial Management Policies Final](#)
 - ☐ [Resolution 2018-107](#)
-

CITY OF SURPRISE, ARIZONA
COMPREHENSIVE FINANCIAL MANAGEMENT POLICIES
EFFECTIVE JULY 1, 2018

Introduction

The City Council's Strategic Plan Framework, goals, and objectives provide the foundation for the comprehensive financial management policies. The City's comprehensive financial policies provide the roadmap to achieve financial resiliency and demonstrate the City's commitment to sound financial management practices. As defined by the Government Finance Officers Association (GFOA), the City Council strives to build a financially resilient government through financial policies and long-term financial planning. The GFOA has identified eight characteristics of a financially resilient government:

1. Diversity: Avoid reliance on a single solution.
2. Redundancy: Avoid having only one path of rescue.
3. Decentralization: Centralized systems look strong, but failure is catastrophic.
4. Transparency: Make it easier to figure out where a problem may lie. Share plans and listen when people point out flaws.
5. Collaboration: Working together to become stronger.
6. Fail Gracefully: Failure happens. Make sure failure won't make things worse.
7. Flexibility: Be ready to change when plans aren't working. Don't expect stability.
8. Foresight. Think and prepare.

Financial policies contribute to increased public confidence and trust as well as provide clear direction to City staff concerning the diligence and stewardship with which public monies are to be managed. Adopted financial policies show our citizens, the credit rating industry, and prospective investors (bond buyers) the City's commitment to financial resiliency. These policies are presented in the following five areas:

1. Operating Management
2. Capital Management
3. Debt Management
4. Minimum Fund Balance
5. Financial Reporting

Operating Management Policies

1. All departments will participate in the responsibility of meeting policy goals and ensuring long-term financial resiliency.
 2. The budget shall be considered balanced if revenues plus use of fund balance are equal to or exceed total expenses, by fund. The budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints.
 3. The City Budget is adopted by department within each fund and by project in the capital funds.
 4. The full-time equivalent (FTE) count and number of full-time positions is adopted by department within each fund.
 5. City Council has the authority to amend the adopted budget for movement between funds or departments; movement to or from personnel and any other category; any change to grant or major Capital Improvement Plan
-

APPENDIX

Comprehensive Financial Management Policies



(CIP) projects; all use of contingency; and any change to the full-time equivalent (FTE) count or number of full-time positions.

6. The City Manager has the authority to amend the adopted budget for use of the Emergency Reserve, movement between part-time and full-time appropriation, and movement of non-CIP projects or minor CIP projects between divisions. The City Manager shall provide a summary report to the City Council on the movement of these funds who will then take official action on the necessary budget amendment.
 7. The Finance Director has the authority to amend the adopted budget related to targeted savings; carryforward; developer reimbursements and debt service obligations when the agreement has been previously approved by City Council; and adjustments between the Community and Recreation Services Department and Sports and Tourism Department. The Finance Director shall provide a summary report to the City Council on the movement of these funds who will then take official action on the necessary budget amendment.
 8. Department Directors have the authority to amend the adopted budget for the movement of supplies, services, and personnel between divisions.
 9. Long-range financial plans will be prepared to guide the City and ensure the delivery of needed services due to changes in the economy, service demands, and capital improvements.
 10. Regional considerations and intergovernmental relationships will be evaluated to fund both operating services and capital projects.
 11. The City Council will consider citizen input and review the operating and capital budget recommendations from an outcome and goals perspective.
 12. A diversified revenue system will be developed to protect City services.
 13. The City Council will set the amount to be received from primary property taxes annually. The amount is limited to one-hundred and two percent (102%) of the prior fiscal year's maximum allowable levy plus new construction and reimbursement for the prior calendar year's tort liability payments.
 14. To ensure that the City does not become overly reliant on "one-time" revenues for operating needs, the first \$1.25 million received in revenues from the two and two-tenths percent (2.2%) transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.
 15. The City currently imposes an additional one and one-half percent (1.5%) transaction privilege tax on construction dedicated to the construction of new roadways and to refurbishing existing transportation corridors. The revenue is recorded in the Transportation Improvement Fund and will be used to fund transportation projects in the Capital Improvement Plan.
 16. The City currently imposes a four and fifty-two hundredths percent (4.52%) transaction privilege tax on transient lodging. The four and fifty-two hundredths percent (4.52%) tax rate is then split, with three and fifty-two hundredths percent (3.52%) recorded in the Tourism Fund to be used for promoting tourism and one percent (1.0%) recorded in the General Fund. The three and fifty-two hundredths percent (3.52%) recorded in the Tourism Fund has been committed by City Council to be used for promoting tourism. Of the amount recorded in the Tourism Fund, the Tourism Advisory Board has designated that seventy-five percent (75%) is spent for sports tourism facility development and improvement and twenty-five percent (25%) on marketing, studies, and special events.
-

17. Water, Wastewater, Stormwater, and Solid Waste user fees and charges will be examined annually to ensure they recover all direct and indirect costs of service and will be approved by the City Council.
18. All user fees (excluding water, wastewater, stormwater, and solid waste) will be examined periodically to determine the direct and indirect cost of service recovery rate. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council.
19. Grant funding will be considered to leverage City funds and requires City Council approval prior to acceptance.
20. Cash balances identified for investments will be maintained in accordance with state law and the adopted investment policy to ensure that proper controls and safeguards are maintained. City funds will be managed with an emphasis on safety of principal, liquidity, and yield, in that order.
21. Employee compensation and benefits will be administered in accordance with the policy given by the City Council. Healthcare costs will be shared between the City and employees and this allocation will be evaluated annually.
22. The Healthcare Self-Insurance Trust Fund was created under the authority of Arizona Revised Statute § 11-981. The Board of Trustees is charged to administer the trust fund and “make recommendations to the City Council regarding trust fund programs, including amount of appropriations to assure stability and security of the trust fund.”
23. An actuarial evaluation will be performed annually to determine the Incurred but Not Reported (IBNR) claim liability. This amount is required by accounting practices and represents the cost of unpaid claims (claims run-out), assuming the City stops being self-insured.
24. The City will optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.
25. The City will maintain a methodology for allocating the City’s indirect costs to service departments. A consultant may be hired to update the plan periodically.
26. All cash transfers between funds must be approved by City Council. Transfers to record capital assets within operating and capital funds are not presented to the City Council as these are administrative in nature.
27. All initial inter-fund loans must be approved by City Council.
28. All use of budgetary contingency accounts must be approved by City Council prior to being expended.

Capital Management Policies

29. The City shall use an integrated approach to capital planning and financing in preparing a five-year Capital Improvement Plan. Only the first year of the plan will be adopted by the City Council.
 30. The Capital Improvement Plan will include funding to support repair and replacement of capital equipment and infrastructure. If not fully expended within the fiscal year it is appropriated, funding to support repair and replacement of capital equipment and infrastructure will not rollover to subsequent years. A high priority should be placed on those items where deferring maintenance will result in greater cost to restore or replace. Proposed capital projects will be prioritized based on the City Council’s goals and objectives, the General Plan, and master plans.
-

31. Future operating, maintenance, and replacement costs associated with new capital improvements will be included as a schedule within the annual budget document. Capital projects will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.
32. The first \$1.25 million received in revenues from the two and two-tenths percent (2.2%) transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.
33. The City currently imposes an additional one and one-half percent (1.5%) transaction privilege tax on construction dedicated to the construction of new roadways and to refurbishing existing transportation corridors. The revenue is recorded in the Transportation Improvement Fund and will be used to fund transportation projects in the Capital Improvement Plan.
34. As permitted by state law, the City shall maintain a financial structure to ensure future development pays for itself and is not a burden on existing residents (i.e. "growth pays for growth"). Elements of this financial structure include impact fees, development agreements, Improvement Districts (IDs) and Community Facility Districts (CFDs).
35. Impact fees for infrastructure attributable to new development will be reviewed at least every other year to ensure that fees recover all direct and indirect development-related expenses, as permitted by state law, and will be approved by the City Council.
36. Any capital assets dedicated or donated to the City such as infrastructure, land, right-of-ways, easements, etc. must be approved by the City Council which must include a valuation of the assets.

Debt Management Policies

37. The City shall periodically report measurable steps taken in striving towards achieving and maintaining the highest possible bond ratings. This will minimize borrowing costs, optimize access to credit, and demonstrate excellent financial stewardship on behalf of our residents.
38. An analysis showing how a new debt issue combined with current outstanding debt impacts the City's debt capacity and conformance with City debt policies will accompany every proposal.
39. General Obligation debt, which is supported by property tax revenues, will be utilized as authorized by voters. Other types of voter-approved debt (e.g. water and wastewater) may also be utilized when they are supported by dedicated revenue sources (e.g. fees and user charges).
40. Municipal Property Corporation, trust agreements, and contractual debt, all of which are non-voter approved, will be utilized only when approved by City Council.
41. Improvement District (ID) and Community Facility District (CFD) bonds shall be permitted only when there is a general City benefit as defined and approved by the City Council.
42. Utility rates will be established to ensure the ratio of net revenues to debt service meets bond indenture requirements.
43. The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent (20%) of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities.

Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent (6%) of the City's net secondary assessed valuation.

- 44. The City will follow appropriate procedures with regard to obligations under continuing disclosure undertakings as identified by the Securities and Exchange Commission under the Securities Exchange Act of 1934.
- 45. The City will follow appropriate procedures with regard to tax exempt obligations as identified by the Internal Revenue Code of 1986.

Minimum Fund Balance Policies

- 46. Minimum fund balances are not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its needs. If the necessity arises to draw down a fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to the City Council for approval.
- 47. Minimum fund balance requirements will be evaluated annually for long-term adequacy and use requirements.
- 48. The City has formally adopted a minimum fund balance policy for the following governmental funds:
 - a. The General Fund will have a three-part reserve as follows:
 - i. The City will maintain an Emergency Reserve in the General Fund of one and sixty-seven hundredths percent (1.67%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User Revenue Fund. The Emergency Reserve is for unexpected, large-scale expenses resulting from events where immediate, remedial action must be taken to protect the health and safety of residents, all unassigned fund balance has been exhausted, and no amount previously appropriated by the City Council is otherwise available. Any use of the Emergency Reserve must be approved by the City Manager or designee. When this occurs, the City Manager shall provide a summary report to the City Council as soon as practical on the usage of these funds and have City Council approve any necessary budget amendments. At that time, the City Manager will also present a plan to restore the Emergency Reserve to the one and sixty-seven hundredths percent (1.67%) level within the next fiscal year following the fiscal year in which the event occurred.
 - ii. The City will maintain an additional General Fund Operating Reserve in the amount of ten percent (10%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User Revenue Fund. The Operating Reserve is for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year. The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve to the ten percent (10%) level within two fiscal years following the fiscal year in which the event occurred.
 - iii. The City will maintain an additional General Fund Budget Stabilization Reserve in the amount of five percent (5%) of the average of budgeted personnel, supplies, and services expenses

over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User Revenue Fund. The Budget Stabilization Reserve is used to provide funding to offset reductions in revenues resulting from fluctuations in the economic cycle that cannot be otherwise absorbed by the operating budget. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical City activities and is used after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Budget Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve to the five percent (5%) level within the three fiscal years following the fiscal year in which the event occurred.

- b. General Capital Fund of \$1.0M
- c. Transportation Improvement Fund of \$0.5M
- d. Street Light Improvement Districts (SLIDs). SLIDs have a maximum levy limit of \$1.20 per \$100 of assessed valuation in accordance with A.R.S. § 48-616. To the extent that the levy limit has not been exceeded, taxes will be levied at a rate that will approach an individual ending fund balance reserve of five percent (5%) of its budgeted annual expenses.
- e. Tourism Fund of \$5,000.
- f. The Spring Training Ticket Surcharge Fund will have a minimum fund balance of \$600,000. Any excess fund balance remaining as of June 30 shall be remitted to the General Fund.
- g. Within the Water, Waste Water, Stormwater, and Solid Waste Funds, an amount will be maintained equal to the average budgeted personnel, supplies and services expenses over a two-month period for that year's Council Adopted Budget.
- h. Within the Water, Waste Water, Stormwater, and Solid Waste Funds, an additional amount will be maintained for repair and replacement at a minimum of two percent (2%) of all tangible capital assets of the system.
- i. The Risk Management Fund will maintain an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed periodically to recommend appropriate funding levels, which will be approved by the City Council.
- j. The Healthcare Self-Insurance Trust Fund will maintain an amount at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The City has established an Adverse Times Reserve. The purpose of this reserve is to address cash flow needs caused by periods in which claim payments exceed projections. The target amount of this reserve is at least twenty-five percent (25%) of expected annual claims.
- k. The Workers' Compensation Self-Insurance Trust Fund will maintain an amount which, together with the purchased excess insurance policy will adequately indemnify the City. The Industrial Commission required reserve is \$1,500,000.

Financial Reporting Policies

- 49. The City's Finance Director will develop standard operating procedures to ensure the City's accounting and financial reporting systems are maintained in conformance with all state and federal laws, Generally Accepted Accounting Principles (GAAP) and the standards of the Governmental Accounting Standards Board (GASB).

50. An annual audit will be performed by an independent public accounting firm. The City will prepare a Comprehensive Annual Financial Report (CAFR) with the objective of receiving an unmodified ("clean") audit opinion. The independent auditor will present and discuss audit findings regarding internal controls and operational issues to the Audit Committee at a public meeting.

CAFR Fund Balance Reporting

1. The hierarchy from least spendable to most spendable fund balance for governmental funds of the City shall be: non-spendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications of fund balance to meet the City's obligations, it is the City's policy to spend the least spendable fund balance available.
 2. Non-spendable and restricted fund balances are determined solely by the nature of the fund balance itself.
 3. Committed fund balance represents amounts that have been constrained to a specific use by the formal action of the City's highest level of decision-making authority, the City Council. A majority vote of the City Council is necessary to establish, modify, or rescind a fund balance commitment.
 4. The City has elected the following commitments of fund balance to be standardized from year to year.
 - a. A commitment for repair and replacement of general government vehicles and other rolling stock will be maintained based upon lifecycle replacement plans prepared annually. This commitment shall be maintained in the Vehicle Replacement Fund.
 - b. A commitment of a one and one-half percent (1.5%) construction sales tax to be used solely for the purposes of paying costs related to new roadways and to refurbish existing transportation corridors, to be maintained in the Transportation Improvement Fund (Ordinance No. 05-13).
 - c. In addition to the two and fifty-two hundredths percent (2.52%) transient lodging tax restricted by state statute, a commitment of an additional 1.0% transient lodging tax for a total of three and fifty-two hundredths percent (3.52%) will be used to promote tourism and be maintained in the Tourism Fund (Ordinance No. 2010-04).
 5. In order to be reported as committed fund balance in the CAFR the City Council must approve the commitments prior to June 30th. However, the amount of the commitment may be determined after June 30th.
 6. Amounts that have been constrained by the City's intent to be used for a specific purpose and are neither restricted nor committed are reported as assigned fund balance. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO).
51. The City's CAFR will be submitted annually to the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting program.
52. The City's Budget will be submitted to the Government Finance Officers Association (GFOA) Distinguished Budget Presentation program.
53. A monthly financial report will be presented to the City Council.
-

RESOLUTION # 2018-107

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA UPDATING THE CITY OF SURPRISE COMPREHENSIVE FINANCIAL MANAGEMENT POLICIES FOR FISCAL YEAR 2019.

WHEREAS, establishing sound financial policies and principles contributes to sound financial management continuity in handling financial affairs and preserving the City's fiscal integrity;

WHEREAS, publicly adopted policy statements contribute greatly to the credibility of, and public and financial community confidence in, the governmental organization;

WHEREAS, financial policies establish the framework for overall fiscal planning and management;

WHEREAS, financial policies set forth guidelines against which current performance can be measured and proposals for future programs can be evaluated;

WHEREAS, Operating Management Policy 5 is revised to reflect the City Council's existing authority to amend the adopted budget for movement to or from personnel and any other category; any change to major Capital Improvement Plan (CIP) projects; all use of contingency; and any change to the number of full-time positions;

WHEREAS, Operating Management Policy 6 is revised to reflect the City Manager's existing authority to amend the adopted budget for movement between part-time and full-time appropriation and movement of non-CIP projects or minor CIP projects between divisions;

WHEREAS, Operating Management Policy 7 is revised to expand the Finance Director's authority to amend the adopted budget related to carryforward increases; developer reimbursements and debt service obligations when the agreement has been previously approved by City Council; and adjustments between the Community and Recreation Services (CRS) Department and Sports and Tourism Department;

WHEREAS, Operating Management Policy 8 is added to reflect the Department Director's existing authority to amend the adopted budget for the movement of supplies, services, and personnel between divisions;

WHEREAS, Operating Management Policy 19 is revised by removing the City Manager's authority to approve the acceptance of grant funding when time restrictions do not permit the approval of City Council. This is inconsistent with the City's best practice;

WHEREAS, Operating Management Policy 25 is revised to state that a consultant "may", rather than "will", hire a consultant to update the indirect cost model periodically. A model has been acquired allowing annual staff updates with consultant support/modification as needed;

WHEREAS, Operating Management Policy 26 is revised to include administrative transfers within capital funds for the recordation of capital assets as a transfer type that does not require City Council action. Capital assets related to the enterprise funds are recorded in the corresponding capital fund which were recently established to improve the accuracy of financial forecasting;

WHEREAS, Capital Management Policy 30 is revised to clarify that funding for the repair and replacement of capital equipment and infrastructure must be fully expended within the fiscal year it is appropriated;

WHEREAS, Minimum Fund Balance Policy 48 (a) and (k) are revised to include the Ground Ambulance Fund in the calculation of the General Fund's three-part reserve and adjust the targeted reserve for the Workers' Compensation Self-Insurance Trust Fund from twice the amount of budgeted claims to \$1,500,000 as required by the Industrial Commission; and

WHEREAS, all other modifications are administrative in nature to add clarity, consistency, and direction.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Fiscal Year 2019 Comprehensive Financial Management Policies set forth in *Exhibit A* attached hereto and incorporated by reference herein is adopted.

Section 2. The Finance Director is hereby authorized and directed to take the appropriate steps to incorporate the changes into the Comprehensive Financial Management Policies of the City of Surprise and disseminate the new policies as necessary.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

Comprehensive Financial Management Policies Effective July 1, 2018

Introduction

The City Council's Strategic Plan Framework, goals, and objectives provide the foundation for the comprehensive financial management policies. The City's comprehensive financial policies provide the roadmap to achieve financial resiliency and demonstrate the City's commitment to sound financial management practices. As defined by the Government Finance Officers Association (GFOA), the City Council strives to build a financially resilient government through financial policies and long-term financial planning. The GFOA has identified eight characteristics of a financially resilient government:

1. Diversity: Avoid reliance on a single solution.
2. Redundancy: Avoid having only one path of rescue.
3. Decentralization: Centralized systems look strong, but failure is catastrophic.
4. Transparency: Make it easier to figure out where a problem may lie. Share plans and listen when people point out flaws.
5. Collaboration: Working together to become stronger.
6. Fail Gracefully: Failure happens. Make sure failure won't make things worse.
7. Flexibility: Be ready to change when plans aren't working. Don't expect stability.
8. Foresight. Think and prepare.

Financial policies contribute to increased public confidence and trust as well as provide clear direction to City staff concerning the diligence and stewardship with which public monies are to be managed. Adopted financial policies show our citizens, the credit rating industry, and prospective investors (bond buyers) the City's commitment to financial resiliency. These policies are presented in the following five areas:

1. Operating Management
2. Capital Management
3. Debt Management
4. Minimum Fund Balance
5. Financial Reporting

Operating Management Policies

1. All departments will participate in the responsibility of meeting policy goals and ensuring long-term financial resiliency.

2. The budget shall be considered balanced if revenues plus use of fund balance are equal to or exceed total expenses, by fund. The budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints.
3. The City Budget is adopted by department within each fund and by project in the capital funds.
4. The full-time equivalent (FTE) count and number of full-time positions is adopted by department within each fund.
5. City Council has the authority to amend the adopted budget for movement between funds or departments; movement to or from personnel and any other category; any change to grant or major Capital Improvement Plan (CIP) projects; all use of contingency; and any change to the full-time equivalent (FTE) count or number of full-time positions.
6. The City Manager has the authority to amend the adopted budget for use of the Emergency Reserve, movement between part-time and full-time appropriation, and movement of non-CIP projects or minor CIP projects between divisions. The City Manager shall provide a summary report to the City Council on the movement of these funds who will then take official action on the necessary budget amendment.
7. The Finance Director has the authority to amend the adopted budget related to targeted savings; carryforward; developer reimbursements and debt service obligations when the agreement has been previously approved by City Council; and adjustments between the Community and Recreation Services Department and Sports and Tourism Department. The Finance Director shall provide a summary report to the City Council on the movement of these funds who will then take official action on the necessary budget amendment.
8. Department Directors have the authority to amend the adopted budget for the movement of supplies, services, and personnel between divisions.
9. Long-range financial plans will be prepared to guide the City and ensure the delivery of needed services due to changes in the economy, service demands, and capital improvements.
10. Regional considerations and intergovernmental relationships will be evaluated to fund both operating services and capital projects.
11. The City Council will consider citizen input and review the operating and capital budget recommendations from an outcome and goals perspective.
12. A diversified revenue system will be developed to protect City services.

13. The City Council will set the amount to be received from primary property taxes annually. The amount is limited to one-hundred and two percent (102%) of the prior fiscal year's maximum allowable levy plus new construction and reimbursement for the prior calendar year's tort liability payments.
14. To ensure that the City does not become overly reliant on "one-time" revenues for operating needs, the first \$1.25 million received in revenues from the two and two-tenths percent (2.2%) transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.
15. The City currently imposes an additional one and one-half percent (1.5%) transaction privilege tax on construction dedicated to the construction of new roadways and to refurbishing existing transportation corridors. The revenue is recorded in the Transportation Improvement Fund and will be used to fund transportation projects in the Capital Improvement Plan.
16. The City currently imposes a four and fifty-two hundredths percent (4.52%) transaction privilege tax on transient lodging. The four and fifty-two hundredths percent (4.52%) tax rate is then split, with three and fifty-two hundredths percent (3.52%) recorded in the Tourism Fund to be used for promoting tourism and one percent (1.0%) recorded in the General Fund. The three and fifty-two hundredths percent (3.52%) recorded in the Tourism Fund has been committed by City Council to be used for promoting tourism. Of the amount recorded in the Tourism Fund, the Tourism Advisory Board has designated that seventy-five percent (75%) is spent for sports tourism facility development and improvement and twenty-five percent (25%) on marketing, studies, and special events.
17. Water, Wastewater, Stormwater, and Solid Waste user fees and charges will be examined annually to ensure they recover all direct and indirect costs of service and will be approved by the City Council.
18. All user fees (excluding water, wastewater, stormwater, and solid waste) will be examined periodically to determine the direct and indirect cost of service recovery rate. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council.
19. Grant funding will be considered to leverage City funds and requires City Council approval prior to acceptance.
20. Cash balances identified for investments will be maintained in accordance with state law and the adopted investment policy to ensure that proper controls and safeguards are maintained. City funds will be managed with an emphasis on safety of principal, liquidity, and yield, in that order.

21. Employee compensation and benefits will be administered in accordance with the policy given by the City Council. Healthcare costs will be shared between the City and employees and this allocation will be evaluated annually.
22. The Healthcare Self-Insurance Trust Fund was created under the authority of Arizona Revised Statute § 11-981. The Board of Trustees is charged to administer the trust fund and “make recommendations to the City Council regarding trust fund programs, including amount of appropriations to assure stability and security of the trust fund.”
23. An actuarial evaluation will be performed annually to determine the Incurred but Not Reported (IBNR) claim liability. This amount is required by accounting practices and represents the cost of unpaid claims (claims run-out), assuming the City stops being self-insured.
24. The City will optimize the efficiency and effectiveness of its services to reduce costs and improve service quality.
25. The City will maintain a methodology for allocating the City’s indirect costs to service departments. A consultant may be hired to update the plan periodically.
26. All cash transfers between funds must be approved by City Council. Transfers to record capital assets within operating and capital funds are not presented to the City Council as these are administrative in nature.
27. All initial inter-fund loans must be approved by City Council.
28. All use of budgetary contingency accounts must be approved by City Council prior to being expended.

Capital Management Policies

29. The City shall use an integrated approach to capital planning and financing in preparing a five-year Capital Improvement Plan. Only the first year of the plan will be adopted by the City Council.
30. The Capital Improvement Plan will include funding to support repair and replacement of capital equipment and infrastructure. If not fully expended within the fiscal year it is appropriated, funding to support repair and replacement of capital equipment and infrastructure will not rollover to subsequent years. A high priority should be placed on those items where deferring maintenance will result in greater cost to restore or replace. Proposed capital projects will be prioritized based on the City Council’s goals and objectives, the General Plan, and master plans.

31. Future operating, maintenance, and replacement costs associated with new capital improvements will be included as a schedule within the annual budget document. Capital projects will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.
32. The first \$1.25 million received in revenues from the two and two-tenths percent (2.2%) transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.
33. The City currently imposes an additional one and one-half percent (1.5%) transaction privilege tax on construction dedicated to the construction of new roadways and to refurbishing existing transportation corridors. The revenue is recorded in the Transportation Improvement Fund and will be used to fund transportation projects in the Capital Improvement Plan.
34. As permitted by state law, the City shall maintain a financial structure to ensure future development pays for itself and is not a burden on existing residents (i.e. "growth pays for growth"). Elements of this financial structure include impact fees, development agreements, Improvement Districts (IDs) and Community Facility Districts (CFDs).
35. Impact fees for infrastructure attributable to new development will be reviewed at least every other year to ensure that fees recover all direct and indirect development-related expenses, as permitted by state law, and will be approved by the City Council.
36. Any capital assets dedicated or donated to the City such as infrastructure, land, right-of-ways, easements, etc. must be approved by the City Council which must include a valuation of the assets.

Debt Management Policies

37. The City shall periodically report measurable steps taken in striving towards achieving and maintaining the highest possible bond ratings. This will minimize borrowing costs, optimize access to credit, and demonstrate excellent financial stewardship on behalf of our residents.
38. An analysis showing how a new debt issue combined with current outstanding debt impacts the City's debt capacity and conformance with City debt policies will accompany every proposal.
39. General Obligation debt, which is supported by property tax revenues, will be utilized as authorized by voters. Other types of voter-approved debt (e.g. water

and wastewater) may also be utilized when they are supported by dedicated revenue sources (e.g. fees and user charges).

40. Municipal Property Corporation, trust agreements, and contractual debt, all of which are non-voter approved, will be utilized only when approved by City Council.
41. Improvement District (ID) and Community Facility District (CFD) bonds shall be permitted only when there is a general City benefit as defined and approved by the City Council.
42. Utility rates will be established to ensure the ratio of net revenues to debt service meets bond indenture requirements.
43. The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent (20%) of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent (6%) of the City's net secondary assessed valuation.
44. The City will follow appropriate procedures with regard to obligations under continuing disclosure undertakings as identified by the Securities and Exchange Commission under the Securities Exchange Act of 1934.
45. The City will follow appropriate procedures with regard to tax exempt obligations as identified by the Internal Revenue Code of 1986.

Minimum Fund Balance Policies

46. Minimum fund balances are not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its needs. If the necessity arises to draw down a fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to the City Council for approval.
47. Minimum fund balance requirements will be evaluated annually for long-term adequacy and use requirements.
48. The City has formally adopted a minimum fund balance policy for the following governmental funds:
 - a. The General Fund will have a three-part reserve as follows:

- i. The City will maintain an Emergency Reserve in the General Fund of one and sixty-seven hundredths percent (1.67%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User Revenue Fund. The Emergency Reserve is for unexpected, large-scale expenses resulting from events where immediate, remedial action must be taken to protect the health and safety of residents, all unassigned fund balance has been exhausted, and no amount previously appropriated by the City Council is otherwise available. Any use of the Emergency Reserve must be approved by the City Manager or designee. When this occurs, the City Manager shall provide a summary report to the City Council as soon as practical on the usage of these funds and have City Council approve any necessary budget amendments. At that time, the City Manager will also present a plan to restore the Emergency Reserve to the one and sixty-seven hundredths percent (1.67%) level within the next fiscal year following the fiscal year in which the event occurred.
- ii. The City will maintain an additional General Fund Operating Reserve in the amount of ten percent (10%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User Revenue Fund. The Operating Reserve is for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year. The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve to the ten percent (10%) level within two fiscal years following the fiscal year in which the event occurred.
- iii. The City will maintain an additional General Fund Budget Stabilization Reserve in the amount of five percent (5%) of the average of budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the General Fund, Ground Ambulance Fund, and the Highway User

Revenue Fund. The Budget Stabilization Reserve is used to provide funding to offset reductions in revenues resulting from fluctuations in the economic cycle that cannot be otherwise absorbed by the operating budget. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical City activities and is used after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Budget Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve to the five percent (5%) level within the three fiscal years following the fiscal year in which the event occurred.

- b. General Capital Fund of \$1.0M
- c. Transportation Improvement Fund of \$0.5M
- d. Street Light Improvement Districts (SLIDs). SLIDs have a maximum levy limit of \$1.20 per \$100 of assessed valuation in accordance with A.R.S. § 48-616. To the extent that the levy limit has not been exceeded, taxes will be levied at a rate that will approach an individual ending fund balance reserve of five percent (5%) of its budgeted annual expenses.
- e. Tourism Fund of \$5,000.
- f. The Spring Training Ticket Surcharge Fund will have a minimum fund balance of \$600,000. Any excess fund balance remaining as of June 30 shall be remitted to the General Fund.
- g. Within the Water, Waste Water, Stormwater, and Solid Waste Funds, an amount will be maintained equal to the average budgeted personnel, supplies and services expenses over a two-month period for that year's Council Adopted Budget.
- h. Within the Water, Waste Water, Stormwater, and Solid Waste Funds, an additional amount will be maintained for repair and replacement at a minimum of two percent (2%) of all tangible capital assets of the system.
- i. The Risk Management Fund will maintain an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed periodically to recommend appropriate funding levels, which will be approved by the City Council.

- j. The Healthcare Self-Insurance Trust Fund will maintain an amount at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The City has established an Adverse Times Reserve. The purpose of this reserve is to address cash flow needs caused by periods in which claim payments exceed projections. The target amount of this reserve is at least twenty-five percent (25%) of expected annual claims.
- k. The Workers' Compensation Self-Insurance Trust Fund will maintain an amount which, together with the purchased excess insurance policy will adequately indemnify the City. The Industrial Commission required reserve is \$1,500,000.

Financial Reporting Policies

- 49. The City's Finance Director will develop standard operating procedures to ensure the City's accounting and financial reporting systems are maintained in conformance with all state and federal laws, Generally Accepted Accounting Principles (GAAP) and the standards of the Governmental Accounting Standards Board (GASB).
- 50. An annual audit will be performed by an independent public accounting firm. The City will prepare a Comprehensive Annual Financial Report (CAFR) with the objective of receiving an unmodified ("clean") audit opinion. The independent auditor will present and discuss audit findings regarding internal controls and operational issues to the Audit Committee at a public meeting.

CAFR Fund Balance Reporting

- 1. The hierarchy from least spendable to most spendable fund balance for governmental funds of the City shall be: non-spendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications of fund balance to meet the City's obligations, it is the City's policy to spend the least spendable fund balance available.
- 2. Non-spendable and restricted fund balances are determined solely by the nature of the fund balance itself.
- 3. Committed fund balance represents amounts that have been constrained to a specific use by the formal action of the City's highest level of decision-making authority, the City Council. A majority vote of the City Council is necessary to establish, modify, or rescind a fund balance commitment.

4. The City has elected the following commitments of fund balance to be standardized from year to year.
 - a. A commitment for repair and replacement of general government vehicles and other rolling stock will be maintained based upon lifecycle replacement plans prepared annually. This commitment shall be maintained in the Vehicle Replacement Fund.
 - b. A commitment of a one and one-half percent (1.5%) construction sales tax to be used solely for the purposes of paying costs related to new roadways and to refurbish existing transportation corridors, to be maintained in the Transportation Improvement Fund (Ordinance No. 05-13).
 - c. In addition to the two and fifty-two hundredths percent (2.52%) transient lodging tax restricted by state statute, a commitment of an additional 1.0% transient lodging tax for a total of three and fifty-two hundredths percent (3.52%) will be used to promote tourism and be maintained in the Tourism Fund (Ordinance No. 2010-04).
5. In order to be reported as committed fund balance in the CAFR the City Council must approve the commitments prior to June 30th. However, the amount of the commitment may be determined after June 30th.
6. Amounts that have been constrained by the City's intent to be used for a specific purpose and are neither restricted nor committed are reported as assigned fund balance. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO).

51. The City's CAFR will be submitted annually to the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting program.

52. The City's Budget will be submitted to the Government Finance Officers Association (GFOA) Distinguished Budget Presentation program.

53. A monthly financial report will be presented to the City Council.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

[Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Sherry Ann Aguilar, City Clerk
Submitting Department:		District:	Citywide
Staff Recommendations:	None		

Consent	☒	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on the minutes of June 5, 2018 Regular City Council Work Session; Special City Council Meeting and Regular City Council Meeting.

Motion:

I move to approve the meeting minutes.

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

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- ☐ [REG MTG](#)

CITY OF SURPRISE
Regular City Work Session - June 5, 2018
16000 North Civic Center Plaza
Surprise, AZ 85374

Tuesday, June 5, 2018 @ 4:00PM

Call To Order

Roll Call

Mayor Wolcott called the Regular City Council Work Session to order at 04:00 PM at Surprise City Hall Council Chamber, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Tuesday, June 5, 2018. Also in attendance with Mayor Wolcott were Vice Mayor Remley, Council Member Winters, Council Member Tande, Council Member Duffy and Council Member Hall. Council Member Hayden was excused.

Staff Present:

City Manager, Bob Wingenroth, City Attorney, Ellen VanRiper and City Clerk, Sherry Ann Aguilar.

Pledge of Allegiance

Call To The Public:

Regular City Council Work Session Agenda:

1. Discussion and presentation regarding a potential refinancing of the Wastewater Utility Revenue Bonds MPC Series 2007 and an update on the SPA1 wastewater system - NO ACTION

Water Resources Management Director, Terry Lowe gave a powerpoint presentation on this item.

Council Member Tande - Recap dollars in refinance. Rate payers, or impact fees on both or one or the other? The rights to the water and assets are paying for itself, correct?

Vice Mayor Remley - When refinancing the bond and reducing our interest costs per year, and applying to plants 4 & 5, could you give us some idea how much investment we have, and how much did it cost in total?

Mr. Lowe- Plant 4 5, 80 million for both, figures off the top of my head.

2. Presentation and discussion regarding changes to the City's Investment Policy - NO ACTION

Finance Director, Lindsey Duncan gave a powerpoint presentation as an update on this item.

Hall - Quarterly reports on returns?

Ms. Duncan - Semi annual basis.

Council Member Duffy - Is the portfolio rebalanced every quarter? Look at this on a quarterly basis, they are investing with our policy with targets.

Council Member Tande - Are you able to get market to market daily balances?

Ms. Duncan - Online access to the custody account. Each investment shows on the website. We authorize with each trade.

Council Member Tande - Do we have exotic investments?

Ms. Duncan - No sir.

Council Member Tande - Do you anticipate having a sunset at some point on this, and how long?

Ms. Duncan - 2019/2020.

Council Member Tande - Can you talk about the policy least expendable to most expendable. Spend most restricted to least restricted.

Council Member Tande - Clarify the word eligible.

3. Presentation and discussion pertaining to the City of Surprise Comprehensive Financial Management Policies - NO ACTION

Finance Director, Lindsey Duncan gave a powerpoint presentation on this item. Discussed the recommended changes to the policy in detail.

Council Member Remley - 1.5 million on Workers comp fund, isn't that the same number as previous?

Assistant Finance Director, Andrea Davis clarified.

4. Presentation and discussion of the final draft of the Surprise Arts and Culture Master Plan, which the Arts and Cultural Advisory Commission has recommended for approval - NO ACTION

Joshua Mike, City Planner gave a formal introduction of the consultant for the Arts and Culture Master Plan. He also introduced the Arts and Cultural Advisory Commission Chair, Susan deJong and Vice-Chair, Margaret Lieu.

Mr. Mike continued with a powerpoint presentation on this item.

Mayor Wolcott - I want to thank you for your efforts, everything of what we see here at City Hall is a reflection of the arts. This has been a priority of mine for years, to get this plan in place. I so appreciate the work that you have done and I thank you all for your work.

Council Member Hall - I have had the honor of witnessing your hard work, this art commission is the most engaged commission we have and works hard. Their discussion is concrete and advanced, critical and picky on the wording. This takes a lot of work and effort, this has taken over 8 months. This is a milestone and sets a plan in place.

Susan deJong, I wanted to add Paul Bernardo and Danielle Osborne to the list to acknowledge. This is a beautiful plan.

Mayor Wolcott - I think that having guidance from the Council really contributed to this plan's success. In past, there was no funding available, so the commission didn't have direction. It makes sense to invest in this plan for the future.

Council Member Duffy - This really is good, the detail in it is amazing. You can see the teamwork involved. The Commission took the time to answer the community's questions.

Council Member Tande - Assuming the Council adopts this at a future meeting, do you see any ideas for future culture events, museums, cultural centers, etc. I am glad you included the private park and incentives. Maybe an option for some kind of private program.

Adjournment:

Council Member Tande made the motion to adjourn the Regular City Council Work Session of June 5, 2018 at 5:03 p.m. Council Member Hall seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Sharon R. Wolcott, Mayor

ATTEST:

Sherry Ann Aguilar, City Clerk, MMC

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Work Session of **Tuesday, June 5, 2018.**

Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
Special City Council Meeting - June 5, 2018
16000 North Civic Center Plaza
Surprise, AZ 85374

Tuesday, June 5, 2018 @ 6:00PM

Call To Order

Roll Call

Mayor Wolcott called the Special City Council Meeting to order at 06:00 p.m. at Surprise City Hall Community Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Tuesday, June 5, 2018. Also in attendance with Mayor Wolcott were Vice Mayor Remley, Council Member Winters, Council Member Duffy, Council Member Tande, and Council Member Hall. Council Member Hayden was excused.

Staff Present:

City Manager, Bob Wingenroth, City Attorney, Ellen VanRiper, and City Clerk, Sherry Ann Aguilar.

Pledge of Allegiance

Call To The Public:

Special City Council Meeting Agenda:

1. Consideration and action approving the city's intention to adopt Street Light Improvement District (SLID) property tax levies up to the maximum rate of \$1.20 for each one hundred dollars (\$100) of assessed valuation, pursuant to A.R.S. 48-616; Resolution # 2018-80 - APPROVED

Finance Director, Lindsey Duncan reported on this item.

Council Member Tande made the motion to approve Resolution 2018-80. Council Member Duffy seconded the motion. Six yes votes, one excused (Hayden), motion carried.

2. Consideration and action adopting the final expenditure limitation budget for FY2019 in the amount of \$327,044,300; Resolution # 2018-78 - APPROVED

Finance Director, Lindsey Duncan reported on this item.

Council Member Winters made the motion to approve Resolution 2018-78. Council Member Duffy seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Special City Council Meeting Minutes – June 5, 2018 – Page 2

3. Consideration and action pertaining to the City's intent to levy primary property taxes in the amount of \$0.7591 per hundred dollars (\$100) of assessed valuation and secondary property taxes in the amount of \$0.4200 per one hundred dollars (\$100) of assessed valuation and set the property tax levy adoption for June 19, 2018; Resolution #2018-79 - APPROVED

Finance Director, Lindsey Duncan reported on this item.

Roll call vote: Mayor Wolcott-yes; Vice Mayor Remley-yes; Council Member Tande-yes; Council Member Winters - yes; Council Member Duffy-yes and Council Member Hall-yes. Council Member Hayden (excused).

Motion carried to approve Resolution 2018-79.

Executive Session:

Adjournment:

Council Member Hall made the motion to adjourn the Special City Council Meeting of June 5, 2018 at 6:30 PM. Council Member Tande seconded the motion, six yes votes, one excused (Hayden), motion carried.

Sharon R. Wolcott, Mayor

ATTEST:

Sherry Ann Aguilar, City Clerk, MMC

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Special City Council Meeting of **Tuesday, June 5, 2018.**

Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
Regular City Council Meeting - June 5, 2018
16000 North Civic Center Plaza
Surprise, AZ 85374

Tuesday, June 5, 2018 @ 6:15PM

Call To Order

Roll Call

Mayor Wolcott called the Regular City Council Meeting to order at 06:34 p.m. at Surprise at City Hall Council Chamber, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Tuesday, June 5, 2018. Also in attendance with Mayor Wolcott were Vice Mayor Remley, Council Member Winters, Council Member Duffy, Council Member Tande, and Council Member Hall. Council Member Hayden was excused.

Staff Present: City Manager, Bob Wingenroth; City Attorney, Ellen VanRiper and City Clerk, Sherry Ann Aguilar.

Pledge of Allegiance

PROCLAMATION AND COMMUNITY ACKNOWLEDGEMENTS

City Manager Report:

City Attorney Report:

City Clerk Report:

Consideration and action to affirm appointment of Donald Jeffrey to serve a full four year term as a citizen board member of the Public Safety Personnel Retirement System Local Board. This term will expire on June 30, 2022 – APPROVED

Vice Mayor Remley made the motion to approve the appointment of Donald Jeffrey. Council Member Winters seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Regular City Council Meeting Minutes – June 5, 2018 – Page 2

Consideration and action to appoint Steven Berwald to fill the vacancy on the Community & Recreation Services Commission for the remainder of the term June 30, 2019 - APPROVED

Vice Mayor Remley made the motion to approve the appointment of Steven Berwald. Council Member Winters seconded the motion. Six yes votes, on excused (Hayden), motion carried.

Consideration and action to appoint Deborah Welch to fill the remainder of a vacancy on the Arts & Cultural Advisory Commission with a term expiration of June 30, 2019 - APPROVED

Vice Mayor Remley made the motion to approve the appointment of Steven Berwald. Council Member Winters seconded the motion. Six yes votes, on excused (Hayden), motion carried.

Consideration and action to appoint Doc Sullivan to fill the remainder of a term on the Municipal Property Corporation with a term expiration of June 30, 2021 - APPROVED

Council Member Winters made the motion to approve the appointment of Deborah Welch. Vice Mayor Remley seconded the motion. Six yes votes, on excused (Hayden), motion carried.

Consideration and action to approve the following reappointments: Melissa Holdaway - Audit Committee (2 year term to expire June 30, 2020); Sharon Ward - Audit Committee (2 year term to expire June 30, 2020); Richard Jessen - Judicial Selection Advisory Commission (4 year term to expire June 30, 2022); William Coniam - Board of Trustees (4-year term to expire June 30, 2022) and Gwen Skorupan - Board of Trustees (4 year term to expire June 30, 2022) - APPROVED

Vice Mayor Remley made the motion to approve the re-appointments of Melissa Holdaway, Sharon Ward, Richard Jessen, William Coniam and Gwen Skorupan. Council Member Winters seconded the motion. Six yes votes, on excused (Hayden), motion carried.

City Clerk Aguilar administered the Oath of Office.

Call To The Public:

Regular City Council Meeting Agenda:

Consent Agenda:

1. Consideration and action for the maintenance of the streets and public utility improvements at Zanjero Trails Phase 2 Parcel 13C. Resolution #2018-69 - APPROVED
2. Consideration and action on the minutes of the Special Joint City Council/Planning and Zoning Commission Meeting of May 14, 2018; the Regular City Council Work Session, Regular City Council Meeting and Executive Session of May 15, 2018 and the Special City Council Meeting of May 22, 2018 - APPROVED
3. Consideration and action on a request by John Cosmas (Owner/Agent) for an Interim permit/New License with Growler Privileges for Boots and Bourbon located at 14051 W. Grand Avenue, Surprise, AZ 85374 (Series 12 - License 20064) - APPROVED
4. Consideration and action to approve a request by Kim Kwiatkowski (Agent), for a New License/Interim Permit/Corporation for Circle-K Store #2741712 located at 14559 W. Grand Avenue, Surprise, AZ. 85378 (Series 10 - License #19687) - APPROVED
5. Consideration and action on a request by Kim Kwiatkowski (Agent), for a New License/Interim Permit/Corporation for Circle-K Store #2741713 located at 16794 W. Bell Road, Surprise, AZ 85378 (Series 10 - License #19690) - APPROVED
6. Consideration and action to approve a request by Kim Kwiatkowski (Agent), for a New License/Interim Permit/Corporation for Circle-K Store #2741641 located at 13908 W. Bell Road, Surprise, AZ. 85378 (Series 10 - License #19684) - APPROVED
7. Consideration and action pertaining to an amendment of the Fiscal Year 2018 Operating List of Items over \$50,000 to adjust the medical premiums line in the amount of \$30,000; Resolution #2018-74 - APPROVED
8. Consideration and action pertaining to approval of an Intergovernmental Agreement (IGA) between the City of Surprise and the City of Peoria for police radio maintenance and repair; Resolution #2018-55 - APPROVED
9. Consideration and action pertaining to approval of an Amendment to the Intergovernmental Agreement (IGA) with Maricopa County to continue providing Community Action Program services for fiscal year 2019 and acceptance of grant funding in the amount of \$89,256 to support operations of the Surprise Resource Center; Resolution # 2018-75 - APPROVED

10. Consideration and action pertaining to amending the FY2018 budget adjusting budget authority for developer reimbursements; Resolution #2018-94 - APPROVED

11. Consideration and action pertaining to approval of an amendment to the Fiscal Year 2018 Capital and Operating list of items over \$50,000 by increasing the Mound Clay Item by \$10,000 for additional soil amendment materials; Resolution #2018-82 - APPROVED

12. Consideration and action regarding a Re-Plat of Lots 1 and 2 of West Point Towne Center Parcel 12 - APPROVED

13. Consideration and action authorizing the Mayor to execute three Intergovernmental Agreements with Arizona Department of Transportation for the establishment of Safe Routes to School coordinators and incentive programs; Resolution #2018-76 - APPROVED

14. Consideration and action regarding a Final Plat for Marley Park Phase 4 & 5 Model Complex and Park “A” - APPROVED

15. Consideration and action on the Final Plat for Neiffer Land Division generally north of Adobe Road and East of 222nd Avenue, in a RR (Residential Ranch) zoning district - APPROVED

16. Consideration and action pertaining to approval of an amendment to the Fiscal Year 2018 Operating List of Items Over \$50,000 by increasing Security Guard Services by \$3,000 to account for costs associated with increased demand of Court security guard services; Resolution #2018-87 - APPROVED

17. Consideration and action authorizing the City Manager to execute and enter into an Intergovernmental Agreement for mutual aid response for fire protection and other emergency services with the Arizona Fire Medical Authority (AFMA); Resolution # 2018-58 - APPROVED

Council Member Hall made the motion to approve the consent agenda. Council Member Tande seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Regular Agenda Item - Public Hearing:

18. Consideration and action approving a Conditional Use Permit for a Freeway Monument Sign located at Surprise Village Marketplace - APPROVED

City Planner, Robert Kuhfuss reported on this item.

Regular City Council Meeting Minutes – June 5, 2018 – Page 5

Council Member Winters made the motion to approve the Conditional Use Permit for a Freeway Monument Sign located at Surprise Village Marketplace. Council Member Hall seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Regular Agenda Item - Non-Public Hearing:

19. Consideration and action pertaining to approval of an amendment to the FY2018 budget by reallocating appropriations of \$400,000 within the grants and contingency fund to transportation improvement fund for the increase in project construction costs based on Arizona Department of Transportation (ADOT) construction bid results, and amending the FY2018 Operating List of Items Over \$50,000; Resolution #2018-84 - APPROVED

Public Works Director, Mike Gent gave a powerpoint presentation.

Council Member Tande - Looking at the design, this will have 2 full intersections correct? Low bidder? Yellow flashing arrows?

Going back to 2 lanes, will have a concrete strip added as a buffer.

Vice Mayor Remley - We just got through approving a budget for next year, now amending the budget this year, if we have a balanced budget, then how do we amend the budget?

Holly Osborne - 2019 budget is balanced, this money is coming from contingency, transportation improvement fund.

Council Member Winters - Wasn't some of the money from a grant we received?

Ms. Osborn - The original money was coming from a grant, and the remainder from contingency fund.

Council Member Tande made the motion to approve Resolution 2018-84. Vice Mayor Remley seconded the motion. Six yes votes, one excused (Hayden), motion carried.

20. Consideration and action amending the Surprise Municipal Code, Chapter 3 - Personnel amending Chapter 3, Article VII, Sections 3-71, 3-74(e), and 3-77(b)(1), (2), and (3); (c)(1); (d)(1)(a) and (2)(d); Ordinance #2018-07 - APPROVED

Human Resources Director, Mark Schott gave a powerpoint presentation regarding this item.

Regular City Council Meeting Minutes – June 5, 2018 – Page 6

Council Member Winters made the motion to approve Ordinance 2018-07. Council Member Duffy seconded the motion. Six yes votes, one excused (Hayden), motion carried.

21. Consideration and action approving a resolution to establish a policy for reviewing and adjusting the Mayor and Council Members' salaries; Resolution #2018-65 - APPROVED

City Manager Wingenroth reported on this item.

Council Member Winters made the motion to approve Resolution 2018-65. Vice Mayor Remley seconded the motion. Six yes votes, one excused (Hayden), motion carried.

22. Discussion and action pertaining to the absences of, and/or non-responsiveness to contact from city staff by, certain City Board or Commission members - POSTPONED TO AUGUST 7, 2018

Six yes votes, one excused (Hayden) to postpone to August 7, 2018 Regular City Council Meeting.

Other Business and Future Agenda Items:

Mayor/Council Reports:

Council Member Winters - MAG meeting in Phoenix, keynote speaker well versed on Economic Development, Mike Hoover; last Friday at Canyon Ridge Elementary School, Rotary Club gave 1,000 computer wireless mouse. Memorial Day wreath at Nick Bacon Memorial. Thanked Councilmember Hall and Duffy for their donations from their contingency funds for the wall.

Council Member Duffy - Roddy Pryer, Host Paradise Honors Baseball Banquet here at City Hall, all 3 coaches are from Surprise. Took my son to the Itty Bitty Beach Party, 6 months to 6 years old, good event for younger kids to get over the fear of slides.

Council Member Hall - Went to wreath ceremony at the City park, 5 Council in attendance, biggest turnout. Thanked George Van De Langryt and Larry Brown for their efforts. Went to the Tourism Symposium, Kendra Pettis was on the panel. Mayor Lavault was the moderator. Good discussion, great turnout. Saturday, attended Menchie's Yogurt grand opening, great attendance. Then went over to Pieology, unique concept, high fire pizza delivered in 3 to 5 minutes.

Council Member Tande - Glad we have approved the final budget, keeping the primary property tax rate level. The census as released, 203rd largest in US, 10th largest in Arizona. 1,000 home permits this past year. Economic Development, attracting international business, retailer and restaurant surveys.

Regular City Council Meeting Minutes – June 5, 2018 – Page 7

Vice Mayor Remley - First vacation in 25 years, Montego Bay. District 4 meeting is picking up in attendance, continuing basis, update on OTS Revitalization. Tour to Mesa tomorrow, phase 1 of the Redevelopment of the OTS. Total \$150 million. Outside money, money from the outside. Good things are happening in the City. Thank the City staff on the fabulous job they have been doing.

Mayor Wolcott - I have been laser focused with Surprise Development Company, appeared here in front of the Council. Tomorrow will be the 3rd meeting, making progress towards a master plan of the downtown area. Will be meeting the first Wed., of each month. Council will be rotating meetings. Surprise is definitely on the map, we are excited about this.

Executive Session:

Adjournment:

Council Member Hall made the motion to adjourn the Regular City Council Meeting of June 5, 2018 at 7:37 PM. Council Member Tande seconded the motion. Six yes votes, one excused (Hayden), motion carried.

Sharon R. Wolcott, Mayor

ATTEST:

Sherry Ann Aguilar, City Clerk, MMC

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, June 5, 2018.**

Sherry Ann Aguilar, City Clerk, MMC



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date: June 19, 2018

Contact Person: Sherry Ann Aguilar, City Clerk

Submitting Department:

District: 2

Staff Recommendations: None

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on a request by Nicholas Guttilla (Agent) for an Interim Permit/Person Transfer/Corporation and Sampling Privileges for Series 09 license for Safeway #977 (Also known as Albertson's) located at 14551 W. Grand Avenue, Surprise, AZ 85374 (License #09070567).

Motion:

I move to approve a request by Nicholas Guttilla (Agent) for an Interim Permit/Person Transfer/Corporation and Sampling Privileges for Series 09 license for Safeway #977 (Also known as Albertson's) located at 14551 W. Grand Avenue, Surprise, AZ 85374 (License #09070567).

Background:

This item was continued from the May 15th Regular Council Meeting due to not listing Sampling Privileges on the report or agenda wording. There are no objections to this request.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

Click to download

- ☐ [Safeway Application](#)
 - ☐ [Dept Reports for Safeway Police](#)
 - ☐ [Safeway Fire Report](#)
 - ☐ [Safeway CD Report](#)
 - ☐ [Safeway CD Map](#)
 - ☐ [Safeway Finance Report](#)
-



Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

DLLC USE ONLY

License #	18076
Date Accepted:	4-5-18
CSR:	AP

JP : # 18076

Application for Liquor License
Type or Print with Black Ink

APPLICATION FEE AND INTERIM PERMIT FEES (IF APPLICABLE) ARE NOT REFUNDABLE
A service fee of \$25 will be charged for all dishonored checks (A.R.S. § 44-6852)

SECTION 1 Type of License

- ☒ Interim Permit
☐ New License
☒ Person Transfer (series 6, 7 and 9)
☐ Location Transfer (series 6, 7 and 9)
☐ Probate/ Will Assignment/ Divorce Decree (No Fees)
☐ Seasonal

SECTION 2 Type of Ownership

- ☐ J.T.W.R.O.S.
☐ Individual
☐ Partnership
☒ Corporation
☐ Limited Liability Co
☐ Club
☐ Government
☐ Trust
☐ Tribe
☐ Other (Explain) _____

- SECTION 3 Type of Privilege** ☒ Add Sampling Privilege for Series 9 and 10 only (Complete Sampling Privilege application)
A.R.S. § 4-206.01 (G), (H), (I) & (L)
☐ Add Growler privileges (restaurant, series 12, license only. 300-foot restriction applies).
A.R.S. § 4-207(A) & (B)

1. Type of License (Series of license): series 9

2. LICENSE # 09070567 #18076

SECTION 4 Applicants

1. Agent's Name: Gutilla Nicholas Carl
Last First Middle

2. Individual/Owner Name: Safeway, Inc.

(Ownership name for type of ownership checked in section 2)

3. Business Name (Doing Business As-DBA): Safeway #977

4. Business Location Address: 14551 W Grand Avenue Surprise AZ 85375 Maricopa
(Do not use PO Box) Street City State Zip Code County

5. Mailing Address: c/o Gutilla Murphy Anderson 5415 E High St #200 Phoenix AZ 85054
(All correspondence will be mailed to this address) Street City State Zip Code

6. Business Phone: (623) 546-8038 Daytime Contact Phone: (480) 304-8300

7. Email Address: psines@gamlaw.com

8. Is the Business located within the incorporated limits of the above city or town? ☒ Yes ☐ No
If you checked no, in what City, Town, County or Tribal/Indian Community is this business located? _____

9. Total Price paid for Series 6 Bar, Series 7 Beer & Wine Bar or Series 9 Liquor Store (license only) \$ n/a

Department Use Only

Fees: Application Interim Permit Site Inspection Finger Prints \$ Total of All Fees

18 APR 5 10P 15 PM 1041

SECTION 5 Interim Permit

If you intend to operate business while the application is pending, you will need an interim permit pursuant to A.R.S. § 4-203.01. For approval of an interim permit:

- There **must** be a valid license of the same series issued to the current location you are applying for, **OR**
- A Hotel/Motel license is being replaced with a restaurant license pursuant to A.R.S. § 4-203.01(A)

1. Enter license number currently at the location: 09070567
2. Is the license currently in use? ☒ Yes ☐ No If no, how long has it been out of use? _____

NOTARY			
I (Print Full Name) Nicholas Carl Guttilla hereby declare that I am the <u>(Agent)</u> Current Owner, or Controlling Person on the stated license and location.			
Signature: <u>[Signature]</u>	State of <u>Arizona</u> County of <u>Maricopa</u>	The foregoing instrument was acknowledged before me this	
My Commission Expires on: _____	<u>26</u> Day of <u>March</u> <u>2018</u> Day Month Year	<u>[Signature]</u> Signature of Notary	
OFFICIAL SEAL KAREN PLUM Notary Public - State of Arizona MARICOPA COUNTY My Comm. Expires July 13, 2020			

SECTION 6 Background Check

EACH PERSON LISTED MUST SUBMIT A QUESTIONNAIRE, FINGERPRINT CARD, AND \$22 PROCESSING FEE PER CARD.

1. If the applicant is an entity, and not an individual, answer questions 1a-b.

- a) Date Incorporated/Organized: 7/23/86 State where Incorporated/Organized: Delaware
- b) AZ Corporation or AZ L.L.C. File No: F00372050 Date authorized to do business in AZ: 11/13/86

2. List any individual or entity that owns a beneficial interest of 10% or more and/or controls the applicant or licensee. If the applicant is owned by another entity, attach an organizational chart showing the ownership structure. Attach additional sheets as needed. Disclose all controlling persons and members, shareholders or general partners who own a beneficial interest of 10% or more of the applicant or licensee.

Last	First	Middle	Title	%Owned	Mailing Address	City	State	Zip
See attached flow chart								

(Attach additional sheet if necessary)

SECTION 7 Probate, Receiver, Bankruptcy Trustee, Assignment, or Divorce Decree of an existing liquor license A.R.S. § 4-204

EACH PERSON LISTED MUST SUBMIT A QUESTIONNAIRE, FINGERPRINT CARD, AND \$22 PROCESSING FEE PER CARD.

1. Current Licensee's Name: _____
 (Exactly as it appears on the license) Last First Middle
2. Assignee's Name: _____
 Last First Middle
3. License Number: _____

ATTACH A COPY OF THE DOCUMENT THAT SPECIFICALLY ASSIGNS THE LIQUOR LICENSE TO THE ASSIGNEE.

Safeway Inc.
(effective 12/3/17)

Albertsons Investor Holdings LLC

40.59% Member: Cerberus Iceberg LLC (Stephen Feinberg reported on CP Affidavit)
15.80% Member: Jubilee ABS Holding LLC (Jay Schottenstein reported on CP Affidavit)
(no other member owns 10% or greater of Licensee)

Officers

Robert Miller – Executive Chairman
Robert Gordon - Secretary

Albertsons Companies, Inc.

90.26% member: Albertsons Investor Holdings LLC
(no other entity or individual owns 10% or more of Licensee)

Officers

Robert B. Dimond – CFO/EVP
Robert Gordon – EVP/GC/Sec
Gary Morton – VP/Treas/Asst Sec

Safeway Inc. (LICENSEE)

ACC #F00372050 (Delaware Corporation)
100% Member: Albertsons Companies, Inc.

OFFICERS:

Robert Gordon – EVP/Sec/GC
Robert Miller – Manager
Robert Dimond – EVP/CFO
Gary Morton – VP/Treas/Asst Sec

SECTION 8 Government (for Cities, Towns or Counties only)

1. Government Entity: _____
2. Person/Designee: _____
Last First Middle Daytime Contact Phone #

**SECTION 9 Person to Person Transfer ARS§4-203(C), (D), (G)
(Bar and Liquor Stores only – Series 06, 07, and 09)**

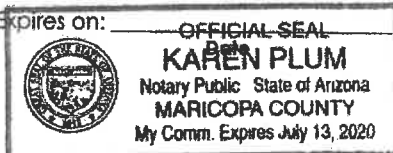
1. License #: 09070567
2. Individual Owner/Agent Name: Guttilla Nicholas Carl
Last First Middle
3. Ownership Name: Albertson's LLC
(Exactly as it appears on the license)
4. Current Business Name: Albertson's #977
(Exactly as it appears on the license)
5. Business Location Address: 14551 W Grand Avenue Surprise AZ Maricopa 85375
Street City State County Zip
6. Current Daytime Phone: (480) 304-8300 Primary Email Address: psines@gamlaw.com
7. Does current licensee intend to operate the business while this application is pending? ☐ Yes ☒ No
8. I, (Signature): _____ authorize the transfer of this license to the applicant.

NOTARY

I (Print Full Name) Nicholas Carl Guttilla hereby declare that I am the Individual Agent Owner,
Or Controlling Person on the stated license and location.

Signature: _____ State of Arizona County of Maricopa
The foregoing instrument was acknowledged before me this

My Commission Expires on: _____ 26 Day of March 2018
Day Month Year



Signature of Notary

**SECTION 10 Location Transfer- Current Licensee Information ARS§4-203(C), (D), (G)
(Bar and Liquor Stores only – Series 06, 07, and 09)**

1. Current Business: Name: _____
Address: _____
(exactly as it appears on license)
2. New Business: Name: _____
Address: _____

SECTION 11 Proximity to Church or School - Questions to be completed by 6, 7, 9, 10 and 12G applicants.

A.R.S. §4-207. (A) and (B) state that no retailer's license shall be issued for any premises which are at the time the license application is received by the director, within three hundred (300) horizontal feet of a church, within three hundred (300) horizontal feet of a public or private school building with kindergarten programs or grades one (1) through (12), or within three hundred (300) horizontal feet of a fenced recreational area adjacent to such school building.

The above paragraph DOES NOT apply to:

- a) Restaurants that do not sell growlers (A.R.S. §4-205.02) Series 12
- b) Hotel/motel license (A.R.S. §4-205.01) Series 11
- c) Microbrewery (A.R.S. §4-205.08) Series 03
- d) Craft Distillery (A.R.S. §4-205.10) Series 18

- e) Government license (A.R.S. §4-205.03) Series 05
- f) Playing area of a golf course (A.R.S. §4-207 (B)(5))
- g) Wholesaler/Distributor Series 04
- h) Farm Winery Series 13
- i) Producer Series 01

1. Distance to nearest School: n/a per ARS 4-207.C1
(If less than one (1) mile, note footage)

Name of School: _____

Address: _____

2. Distance to nearest Church: n/a per ARS 4-207.C1
(If less than one (1) mile, note footage)

Name of Church: _____

Address: _____

SECTION 12 Business Financials A.R.S. §4-202(F)

1. I am the:

- ☐ Tenant: **a person who holds the lease of a property; a lessee.**
- ☐ Sub-tenant: **a person who holds a lease which was given to another person (tenant) for all or part of a property.**
- ☐ Owner
- ☐ Purchaser
- ☒ Management Company - (See attached letter)

2. If the premises is leased give lessors: Name: _____

Address: _____
Street City State Zip

3. What is the penalty if the lease is not fulfilled? \$ n/a or Other: _____

4. Total money borrowed for the Business, not including lease? \$ 0

Please List Lenders/People you owe money to for business.

Last	First	Middle	Amount Owed	Mailing Address	City	State	Zip

(Attach additional sheet if necessary)

5. Has a license or a transfer license for the premises on this application been denied by the state within the past year?

☐ Yes ☒ No

If yes, attach explanation.

6. Does any spirituous liquor manufacturer, wholesaler, or employee have an interest in your business?

☐ Yes ☒ No

If yes, attach explanation.

SECTION 13 Diagram of Premises

Check ALL boxes that apply to your business:

☐ Walk-up or drive-through windows

☐ Patio: Contiguous

☐ Patio: Non-Contiguous within 30 feet

1. Is your licensed premises now closed due to construction, renovation or redesign or rebuild?

☐ Yes ☒ No If yes, what is your estimated completion date? ____/____/____

2. What type of business will this license be used for? (be Specific) Retail grocery store

3. **Please attach a diagram of the premises** which clearly shows only the areas where spirituous liquor will be sold, served, consumed, dispensed, possessed or stored. Include entrances, exits, interior walls, bar areas, dining areas, dance floor, stage, game room and kitchen.

DO NOT INCLUDE

Parking lots, living quarters or areas where business is not conducted under this liquor license. Please identify which orientation is North on the diagram.

4. Provide the square footage or outside dimensions of the licensed premises. Please do not include non-licensed areas such as parking lots, living quarters, etc.

ATTACH DIAGRAM

IMPORTANT NOTE: As stated in A.R.S. §4-207.01 (B), it is the licensee's responsibility to notify the Department of Liquor Licenses and Control when there are changes to the service areas or the square footage of the licensed premises, either by increase or decrease.

RESTAURANTS AND HOTELS/MOTELS ONLY

(IMPORTANT NOTE: A site inspection must be conducted prior to activation of the license. A \$50.00 fee for the inspection will be due and payable upon submitting this application.)

5a. Provide a detailed drawing of the kitchen and dining areas, including the locations of all kitchen equipment and dining furniture. These are required as part of the diagram. A.R.S. §4-205.02(C)

5b. Provide a restaurant operation plan.

SECTION 14 SIGNATURE BLOCK

NOTARY	
I (Print Full Name) <u>Nicholas Carl Guttilla</u> hereby declare that I am the Individual <u>(Agent)</u> Owner, Or Controlling Person on the stated license and location.	
Signature: <u>[Signature]</u>	State of <u>Arizona</u> County of <u>Maricopa</u>
The foregoing instrument was acknowledged before me this	
My Commission Expires on:	<u>26</u> Day of <u>March</u> <u>2018</u>
 OFFICIAL SEAL KAREN PLUM Notary Public State of Arizona MARICOPA COUNTY My Comm. Expires July 13, 2020	<u>[Signature]</u> Signature of Notary

A.R.S. §41-1030. Invalidity of rules not made according to this chapter; prohibited agency action; prohibited acts by state employees; enforcement; notice

B. An agency shall not base a licensing decision in whole or in part on a licensing requirement or condition that is not specifically authorized by statute, rule or state tribal gaming compact. A general grant of authority in statute does not constitute a basis for imposing a licensing requirement or condition unless a rule is made pursuant to that general grant of authority that specifically authorizes the requirement or condition.

D. THIS SECTION MAY BE ENFORCED IN A PRIVATE CIVIL ACTION AND RELIEF MAY BE AWARDED AGAINST THE STATE. THE COURT MAY AWARD REASONABLE ATTORNEY FEES, DAMAGES AND ALL FEES ASSOCIATED WITH THE LICENSE APPLICATION TO A PARTY THAT PREVAILS IN AN ACTION AGAINST THE STATE FOR A VIOLATION OF THIS SECTION.

E. A STATE EMPLOYEE MAY NOT INTENTIONALLY OR KNOWINGLY VIOLATE THIS SECTION. A VIOLATION OF THIS SECTION IS CAUSE FOR DISCIPLINARY ACTION OR DISMISSAL PURSUANT TO THE AGENCY'S ADOPTED PERSONNEL POLICY.

F. THIS SECTION DOES NOT ABROGATE THE IMMUNITY PROVIDED BY SECTION 12-820.01 OR 12-820.02.

S U R P R I S E P O L I C E D E P A R T M E N T
L I Q U O R L I C E N S E A P P L I C A T I O N R E V I E W

REFERENCE:

DATE: April 30, 2018

LICENSE NUMBER – 09070567

Series #09 – Interim Permit/Person Transfer/Corporation

APPLICANT:

Safeway #977

14551 W. Grand Avenue

Surprise, Arizona 85374

FINDINGS:

- 1) *Evidence concerning the nature of the proposed business, its potential market and its likely customers.*

This store is actually an Albertson's store but legally identified as Safeway #977. I will identify it as Albertson's for this report. Albertson's is a family supermarket open to all ages and demographics.

- 2) *Effect of vehicular traffic in close proximity.*

This acquisition of control license will have no effect on traffic.

- 3) *The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.*

In the last five years, there have been various criminal incidents in or in the vicinity of the store, including the parking lot, which is shared by several other tenants. During this time frame, there have been: (1) alcohol related offense; (13) shoplifting of alcohol incidents; (3) burglary from vehicles in the parking lot; (2) incidents of an intoxicated subject in the store, (30) reported shoplifting incidents, unrelated to alcohol; (2) trespassing reports; (2) reports of fraud, and (1) reported robbery, after an employee confronted a shoplifting suspect, in which the suspect displayed a knife.

- 4) *Comparison of hours of operation of the proposed premises to the existing businesses in close proximity.*

Basha's is open from 5 AM to 11 PM daily. They are part of a shopping plaza with various other retail tenants. None of the other retailers in the area are open very late, with the exception of a convenience store north of Albertson's. It's open 24 hours and sells liquor. There is also a McDonald's fast food restaurant in the far north parking lot. On one end of the plaza, there is a Ray's Pizza, who does have a series 12 license and closes at 10 PM every night.

- 5) *Appropriateness of series license requested.*

A series 09 license is appropriate and applicable for the Albertson's per state guidelines for liquor retailers to sell all liquor in their unbroken packages.

Submitted by Officer Chris Tovar #2059



Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001



April 23, 2018

To: Sherry Ann Aguilar, City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

Applicant: Safeway #977
14451 W Grand
Surprise, Arizona 85374

The Surprise Fire-Medical Department recently conducted a fire inspection at the above referenced location to ensure compliance with the applicable fire codes within the tenant space and building. There are no known fire code violations at this time.

Therefore fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department



COMMUNITY DEVELOPMENT DEPARTMENT

Date: April 30, 2018
To: Sherry Aguilar, City Clerk
From: Eric Fitzer, Community Development Director
By: James Stewart, Zoning Specialist
Re: Liquor License Application for:

SAFEWAY #977
Interim Permit / Person Transfer/Corporation - 09070567
14551 W. Grand Avenue
Surprise, Arizona 85374

The number and series of licenses in close proximity to the subject site are:

1. Hampton Inn & Suites (Series 7) – 14783 W. Grand Avenue
2. The Colonade (Series 12) – 19116 N. Colonade Way
3. Corner Store #1712 (Series 10) – 14559 W. Grand Avenue
4. Ray's Pizza (Series 12) – 14545 W. Grand Avenue
5. Fuzzy's Sports Bar & Grill (Series 12) – 18795 N. Reems Rd. #107 - 109
6. China City Super Buffet (Series 12) – 18885 N. Reems Rd. #101 (EXPIRED)
7. Safeway #1520 (Series 9) – 14505 W. Grand Avenue (EXPIRED)
8. Chevron Food Mart (Series 10) – 14445 W. Grand Avenue
9. Outback Steakhouse #0323 (Series 12) – 14225 W. Grand Avenue
10. Texas Roadhouse (Series 12) – 14175 W. Grand Avenue
11. Trader Joe's #92 (Series 10) – 14095 W. Grand Avenue
12. Boots & Bourbon Bar & Grill (Series 12) – 14051 W Grand Avenue
13. Quik Trip #410 (Series 10) – 14007 W. Grand Avenue
14. Crooked Putter Restaurant(Series 12) – 14260 W. Meeker Blvd. (Unincorporated Maricopa County)

The immediate area is composed of commercial establishments. The property is zoned PAD C-2 which is consistent with the proposed use.

Residential population will most likely remain static. Commercial growth will likely remain static.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no effect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.

SAFeway #977

SITE

UNINCORPORATED MARICOPA
COUNTY

RR,
R1-43

CC, C-2

RL-5, R1-5

RL-5, R1-5

PAD, SUN CITY GRAND

PAD, PARK
PLACE

PAD, KINGSWOOD
PARKE / SUN VILLAGE

The Colonnade

CC, C-2

CC, C-2

CC, C-2

IP, I-1



Finance Department
Revenue Division
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Ph: 623-222-1833
Fax: 623-222-1803
TTY: 623-222-1002

1 May 2018

Safeway, Inc.
dba Safeway #977
c/o Guttilla Murphy Anderson
5415 E High St #200
Phoenix AZ 85054

Re: Business License Requirement

To Whom It May Concern:

The Revenue Division has received notification that a liquor license application has been received on behalf of Safeway, Inc.

Safeway, Inc., does not have a business license for the location specified on the liquor license application.

For your convenience a City of Surprise business license application has been included with this correspondence. For more information please visit the City of Surprise website at www.surpriseaz.gov.

If you have any questions please call our office at 623.222.1833.

Respectfully,
Revenue Division



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ Back Print

Council Meeting Date:	June 19, 2018	Contact Person:	Sherry Ann Aguilar, City Clerk
Submitting Department:		District:	5
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on a Series 12 Restaurant - New License/LLC) request by Kristopher David Ora Olson, Agent for Pieology Pizzeria located at 14321 W. Bell Road, #100, Surprise, AZ 85374.

Motion:

I move to approve a Series 12 Restaurant - New License/LLC) request by Kristopher David Ora Olson, Agent for Pieology Pizzeria located at 14321 W. Bell Road, #100, Surprise, AZ85374.

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

Click to download

☐ [Pieology Dept Reports](#)



City Clerk's Office
Sherry Ann Aguilar, City Clerk
16000 N. Civic Center Plaza
Surprise, AZ 85374
Ph: 623-222-1200
Fax: 623-222-1001

May 29, 2018

Kristopher David Ora Olson, Agent

PIEOLOGY PIZZERIA

New License/LLC

E-Mail: Billing@ocburgerboys.com

Dear Mr. Olson:

Please be advised that we are in receipt of your request for a New License/LLC, for a Series 12 #21437 for **Pieology Pizzeria** located at ~~14321~~ ¹⁴³⁴⁵ West Bell Road, #100, Surprise, AZ. 85374. ^{SA}

The notice for the applications has been posted on the property and will need to remain posted until the public hearing has taken place.

You are hereby notified that your presence is being requested by the City of Surprise Mayor and Common Council to attend a public hearing at our regular scheduled Council Meeting to be held on:

Tuesday, June 19, 2018 - 6:00 p.m.
Surprise City Hall - Council Chambers
16000 N. Civic Center Plaza

Upon receipt of this correspondence, please acknowledge receipt by email to clerk@surpriseaz.gov and advise who will be representing you at this meeting. Your cooperation is greatly appreciated.

If you have any questions, please call 623-222-1220.

Sincerely,

City Clerk, MMC

**SURPRISE POLICE DEPARTMENT
LIQUOR LICENSE APPLICATION REVIEW**

REFERENCE:

DATE: June 6, 2018

APPLICATION NUMBER - 21437
Series #12 – New License/LLC

APPLICANT:

Pieology Pizzeria
14321 W. Bell Road #100
Surprise, Arizona 85374

FINDINGS:

- 1) *Evidence concerning the nature of the proposed business, its potential market and its likely customers.*

Pieology is a new fast casual restaurant serving specialty personal pizzas for lunch and dinner. There is seating for 36 persons. The potential market should be customers of all ages from the general public. There is no separate bar in the restaurant. There will also be one TV in the restaurant.

- 2) *Effect of vehicular traffic in close proximity.*

The addition of the restaurant and liquor license should have no great impact on traffic in the area. There are multiple ingress/egress points off Bell Road as well as Civic Center Drive.

- 3) *The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.*

N/A. New Construction.

- 4) *Comparison of hours of operation of the proposed premises to the existing businesses in close proximity.*

The hours of operations are 11 AM to 9 PM from Sunday thru Thursday and 11 AM to 10 PM on Fridays and Saturdays. Other businesses in the strip plaza consist of Tokyo Joe's (series 12 License), Menchie's Yogurt, and Starbucks who have basically similar hours to Pieology. There is also Raising Cane's Chicken fast food who is on one end of the plaza, which is open until midnight every night. The opposite end of the plaza will have an In and Out Burger, which according to the website for all other valley locations, shows a universal closing time at 1 AM during the week and 1:30 AM on Fridays and Saturdays.

- 5) *Appropriateness of series license requested.*

A series 12 license is appropriate and applicable for Pieology, per state guidelines for restaurants.

Submitted by Officer Chris Tovar #2059



Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001



June 7, 2018

To: Sherry Ann Aguilar, City Clerk
From: Keith Tanner, Fire Marshal
Subject: Liquor License Application
Applicant: Pieology Pizzeria
14345 W Bell, Suite 100
Surprise, AZ 75374

The Surprise Fire-Medical Department conducted a fire inspection at the above referenced location on 5/28/2018 to ensure compliance with the applicable fire codes within the tenant space and building. There are no known fire code violations at this time.

Therefore fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department

Date: June 4, 2018
To: Sherry Aguilar, City Clerk
From: Eric Fitzer, Community Development Director
By: James Stewart, Zoning Specialist
Re: Liquor License Application for:

**PIEOLOGY PIZZERIA
New License/LLC – 21437 (Series12 – Restaurant)
14345 W. Bell Road, #106
Surprise, Arizona 85374**

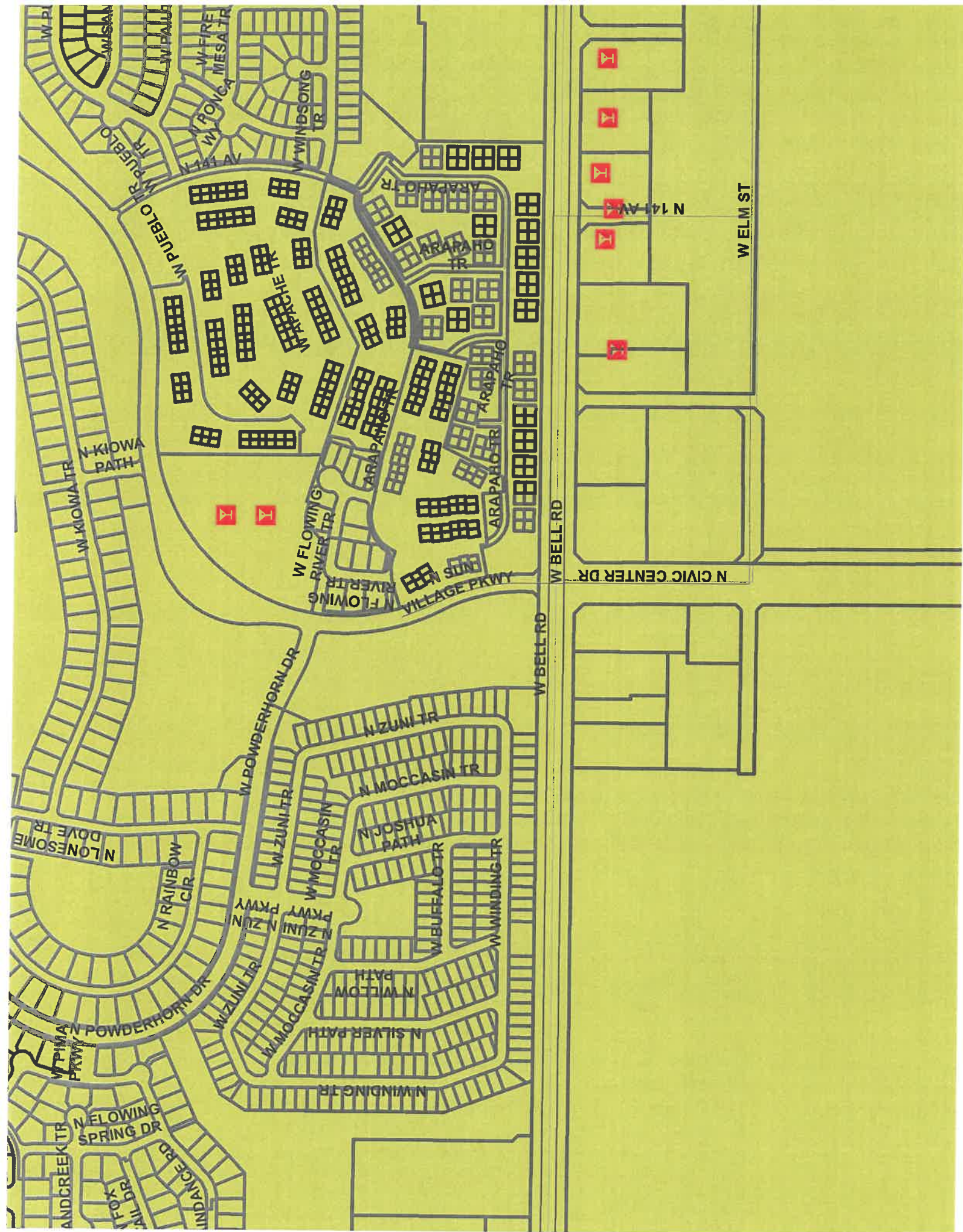
The number and series of licenses in close proximity to the subject site are:

1. El Tepeyac Cafe (Series 12) – 17300 N. Sun Village Parkway #D
2. Sun Village Community Association (Series 14) – 17300 N. Sun Village Parkway #A (Expired)
3. Pei Wei Asian Diner (Series 12) – 14551 W. Bell Rd. #113
4. Longhorn Steakhouse (Series 12) – 14127 W. Bell Rd.
5. Saigon Kitchen (Series 12) – 14071 W. Bell Rd.
6. Frank-N-Steins (Series 12) – 14071 W. Bell Rd. #104 (Expired)
7. Carrabba's Italian Grill #5306 (Series 12) – 14043 W. Bell Rd.
8. Red Robin (Series 12) – 14015 W. Bell Rd.
9. New York Pizza Dept. (Series 12) – 13980 W. Bell Rd. #1
10. Circle K #2741641 (Series 10) – 13908 W. Bell Rd.(Pending)
11. Buffalo Wild Wings Grill & Bar (Series 12) – 13882 W. Bell Rd.
12. Chipotle Mexican grill #0898 (Series 12) – 13869 W. Bell Rd.
13. Rio Mirage Cafe (Series 12) – 13863 W. Bell Rd.
14. Irish Wolfhound Restaurant & Pub (Series 6) – 16811 N Litchfield Rd. #102 - 104

The immediate area is composed of commercial establishments. The property is zoned Surprise Center PAD which is consistent with the proposed use.

Residential population will most likely remain static. Commercial growth will likely continue to grow.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.





MEMO

Date: 6/4/2018

To: Sherry Aguilar, City Clerk

Linda Stevens, Deputy City Clerk

From: Stacie McQuarrie, Accounting Support Specialist

RE: Liquor License Application – Pieology Pizzeria

Business License Status:

License #1021534, current and valid for 2018.



716 JUN 12 11:41 AM '15

Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

DLLC USE ONLY

License #
Date Accepted:
CSR:

Application for Liquor License
Type or Print with Black Ink

APPLICATION FEE AND INTERIM PERMIT FEES (IF APPLICABLE) ARE NOT REFUNDABLE
A service fee of \$25 will be charged for all dishonored checks (A.R.S. § 44-6852)

SECTION 1 Type of License

- ☐ Interim Permit
☐ New License
☐ Person Transfer (series 6, 7 and 9)
☐ Location Transfer (series 6, 7 and 9)
☐ Probate/ Will Assignment/ Divorce Decree (No Fees)
☐ Seasonal

SECTION 2 Type of Ownership

- ☐ J.T.W.R.O.S.
☐ Individual
☐ Partnership
☐ Corporation
☐ Limited Liability Co
☐ Club
☐ Government
☐ Trust
☐ Tribe
☐ Other (Explain) _____

SECTION 3 Type of Privilege

- ☐ Add Sampling Privilege for Series 9 and 10 only (Complete Sampling Privilege application)
A.R.S. § 4-206.01 (G), (H), (I) & (L)
☐ Add Growler privileges (restaurant, series 12, license only. 300-foot restriction applies)
A.R.S. § 4-207 (A) & (B)

1. Type of License (Series of license): _____

2. LICENSE # Job # 21437

SECTION 4 Applicants

1. Agent's Name: Olson Kristopher David Ora
Last First Middle

2. Individual/Owner Name: _____
(Ownership name for type of ownership checked in section 2)

3. Business Name (Doing Business As-DBA): Pleology Pizzeria

4. Business Location Address: 14345 W Bell Rd 100 Surprise, AZ 85374 Maricopa
(Do not use PO Box) Street City State Zip Code County

5. Mailing Address: _____
(All correspondence will be mailed to this address) Street City State Zip Code County

6. Business Phone: _____ Daytime Contact Phone: _____

7. Email Address: _____

8. Is the Business located within the incorporated limits of the above city or town? ☐ Yes ☐ No
If you checked no, in what City, Town, County or Tribal/Indian Community is this business located? _____

9. Total Price paid for Series 6 Bar, Series 7 Beer & Wine Bar or Series 9 Liquor Store (license only) \$ _____

Department Use Only

Fees: _____
Application Interim Permit Site Inspection Finger Prints \$ Total of All Fees

AMENDMENT



18 JUN 12 Lic. Lic. M 3 50

Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

QUESTIONNAIRE
A.R.S. § 4-202, 4-210
Type or Print with Black Ink

The fees allowed by R19-1-102 will be charged for all dishonored checks.

ATTENTION APPLICANT: This is a legally binding document. Please type or print in black ink. An investigation of your background will be conducted. Incomplete applications will not be accepted. False or misleading answers may result in the denial or revocation of a license or permit and could result in criminal prosecution.

Attention local governments: Social security and birth date information is confidential. This information may be given to law enforcement agencies for background checks only.

QUESTIONNAIRE IS TO BE COMPLETED BY EACH CONTROLLING PERSON, AGENT AND MANAGER BEING DISCLOSED TO THE DEPARTMENT. EACH PERSON COMPLETING THIS FORM MUST SUBMIT A BLUE OR BLACK LINED FINGERPRINT CARD ALONG WITH A \$22 FEE. FINGERPRINTS MUST BE DONE BY A LAW ENFORCEMENT AGENCY OR BONA FIDE FINGERPRINT SERVICE. FOR AN ADDITIONAL \$13 FEE, FINGERPRINTS MAY BE DONE AT THE DEPARTMENT OF LIQUOR WHEN ACCOMPANIED BY A COMPLETED APPLICATION.

Liquor License#:

Job # 21437

1. Check the
Appropriate
Box

☐ Controlling Person

☐ Agent

☐ Premises Manager

(complete all questions except #12)

2. Name: Olson Kristopher David Ora Birth Date: / /
Last First Middle (NOT a public record)

3. Social Security #: Driver License #: State:

4. Place of birth: Height: Weight: Eyes: Hair:
City State COUNTRY (not county)

5. Name of current/most recent spouse: Birth Date: / /
Last First Middle (NOT a public record)

6. Are you a bona fide resident of Arizona? ☐ Yes ☐ No If yes, what is your date of residency:

7. Daytime telephone number: E-mail address:

8. Business Name: Picology Pizzeria Business Phone:

AMENDMENT

9. Business Location Address: 14345 W Bell Rd 100 Surprise, AZ 85374 Maricopa
Street (do not use PO Box) City State County Zip

10. List your employment or type of business during the past five (5) years. If unemployed, retired, or student, list residence address.

FROM Month/Year	TO Month/Year	DESCRIBE POSITION OR BUSINESS	EMPLOYERS NAME OR NAME OF BUSINESS (Street Address, City, State & Zip)
	CURRENT		

(ATTACH ADDITIONAL SHEET IF NECESSARY)



Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

18 JUN 12 14:14 PM 3:50

QUESTIONNAIRE
A.R.S. § 4-202, 4-210
Type or Print with Black Ink

The fees allowed by R19-1-102 will be charged for all dishonored checks.

ATTENTION APPLICANT: This is a legally binding document. Please type or print in black ink. An investigation of your background will be conducted. Incomplete applications will not be accepted. False or misleading answers may result in the denial or revocation of a license or permit and could result in criminal prosecution.

Attention local governments: Social security and birth date information is confidential. This information may be given to law enforcement agencies for background checks only.

QUESTIONNAIRE IS TO BE COMPLETED BY EACH CONTROLLING PERSON, AGENT AND MANAGER BEING DISCLOSED TO THE DEPARTMENT. EACH PERSON COMPLETING THIS FORM MUST SUBMIT A BLUE OR BLACK LINED FINGERPRINT CARD ALONG WITH A \$22 FEE. FINGERPRINTS MUST BE DONE BY A LAW ENFORCEMENT AGENCY OR BONA FIDE FINGERPRINT SERVICE. FOR AN ADDITIONAL \$13 FEE, FINGERPRINTS MAY BE DONE AT THE DEPARTMENT OF LIQUOR WHEN ACCOMPANIED BY A COMPLETED APPLICATION.

Liquor license#: Job # 21437

1. Check the
Appropriate
Box →

☐ Controlling Person

☐ Agent

☐ Premises Manager

(complete all questions except #12)

2. Name: Siddiqi Amir Mashood Birth Date: / /
Last First Middle (NOT a public record)

3. Social Security #: Driver License #: State:

4. Place of birth: City State COUNTRY (not county) Height: Weight: Eyes: Hair:

5. Name of current/most recent spouse: Last First Middle Birth Date: / /
(NOT a public record)

6. Are you a bona fide resident of Arizona? ☐ Yes ☐ No If yes, what is your date of residency:

7. Daytime telephone number: E-mail address:

8. Business Name: Picology Pizzeria Business Phone:

9. Business Location Address: 14345 W Bell Rd 100 Surprise, AZ 85374 Maricopa
Street (do not use PO Box) City State County Zip

10. List your employment or type of business during the past five (5) years. If unemployed, retired, or student, list residence address.

FROM Month/Year	TO Month/Year	DESCRIBE POSITION OR BUSINESS	EMPLOYERS NAME OR NAME OF BUSINESS (Street Address, City, State & Zip)
	CURRENT		

(ATTACH ADDITIONAL SHEET IF NECESSARY)



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ Back Print

Council Meeting Date: June 19, 2018 Contact Person: Sherry Ann Aguilar, City Clerk
Submitting Department: District: 6
Staff Recommendations: None

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on a series 12 (Restaurant - Interim Permit/New License) request by Maryann Germain, Owner/Agent for Under Review Sports Grill located at 13699 N. Litchfield Road, Surprise, AZ 85379.

Motion:

I move to approve a series 12 (Restaurant - Interim Permit/New License) request by Maryann Germain, Owner/Agent for Under Review Sports Grill located at 13699 N. Litchfield Road, Surprise, AZ 85379.

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

Click to download

☐ [Under Review Sports Grill Dept. Reports](#)



City Clerk's Office
Sherry Ann Aguilar, City Clerk
16000 N. Civic Center Plaza
Surprise, AZ 85374
Ph: 623-222-1200
Fax: 623-222-1001

May 23, 2018

Maryann Germain, Owner/Agent

UNDER REVIEW SPORTS GRILL

Interim Permit/New License

E-Mail: maryann_germain@yahoo.com

Dear Ms. Germain:

Please be advised that we are in receipt of your request for Interim Permit/New License for a Series 12 #14035 for Under Review Sports Grill located at 13699 N. Litchfield Road, Surprise, AZ. 85379.

The notice for the applications has been posted on the property and will need to remain posted until the public hearing has taken place.

You are hereby notified that your presence is being requested by the City of Surprise Mayor and Common Council to attend a public hearing at our regular scheduled Council Meeting to be held on:

Tuesday, June 19, 2018 - 6:00 p.m.
Surprise City Hall - Council Chambers
16000 N. Civic Center Plaza

Upon receipt of this correspondence, please acknowledge receipt by email to clerk@surpriseaz.gov and advise who will be representing you at this meeting. Your cooperation is greatly appreciated.

If you have any questions, please call 623-222-1220.

Sincerely,

City Clerk, MMC



Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

DLLC USE ONLY

License #
Date Accepted:
CSR:

Application for Liquor License
Type or Print with Black Ink

APPLICATION FEE AND INTERIM PERMIT FEES (IF APPLICABLE) ARE NOT REFUNDABLE
A service fee of \$25 will be charged for all dishonored checks (A.R.S. § 44-6852)

SECTION 1 Type of License

- ☒ Interim Permit
☒ New License
☐ Person Transfer (series 6, 7 and 9)
☐ Location Transfer (series 6, 7 and 9)
☐ Probate/ Will Assignment/ Divorce Decree (No Fees)
☐ Seasonal

SECTION 2 Type of Ownership

- ☐ J.T.W.R.O.S.
☐ Individual
☐ Partnership
☐ Corporation
☐ Limited Liability Co
☐ Club
☐ Government
☐ Trust
☐ Tribe
☐ Other (Explain) _____

- SECTION 3 Type of Privilege** ☐ Add Sampling Privilege for Series 9 and 10 only (Complete Sampling Privilege application)
A.R.S. § 4-206.01(G), (H), (I) & (L)
☐ Add Growler privileges (restaurant, series 12, license only. 300-foot restriction applies)
A.R.S. § 4-207(A) & (B)

1. Type of License (Series of license): 12 2. LICENSE # _____

SECTION 4 Applicants

1. Agent's Name: Germain Maryann
Last First Middle
2. Individual/Owner Name: Morales Properties Inc.
(Ownership name for type of ownership checked in section 2)
3. Business Name (Doing Business As-DBA): Under Review Sports Grill
4. Business Location Address: 13699 N. Litchfield Road Surprise Arizona 85379 Maricopa
(Do not use PO Box) Street City State Zip Code County
5. Mailing Address: 12739 W. Campina Drive Litchfield Park Arizona 85340 Maricopa
(All correspondence will be mailed to this address) Street City State Zip Code County
6. Business Phone: 623-214-6639 Daytime Contact Phone: 602-214-7479
7. Email Address: maryann_germain@yahoo.com
8. Is the Business located within the incorporated limits of the above city or town? ☒ Yes ☐ No
If you checked no, in what City, Town, County or Tribal/Indian Community is this business located? _____
9. Total Price paid for Series 6 Bar, Series 7 Beer & Wine Bar or Series 9 Liquor Store (license only) \$ _____

Department Use Only

Fees: _____
Application Interim Permit Site Inspection Finger Prints \$ Total of All Fees

May 22,2018

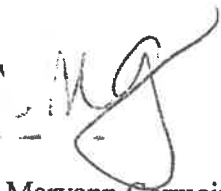
Under Review Sports Grill Permit INP070000406
13699 W. Litchfield rd
Surprise Az 85379

To Jenaka Wagner
Az Liqour Board

Inre: Growler Permit and License

Under Review Sports Grill has decided not to pursue the Growler license for 2018.
Please remove it from our initial application.

Thank you,

A handwritten signature in black ink, appearing to read 'MG' with a large, stylized loop at the bottom.

Maryann Germain
602-214-7479

2018-07

18 MAR 28 Lic. Lic. PM 3 52



Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

DLIC USE ONLY

License #	14035
Date Accepted:	3-28-18
CSR:	W

Application for Liquor License
Type or Print with Black Ink

APPLICATION FEE AND INTERIM PERMIT FEES (IF APPLICABLE) ARE NOT REFUNDABLE
A service fee of \$25 will be charged for all dishonored checks (A.R.S. § 44-6852)

SECTION 1 Type of License

- ☒ Interim Permit
☒ New License
☐ Person Transfer (series 6, 7 and 9)
☐ Location Transfer (series 6, 7 and 9)
☐ Probate/ Will Assignment/ Divorce Decree (No Fees)
☐ Seasonal

SECTION 2 Type of Ownership

- ☐ J.T.W.R.O.S.
☐ Individual
☐ Partnership
☒ Corporation
☐ Limited Liability Co
☐ Club
☐ Government
☐ Trust
☐ Tribe
☐ Other (Explain) _____

- SECTION 3 Type of Privilege** ☐ Add Sampling Privilege for Series 9 and 10 only (Complete Sampling Privilege application)
 A.R.S. §4-206.01 (G), (H), (I) & (L)
☒ Add Growler privileges (restaurant, series 12, license only. 300-foot restriction applies)
 A.R.S. §4-207 (A) & (B)

1. Type of License (Series of license): 12

2. LICENSE # 14035

SECTION 4 Applicants

1. Agent's Name: Germain Maryann
 Last First Middle
2. Individual/Owner Name: Morales Properties Inc.
 (Ownership name for type of ownership checked in section 2)
3. Business Name (Doing Business As-DBA): Under Review Sports Grill
4. Business Location Address: 13699 North Litchfield Road Surprise Arizona 85379 Maricopa
 (Do not use PO Box) Street City State Zip Code County
5. Mailing Address: 13699 North Litchfield Road Surprise Arizona 85379
 (All correspondence will be mailed to this address) Street City State Zip Code
6. Business Phone: 623-214-6639 Daytime Contact Phone: 602-214-7479
7. Email Address: maryann_germain@yahoo.com
8. Is the Business located within the incorporated limits of the above city or town? ☒ Yes ☐ No
 If you checked no, in what City, Town, County or Tribal/Indian Community is this business located? _____
9. Total Price paid for Series 6 Bar, Series 7 Beer & Wine Bar or Series 9 Liquor Store (license only) \$ _____

Fees:	\$ 100.00	\$ 100.00	Department Use Only	\$ 35.00	\$ 285.00
	Application	Interim Permit	Site Inspection	Finger Prints	Total of All Fees

SECTION 5 Interim Permit

If you intend to operate business while the application is pending, you will need an interim permit pursuant to A.R.S. §4-203.01. For approval of an interim permit:

- There **must** be a valid license of the same series issued to the current location you are applying for, **OR**
- A Hotel/Motel license is being replaced with a restaurant license pursuant to A.R.S. §4-203.01(A)

1. Enter license number currently at the location: 1207A401 1207A481
2. Is the license currently in use? ☒ Yes ☐ No If no, how long has it been out of use? _____

NOTARY	
I (Print Full Name) <u>Mary See Attached</u> hereby declare that I am the Agent, Current Owner, or Controlling Person on the stated license and location.	State of _____ County of _____ The foregoing instrument was acknowledged before me this _____ Day of _____ Month _____ Year
Signature: _____ My Commission Expires on: _____ Date	_____ Signature of Notary

SECTION 6 Background Check

EACH PERSON LISTED MUST SUBMIT A QUESTIONNAIRE, FINGERPRINT CARD, AND \$22 PROCESSING FEE PER CARD.

1. If the applicant is an entity, and not an individual, answer questions 1a-b.

- a) Date Incorporated/Organized: 03/24/1999 State where Incorporated/Organized: Arizona
- b) AZ Corporation or AZ L.L.C. File No: 08701950 Date authorized to do business in AZ: 03/24/1999

2. List any individual or entity that owns a beneficial interest of 10% or more and/or controls the applicant or licensee. If the applicant is owned by another entity, attach an organizational chart showing the ownership structure. Attach additional sheets as needed. Disclose all controlling persons and members, shareholders or general partners who own a beneficial interest of 10% or more of the applicant or licensee.

Last	First	Middle	Title	%Owned	Mailing Address	City	State	Zip
Germain	Maryann		officer/secretary	5% 100%	13699 N. Litchfield Road, Surprise, Arizona			85379
Morales	Steven Ray		president	20%				
Jesse Morales	Jesse Mark		vice president	20%				

(Attach additional sheet if necessary)

SECTION 7 Probate, Receiver, Bankruptcy Trustee, Assignment, or Divorce Decree of an existing liquor license A.R.S. §4-204

EACH PERSON LISTED MUST SUBMIT A QUESTIONNAIRE, FINGERPRINT CARD, AND \$22 PROCESSING FEE PER CARD.

1. Current Licensee's Name: _____
 (Exactly as it appears on the license) Last First Middle
2. Assignee's Name: _____
 Last First Middle
3. License Number: _____

ATTACH A COPY OF THE DOCUMENT THAT SPECIFICALLY ASSIGNS THE LIQUOR LICENSE TO THE ASSIGNEE.



COMMUNITY DEVELOPMENT DEPARTMENT

Date: June 4, 2018

To: Sherry Aguilar, City Clerk

From: Eric Fitzer, Community Development Director
James Stewart, Zoning Specialist

Re: Liquor License Application for:

UNDER REVIEW SPORTS GRILL
Interim Permit/New License – Series 12 license #14035
13699 N. Litchfield Road
Surprise, Arizona 85379

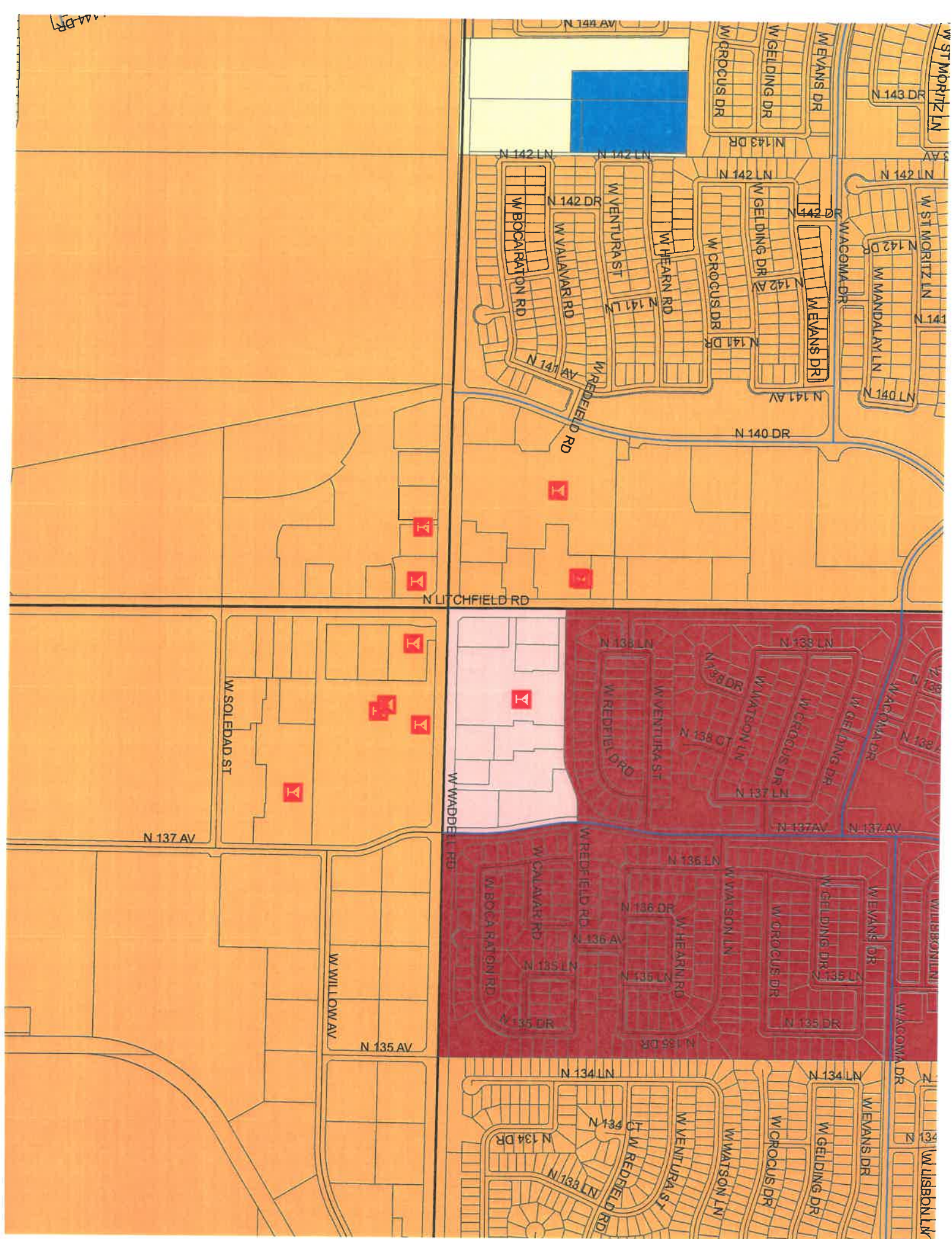
The number and series of licenses in close proximity to the subject site are:

1. Bronco Billy's Pizza (Series 12) – 13982 W. Waddell Rd. (Expired)
2. N & B Pizza (Series 12) – 14010 N. Litchfield Rd.#212
3. Fry's Marketplace #674 (Series 9) – 13982 W. Waddell Rd.
4. Safeway Food & Drug # 2699 (Series # 9) – 13828 W Waddell Rd.
5. Quiktrip #466 (Series 10) – 14057 W. Waddell Rd. (Expired)
6. Native New Yorker (Series 12) – 13929 W. Waddell Rd.
7. Walgreen's #12087 (Series 10) – 13723 N. Litchfield Rd.
8. Yayas Mexican Bar & Grill (Series 12) – 13261 N. Litchfield Rd.
9. Uptown Alley II (Series 6) – 13525 N. Litchfield Rd.
10. AMC Surprise Pointe 14 (Series 6) – 13649 N. Litchfield Rd.
11. PT Noodles (Series 12) – 13749 N. Litchfield Rd.
12. Nicks Diner II (Series 12) – 13765 N. Litchfield Rd. (Not Shown)

The immediate area is comprised of commercial establishments. The property is zoned PAD C-2 which is consistent with the proposed use.

Commercial and residential growth is expected to remain static.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.





Surprise Fire-Medical Department

14250 W. Statler Plaza Ste. 101

Surprise, AZ 85374-7479

Phone: 623-222-5000

Fax: 623-222-5001



June 6, 2018

To: Sherry Ann Aguilar
From: Keith Tanner, Fire Marshal
Subject: Liquor License Application
Applicant: Under Review Sports Grill
13699 N Litchfield Road
Surprise, AZ 85379

On May 3, 2018, a fire inspection was conducted at the above referenced location to ensure compliance with the applicable fire codes within the tenant space.

This tenant space has some outstanding fire code violations that will need to be corrected however they will be handled through the normal channels and will not interfere with the liquor license application.

Therefore we have no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department



MEMO

Date: 05/23/2018

To: Sherry Aguilar, City Clerk
Linda Stevens, Deputy City Clerk
From: Stacie McQuarrie, Fiscal Support Specialist

RE: Liquor License Application – Under Review Sports Grill

Business License Status:

A Business License application was processed on 5/22/18. An account was established, BL #1021521, but is currently categorized as pending due to missing documentation.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Karl Zook, Public Works Department
Submitting Department:	Public Works	District:	Citywide
Staff Recommendations:	None		

Consent	☒	Regular	☐	Public Hearing	☐	Report/Discussion	☐
---------	-------------------------------------	---------	--------------------------	----------------	--------------------------	-------------------	--------------------------

Agenda Wording:

Consideration and action pertaining to adoption of the City of Surprise Intelligent Transportation Systems (ITS) Strategic Plan; Resolution #2018-90.

Motion:

I move to approve Resolution #2018-90.

Background:

The Intelligent Transportation System infrastructure throughout the city includes vehicle detection cameras, digital message signs, vehicle volume tracking, thermal cameras, a centralized traffic management center, and a network of fiber optic cabling. The purpose of this infrastructure is to move traffic through our city in the safest and most efficient manner possible. The hardware and software used to manage these devices and traffic signals is ever evolving; couple that with a city that is seeing higher traffic volumes on a daily basis, requires our Traffic Management team to be intentional and strategic about the future of our Intelligent Transportation System (ITS) network. In 2016 the City secured Federal Funding to aid in the preparation of an ITS Strategic Plan. If adopted, this plan will guide the operations and maintenance activities associated with our ITS network and infrastructure. The goal of an ITS Strategic Plan is to identify strategies and tools to allow the City to improve its transportation network and information exchange related to traffic, public safety and special events resulting in safer traffic corridors. The near term strategies identified in the ITS Strategic Plan focus on ensuring that we are using our current network to its greatest potential. Some of the longer term goals focus on leveraging our ITS network for real time traffic data to drivers, adapting to autonomous vehicles, and new Public Safety opportunities. There are endless possibilities of utilizing the ITS network, the ITS Strategic Plan gives the City a guideline in which to implement new technologies in an orderly format maximizing the use of funds, staff and equipment.

Objective Analysis:

Costs associated with the acceptance and implementation of the ITS plan are minimal and will have no impact on the ongoing cost associated with traffic operations.

Policy Compliant:

This action is consistent with the City's Transportation Goals located within the City Council's Strategic Plan.

Financial Impact:

Costs associated with the acceptance and implementation of the ITS plan are minimal and will have no impact on the ongoing cost associated with traffic operations.

Budget Impact:

Funding associated with the implementation of the ITS plan are programmed as part of the annual budget process for Public Works Traffic Engineering division; now and in the future will be supported from the City's HURF Fund. The anticipated incremental expense associated with the acceptance of the ITS plan will be incorporated in future year budgets.

FTE Impact:

There is no FTE associated with this item.

ATTACHMENTS:

Click to download

☐ [Resolution 2018-90](#)

☐ [ITS Strategic Plan](#)

RESOLUTION # 2018-90

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY
OF SURPRISE, ARIZONA, ADOPTING THE 2018 INTELLIGENT
TRANSPORTATION SYSTEM STRATEGIC PLAN.**

WHEREAS, the City's 2013 Strategic Plan established a goal to develop an Intelligent Transportation System (ITS) strategic plan for the city;

WHEREAS, an ITS Strategic Plan gives the City a structure for expansion and current uses of its ITS network;

WHEREAS, the City has invested through federal funds and local match money approximately \$10,000,000 in ITS infrastructure;

WHEREAS, the City of Surprise Public Works Department Engineering Division is the lead for the ITS strategic plan; and

WHEREAS, the Police Department, the Information Technology Department and the Communications Department recognize their respective roles and participation in the adoption of the 2018 ITS Strategic Plan.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The 2018 ITS Strategic Plan attached to this resolution as Exhibit A is adopted as an official plan of City of Surprise.

Section 2. The plan shall be implemented, monitored and maintained by the Public Works Department's Engineering Division, with the assistance of the Police Department, IT Department, and Communications Department.

APPROVED AND ADOPTED this _____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

Exhibit A

2018 ITS Strategic Plan

Final | January 2018



2018 CITY OF SURPRISE ITS STRATEGIC PLAN

Arizona Department of Transportation - Multimodal Planning Division

Kimley»Horn





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CHAPTER 1

The Planning Process

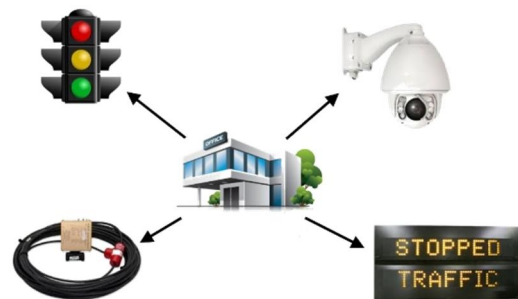
The City of Surprise (City) received federal funding and worked with the Arizona Department of Transportation (ADOT) to develop an Intelligent Transportation Systems (ITS) Strategic Plan for the City. The goal of an ITS Strategic Plan is to identify strategies and tools to allow the City to manage its transportation network and information exchange more efficiently.



Background on ITS

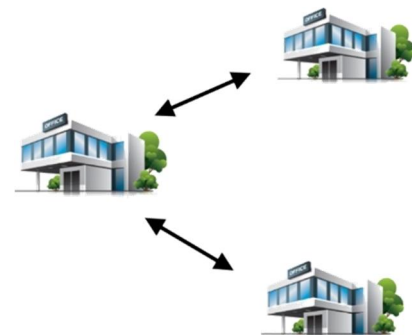
ITS technologies are widely deployed throughout the Phoenix metropolitan area as well as the country and the world. ITS includes communications and field technologies that are integrated into the transportation network, such as traffic signals, closed circuit television (CCTV) cameras, fiber optic communications, and central transportation management software. The purpose of ITS is to manage traffic and provide real-time condition information through technology with the highest level of safety and efficiency possible —consistently delivering better traffic management and better traveler information. There are three components of an ITS program:

Managing infrastructure to improve mobility and safety of the transportation network



Providing information to the traveling public, and

Sharing information with other City departments or partner agencies.



The City envisions an ITS Program that will manage day-to-day and special event/incident traffic as well as supply other City departments with data and information that will help the City provide more efficient City services (incident response, maintenance tracking and response, performance tracking).

Development of ITS Strategic Plan

Development of an ITS Strategic Plan involves a process shown in Figure 1 that results in a planning document and a set of tools that can be used to develop a robust and comprehensive ITS Program. In addition to identifying ITS infrastructure and system needs, the ITS strategic plan identifies key staff and improved processes that will allow the City to manage its transportation network and information exchange and support City services and the traveling public more efficiently.

2018 CITY OF SURPRISE ITS STRATEGIC PLAN

Arizona Department of Transportation - Multimodal Planning Division



ENGAGE STAKEHOLDERS

Identified City and technical staff from other agencies to provide input into the Plan and guide its development



COLLECT INFORMATION

Compiled information about existing infrastructure, processes, resources, and planned activities within the City



IDENTIFY NEEDS

Highlighted needs and challenges related to transportation operations and data/information sharing in the City



DEVELOP STRATEGIES

Developed ITS strategies that address the needs



ORGANIZE FOR TRANSPORTATION SYSTEMS MANAGEMENT AND OPERATIONS (TSMO)

Identified City focus areas and resources necessary to support and sustain the ITS Program



IDENTIFY FUNDING

Explored methods for the City to obtain the necessary financial resources and support for operations and management of the City's transportation and communications network



PLAN TO IMPLEMENT STRATEGIES

Identified methods to help the City implement ITS strategies in a phased and institutionalized manner that will ensure the completion of this Plan

Figure 1: ITS Strategic Plan Planning Process

The City has already invested in ITS communications and traffic management devices along major arterial corridors throughout the City. This Plan is intended to support the City in implementing the next level of individual ITS strategies and the comprehensive ITS Program that is envisioned for the City. Surprise is in a unique position to act on this ITS Plan to maximize the use of current ITS infrastructure and focus on key areas to grow and maintain the ITS Program and technology resources. This document provides an overview of the who, what, where, why, when, and how of the ITS Plan.



CHAPTER 2

WHO: Roles and Responsibilities

The ITS Strategic Plan and ITS program can affect and benefit many facets and departments of the City. Because of this, it was important to make sure that the process of developing the Plan was highly inclusive and that the final Plan reflects the priorities of many City departments – not exclusively transportation. Having City-wide support for the ITS Plan and the future ITS Program will assist in its longevity and maximize the efficiency of the program and the investments that the City makes as part of it.



Stakeholder Involvement in ITS Plan Development

Three types of stakeholder groups were engaged during the development of this Plan: The Technical Advisory Group (TAG); the City Stakeholder Group; and the Partner Agency Group. Each group was envisioned to have a different level of responsibility as part of this project, although all stakeholders were critical players for providing input into the Plan.

- The TAG was made up of the key project management staff for the project; the ADOT project manager and a City of Surprise representative from both Engineering and Capital Improvements. The TAG provided oversight during the development of the Plan. The TAG met monthly to discuss project progress and were critical reviewers of all deliverables.
- The City Stakeholder Group included representatives from City departments or divisions beyond those represented in the TAG. There was significant emphasis, especially at the beginning of the project, on engaging with City staff in all departments to explore how an ITS Program can affect and benefit each of them. The Stakeholder Group was the target audience of two collaborative workshops and many one-on-one conversations, and the group was invited to participate in the review of strategic deliverables for the project as they were relevant to each department.
- The Partner Agency Group included representatives from agencies in the region that are neighbors and partners with the City for ITS management and operations. The Partner Agency Group included representatives from Maricopa Association of Governments (MAG), Maricopa County, Federal Highway Administration (FHWA), and the Cities of Peoria, Glendale and El Mirage. There were opportunities for stakeholders in the Partner Agency Group to provide technical oversight as part of the workshops to make sure that the Surprise Plan was compatible with the plans or visions of neighboring jurisdictions and regional agencies.



Departments Leading the Charge for Implementing the Plan



The City TMC/ITS group, which is part of the Engineering Department within Public Works, was responsible for the oversight of this project and is identified as the lead for implementing many strategies within the Plan. Investment from the TMC/ITS group is imperative for the success of strategies related to the upkeep and expansion of the ITS network. Other City departments, including Information Technology (IT), Police, Public Works, and Economic Development, are also identified as leads of different strategies in the Plan. *This multi-department lead structure creates the opportunity to generate shared ownership and investment in the ITS Plan and the resulting ITS Program, which will increase the likelihood of its successful implementation.*

A department is identified as a lead for a strategy when the implementation of the strategy is dependent on commitment of staff time and resources from that department or when the benefits of the strategy are most prominently realized by that department. For example, the IT department is identified as the lead in implementing a strategy related to developing a publicly available traveler information portal or dashboard to provide real-time information and performance reporting. The IT department is the logical lead

for this strategy, as their participation is required for developing, administering and maintaining a public website or mobile application.

In addition to the lead department for a strategy/project, many projects require participation from other involved departments to successfully address and implement the strategy. For example, for the public information application project that will be led by IT, participation by the Police Department and the TMC/ITS group will be required to collaborate on data to feed the application, including crash alerts (Police) and real-time road condition information (TMC/ITS). The level of participation required by other involved departments will vary based on the strategy, but undertaking projects or initiatives with multi-departmental support will help make sure they are implemented most efficiently and that they will provide the greatest benefit to the City as a whole.

Key responsibilities of the lead department and the other involved departments for each recommended strategy are outlined in the Plan to help guide the implementation and make sure that important steps in the process are taken to involve all relevant stakeholders and influences on the strategy completion.



CHAPTER 3

WHY: Purpose for ITS Plan

This Plan is intended to support the City in implementing a comprehensive ITS Program that supports the City's vision and goals and helps the City best serve its customers – the residents, businesses, and visitors. The purpose and need for the ITS Plan is described in this section as it relates to existing and future conditions in the City.



Purpose of the ITS Strategic Plan

This ITS Strategic Plan has two overarching purposes for the City of Surprise:

Guide the Enhancement and Expansion of the Current ITS Program

To provide the TMC/ITS group with a plan and guidance for expanding the ITS program in the future. As the City grows in population and physical size, additional ITS infrastructure will be deployed, and this plan provides guidance on the types of infrastructure or systems to deploy and where and how to deploy them.

Help the City Better Leverage ITS Investments

To help the City better leverage its existing (and future) ITS investments beyond their current use. The ITS program can provide benefits to the City that go beyond traditional traffic uses. This plan identifies functionalities that ITS can provide that are not currently being utilized in the City and identifies ways to leverage those functions to benefit other City departments and groups beyond Public Works.



CHAPTER 4

WHERE: Need for Planning





ITS in Surprise

The history and progression of ITS in Surprise provides perspective on why ITS is important to the City and ways that it can continue to be expanded:

- The first Surprise ITS project was a joint project with Peoria, ADOT, and Maricopa County to install fiber communications on Bell Road. This allowed the City to remotely monitor and operate the City-owned traffic signals along that corridor and manage traffic during special events such as spring training games.
- The City then used ITS to support remote traffic management through the capabilities of a central signal system. They developed and implemented event-specific signal timing plans for special events so that police no longer needed to operate the signals and could focus on more important duties such as crowd control or public safety.
- The final step was to use real-time data from vehicle detectors at traffic signals to activate on-demand signal timing plans when traffic volumes reached a pre-determined threshold. This made the system the most dynamic, so that the traffic signal was responsive to real-time conditions and used the most efficient timing plan for that condition.

Today, the City of Surprise has a comprehensive ITS network that facilitates real-time management of traffic in the City and creates connectivity between the City and the rest of the region.

Traffic Management Center – The TMC was constructed in 2008 as a part of the City Public Safety Building. The TMC contains a video wall and three operator workstations for the control of CCTV, DMS, and traffic signal system software. The brain of the traffic signal network is the Kimley-Horn Integrated Transportation System (KITS) central traffic control system which is housed at the TMC and allows TMC staff to remotely monitor and manage the City traffic signal network as well as the other ITS devices that are deployed.

Traffic Signals – The City currently operates 49 signalized intersections in the City, 43 of which are owned by the City and six at freeway interchanges that are owned by ADOT but operated by Surprise. City staff can monitor and operate 48 of the 49 traffic signals from the City TMC; the only traffic signal that is not connected to the network is located at Sunrise and Mountain View. The City currently operates and maintains traffic signals at the five SR 303L interchanges within the City limits, as well as the Bell Road/Grand Avenue intersection. All traffic signals are equipped with Emergency Vehicle Priority (EVP) technology, which allows emergency vehicles, such as fire and EMS, to trigger a green light at a traffic signal during emergencies to reduce the potential delay for the emergency vehicle.

Detection – Most the traffic signals in the City use video image detectors (VID) to measure vehicle presence and counts at intersections. In addition to data, VIDs also provide an image of the leg of the intersection that it is detecting, which can be seen through the central system.



Other technologies used for detection in Surprise are in-pavement loop detection and radar detection. The City also uses anonymous re-identification (ARID) detection to provide vehicle and turning movement count data at intersections.

Video Monitoring – The City currently has 47 active closed-circuit television (CCTV) cameras whose real-time camera feeds can be viewed from the Surprise TMC or through a remote connection to the central traffic control system. The CCTV cameras provide real-time feeds of intersection activity. With connection into the central signal system, operators can pan-tilt-zoom (PTZ) the cameras to view different images of the intersection.

Traveler Information – The City has deployed 8 permanent dynamic message signs (DMS) along Bell Road to provide traveler information. Information posted on these signs includes incident information, construction information, emergency alerts, and special event information.

Communications – There are 24 miles of fiber optic cable and 14 wireless radios that the City owns and maintains to connect all ITS infrastructure and provide communications back to the TMC's central control system. The ITS fiber network is independent of the City's IT fiber network, with the exception of the one buffer tube of fiber that the IT department is provided in all transportation-based fiber. The TMC Manager is responsible for the maintenance of the ITS fiber network.

Regional Community Network – The MAG Regional Community Network (RCN) provides the communications infrastructure necessary to interconnect transportation management centers and public safety (such as police or fire) throughout the region. The RCN enables agencies to share CCTV video, detector data, and other types of data through a high speed fiber optic communication system. The live feeds from all of the City's CCTV cameras are shared with other agencies in the region and the City is able to view the live feeds of other agencies in the region through the RCN and via the Luxriot video management system.

Future Conditions

There is a future transportation network planned for the City including new streets and interchanges, as well as areas identified for development that will significantly impact the extents of the City. The core area surrounding Bell Road in the eastern part of the City is largely built out and will remain the foundation of ITS communications and infrastructure for the City for the next decade.

The ITS Strategic Plan effort should be revisited periodically to make sure the communications

network and technology capabilities can support the growth of the road network and population. Additionally, new technologies will emerge that will impact the transportation industry, including Connected Vehicles and Automated Vehicles. The impacts of those technologies are not well understood yet but will likely impact the City's transportation network with a transition to a 'hub-to-hub' mobility approach as opposed to a generally geographically-unconstrained mobility approach as is experienced today.



Identifying City Needs and Priorities

A comprehensive data collection effort was undertaken to gain a complete understanding of existing conditions in the City and the known future conditions that will affect transportation and communications. The three types of data collection efforts included: 1. Reviewing existing City documents and references; 2. Conducting one-on-one conversations with various staff at the City; and 3. Referencing regional documents related to ITS planning and the regional transportation network.

1. Existing City documents and references

The following City documents and standards were reviewed to identify existing conditions, needs, and ways that an ITS program can best align with current City priorities:

- Surprise City Council Strategic Plan (2013)
- Surprise General Plan 2035 (Amended 2015)
- Surprise Parks and Recreation Master Plan (2015)
- Surprise Information Technology Services Strategic Plan (2017)
- Surprise Economic Development Community Profile (2016)
- National Citizen's Survey 2015
- Development Impact Fee Study (2014)
- Surprise FY 2017 Annual Budget
- Surprise Infrastructure Improvements Plan (2014)
- Surprise Engineering Development Standards (2016)
- Surprise Designated Truck Routes memo
- 2016 City of Surprise Transportation Projects map

One of the key City documents that outlines the City's strategic priorities is the City Council

Strategic Plan (2013). The City Council Strategic Plan serves as an actionable document that City Boards and Commissions and City departments incorporate into work programs which are monitored for progress. Goals are incorporated into annual budgets and the CIP and prior to each budget cycle a report will be presented to the Council with an assessment of key indicators met. The goals and priorities identified in this plan are those where there is clear commitment to meeting them at all levels of the City.

The goals identified below are those that have relevance to the ITS Strategic Plan. The sub-bullets identify the ways that the ITS Strategic Plan addresses the City Council goals.

Transportation

Goal 1: Improve access to and from Surprise, specifically east/west connections.

- Identify a list of specific east-west corridor improvements, and develop funding strategies with neighboring jurisdictions, MAG, and Maricopa County.

Goal 2: Improve internal circulation by completing missing and incomplete links in the arterial network in the city.

- Coordinate with MCDOT on regional transportation corridor studies.

Goal 5: Institute comprehensive ITS in the City.

- Develop an ITS strategic plan for the city.
- Implement ITS improvements on Bell Road, Loop 303, and Reems Road.



- Coordinate with adjacent jurisdictions on planning and implementation of ITS improvements.

Goal 6: Develop and institute a plan to maintain the city's streets and roads.

- Explore and review alternative funding methods for transportation operations and maintenance.
- Develop infrastructure maintenance cycles to extend useful life of all assets.

Goal 7: Identify funding sources for the transportation system.

- Commit to an annual CIP allocation for local transportation improvement projects.
- Review federal MAP-21 (now FAST) legislation and grant programs to identify potential federal funding opportunities for City of Surprise transportation system projects.
- Actively participate in public and private regional organizations that address transportation.

Public Safety

Goal 3: Ensure timely and appropriate response.

- Deploy fire department resources to meet the suburban response time goal in accordance with the adopted goal of 5 minutes 90% of the time to include not only station and apparatus allocation but also staff at ratio of 1.13 per 1,000 resident population increase.
- Deploy internal IT resources in the Fire Department to enhance current technologies which will assist in managing all specialized software, response time data analyses, resource allocation and deployment modeling.

Goal 5: Ensure fiscal responsibility in all public safety efforts.

- Leverage technology to maximize resources.

2. One-on-one conversations with various staff at the City

Nine (9) one-on-one phone calls or meetings were held with City staff in the following departments and divisions to understand the roles and responsibilities of each City department, identify any existing needs or priorities, and understand how the ITS Plan can support the departments and the City as a whole:

- Public Works (two meetings);
- Traffic Engineering;
- Police;
- Fire;
- Economic Development;
- Community Development;
- Information Technology (IT); and
- Traffic Management Center.

3. Regional documents related to ITS planning and the regional transportation network

In addition to City documents, there are regional planning and guidance documents related to transportation and ITS that were reviewed to make sure the Surprise Plan aligns with other regional initiatives. Documents that were reviewed for this report included:

- MAG Transportation Improvement Program (TIP) 2017-2021;
- Maricopa County Multi-Jurisdictional Hazard Mitigation Plan (2015);
- I-10 Hassayampa Valley Framework Study (2007);
- Northwest Valley Local Transit Study (2013)



- MAG Systems Management and Operations (SMO) Plan (2017 – in progress);
- MAG ITS Strategic Plan (2012); and
- Bell Road Operations Plan (Updated in 2013).

Opportunities for ITS

While capacity improvements can occur on some roadways to help alleviate mobility issues, roads such as Bell Road will not have opportunities for capacity enhancements and must instead be operated more efficiently using ITS to provide the needed mobility improvements. Understanding the need for ITS in the City, this Plan establishes a documented and agreed-upon way forward for the ITS program in the City. It provides guidance on how to strategically expand the ITS network and increase effectiveness of the existing ITS technologies and systems.

Identifying multi-departmental and City-wide benefits was one of the key purposes of the ITS Strategic Plan, and discussions with a variety of City departments identified the following opportunities for ITS to support the City:

- Support economic development and tourism by providing mobility and safety and showing that the City is forward-thinking and technologically advanced;

- Improve efficiency of transportation infrastructure maintenance.
- Support public safety efforts to improve real-time situational awareness and availability of data.
- Increase the City's ability to communicate back and forth with the public.
- Improve the accuracy and availability of crash data.

Additionally, the following opportunities were identified for how the City can support the ITS program:

- Include ITS in the discussions with developers as soon as the traffic impact analysis process is initiated.
- Identify creative funding strategies through multi-departmental partnerships.
- Share City fiber or partner with others to support communications network expansion.



CHAPTER 5

WHAT: Strategies to Pursue

A set of ITS strategies are identified in this ITS Plan that are guided by the dual purposes of the ITS Strategic Plan, as described in Section 2, and driven by the needs and goals of the City and the opportunities for ITS that were identified by City staff from multiple departments. The set of strategies identified in this Plan are meant to provide an action-oriented roadmap that the City can pursue over time and as opportunities arise.



Strategy Development

A set of four strategy goals that align with the two purposes of the Plan are used to organize ITS strategies, as shown in Figure 2. This organization around the key purposes and goals provides traceability for the ITS Plan so that any strategies that are included in the Plan and subsequently pursued by the City can be justified and traced back to real City needs.

Further, the set of individual strategies associated with a specific goal are developed and described in the form of ‘master plans’, where each master plan addresses a different aspect of the larger ITS Program, including Infrastructure, Communications, Data and Public Safety.

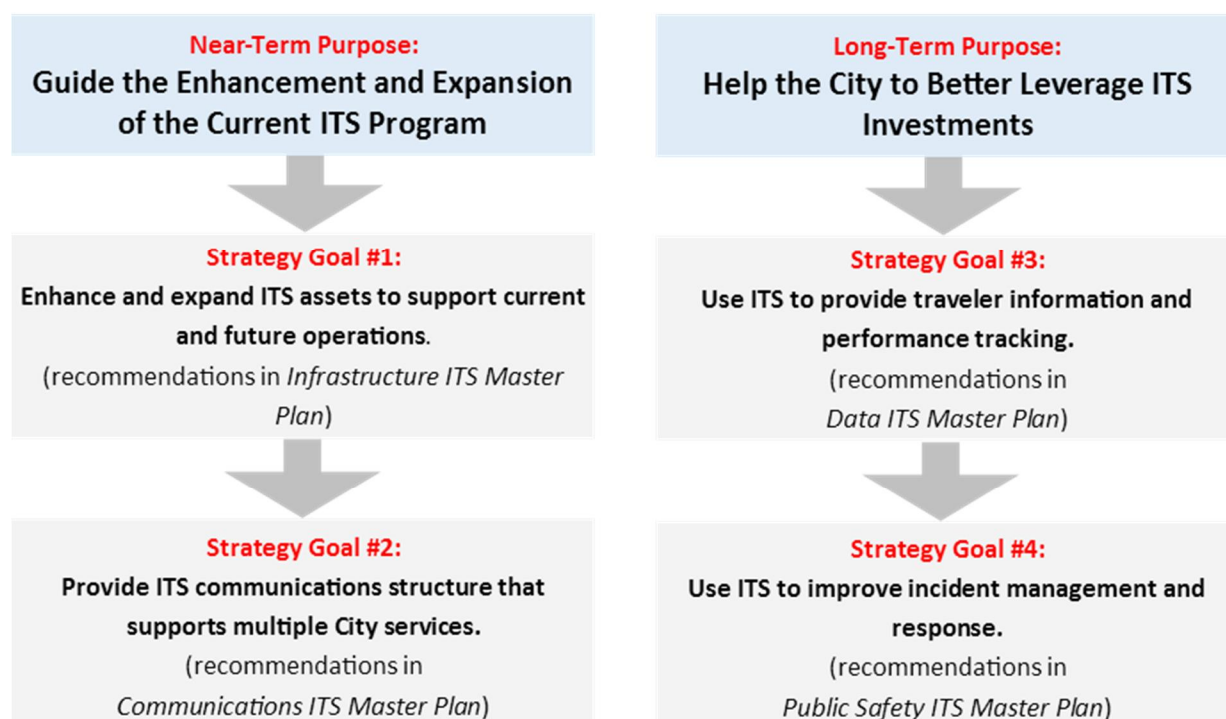


Figure 2: Key Purposes, Strategy Goals and Associated Master Plans

Each of the individual Master Plans provide guidance and considerations related to the actions that the City can take to achieve the ITS plan goals. The master plans include detailed information on specific projects that can be undertaken, key programs or processes that can be put in place, and suggested updates or improvements to existing activities that may already be in place in the City. Each Master Plan

includes a summary table of all of the individual strategies that are included in that plan. The summary tables detail each strategy with a description, key players and roles, key actions to be taken to complete, benefits of implementing, costs and other considerations, and traceability to the specific need that warrants the strategy. Each of the master plans are summarized in the following sections.



ITS Infrastructure Master Plan

The strategy goal that drives the content of the Infrastructure Master Plan is to ‘*Enhance and expand ITS assets to support current and future operations*’.

The current ITS program at the City of Surprise is well-established and is successful in supporting traffic operations within the developed portions of the City. However, there are improvements and efficiencies that can be recognized in the existing ITS network, and a more robust future ITS program can be realized,

with the completion of key projects and the development of new programs, updated processes, and standard operating procedures. The strategies included in this goal category identify the key projects, City processes, and programs/SOPs that can help not only traffic operations, but multiple City services as well.

Table 1 provides an overview of the key strategies that are detailed in the Infrastructure Master Plan. Figure 3 shows the future buildout of ITS infrastructure in the City.

Table 1: Summary of ITS Infrastructure Master Plan Strategies

Strategy	Description	Roles and Responsibilities
Deploy / pilot new or upgraded technology and systems	Stay up to date on new and emerging technologies that can provide new or enhanced functions and/or data, including Smart City technologies; deploy them, as appropriate as part of projects or as pilot projects. This includes technologies that can collect multiple types of data for multiple purposes.	Lead: TMC
Establish a signal timing optimization program	Develop a program to allow for traffic signal retiming along key corridors to occur every five years, or as major developments occur along the corridor.	Lead: TMC
Use lifecycle and maintenance tracking to support asset management	Identify and use an asset management program that tracks maintenance status (both reactive and preventive) as well as lifecycle planning (install date; anticipated replacement date).	Lead: TMC Others Involved: Information Technology (IT) /GIS
Identify an asset replacement funding program for TMC equipment	Establish an asset replacement funding program for TMC and other ITS equipment that aligns with the City asset replacement program and budget.	Lead: TMC Others Involved: Information Technology IT, PW

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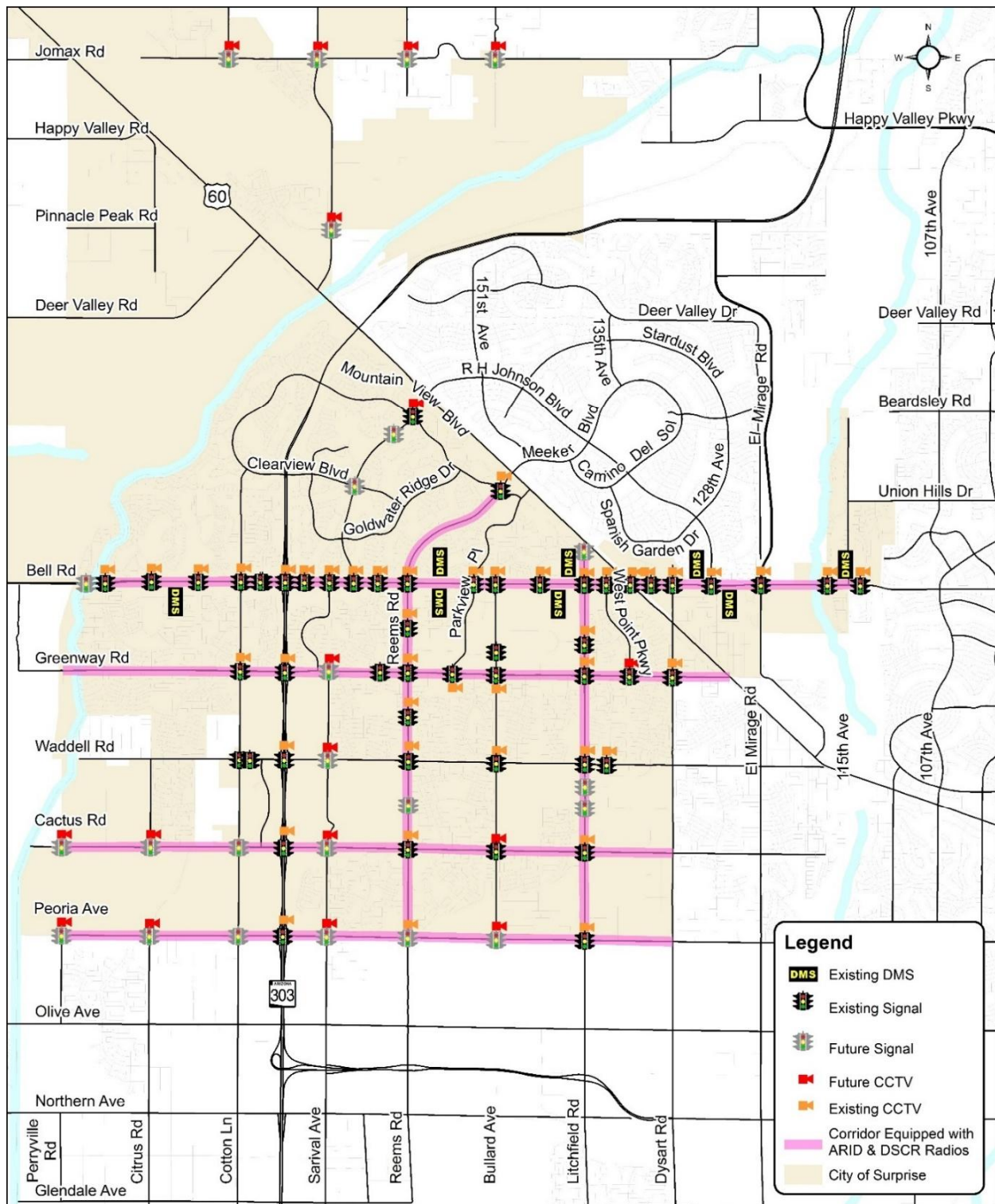


Figure 3: Future Buildout of ITS Technologies in Surprise



Communications ITS Master Plan

The strategy goal that drives the Communications ITS Master Plan is to 'Provide an ITS communications structure that supports multiple City services.'

The City has established a strategic and comprehensive communications network that includes a fiber backbone and wireless network that provides connection between almost every ITS device in the field and the City TMC. Yet, as the City grows, this network will need to be upgraded and expanded, and the ITS Communications Master Plan provides guidance and identifies requirements and key considerations, such as security, network maintenance and network configuration, as the City looks to update and expand the communications network. Additionally, the

master plan identifies improvements and efficiencies that can be made to create a more robust ITS program and provide benefits to support other City services outside of just the ITS group.

Table 2 identifies strategies that identify key ITS-related needs for the ITS communications network, explore ways that the ITS network can support the mission of other City departments, and recognize the existing processes and resources used by other groups and departments at the City that can support the current program and future expansion of the City communications network. Figure 4 provides a map of the buildout of the City's communications network.



Table 2: Summary of Communications ITS Master Plan Strategies

Strategy	Description	Roles and Responsibilities
Remap communications network	Inventory and map all communications infrastructure in the City so that there is a comprehensive record of what is deployed and where. Updated IPs and network routing.	Lead: TMC Others Involved: IT
Outfit communications for master build out	Figure 4 identifies the ultimate communications network for the City that connects key City facilities. In these areas, conduit and fiber infrastructure should be deployed.	Lead: TMC Others Involved: IT
Update traffic study requirements to consider ITS early in the development process	When a developer is required to conduct a traffic study, the study should require consideration of all necessary ITS components, not just traffic signals, in its results.	Lead: Traffic Engineering Others Involved: TMC
Update development standards related to ITS for priority corridors	Develop roadway cross sections that include ITS infrastructure for the corridors identified as locations for future communications buildout, shown in Figure 4.	Lead: Traffic Engineering Others Involved: TMC
Wi-Fi and cell coverage for City facilities	Use the City's fiber network to provide Wi-Fi access and improved cell phone coverage for City facilities throughout the City.	Lead: IT Others Involved TMC, PW, Community Development
Leasing out conduit or fiber	Partner with private telecommunications companies or provider of fiber to install additional conduit and/or fiber in City right-of-way that is owned by the City and expands the City's fiber optic communications network without requiring a City-funded capital project.	Lead: Economic Development Others Involved TMC, IT

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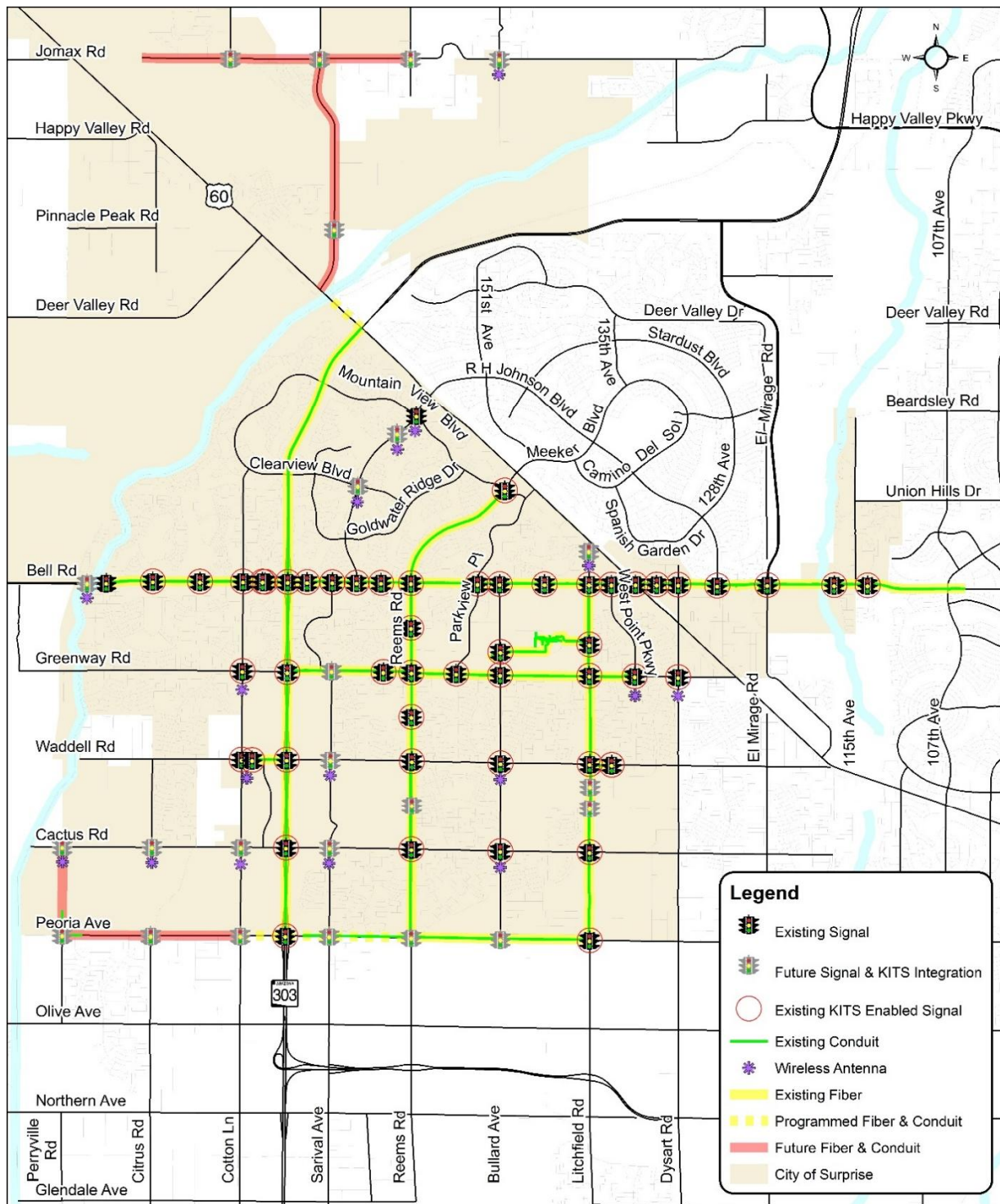


Figure 4: Buildout of the Surprise ITS Communications Network



Data ITS Master Plan

The strategy goal that drives the Data ITS Master Plan is 'Use ITS to provide traveler information and performance tracking'. There was desire among City staff to use ITS and data collected from ITS equipment to improve the amount of data and information that is available to City staff and to the public related to the City and its facilities and services. The strategies in this goal category look at various means of providing traveler information as well as data collection, management and dissemination needs that would help the City track its services and track progress towards its goals.

The Data ITS Master Plan identifies various sources of data, specific types of ITS data available, examples of uses for data that is collected, including example measures used to

report on performance of an ITS Program, and methods for disseminating data to other departments and to the public.

Strategies within the Data ITS Master Plan are organized by 'internal' strategies that recommended projects and processes to support enhanced data collection and sharing internal to the ITS program and 'external' strategies that recommended projects, programs and partnerships that enhance the availability of data to City departments external to the TMC/ITS group, including information dissemination to the public.

Table 3 provides an overview of the key strategies that are detailed in the Data ITS Master Plan.

Table 3: Summary of Data ITS Master Plan Strategies

Strategy	Description	Roles and Responsibilities
INTERNAL TO ITS PROGRAM		
Establish an ITS Database	An ITS Program database within Public Works will create a central location where data from the ITS program is aggregated and made available internally within the City. This ITS database will be the foundation for all activities related to the Data Master Plan.	Lead: TMC Others Involved: IT, Public Works, Police, Fire
Ensure the security of the TMC/ITS databases	Making sure ITS databases in the TMC maintain a sufficient level of security, as put forth by City standards.	Lead: TMC Others Involved: IT
Update the City DMS guidelines and SOPs to allow for expanded use	Update policies and guidelines for the use of the arterial DMS signs on Bell Road and any future signs, including message hierarchy, message guidelines and DMS sharing.	Lead: TMC Others Involved Police, PIO



Table 3: Summary of Data ITS Master Plan Strategies (continued)

Strategy	Description	Roles and Responsibilities
EXTERNAL TO ITS PROGRAM		
Provide real-time video feeds to Police	Provide police with access to the streaming feeds from the CCTV cameras in the City as well as camera feeds of other agencies through the RCN and a video management system.	Lead: Police Others Involved: TMC
Pilot a project to allow video recording for public safety purposes	Develop a program that allows Police to record video produced by the CCTV cameras at intersections to aid in crash investigations.	Lead: Police Others Involved TMC, Legal
Provide real-time roadway condition information to Police, Fire, and Public Works	Provide real-time condition and construction information to Police Dispatch and Public Works to inform routing decisions.	Lead: Police, Public Works Others Involved TMC, MCDOT
	Provide real-time condition and construction information to Phoenix Fire Dispatch to inform routing decisions.	Lead: Phoenix Fire Others Involved TMC, Fire, MCDOT
Provide real-time network condition information to the Public	Provide travelers with real-time condition information related to speeds, crashes, and construction.	Lead: IT Others Involved: TMC, Police, PIO, PW
Develop a traveler information and City performance dashboard for the City that has an internal and public-facing website	Create a publicly accessible dashboard website, accessible from the City website, that provides historical and real-time information about the performance of the City and the services that it provides.	Lead: IT Others Involved All City Depts.
	Create a dashboard that is only accessible to internal City staff that provides performance metrics and data that are helpful to share amongst departments.	Lead: IT Others Involved All City Depts.



Public Safety ITS Master Plan

The strategy goal that drives the Public Safety ITS Master Plan is ‘Use ITS to improve incident management and response’.

ITS investments and planning can often support the mission and goals of many departments within an agency; however, one of the strongest and most apparent partnerships to leverage ITS is for public safety. Discussions about the potential connections between ITS and Public Safety are already seen in the Data Master Plan and during the Data Collection efforts. The strategies in Table 4 identify existing ITS functions that can be leveraged by

public safety to support their roles, as well as operations strategies that would improve and benefit incident response in the City in the near-term and the future.

One unique characteristic of this master plan and associated strategies is the ITS group will not be the leader in terms of pursuing their implementation. Instead, the departments related to public safety, including police, fire, or public works (for the incident response team) should consider the strategies described and take the initiative to implement them in partnership with the TMC.

Table 4: Summary of Public Safety ITS Master Plan Strategies

Strategy	Description	Roles and Responsibilities
Develop ICM plans to support freeway detouring	Develop formalized detour plans through the City and internal and external notification procedures for the US 60/Grand Ave and, in the future, the Loop 303.	Lead: TMC Others Involved: Police, PW, ADOT, MCDOT, El Mirage, Peoria
Foster real-time coordination between the TMC and Police	Identify staff and put SOPs in place that will facilitate real-time coordination between Police and the TMC during incidents, construction and special events.	Lead: Police Others Involved TMC
Expand the role of the City incident response team	Formalize program and increase support for the City incident response team in public works and create processes for the team to coordinate with the TMC in real-time at incident scenes.	Lead: PW Others Involved: TMC, Police
Increase number of incident response staff who are trained in traffic incident management (TIM)	Have maintenance, public works, and fire staff attend four-hour traffic incident management responder course for first responders. Training is provided by ADOT and DPS regularly throughout the valley.	Lead: Police Others Involved: PW, Fire



Strategy	Description	Roles and Responsibilities
Improve crash data collection and reporting	Improve crash data collection processes and streamline reporting systems to provide better crash data and increase efficiencies.	Lead: Police Others Involved IT
Provide real-time incident alerts to other departments	Establish a system or process to provide real-time alerts to other departments within the City about traffic incidents that Police have identified and are responding to.	Lead: Police Others Involved: TMC



CHAPTER 6

WHEN: Implementation Considerations and Phasing

All the strategies identified in this Plan are considered important and feasible by City Stakeholders, although not all strategies can or should be implemented immediately. Timeframes and appropriate phasing will help implement the ITS Plan strategies in a manner that does not overwhelm any individual department and leverages ongoing Citywide efforts to maximize timing of these initiatives.



Strategy Timeframes

Timeframes play a vital role in determining the feasibility of growing the ITS Program and achieving the program goals. The various timeframes allow interim steps to be completed in a near-term timeframe for large or extensive effort strategies that will take much longer to complete in whole. This also allows the ITS Program to mature at a pace consistent with the capabilities of the City. The City's recommended strategies will be categorized into the following timeframes:

- Immediate (0 Years) implementation strategies are those that should be started right away and do not require additional funding or infrastructure to complete. Some immediate projects have no associated costs and require minimal effort but are important steps towards growing a City ITS Program. Other strategies that are categorized as immediate are those that should be started now, but that may require a greater amount of time and coordination to accomplish. These more involved projects are still considered immediate because there are no constraints to initiating the project now.
- Near-Term (1-3 Years) strategies represent activities to be completed within one to three years of finalizing the ITS Plan that may require funding, time for integration or

planning, assistance or participation from interdepartmental or regional partners, and/or a moderate amount of effort to implement. Some near-term strategies will be reliant upon the completion of a strategy in the immediate timeframe.

- Long-Term (4+ Years) strategies represent those that will require funding, a planned implementation process, extensive City support, and/or external support. External support could be comprised of regional partners or consulting services. Most of the strategies with a long-term timeframe are large efforts and are generally dependent on the successful implementation of immediate and near-term strategies.

There are projects that will be part of the ITS Program in the future but whose implementation will occur outside the 10-year timeframe of this ITS Plan. Those projects cannot be planned for because of uncertainties involved in technology innovation as well as changes in lifecycles, levels of growth, patterns of growth, development in the City, and implementation and success of the recommended strategies that are included within the 10-year timeframe of this Plan. These strategies should be developed and given further detailed review in the subsequent updates to the ITS Plan.

Strategy Phasing

Figure 5 provides an overview of the strategies identified as multi-departmental efforts in the three timeframes to support the City in best leveraging the ITS network and provide City-wide benefits. There are other strategies that

are defined in the ITS Plan related only to ITS infrastructure, which are not shown in Figure 5, as they do not involve multi-department considerations.

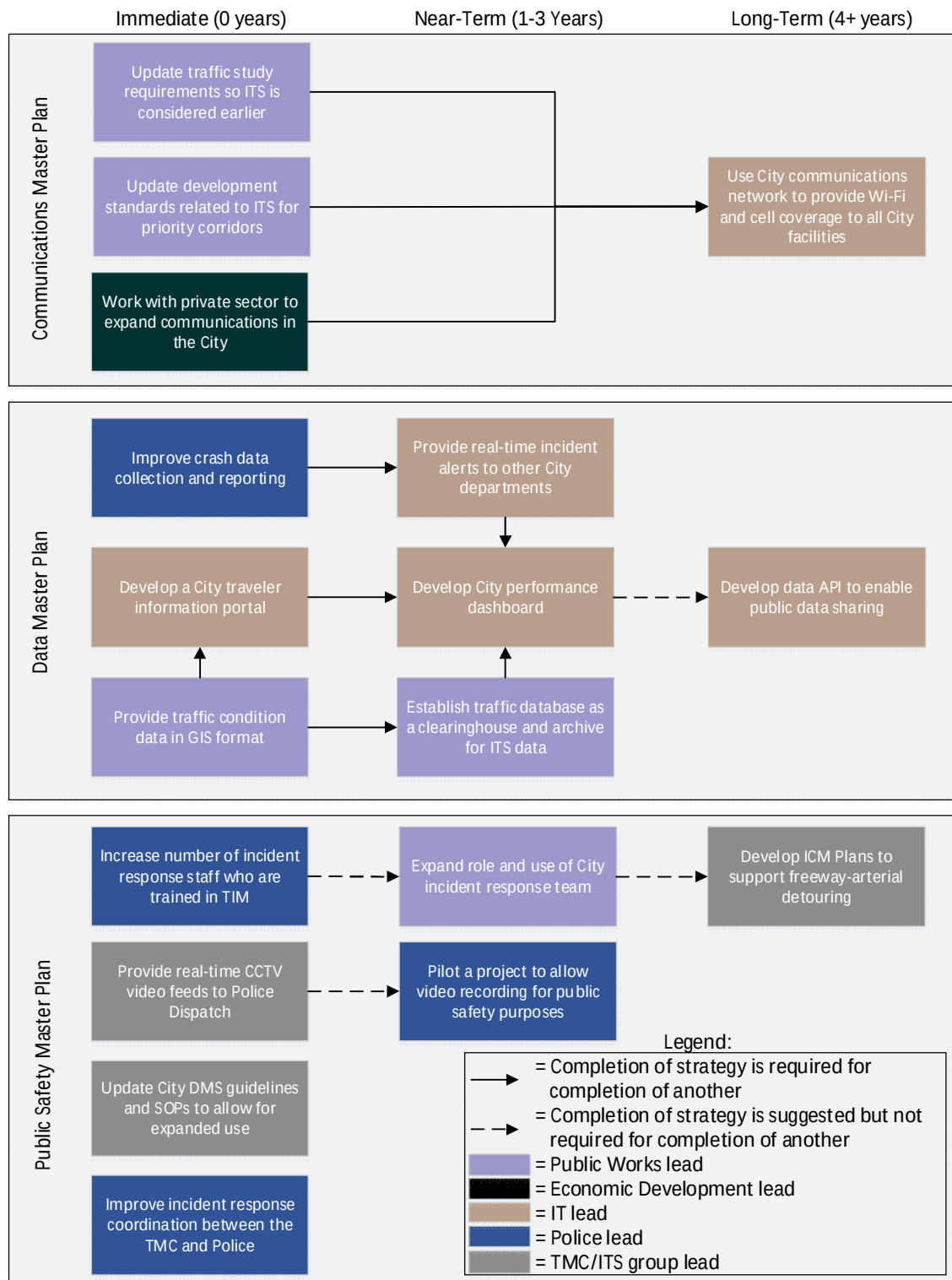


Figure 5: Surprise ITS Strategy Phasing



Many of the strategies in the Plan fall into the 'Immediate' timeframe and are led by a variety of different departments. Some Immediate strategies are a continuation or acknowledgement of a current initiative in the City that, through the ITS Plan, can be improved upon to garner greater results. These include the following activities:

- Work with the private sector to expand communications in the City – the City is currently in a deal with a private utility company where the company will provide the City with conduit infrastructure in return for use of the City's right of way for communications infrastructure;
- Develop a City traveler information portal – the City IT Department is developing a Citizen Engagement Application, which will be made available for download to a smart phone or tablet and will provide users with information about the City and allow citizens to provide information to the City like a 3-1-1- system; and
- Increase the number of incident response staff who are trained in Traffic Incident Management (TIM) – the Police Department is setting up a TIM training at the City for internal police, public works and fire staff and are working with the Training unit to require all new officers to attend TIM training.

The other Immediate strategies are those where the resources or processes are in place to implement the strategy, and there just needs to be commitment from the lead department and partner departments to initiate the strategy/project and follow it through. There

are very minimal funding requirements for the Immediate strategies beyond staff time.

The Near-Term strategies are those that build off the completion of Immediate strategies or those that require more time to secure resources or commitment. Some of the Near-term projects will require budget to be dedicated in next year's budgeting cycle because all the current year's budget has been committed. For example, the strategy for Public Works to establish an IT/traffic database, which will require a server and infrastructure required to secure the server and connect it to the ITS network and other data sources. The strategy of piloting a project to allow video recording for public safety is a Near-term project because the City is waiting for proof of concept and lessons learned from other agencies who are currently undergoing a similar pilot project.

Strategies identified for Long-Term implementation are those that build off strategies in the Immediate and Near-term or those that have been identified in the Plan as future needs. The strategy related to providing Wi-Fi and cell coverage to City facilities is in the Long-term phase because the IT's ability to address this strategy is contingent upon expansion of the City fiber communications network, through the strategies identified in the Communications Master Plan in the Immediate phase. Another strategy identified for the Long-term phase is the development of Integrated Corridor Management (ICM) plans. This is a later strategy because currently, the Loop 303, which is the major freeway that affects Surprise, does not carry the volume of traffic that would warrant the need for ICM strategies. However, when that freeway starts seeing significant increases in traffic volumes and



congestion, the development of an ICM Plan is recommended. While ICM planning efforts may be warranted for the US-60 and Bell Road corridors, until Loop 303 traffic volumes create additional demand on the City's arterial network, traffic management operations along US-60 and Bell Road will be adequate.

The timeframes identified in Figure 5 are recommendations based on the existing initiatives and resources at the City. *City Departments who are interested in implementing a strategy earlier are encouraged to do so.* Similarly, if circumstances arise that creates challenges for implementing strategies identified for an earlier phase, the City department lead may have to delay the implementation of a strategy, but should continue to seek out ways to implement the strategy as it may impact the ability of other strategies to begin.

The Data Master Plan section of the implementation phasing is one that integrates multiple department activities into a set of common Citywide outcomes. This is the reason that the Data Master Plan has become an important tool for the City to perform outreach both to City Departments and the public. Figure 6 provides an implementation schematic of the various activities that would result in the implementation of portions of the Data Master Plan strategies by the IT Department. The dashed lines (- - - -) between the TMC/ITS and Police Departments indicate implementation activities that these departments need to support to address all the strategies in the Data Master Plan. The solid lines indicate activities already completed or underway.

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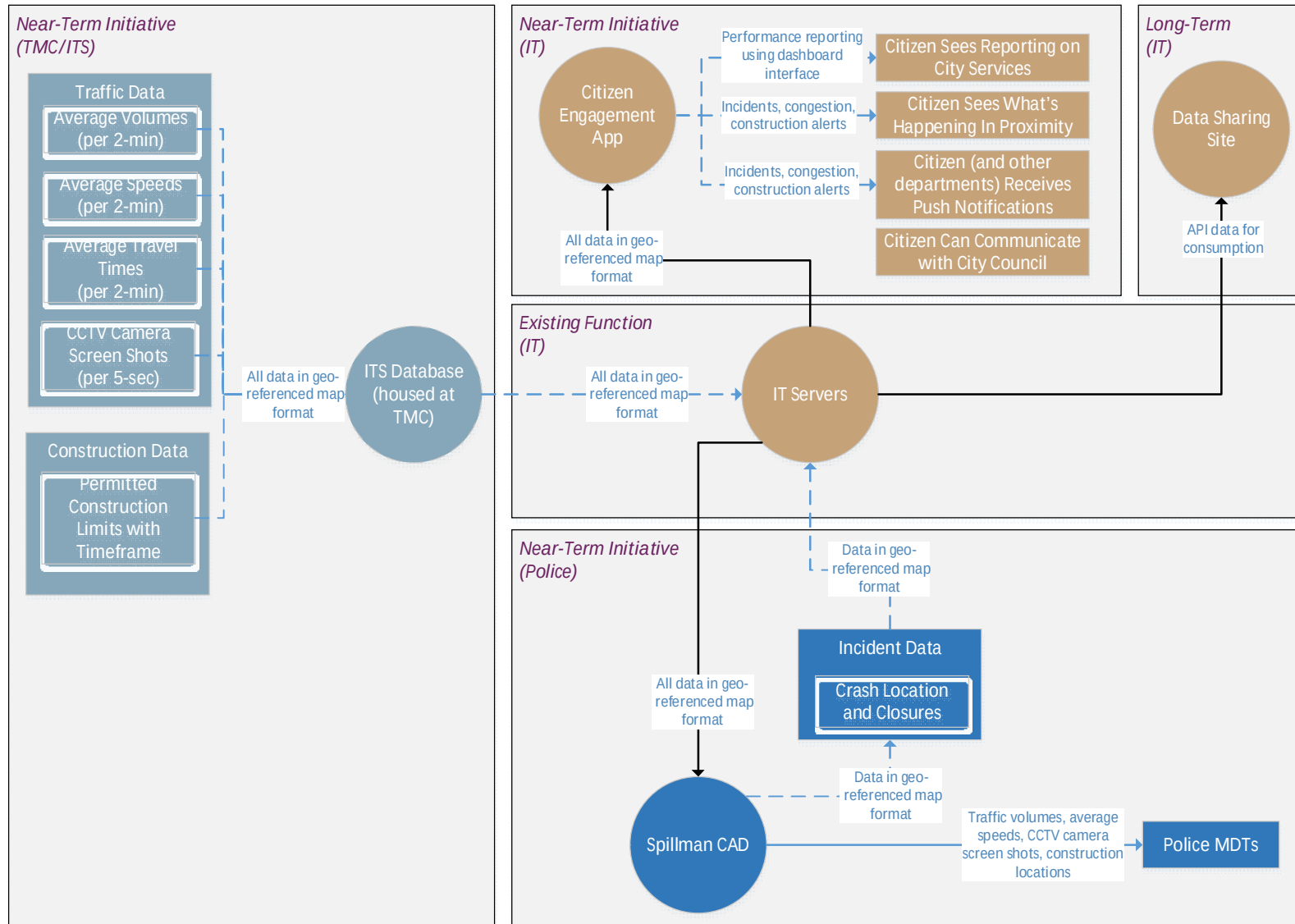


Figure 6: City Data Master Plan Implementation



CHAPTER 7

HOW: Transportation Systems Management and Operations

Some of the strategies developed in the plan are considered low-hanging fruit and involve updating processes or extending the use of existing equipment, which require a low level of resources and time to implement. However, some of the recommended strategies will require more resources, including funding, staff time and changes to institutional structures or processes in order to implement. The procedural, resource and staffing requirements that are needed to undertake the more involved strategies were explored as part of a Transportation Systems Management and Operations (TSMO) approach to the City's ITS Plan. The TSMO organization surrounding the ITS Plan will provide guidance for the City on how to create the institutional foundation to successfully implement the ITS strategies and reach the desired ITS program.



TSMO Overview

TSMO is a term coined by the US Department of Transportation to describe an integrated program to optimize the performance of existing multimodal infrastructure through implementation of systems, services, and projects to preserve capacity and improve the security, safety, and reliability. A TSMO approach for an agency focuses on institutional capabilities and enabling business processes to help improve overall transportation system performance and safety. The goal of TSMO within the Surprise ITS Strategic Plan is to outline the programmatic objectives, processes, procedures, and resources needed to deliver the ITS Program envisioned for the City.

With fewer funds available for agencies to 'build their way out of congestion', improving and optimizing the current/planned transportation network has become critical. Throughout the Country, agencies at all levels (federal to local) are using a TSMO lens when looking to reduce delay and improve mobility –

clearing traffic incidents, providing real-time information to travelers, actively managing congestion using devices and systems, proactively developing traffic management plans for work zones and special events, among others.

Using a TSMO approach to technology and process solutions can:

- Lower capital and maintenance costs;
- Facilitate the efficient use of resources and funding for the transportation network;
- Establish partnerships within the City and with other agencies that can support the City's ITS program; and
- Create a foundation for supporting a City ITS Program in the long-term.

The TSMO approach identified purposes and goals for operations and management of the City's transportation network, recommended staffing, programming, and funding models to support ITS at the City, and key agreements and coordination efforts that need to occur.

TSMO Goal and Focus Areas

Two purposes were established to focus and guide strategic goals for the City – one internal to the ITS Program, and one external to the ITS program to support other departments and City services. Strategies that were identified for each of the two purposes, internal and external, will require different levels of staffing and funding support depending on the initiatives the City pursues as part of this ITS Strategic Plan. The purposes and strategy goals (shown in Figure 2) guided development of this TSMO approach focusing on one TSMO goal:

TSMO GOAL:

Establish ITS operational capabilities that are sustainable and efficiently resourced within the City to support the ITS Program



Using a TSMO approach within this ITS Strategic Plan helps make sure that there is a realistic consideration of the efforts that are needed to implement the Plan. While support from staff is important for the success of the ITS Plan, there are other factors that need to be in place to implement and sustain the City's desired ITS Program. As part of TSMO, there are three key

focus areas to address early in the project development process to create a foundation within the City to have a practical and implementable plan.

These three TSMO focus areas include: People; Funding; and Documentation.

TSMO Focus Area #1 – People

The first TSMO focus area is organizing the people behind initiating, completing, and sustaining strategies related to the ITS Program. "People" means staffing, leveraging other department resources, leveraging other agency

resources, and even acquiring outside assistance to complete activities, as applicable. This focus area is organized by internal City ITS staffing and external partnerships involved in achieving the goals for the City's ITS Program.

Staff to Support the ITS Program

Currently, there is one staff person that manages the ITS Program, while also operating the TMC and managing the maintenance of traffic signals and the ITS devices in the City. To date, the City ITS Program has largely been able to accomplish necessary operations and maintenance functions for the existing network; however, as the City grows, demands on the transportation network will increase and expanded functionality will be needed from the ITS Program. As a result, the staffing structure and staffing resources available for the City ITS Program will need to be expanded.

The staffing recommendation for Surprise is provided in Figure 7 and highlights staffing positions that will be needed to properly operate and maintain the current ITS Program. The recommended staffing structure includes

staffing positions that currently exist in the City (in purple) and new positions that are needed to support the ITS program (in gold). The ITS/Traffic Analyst position identified with an asterisk (*) is anticipated to be an additional staff person required if all strategies in this ITS Strategic Plan are implemented, as they will result in the need for significant data analytics and evaluation activities to support multiple departments.

All of the ITS-specific staffing functions will be within the Public Works Department. There are also multiple staff positions or liaisons (in grey), many who are in different departments, that are not direct ITS staff, but who will play a critical role in the successful operation and maintenance of the ITS program. All staff roles are described in more detail in the plan.

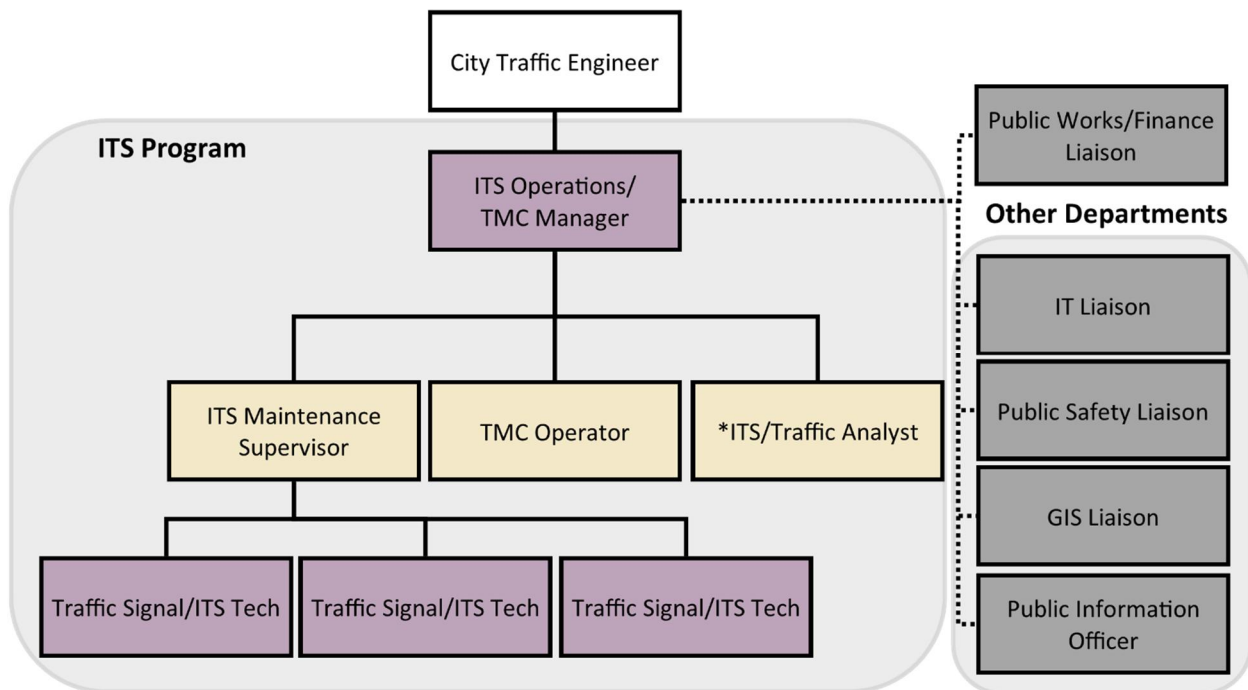


Figure 7: Proposed Staffing Structure for the Surprise ITS Program

As the City continues to grow, take on more projects, expand its infrastructure and services and promise more to the residents and visitors of Surprise there should be an acknowledgement of the impacts that this growth has on staff resources and needs. Some of these processes already exist in Surprise; for example, when the construction of a new facility is proposed in the CIP, the proposing department is required to calculate and provide the operations and maintenance costs (O&M) of that facility after it is constructed to show that it has the staff and resources to run and maintain the facility. If the O&M cost requirements cannot be proven, then the facility will not be included in the CIP in that year.

To date, there has not been this kind of recognition of the staff time and costs associated with traffic signal and ITS projects as part of the project development and budgeting process. The inventory of traffic signals in the City has been steadily increasing without a corresponding increase in staff to operate and maintain them. This has created a situation where the TMC/ITS group is significantly understaffed for both operations and maintenance of the traffic signal and ITS network. Compared to industry standards for ITS operations and maintenance, the City is currently understaffed by 2 maintenance staff and 1 operations staff, based on the number of traffic signals and ITS devices currently deployed. The City is also considered understaffed when compared to other agencies within the Phoenix metro area, as shown in Table 5.



Table 5: Staffing Comparison Between Surprise and Partner Agencies

City	# of ITS Operations Staff	# of ITS Maintenance Staff	# of Traffic Signals / # of ITS equipment*	Operations staff per device / Maintenance staff per device
City of Surprise	1	2**	51 / 362	1 : 413 / 1 : 206.5
City of Peoria	2	5	118 / 430	1 : 274 / 1 : 109.5
City of Glendale	3	7	202 / 557	1 : 253 / 1 : 108.5

*ITS equipment includes: vehicle detection devices, emergency vehicle preemption devices, CCTV cameras, DMS, ARID devices, miles of fiber and wireless radios.

**Maintenance staff in Surprise are responsible for maintenance of traffic signals, EVP and vehicle detectors, but do not have a role in fiber maintenance.

Understanding there is an existing staffing challenge, adding the additional ITS infrastructure and functionalities that are identified in this Plan will exacerbate the staffing challenges unless a process is put in place to identify and account for staffing needs as the ITS Program grows. As such, it is

recommended that a process be put in place during the capital project programming process for traffic signals or other ITS communications projects that forces consideration of the staff time required to operate and maintain the new infrastructure in addition to the existing infrastructure.

Outreach to Sustain Momentum

The benefits, successes, and even detriments of the ITS Program should be communicated in an ongoing basis both to City departments and to the traveling public. Connecting the “people” affected by the ITS Program to the ITS Program will be an important goal for the City to pursue.

Continuing Relationships and Coordination Between City Departments

One of the key purposes of this ITS Strategic Plan is to bring awareness to the ITS Program and the functionalities and benefits that it can provide other City Departments and the public. During this study, stakeholder meetings and workshops were conducted to introduce City staff to ITS and gather input on how the system could benefit other departments outside of the ITS and traffic group. From those meetings alone, many strategies were identified by

different City departments realizing how it could be mutually beneficial to coordinate and cooperate to establish a comprehensive and centralized ITS system.

To sustain the momentum around ITS that has been generated and relationships that have been established around the ITS Strategic Plan, conversations around ITS and the ITS strategies needs to continue. To address this, it is recommended that ITS become an agenda item during an already established meeting. It was suggested that an ITS agenda item be added to the monthly Traffic Engineering meeting and attendance at this meeting be extended to staff in other departments who are leading ITS strategies. At the infancy of the implementation of the ITS Plan, it may be best to meet monthly on ITS; as the ITS Program becomes more established and more integrated



into the day-to-day operations of the City, meetings may occur less frequently, such as on a quarterly basis.

It also may be useful for some City staff to attend ITS-related meetings and workshops that occur throughout the region. The City of Surprise already has representation at the MAG ITS Committee, the AZTech Strategic Steering Committee, and the AZTech Operations Committee, and this involvement should continue. However, attendance at these meetings by additional City staff who are outside of the ITS group but are involved with ITS could help increase knowledge and awareness of ITS in the region and its capabilities and could result in additional innovation around ITS to support the City.

Outreach to additional staff who have not been involved in the ITS Strategic Plan process can take two forms. First, staff who have been involved in the ITS Plan can share the information that they acquired with their peers to raise awareness and make sure that there is not just a single person in each department to understand ITS and the ITS Plan. Second, the City should make consistent information available to staff about the ITS functions or data that can be most useful to them, where and how they could contribute to the system, and who they can contact for information or questions. One way that this could be accomplished is by creating a one-page flyer or dashboard that summarizes important information on the ITS Program activities and impacts for city management.

Outreach to Elected Officials and the Public

Outreach about ITS in Surprise and about ITS strategies that will be implemented should

involve multiple City departments, as different departments have different audiences and varying levels of influence. For example, the Police department already has active twitter and Facebook accounts that are used daily and have foundations of followers; this can be leveraged to provide public outreach on ITS projects to make ITS more visible and tangible. The Public Safety voice also tends to resonate, making that stakeholder an important partner to outreach to elected officials in support of ITS investments. Public relations staff will also be an important player, as public outreach is their primary focus and they can help provide a consistent message throughout the City.

The Citizen Engagement App that is being developed by the IT Department is a key strategy for the ITS Plan and can support outreach for the ITS Program. The app will have a 'dashboard' functionality that will allow the public and elected officials to see and follow the City's performance on certain measures that are reported. This dashboard can be used to show the benefits and value of ITS investments by reporting on measures like money saved, time saved, or increases in safety/reduction in crashes. The Citizen Engagement App will also help create communication between the City and the Public, such as providing a mechanism for public users to notify the City of concerns or issues they encounter with City infrastructure or systems (ex: signal timing, potholes, etc.).

With the Citizen Engagement App playing a critical role for the public, there will need to be an outreach effort to get public users in the City of Surprise to download and use the app. This outreach should be a comprehensive effort that includes outreach via multiple media by all City departments.



TSMO Focus Area #2 – Funding

It is a reality that funding will be necessary to establish and sustain the ITS Program. This TSMO focus area looks at the funding sources, levels and processes that are currently available and that are needed to reach the goals for the ITS Program. There may be changes to the way that funding is used or becomes available that are identified to best support the ITS Program and strategies that are recommended.

As the ITS infrastructure was initially deployed in the City, the majority of costs were related to capital design and implementation; however, over time the major costs for the ITS Program will be for operations and maintenance.

Funding operations and maintenance requires a different funding strategy because they cannot be funded using federal funds (such as Congestion Mitigation and Air Quality [CMAQ] funding through the MAG TIP). This is a challenge for many agencies, as maintenance budgets rarely increase to keep pace with deployment and level of infrastructure in the field. To help address this known and upcoming need, this plan needs to factor in the shift in funding needs over the next decade.

Budgeting and Programming Tool for ITS Asset Replacements

An asset replacement cycle tool has been created for the City to help staff identify anticipated lifecycle timeframes for each ITS asset and calculate annual replacement funding requirements over the next 30 years. The recommended values in the asset replacement cycle tool were used to evaluate the anticipated lifecycle replacement timeframes of the City's existing and future assets and the expected man-hours needed for operation and maintenance (O&M) based on industry standards.

Traffic Signal and ITS Program Funded Budgets

An evaluation of the existing funding programs for ITS was completed for this Plan. Based on the existing inventory for traffic signals and ITS infrastructure in the City, an evaluation of the recommended funding levels for the Surprise traffic signal and ITS Program were identified; the calculations and assumptions to identify these funding levels are found in the Appendix which is the ITS Asset Replacement Cycle Funding Program, and the results are summarized in Table 6.



Table 6: Traffic Signal and ITS Program Funding Breakdown

Category	Existing Funding Amount	Recommended Funding Amount	Funding Difference
Maintenance Activities	\$125,700	\$903,900	\$781,200
Maintenance Staff	\$187,900	\$395,400	\$207,500
Operations/Services Activities	\$55,000	\$70,000	\$15,000
Operations Staff	\$125,900	\$192,500 – \$289,700*	\$66,600 – \$163,800
TOTAL	\$494,500	\$1,561,800 – \$1,659,000	\$1,070,300 – \$1,167,500

**This amount includes a level 113 Traffic Signal Specialist serving as a TMC Operator/ITS Technician as well as the level 114 ITS Supervisor serving as the TMC Manager. With the supervision of additional staff recommended as part of this Plan, an evaluation is also recommended on the ITS Supervisor position acknowledging the new supervision requirements overseeing both Traffic Signal Technicians and Traffic Signal Specialists.*

The recommended funding amounts identified assume that an average range traffic signal and ITS infrastructure costs will cover most O&M needs during a year. In all transportation networks, it is a foundational assumption that infrastructure that is deployed will require ongoing operations and maintenance, which should be programmed and budgeted.

Per the asset replacement cycle tool, the anticipated asset replacement cycle will naturally warrant ebbs and flows in capital cost requirements depending on the age of the equipment. Budgets for the traffic signal and ITS infrastructure program in the ITS Plan should be

carried over for at least one year so that budgets are not reduced in an annual City budgeting evaluation because of a surplus from a previous year. It is expected that there will be years where O&M funding for ITS may need to be accelerated from future years to cover a higher than unanticipated number of crashes, weather issues, damage, repairs, or other malfunctions. Similarly, there may be years where a smaller budget is required because of a smaller number of events or malfunctions.

Table 7 summarizes the existing funding difference for traffic signal and ITS infrastructure program by funding category.



Table 7: Recommended Traffic Signal and ITS Program Funding Breakdown

Funding Category	Current Annual Funding	Current Annual Funding Description	Needed Annual Funding	Funding Budgets Adjustments Required to Support Traffic Signal and ITS Program
Maintenance Activities				
Traffic Signals (51403 – Traffic Signal Supplies) (Maintenance Activities)	\$92,200	Includes traffic signal infrastructure replacements and maintenance, street lights, signal controllers, power supplies, video detection, and EVP	\$242,300 per year for traffic signal and detection maintenance	Increase of 174% or \$160,100 above current maintenance budget for traffic signals
		Not currently included in budget	\$29,800 per year for other ITS infrastructure maintenance	Identify new \$30,800 budget for ITS infrastructure maintenance
ITS Capital Supplies (51401 – Operational Supplies) (Maintenance Activities)	\$33,500	Includes some TMC equipment (including cabinet, controller, field network switches, wires, signal heads) and ITS field infrastructure (including miscellaneous repairs, downed server, video wall, radios, wireless equipment, DMS, network switches, count station access points)	Range of Asset Replacement Capital Costs: Traffic Signal Infrastructure = \$676,200 to \$762,500 ITS Infrastructure = \$36,500 to \$336,800 Average Asset Replacement Costs: Traffic Signal Infrastructure = \$745,200 ITS Infrastructure = \$158,700	Identify new \$745,200 budget for traffic signal infrastructure asset replacement costs and \$158,700 budget for ITS infrastructure asset replacement costs
Maintenance Staff				
Signal Personnel Services (61572 – Signals Personnel Services)	\$187,900 (2 full-time technician staff currently)	Includes all traffic signal and ITS infrastructure repair, replacement, and man-hours associated with maintenance	\$395,400 (calculated based on working hours estimation of \$272,100 from the Appendix for O&M totals for traffic signal and ITS maintenance plus 45.3% required overhead)	Two additional technicians could be justified to complete man-hours effort for all City infrastructure, but only one is recommended based on the staffing structure



Table 7: Recommended Traffic Signal and ITS Program Funding Breakdown (continued)

Funding Category	Current Annual Funding	Current Annual Funding Description	Needed Annual Funding	Funding Budgets Adjustments Required to Support Traffic Signal and ITS Program
Operations/Services Activities				
Traffic Engineering (55095 – Professional Outside Svc-Other)	\$15,000	Miscellaneous traffic studies, de-warranting, safety review	\$30,000 (per TMC Manager to complete City appropriate studies annually)	Increase of \$15,000 to funding source (or new TMC Operator may be able to complete services
Signals (55095 – Professional Outside Svc-Other)	\$10,000	Video detection installations	\$125,000 per year (51403 – Traffic Signal Supplies already captures a \$26,500 cost for video detection)	Remove line item in budget as asset replacement program for video detection will now need to occur under 51403
	\$20,000	Signal timing and re-timing completed by outside consultant	\$30,000 per year to complete services	Increase of \$10,000 to existing funding source or 0.5 additional TMC staff
	\$10,000	Contract services for backup in traffic engineering signals	\$10,000	No change recommended to funding
Operations Staff				
Traffic Engineering Personnel Services (61571 – Traffic Engineering Personnel Services)	\$125,900	Includes TMC Manager only	\$192,500 – \$289,700 (calculated based on a current TMC Manager and an additional TMC Operator/ITS Technician totaling a pay range of \$192,500 - \$289,700 plus 53.5% required overhead) \$93,700 – \$141,200 (Future ITS/Traffic Analyst including salary plus 53.5% required overhead)	Includes additional cost of new TMC Operator and a future new ITS/Traffic Analyst



The evaluation of these City budgets shows that there is additional funding needed to allow the current ITS Program to operate at the level that it is intended.

In addition to the funding needs for the current-day ITS Program, additional funding will be needed to support the implementation of the strategies identified in the ITS Strategic Plan and to support the ITS Program as it expands in line with City development. An evaluation of other funding sources to support the expansion and operations of the ITS Program are detailed in the Plan and include:

- City sources;
- Development Driven Projects;
- Regional Sources;
- Competitive Federal Funding;
- ADOT Local Public Agency Program; and
- Privatized Sources.

Planning-level cost and effort estimations for the various strategies are provided in the Plan. The City standard process for identifying capital projects is that projects with a cost over \$100,000 require completion of a Capital Improvement Program (CIP) form to be submitted for inclusion in the CIP. For projects requiring a CIP form, helpful information, such as justifications and benefits, can be found in the strategy tables in the Plan. Projects with costs under \$100,000 are accounted for in department operating budgets and are not submitted through the formal CIP process.

Some of the recommended strategies, including those in the Communications Master Plan and the Infrastructure Master Plan, will require capital costs. An ITS Cost Estimator was provided to the City as part of this Plan which

can be used to generate cost estimates for ITS-specific projects that include ITS infrastructure. The ITS Cost Estimator accounts for costs associated with capital procurement of equipment, implementation costs (below-the-line costs such as design, traffic control, mobilization, etc.), and ongoing operations and maintenance costs.

There are also some recommended strategies in the Data Master Plan and the Public Safety Master Plan that require some capital investment, such as procurement of servers or upgraded systems/software; however, only a few of these strategies have estimated costs that exceed the \$100,000, and thus will need to be pursued through department operating budgets.

Many of the strategies have little to no capital costs. Instead, they are recommending new or improved processes or programs to facilitate coordination between departments and to provide other departments outside of the ITS/TMC group access to outputs and benefits of the ITS network. For these strategies, much of the cost is related to staff time, whether for meetings, coordination between departments or general management of the strategy program or process. For example, there is a Public Safety Master Plan strategy of increasing the number of incident response staff who are trained in traffic incident management (TIM). Attending TIM training in the region is free for any agency staff, however, the costs of the strategy are in the staff time that is required to attend the training.

Another funding consideration to note is related to the current City initiative to establish



a transportation impact fee for developments. Currently, the City has development standards for traffic signals and ITS as well as traffic study requirements and traffic signal warrant standards, but does not collect impact fees to cover costs borne by the City to provide adequate transportation facilities to service the development. Costs that should be considered

for inclusion in the transportation impact fee include:

- Cost of future fiber and wireless communications.
- Cost of future ITS devices on traffic signals, including CCTV, ARID devices, detection equipment and emergency vehicle preemption devices.
- Cost of traffic signal controllers.

TSMO Focus Area #3 – Documentation

‘Documentation’ is meant to describe the need for formalized procedures or agreements that would support the implementation and operation of the ITS Program. In many cases, a major barrier to implementing strategies is the lack of supporting documentation that establishes processes or agreements that are necessary for the strategy to be successful. This section describes some of those types of documentation efforts that may be necessary for the successful implementation of the ITS Plan and Program.

Refining the current asset management procedure is required to meet the future needs of the transportation system within the City. As ITS technologies and communications evolve, the existing system components will need to be compatible for proper system functionality.

Replacing or upgrading ITS equipment that has failed, reached end of life, or become obsolete poses significant challenges for keeping the system operational.

There are opportunities for additional partnering to support the City’s goals for mobility, integration, and robust and responsive public services. The “people” side of partnering is described previously; however, the formalized “documentation” side of partnering is acknowledged as a need. There are a variety of existing partnerships that can be elaborated on to serve new functions outlined in this Plan and some new relationships have been recommended that may warrant formal or informal documented agreements to serve new functions.

Process to Update the ITS Strategic Plan

The Surprise ITS Strategic Plan is a dynamic plan that focuses on documenting current and future ITS infrastructure and strategies as well as relationships with other departments and other agencies. To stay relevant amid constantly changing needs and evolving technologies, this

Plan and the associated tools should be revisited and reviewed periodically. As projects are implemented or expanded, agency priorities change, or other changes occur that impact ITS in the City, changes should be documented through an update to the Plan.



ITS Plan Components to Update

It is anticipated that the TMC/ITS group will have primary management responsibility for the ITS Strategic Plan document and associated tools.

- GIS Maps – Establishing a GIS Liaison for the Surprise ITS Program should facilitate the real-time updating and expansion of the City's GIS data and overall program. All ITS data, including as-builts, should be aggregated in a centralized location and should be updated as infrastructure and data becomes available. For the ITS Plan, locations of traffic signals, communications infrastructure and other ITS devices that were identified in the Plan should be kept up to date and accessible by City departments and external agencies who request it.
- Priority Strategies – A list of priority strategies are provided in this Plan, but new, revised, or updated strategies based on the success of strategy implementation should be documented and the next steps for strategy implementation should be identified.
- ITS Cost Estimator – This tool, that was provided to the City as part of this Plan, is subject to the construction industry conditions year-to-year and should be updated as bids are received on ITS projects or as updated knowledge becomes available.
- Additional Materials – The executive summary, final presentation slides, and additional materials developed to support the ITS Plan development may need to be updated depending on how much is updated year-to-year.

Reason to Revisit ITS Recommended Strategies

- Changes in Regional Needs – The City ITS Strategic Plan was created to support transportation planning in addressing City and significant partnering opportunities that meet regional needs. Over time these needs can change, and the corresponding aspects of the City ITS strategy implementation focus or efforts may need to be reconsidered.
- New Stakeholders – New stakeholders (internal City departments, partnering agencies, or public groups such as HOAs or private sector builders) become involved in the implementation or use of a new ITS technology or system. The City's ITS plan should then be updated to reflect their role, involvement, or lead in the ITS strategies.
- Changes in Project Phasing – Due to funding constraints, or other considerations, the planned strategy phasing may change. Delaying a strategy's implementation may have a ripple effect on other strategies that depend on it. Raising the priority for a strategy's implementation may impact other strategies that are related to it.



When to Update the ITS Plan

Table 8 is the proposed frequency of updates for specific components in the ITS Plan.

Table 8: Proposed Frequency of ITS Plan Updates

Annual Timeframe	Dependency	Update
Early March	Following the inclusion of projects from the current plan into the MAG TIP	Review strategies and prioritization recommendations for updates needed based on recent projects included into MAG TIP
June/July	Following adoption of CIP (when implemented) and City budget	Update ITS Plan document and tools
Early August	In advance of MAG TIP and City CIP program request for projects	Review ITS Recommended and Priority Strategies for potential CIP/TIP projects and links to other departments/agencies to leverage the request for funding



Appendix – ITS Asset Replacement Cycle Funding Program

<i>Avg cost per signal staff</i>	\$	29.42
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		Yearly Replacement Capital Costs (based on cycle outlined to left)																																
Equipment Type	Typical Capital Cost	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47			
TS2 Cabinet	\$ 15,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000				
ASC3 Controller	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000				
Field Network Switches	\$ 5,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000				
Traffic Signals	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000				
In-Pavement Detection	\$ 600	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ -			
Video Image Detection	\$ 25,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000				
Radar Detection	\$ 6,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -	\$ -			
Emergency Vehicle Preemption	\$ 10,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000				
Totals		\$ 351,200	\$ 351,200	\$ 351,200	\$ 326,200	\$ 401,200	\$ 412,500	\$ 400,000	\$ 400,000	\$ 400,000	\$ 401,200	\$ 401,200	\$ 401,200	\$ 401,200	\$ 401,200	\$ 412,500	\$ 412,500	\$ 400,000	\$ 400,000	\$ 400,000	\$ 401,200	\$ 401,200	\$ 401,200	\$ 401,200	\$ 401,200	\$ 412,500	\$ 412,500	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 395,183		
CCTV Camera Systems																																		
PTZ Units	\$ 5,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500				
Dynamic Message Signs																																		
Arterial DMS	\$ 115,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
ARID	\$ 3,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,800	\$ 6,800	\$ 6,800	\$ 6,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,800	\$ 6,800	\$ 6,800	\$ 6,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
ITS Communications Systems																																		
Fiber Optic Cable Plant	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Wireless Radio	\$ 4,500	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000			
TMC Equipment																																		
Servers	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000		
Network Core Switch	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 12,500	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 12,500	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000			
Rack Equipment	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Workstations	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Workstation Displays	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,100	\$ 2,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Uninterruptible Power Supply	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Video Wall	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Totals		\$ 259,500	\$ 259,500	\$ 259,500	\$ 267,500	\$ 36,500	\$ 61,500	\$ 61,500	\$ 83,300	\$ 143,300	\$ 373,300	\$ 361,800	\$ 342,500	\$ 317,500	\$ 87,500	\$ 96,500	\$ 223,500	\$ 123,500	\$ 145,300	\$ 84,300	\$ 313,300	\$ 298,300	\$ 270,000	\$ 257,500	\$ 27,500	\$ 27,500	\$ 61,500	\$ 61,500	\$ 76,500	\$ 76,500	\$ 76,500	\$ 171,147		



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date: June 19, 2018
Submitting Department: Police
Staff Recommendations: None

Contact Person: Christine DeSanti, Police Dept.
District: Citywide

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of an Intergovernmental Agreement (IGA) between the City of Glendale and Surprise for Surprise Police Officers' authorization to work events outside the University of Phoenix Stadium; Resolution # 2018-91.

Motion:

I move to approve Resolution # 2018-91.

Background:

The cities of Glendale and Surprise entered into a one-year IGA in 2017 authorizing City of Surprise police officers to work off-duty for the City of Glendale at events occurring at the University of Phoenix Stadium. Previously, security inside and outside of the Stadium were both controlled by the City of Glendale. Recently, the Department of Public Safety assumed responsibility for security inside the stadium and we recently entered into an IGA to participate with them in providing that service. The City of Glendale now has primary responsibility for law enforcement at or around the University of Phoenix Stadium. The City of Glendale does not have an adequate number of officers to fill these positions. The Cities of Surprise and Glendale both desire to extend this agreement for a three-year period with a new IGA. The Agreement will be effective immediately upon approval and execution by Glendale and Surprise governing bodies and shall remain in full force and effect until June 30, 2021.

Objective Analysis:

State law requires the City of Surprise to pay for worker's compensation claims filed by our officers while working pursuant to an IGA. However, this IGA has an indemnity provision by which the City of Glendale will reimburse the City of Surprise for those costs and provides for indemnification for the City of Surprise for litigation concerning any events arising out of the agreement.

Policy Compliant:

This action is compliant with City and Council policy. The City regularly partners with other government entities when it is beneficial to do so.

Financial Impact:

While there is no direct financial impact as a result of renewing this IGA, City of Surprise police officers utilize city-funded uniforms and equipment while on off-duty assignments. State law requires the City of Surprise to pay for worker's compensation claims filed by our officers while working pursuant to an IGA.

Budget Impact:

This item has no budget impact. Funding for officer uniforms and equipment is included as part of the Surprise Police Department's FY2019 General Fund operating budget.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

Click to download

- ☐ [Glendale-Surprise \(University of Phoenix\) IGA 2018-2021](#)
 - ☐ [Resolution 2018-91 IGA Glendale](#)
-

**INTERGOVERNMENTAL AGREEMENT
BETWEEN
CITY OF GLENDALE AND CITY OF SURPRISE**

THIS INTERGOVERNMENTAL AGREEMENT (this “Agreement”) is entered into pursuant to Arizona Revised Statutes (“A.R.S.”) § 11-952 by the City of Glendale (“Glendale”) and the City of Surprise (“Surprise”), collectively known herein as the “parties.”

RECITALS

- A. The University of Phoenix Stadium in Glendale (the “Stadium”) is located within Glendale’s corporate limits and Glendale has jurisdictional authority over and public safety interests in the operation of the Stadium; and
- B. The City of Glendale has the need for qualified personnel to provide law enforcement, security and traffic management services at the Stadium; and
- D. The parties desire to participate in providing law enforcement security, and traffic management services to the City of Glendale, relating to the Stadium, by making available Surprise Police Department (“SPD”) and Glendale Police Department (“GPD”) officers in accordance with the terms set forth herein.
- E. The parties desire to enter into this Agreement to cooperatively provide the necessary law enforcement, security services and traffic management services, while acknowledging Glendale’s primary responsibility for law enforcement at the Stadium.

AGREEMENT

Therefore, in consideration of the foregoing recitals, the covenants, promises, terms and conditions set forth herein, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

- 1. **Purpose and Intent.** The purpose of this Agreement is to provide the means through which the parties intend to provide professional law enforcement, security, and traffic management services at the Stadium by maximizing cooperation, by integrating the SPD and GPD assets, and by addressing issues including, command, control, personnel, planning, and training.
- 2. **Supervision and Staffing.**
 - 2.1 Surprise acknowledges that command and control for all events worked for pursuant to this Agreement (individually “Event” and collectively “Events”) shall be the duty and responsibility of GPD.
 - 2.2 In carrying out this responsibility, GPD will in good faith assign officers to work Events in accordance with the procedures adopted in consultation with the Chiefs of Police for all the member agencies providing officers to Events.
 - 2.3 Surprise agrees and understands that entities other than Glendale and the GPD may have input into the decisions regarding whether, and to what extent, law enforcement will provide

service for Events; however, Glendale will provide information regarding staffing decisions to Surprise as soon as it becomes available.

3. Assigned Personnel

- 3.1 Surprise shall have the discretion to determine which and how many of its officers will be allowed to apply for assignments at Events and how many officers will be assigned to the Events (hereinafter referred to as “Assigned Officers”).
 - a. All Assigned Officers will be required to enter into temporary employment contracts with Glendale.
 - b. The contract will outline the mutual responsibilities of the Assigned Officer and Glendale and will specify that the Assigned Officers are “at will” temporary employees of Glendale and that either party can terminate the contract, with or without cause at any time and without notice.
 - c. If possible, Glendale will consult with Surprise prior to terminating any Assigned Officer.
- 3.2 While working an Event, the Assigned Officers must wear uniforms approved by SPD, and the Assigned Officers may carry other equipment authorized by SPD.
- 3.3 When working an Event, GPD will make available to Assigned Officers forms and other supplies that are necessary to work the Event.
- 3.4 Upon termination of this Agreement and conclusion of any assignments, all personal property, assets, equipment, and supplies used by the parties and Assigned Officers in performance of their responsibilities shall remain with or be returned to the owner of such property.
- 3.5 Any inconsistency between GPD and SPD rules or regulations and all operational disputes will immediately be brought to the attention of the Glendale Police Chief and will be fully and finally addressed and resolved by the Glendale Police Chief in accordance with his or her determination of the best practices under the circumstances. The Glendale Police Chief may delegate this responsibility to a specific command officer.

4. Compensation, Insurance and Reporting

- 4.1 The parties agree that during Events the Assigned Officers shall be temporary employees of Glendale for compensation purposes and not independent contractors; provided however, that each such Assigned Officer will at all times also be deemed an employee of SPD and nothing in this Agreement is intended to contradict or otherwise modify the provisions of A.R.S. § 23-1022 (D).
- 4.2 Each Assigned Officer who works an Event will be paid the negotiated hourly rate.
 - a. Assigned Officers’ compensation shall be subject to all applicable federal and state taxes, which shall be deducted prior to payment, and which shall be evidenced by a W-2 statement issued by Glendale to each Assigned Officer.

- b. Each officer's home agency (primary employer) shall provide the workers' compensation coverage in such amounts and under the same terms and conditions as other sworn, full-time employees for all Assigned Officers.
 - c. Except for liability coverage, Assigned Officers are not entitled to any other employee benefits or compensation from Glendale.
- 4.3 Glendale shall make available, upon request, to the SPD information about the hours worked by Assigned Officers not later than seven days following each Event to enable SPD to properly monitor and regulate the hours worked by all of their Assigned Officers.
- 4.4 Each party affirms that it has complied with the provisions of A.R.S. § 23-1022 (E) with respect to activities addressed by the Agreement.

5. Indemnification

- 5.1 To the extent permitted by law, Glendale shall indemnify, defend, save and hold harmless Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") for, 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 acts or willful misconduct of the Assigned Officers.
- 5.2 Glendale's indemnity includes any Claim or amount due arising out of the failure of such Indemnitee to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree.
- 5.3 It is agreed that Glendale will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable and in consideration of the covenants and promises set forth in this Agreement, Glendale agrees to waive all rights of subrogation against Surprise, its officers, officials, agents and employees for losses arising from the work performed by Surprise's Assigned Officers under this Agreement.

6. Media Releases and Relations

- 6.1 Any release of information to the media, other than a public records release, regarding an Event or any activities under this Agreement will be coordinated by Glendale in cooperation with Surprise but, except as provided below, no unilateral media releases will be distributed by Surprise without the prior approval of Glendale.
- 6.2 A copy of all public record and media releases regarding an Event or any activities under this Agreement shall be forwarded to Glendale prior to release; provided however, if an incident is primarily focused upon or concerned with the actions of SPD's Assigned Officer, SPD will be responsible for the release of information to the media relative to the incident.
- 6.3 The parties will not reveal any investigative information or operational procedures except as required by law.

7. Arizona POST certification

- 7.1 Relative to its Assigned Officers, Surprise agrees that it will be responsible to the Arizona Peace Officer's Standards and Training Board ("POST") for complying with all requirements mandated by Arizona Administrative Code Regulation R13-4-101 *et seq.*; including but not limited to, Surprise's responsibilities to POST for the hiring, fitness for duty, record-keeping, training, and testing requirements imposed upon law enforcement agencies employing police officers in Arizona.
- 7.2 Glendale and Surprise agree to cooperate to ensure any issues that arise relative to POST certification are resolved in a reasonable and efficient manner.

8. Execution, Duration and Renewal

- 8.1 This Agreement will be effective immediately upon the approval of both parties' governing bodies and shall remain in full force and effect until June 30, 2021.
- 8.2 This Agreement may be executed in counterparts.
- 8.3 This Agreement may be renewed for successive additional three (3) year periods upon mutual consent of the parties.

9. General Provisions

- 9.1 Entire Agreement. This Agreement embodies the entire understanding of the parties and supersedes any other agreement or understanding between the parties relating to the subject matter of this Agreement.
- 9.2 Severability. The provisions of this Agreement are severable to the extent that any provision or application held to be invalid by a court of competent jurisdiction shall not affect any other provision or application of the Agreement which may remain in effect without the invalid provision or application.
- 9.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.
- 9.4 Conflict of Interest. This Agreement may be canceled by any of the parties pursuant to the provisions of A.R.S. § 38-511.
- 9.5 Termination. Surprise may, at any time, terminate this Agreement by giving Glendale not less than sixty (60) days prior written notice. Glendale may at any time terminate this Agreement by giving Surprise not less than sixty (60) days prior written notice.
- 9.6 Dispute Resolution. In the event of any dispute regarding the terms or the interpretation of this Agreement the parties command staff will consult with each other in an effort to settle the dispute, in good faith. If the parties are unable to settle the dispute, either party may terminate this agreement.
- 9.7 Waiver. The waiver of any breach of this Agreement shall not be deemed to amend this Agreement and shall not constitute a waiver of any other subsequent breach.
- 9.8 Headings. Headings of this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

- 9.9 Further Acts. Each party shall execute and deliver all such documents and perform all such acts as reasonably necessary, from time to time, to carry out the matters contemplated by this Agreement.

10. E-Verify

- 10.1 The parties acknowledge that immigration laws require them to register and participate with the E-Verify program (employment verification program administered by the United States Department of Homeland Security and the Social Security Administration or any successor program) as they both employ one or more employees in this state.
- 10.2 The parties warrant that they have registered with and participate with E-Verify.
- 10.3 If either party later determines that the other non-compliant party has not complied with E-Verify, it will notify the non-compliant party by certified mail of the determination and of the right to appeal the determination. The parties retain the legal right to inspect the papers of any employee who works pursuant to this agreement or any related subcontract to ensure compliance with the warranty given above. Either party may conduct a random verification of the employment records of the other party to ensure compliance with this warranty.
- 10.4 Failure to comply shall be deemed a material breach of the Agreement that is subject to penalties up to and including termination of the Agreement.

11. Non- Discrimination

The parties must not discriminate against any employee or applicant for employment on the basis race, color, religion, sex, national origin, age, marital status, sexual orientation, gender identity or expression, genetic characteristics, familial status, U.S. military veteran status or any disability.

12. No Boycott of Israel

The Parties agree that they are not currently engaged in, and agree that for the duration of the Agreement they will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

CITY OF GLENDALE

Kevin Phelps
City Manager

ATTEST:

Julie K. Bower, City Clerk (SEAL)

CERTIFICATION BY LEGAL COUNSEL

The foregoing Intergovernmental Agreement between City of Glendale and the City of Surprise is in proper form and is within the powers and authority of the City of Glendale granted under the laws of the State of Arizona.

APPROVED AS TO FORM AND AUTHORITY:

Michael Bailey, City Attorney

CITY OF SURPRISE

BY:_____

NAME:_____

TITLE:_____

DATE:_____

ATTEST:

SURPRISE CITY CLERK

CERTIFICATION BY LEGAL COUNSEL

The foregoing Intergovernmental Agreement between City of Glendale and the City of Surprise is in proper form and is within the powers and authority of the City of Surprise granted under the laws of the State of Arizona.

APPROVED AS TO FORM AND AUTHORITY:

SURPRISE CITY ATTORNEY

RESOLUTION # 2018-91

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA APPROVING THE INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF GLENDALE FOR SURPRISE POLICE OFFICERS TO HAVE AUTHORIZATION TO WORK EVENTS OUTSIDE THE UNIVERSITY OF PHOENIX STADIUM.

WHEREAS, pursuant to Arizona Revised Statute §11-951, *et seq.*, the City of Surprise has the authority to enter into intergovernmental agreement with other governmental entities for the purposes set forth within;

WHEREAS, the parties desire to enter into an intergovernmental agreement with the City of Glendale to authorize Surprise Police Officers to provide law enforcement services, security services, and traffic management services around the University of Phoenix Stadium in Glendale, Arizona; and

WHEREAS, the parties desire to enter into this agreement for a three-year period, with an option to renew for additional three year periods based upon mutual consent.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Intergovernmental Agreement between the City of Surprise and the City of Glendale, attached as Exhibit A, is approved.

Section 2. The City Manager, or his designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

INTERGOVERNMENTAL AGREEMENT AMENDMENT
BETWEEN
THE CITY OF SURPRISE AND THE CITY OF GLENDALE

**INTERGOVERNMENTAL AGREEMENT
BETWEEN
CITY OF GLENDALE AND CITY OF SURPRISE**

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RECITALS

- A. The University of Phoenix Stadium in Glendale (the “Stadium”) is located within Glendale’s corporate limits and Glendale has jurisdictional authority over and public safety interests in the operation of the Stadium; and
- B. The City of Glendale has the need for qualified personnel to provide law enforcement, security and traffic management services at the Stadium; and
- D. The parties desire to participate in providing law enforcement security, and traffic management services to the City of Glendale, relating to the Stadium, by making available Surprise Police Department (“SPD”) and Glendale Police Department (“GPD”) officers in accordance with the terms set forth herein.
- E. The parties desire to enter into this Agreement to cooperatively provide the necessary law enforcement, security services and traffic management services, while acknowledging Glendale’s primary responsibility for law enforcement at the Stadium.

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Therefore, in consideration of the foregoing recitals, the covenants, promises, terms and conditions set forth herein, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

- 1. **Purpose and Intent.** The purpose of this Agreement is to provide the means through which the parties intend to provide professional law enforcement, security, and traffic management services at the Stadium by maximizing cooperation, by integrating the SPD and GPD assets, and by addressing issues including, command, control, personnel, planning, and training.
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 - 2.2 In carrying out this responsibility, GPD will in good faith assign officers to work Events in accordance with the procedures adopted in consultation with the Chiefs of Police for all the member agencies providing officers to Events.
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service for Events; however, Glendale will provide information regarding staffing decisions to Surprise as soon as it becomes available.

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- 5.1 To the extent permitted by law, Glendale shall indemnify, defend, save and hold harmless Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") for, 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 acts or willful misconduct of the Assigned Officers.
- 5.2 Glendale's indemnity includes any Claim or amount due arising out of the failure of such Indemnitee to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree.
- 5.3 It is agreed that Glendale will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable and in consideration of the covenants and promises set forth in this Agreement, Glendale agrees to waive all rights of subrogation against Surprise, its officers, officials, agents and employees for losses arising from the work performed by Surprise's Assigned Officers under this Agreement.

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- 8.1 This Agreement will be effective immediately upon the approval of both parties' governing bodies and shall remain in full force and effect until June 30, 2021.
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- 9.4 Conflict of Interest. This Agreement may be canceled by any of the parties pursuant to the provisions of A.R.S. § 38-511.
- 9.5 Termination. Surprise may, at any time, terminate this Agreement by giving Glendale not less than sixty (60) days prior written notice. Glendale may at any time terminate this Agreement by giving Surprise not less than sixty (60) days prior written notice.
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- 9.8 Headings. Headings of this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

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- 10.2 The parties warrant that they have registered with and participate with E-Verify.
- 10.3 If either party later determines that the other non-compliant party has not complied with E-Verify, it will notify the non-compliant party by certified mail of the determination and of the right to appeal the determination. The parties retain the legal right to inspect the papers of any employee who works pursuant to this agreement or any related subcontract to ensure compliance with the warranty given above. Either party may conduct a random verification of the employment records of the other party to ensure compliance with this warranty.
- 10.4 Failure to comply shall be deemed a material breach of the Agreement that is subject to penalties up to and including termination of the Agreement.

11. Non- Discrimination

The parties must not discriminate against any employee or applicant for employment on the basis race, color, religion, sex, national origin, age, marital status, sexual orientation, gender identity or expression, genetic characteristics, familial status, U.S. military veteran status or any disability.

12. No Boycott of Israel

The Parties agree that they are not currently engaged in, and agree that for the duration of the Agreement they will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

CITY OF GLENDALE

Kevin Phelps
City Manager

ATTEST:

Julie K. Bower, City Clerk (SEAL)

CERTIFICATION BY LEGAL COUNSEL

The foregoing Intergovernmental Agreement between City of Glendale and the City of Surprise is in proper form and is within the powers and authority of the City of Glendale granted under the laws of the State of Arizona.

APPROVED AS TO FORM AND AUTHORITY:

Michael Bailey, City Attorney

CITY OF SURPRISE

BY:_____

NAME:_____

TITLE:_____

DATE:_____

ATTEST:

SURPRISE CITY CLERK

CERTIFICATION BY LEGAL COUNSEL

The foregoing Intergovernmental Agreement between City of Glendale and the City of Surprise is in proper form and is within the powers and authority of the City of Surprise granted under the laws of the State of Arizona.

APPROVED AS TO FORM AND AUTHORITY:

SURPRISE CITY ATTORNEY



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date: June 19, 2018
Submitting Department: Police
Staff Recommendations: None

Contact Person: Christine DeSanti, Police Dept.
District: 1

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on a Fiscal Year 2018 budget amendment by reallocating appropriations in the amount of \$20,000 from the Donation Contingency Fund to the Police Donations Supplies and Services Funds to increase spending authority; Resolution #2018-86.

Motion:

I move to approve Resolution #2018-86.

Background:

The Police Department has several volunteer and Department sponsored programs that receive revenue via donations. These funds are allocated for specific operational supplies, equipment, training, uniforms, and travel expenditures for local and national competitions. In recent years, the number of police programs receiving donations has increased and the amount of revenue for these programs has also increased significantly. It is necessary to increase spending authority by \$20,000 to adequately support these growing programs.

Objective Analysis:

Amending the donation budget spending authority will allow the Police Department to appropriately allocate donation funds to growing volunteer program expenditures. The current donation account balances well exceed our current donation fund spending authority.

Policy Compliant:

An amendment to authorize spending authority is consistent with City and Council policy.

Financial Impact:

There would be no financial impact due to the Police Donation Fund currently has approximately \$45,000 in fund balance, the Police Department is requesting \$20,000 of additional spending authority to be granted resulting in a total of \$32,400 of spending authority for FY18.

Budget Impact:

The budget amendment would reallocate appropriations in the amount of \$20,000 from Donation Contingency to the Donation Fund to cover immediate one time expenditures that should be funded using FY18 Donation Funds. This reallocation does not represent an actual transfer of funds, but only a transfer of spending authority.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

Click to download

☐ [Resolution 2018-86 Budget Amendment](#)

RESOLUTION # 2018-86

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2018 BUDGET BY REALLOCATING APPROPRIATIONS IN THE AMOUNT OF \$20,000 FROM THE DONATION CONTINGENCY FUND TO THE DONATIONS FUND TO INCREASE SPENDING AUTHORITY.

WHEREAS, the FY2018 budget was adopted included funding of \$12,400 for expenditures to be made out of the Donations Fund;

WHEREAS, several new donation revenue accounts were established in the FY2018 budget providing revenue greatly in excess of \$12,400;

WHEREAS, several immediate expenses have been identified which should be funded using FY2018 Donation Funds;

WHEREAS, it is necessary to increase the Police Donations Fund budget by \$20,000;

WHEREAS, the FY2018 budget was adopted by Council Resolution #2017-64 on June 6, 2017; and

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this ____ day of _____, 2018,

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2018-86
Exhibit A

1. Appropriation - The allocation below represents a reallocation of appropriation in the amount of \$20,000 from Donation Contingency to the Donation Fund to cover immediate expenditures that should be funded using FY18 Donation Funds. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Donations	General Operations	Contingency	E	500,600	(20,000)	480,600
Donations	Police	Supplies	E	12,400	10,000	22,400
Donations	Police	Services	E	-	10,000	10,000
Expense Total				513,000	-	513,000
Revenue Total				-	-	-



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Paul Bernardo, Govt & Comm. Pship Dir.
Submitting Department:	Government & Community Partnerships	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to the approval of the procurement of the art piece "Full Equinox" for the City's permanent art collection.

Motion:

I move to procure "Full Equinox" at a cost not-to-exceed \$23,500.

Background:

On December 19, 2017, the Surprise City Council approved a budget amendment, allowing the SACAC to spend \$25,000 towards the procurement of an art piece for the City's permanent collection, to be housed at the entrance of City Hall.

The SACAC sent out a Request for Proposal, and after a panel review, selected "Full Equinox" by Ken Kasten for the City Council's approval at a cost of \$23,500.

Objective Analysis:

This action will directly support the City's goal and policy of the ratified General Plan 2035's Art and Culture Element to incorporate arts programs and projects.

Policy Compliant:

The Surprise Arts & Cultural Advisory Commission's Administrative Policies require approval by the City Council for purchases of this nature.

Financial Impact:

This one-time expenditure will be funded using funds as identified in the City Manager's Office General Fund and the One and One Third Percent for the Arts account.

Budget Impact:

On December 19, 2017, the City Council approved a budget amendment identifying funding for a permanent piece of art for the pedestal at the entrance of City Hall. Funding is included in the City Manager's Office General Fund operating budget in the amount of \$22,500 and an additional \$1,000 from the One and One Third Percent for the Arts account.

FTE Impact:

The number of full time equivalents (FTE) is not impacted by this item.

ATTACHMENTS:

Click to download

☐ [Final RFP](#)

☐ [Renderings](#)



COVER SHEET REQUEST FOR PROPOSALS

The City of Surprise is requesting proposals from Artists for an art piece to sit on the pedestal at the southwest entrance of City Hall. The pedestal is 55" x 55" x 34" (L x W x H) in size.

Competitive sealed proposals for the services specified will be received by the City of Surprise at the specified location until the date and time cited below. Proposals must be in the actual possession of the City of Surprise City Manager's Office on, or prior to, the exact date and time indicated below. Late proposals will not be considered. **Proposals must be submitted in a sealed envelope with the Request for Proposal (RFP) number and the Offeror's name and address clearly indicated on the front of the envelope.** Offerors must carefully read the entire Request for Proposal package.

Information regarding the requirements of this RFP may be obtained from the City Manager's Office located at 16000 North Civic Center Plaza, Surprise AZ 85374.

The entire information package can be downloaded from the City of Surprise website:
<https://www.surpriseaz.gov/1761/Arts-Cultural-Advisory-Commission>.

Anyone needing the complete information packet in alternative format or an auxiliary aid, service, or modification of policies or procedures to participate in this solicitation should contact:

Danielle Osborne
16000 N. Civic Center Plaza,
Surprise, AZ 85374
(623) 222-1034
danielle.osborne@surpriseaz.gov.

The City of Surprise will not be held responsible for any oral instructions. Any changes to this Request for Proposal will be in the form of a published amendment. All technical questions regarding this Request for Proposal must be submitted in writing via e-mail.

Please reference RFP #318000151 in all your communications to the City.

RELEASE RFP	April 20, 2018
PROPOSAL DUE DATE/TIME	May 14, 2018 by 5:00 p.m.
Submittals will not be accepted later than 5:00 p.m., (Local Time) at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ 85374	
CONTRACT AWARD	Anticipated June 2018

SECTION 1

INSTRUCTIONS

1. PREPARATION OF PROPOSAL:

- a) All proposals must include the forms provided in this Request for Proposal package. It is permissible to copy these forms if required. Faxed or e-mailed proposals will not be considered.
- b) The Offer and Acceptance document must be signed by a person authorized to sign the offer and included in the proposal packet.
- c) Erasures, interlineations, or other modifications in the proposal must be initialed in original ink by the authorized person signing the Offer.
- d) If price is a consideration and in case of error in the extension of prices in the proposal, the unit price will govern. No proposal will be altered, amended, or withdrawn after the specified proposal due date and time.
- e) Periods of time, stated as a number of days, will be calendar days.
- f) It is the responsibility of all prospective contractors to examine the entire Request for Proposal package and seek clarification of any item or requirement that may not be clear and to check all responses for accuracy before submitting a proposal. Negligence in preparing a proposal confers no right of withdrawal after the proposal due date and time

2. PROPOSAL FORMAT: Proposals shall be submitted in **one (1) original, one (1) copy, and one (1) electronic copy on pen drive**. Electronic copy shall be in PDF format as one continuous document of the Offeror's response. Detailed written responses shall be on 8 ½" x 11" papers, using Arial or Calibri font no smaller than 12 point and printed on one side. The proposal shall be submitted with the following sections:

- a) Cover Letter
- b) Submittal Packet – Required Documents: The first section of the proposal shall contain all the documents in the Submittal Packet.
 - Offer and Acceptance - The Offer and Acceptance Form shall be signed by the Proposer
 - Exhibit 1 - Past Performance References Form – Instructions for the PPVF is included in the Solicitation Packet.
 - Proposer Information
- c) Images – Renderings or concepts of the proposed art piece.
- d) Statement of Qualifications

3. INQUIRIES: Any question related to the Request for Proposal must be directed to staff whose name appears on the cover page. Questions should be submitted in writing. Any correspondence related to a Request for Proposal should refer to the appropriate Request for Proposal number, page, and paragraph number.

4. OFFER ACCEPTANCE PERIOD: In order to allow for an adequate evaluation, the City requires an offer in response to this Solicitation to be valid and irrevocable for **90 days** after the opening time and date.

5. LATE PROPOSALS: Late proposals will not be considered. A Proposer submitting a late proposal will be so notified.

SECTION 1

INSTRUCTIONS

- 6. WITHDRAWAL OF PROPOSAL:** At any time prior to the specified proposal due date and time, a prospective contractor (or designated representative) may withdraw the proposal in writing.
- 7. RESPONSIBLE OFFEROR:** An Offeror determined by staff to have the following qualities:
- a. The ability, capacity, experience and skill to provide the goods and/or services in accordance with proposal specifications;
 - b. The ability to provide the goods and/or services promptly, or within the time specified, without delay or interference;
 - c. The equipment, facilities and resources of such capacity and location to enable the contractor to provide the goods and/or services;
 - d. The ability to provide future maintenance, repair, parts and service for the use of the goods purchased, when applicable;
 - e. The quality and adaptability of the materials, supplies or services required or necessary to the particular use;
 - f. The financial resources to perform the Contract.
- 8. RESPONSIVE OFFEROR:** An Offeror determined staff to have submitted a proposal that conforms in all material respects to the requirements of the proposal documents.
- 9. AWARD OF CONTRACT:**
- a. Unless the prospective contractor states otherwise, or unless provided within this Request for Proposal, the City reserves the right to award by individual line item, by group of line items, or as a total, whichever is deemed most advantageous to the City.
 - b. Notwithstanding any other provision of this Request for Proposal, The City expressly reserves the right to:
 - i. Waive any immaterial defect or informality; or
 - ii. Reject any or all proposals, or portions thereof, or
 - iii. Reissue a Request for Proposal.
 - c. A response to a Request for Proposal is an offer to contract with the City based upon the terms, conditions and specifications contained in the City's Request for Proposal and the written amendments thereto, if any. Proposals do not become contracts unless and until they are accepted by the City. The Contract has its inception in the award document, eliminating a formal signing of a separate contract. For that reason, all of the terms and conditions of the procurement Contract are contained in the Request for Proposal, unless modified by a Solicitation Amendment or a Contract Amendment.
- 10. TAXES:** The City of Surprise is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales tax, if any, shall be indicated as a separate item.

11. CONFIDENTIAL INFORMATION:

- a. If a person believes that a proposal, offer, specification, or protest contains information that should be withheld, a statement advising staff of this fact will accompany the submission and the information will be identified.
- b. The information identified by the person as confidential will not be disclosed until the Procurement Manager makes a written determination.
- c. Staff will review the statement and information and will determine in writing whether the information will be withheld.
- d. If staff determines to disclose the information, they will inform the Proposer in writing of such determination.

12. PROPOSAL EVALUATION: Award(s) will be made to the responsible and responsive Offeror whose proposal conforms in all material respects to the requirements and criteria set in the Request for Proposal. The City will be the sole judge as to the acceptability of the products and/or services offered.

During the evaluation process, the City of Surprise reserves the right, where it may serve the City's best interest, to request additional information or clarifications from proposers. At the discretion of the City of Surprise, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

If oral presentations are conducted, the Evaluation Committee will determine the Offerors best suited to meet the needs of the City based on the scoring of the evaluation criteria. These Offerors will form the "Offeror Short List" that may be invited for oral presentation.

Oral presentations may be conducted at City offices. Time limitations and presentation requirements will be provided with the "Offeror Short List" notification. Each Evaluation Committee member will score the oral presentation. Oral presentation scores will be added to the proposal evaluation scores to determine the basis for award.

The City may elect, at its sole option, not to conduct oral presentations with Offerors. The City may request additional information or clarification of Offerors and hereby reserves the right to select the particular response to this RFP that it believes will best serve its business and operational requirements, considering the evaluation criteria set forth within paragraph 15.

13. EVALUATION CRITERIA: The following evaluation factors are listed below. Topics should be addressed in the following order for ease of evaluator interpretation and evaluation.

The committee will evaluate and rank the offers based on these criteria:

- | | |
|----------------------------------|-----|
| a) Quality of Proposal | 50% |
| b) Experience and Qualifications | 30% |
| c) Price | 10% |
| d) Past Performance References | 10% |



SECTION 1

INSTRUCTIONS

- 14. COST OF PROPOSAL:** The City will not reimburse the cost of developing, presenting, or providing any response to this solicitation. Offers submitted for consideration should be prepared simply and economically, providing adequate information in a straight-forward and concise manner.

SCOPE OF WORK

The City of Surprise is seeking proposals from artists to fabricate and install an original work of art to be displayed in front of the entrance to City Hall. The chosen art piece will be permanently situated on a pedestal measuring 55" x 55" x 34" in size. The pedestal is a concrete base clad in travertine pavers.

The accepted Offeror will supply the work of art depicted and described in their submittal. The City will have complete control over placement, display, and signage for the Work.

The Offeror warrants that the nature, kind, and quality of construction and materials used in the Work is suitable for long-term exterior display in the Phoenix metropolitan area.

The Work will be installed at a mutually agreeable date and time.

The Artist will be responsible for transportation of the Work to and from the City designated display area. The Work must be delivered ready for mounting, which includes appropriate attachment points or plates (unless previously arranged) and equipped with mounting apparatus.

The City will install the work. The City makes no representation regarding how long the Work will remain visible in City Hall. The City may at its discretion remove the Work at any time.

The City may use the Work for marketing, advertising, and social media purposes. All uses of the artwork must be properly credited to the Artist.

The City will retain all intellectual property rights in the artistic work. The Artist may not reproduce the Work but may use images of the Work for portfolio purposes but must label the work as located at "City of Surprise City Hall."



SCOPE OF WORK

OFFER

The undersigned hereby certifies on behalf of the named entity that:

- o Reasonable diligence has been exercised in the preparation of this submission;
- o All contents are true, accurate, and complete to the best of the signer's knowledge;
- o The undersigned has the authority to make this Offer and to bind the entity named below; and
- o No exceptions to the Solicitation are taken (*Note, exceptions taken may render the submission nonresponsive*).

The undersigned further certifies that the entity named below IS _____ or IS NOT _____ currently debarred, suspended, or proposed for debarment by any governmental entity. The undersigned agrees to notify the City of any change in this status, should one occur, before the time an award has been made under this invitation for bid.

The undersigned, on behalf of the entity named below, hereby offers to furnish materials and/or services as set forth in this Offer, in compliance with all terms, conditions, specifications in and amendments to the Invitation for Bid **318000151**. By making this offer, the entity will be contractually bound to provide these goods and services if the offer is accepted by the City.

Offeror Name:	
Street Address:	
City, St. Zip:	
Signature for Offer	

Telephone:	
Fax:	
Email:	
(date)	

ACCEPTANCE OF OFFER AND CONTRACT AWARD (For City of Surprise Use Only)

Your offer is hereby accepted. You are now bound to provide the services described in the Contract Documents.

Attested by:

City Clerk

Approved as to form:

City Attorney's Office

City of Surprise, Arizona. Effective Date: _____

Contract #

Government & Community Partnerships Director

Awarded on: _____

City Manager



PAST PERFORMANCE REFERENCES

Bidder Name: _____

Please list the name, address, contact name, email address and telephone number for three (3) organizations for whom your company has provided services of a similar size and scope within the past 24 months. These references will be checked and will be evaluated to for determination of vendor responsibility.

Company Name:	
Contact Name:	
Address:	
Contact Email:	
Phone Number:	

Company Name:	
Contact Name:	
Address:	
Contact Email:	
Phone Number:	

Company Name:	
Contact Name:	
Address:	
Contact Email:	
Phone Number:	



SECTION 2

SCOPE OF WORK

Company Legal/Corporate Name: _____

Doing Business As (if different than above): _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

E-Mail Address: _____ Website: _____

DUNS # _____ State Where Business Entity Was Formed: _____

Remit to Address (if different than above):
above):

Order from Address (if different from

Address: _____

Address: _____

City: _____

City: _____

State: _____ Zip: _____

State: _____ Zip: _____

Contact for Questions about this bid:

Name: _____

Title: _____

Phone: _____

E-Mail Address: _____

Day-to-Day Project Contact (if awarded):

Name: _____

Title: _____

Phone: _____

E-Mail Address: _____

STANDARD TERMS AND CONDITIONS

1. **DEFINITIONS:** The terms-, as used in or pertaining to the contract, are defined as follows:
 - a. **CITY:** “City” will refer to the City of Surprise, Arizona.
 - b. **CITY REPRESENTATIVE on this project once an award is made:** City Manager’s Office.
 - c. **CONTRACT:** “Contract” will include this entire Invitation for Bid solicitation package, the chosen bid, and any future Notice of Award, Notice to Proceed, Change Orders, Certificate of Insurance & Schedule A, Certificate of Completion, Plans and Addenda thereto.
 - d. **CONTRACTOR:** “Contractor” is defined as the person, firm or corporation with whom the contract is made by the City.
 - e. **MATERIALS:** “Materials” will include, in addition to materials incorporated in the project, equipment and other material used and/or consumed in the performance of the Work.
 - f. **SUBCONTRACTOR:** “Subcontractor” is defined as those persons or groups of persons having a direct contract with Contractor and those who furnish material according to the plans and/or specifications for this Work, and includes those who merely furnish materials.
 - g. **WORK:** “Work” will include all labor necessary to accomplish the services required by the Contract and all materials and equipment used or needed for services.
2. **PURPOSE:** Pursuant to provisions of the Surprise Public Art Policies & Procedures Guide, the City of Surprise seeks to procure a work of art to add to its permanent collection.
3. **AUTHORITY:** This Solicitation as well as any resultant contract is issued under the authority of the City Manager. No alteration of any resultant contract may be made without the express written approval of the City Procurement Manager in the form of an official contract amendment. Any attempt to alter any contract without such approval is a violation of the contract. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.
4. **TERM OF CONTRACT:** The term of any resultant contract shall commence on the date of award and shall continue for a period of one (1) year thereafter, unless terminated, cancelled or extended as otherwise provided herein.
5. **CONTRACT EXTENSION:** By mutual written contract amendment, any resultant contract may be extended for supplemental periods of up to a maximum of sixty (60) months.
6. **CONTRACT TYPE:** Fixed Price

STANDARD TERMS AND CONDITIONS

7. **INSURANCE REQUIREMENTS:** The Contractor, at Contractor's own expense, will purchase and maintain insurance with companies duly licensed in the State of Arizona and possessing a current A.M. Best, Inc. Rating of A- with policies and forms satisfactory to the City.

- a. All required insurance must be maintained in full force and effect until all work required to be performed under the terms of the Contract is satisfactorily completed and formally accepted; failure to do so may, at the sole discretion of the City, constitute a material breach of this Contract.
- b. The Contractor's insurance will be primary, and any insurance or self-insurance maintained by the City will not contribute to it.
- c. Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty will not affect coverage afforded under the insurance policies to protect the City.
- d. The insurance policies, except Workers' Compensation, will contain a waiver of transfer rights of recovery (subrogation) against the City, its agents, representatives, directors, officers, and employees for any claims arising out of the Contractor's acts, errors, mistakes, omissions, work or service.
- e. The insurance policies may provide coverage which contains deductibles or self-insured retentions. Such deductible and/or self-insured retentions will not be applicable with respect to the coverage provided to the City under such policies. The Contractor will be solely responsible for the deductible and/or self-insured retention and the City, at its option, may require the Contractor to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit.
- f. The City reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements. The City will not be obligated, however, to review same or to advise Contractor of any deficiencies in such policies and endorsements, and such receipt will not relieve Contractor from, or be deemed a waiver of the City's right to insist on, strict fulfillment of Contractor's obligations under this Contract.
- g. The insurance policies will name the City, its agents, representatives, officers, directors, officials and employees as Additional Insureds.
- h. **Required Insurance Coverage:**

Contractor must be insured with the following types and minimum amounts of coverage. If any work is subcontracted, the Contractor must require the Subcontractor to be insured to the same extent as required of the Contractor.

- a) Commercial General Liability

The policy must include bodily injury, property damage, personal injury and broad form contractual liability coverage.

STANDARD TERMS AND CONDITIONS

General Aggregate	\$1,000,000
Products – Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Blanket Contractual Liability – Written and Oral	\$1,000,000
Fire Legal Liability	\$ 50,000
Each Occurrence	\$1,000,000

The policy must be endorsed to include the City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.

The policy must contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

b) Automobile Liability

The policy must cover bodily injury and property damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL)	\$1,000,000
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The policy must be endorsed to include the City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.

The policy must contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

- i. **Certificates of Insurance:** Prior to commencing work under this Contract, Contractor will furnish the City with Certificates of Insurance, or formal endorsements as required by the Contract, issued by Contractor's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.
- j. In the event any insurance policy required by this Contract is written on a "claims made" basis, coverage must extend for two years past completion and acceptance of the Contractor's work, as evidenced by annual certificates of insurance.
- k. If a policy does expire during the life of the Contract, a renewal certificate must be sent to the City no later than fifteen (15) days prior to the expiration date.
- l. All certificates of insurance will be identified with proposal serial number and title. A \$25.00 administrative fee will be assessed for all certificates received without the appropriate proposal serial number and title.

STANDARD TERMS AND CONDITIONS

- m. **Cancellation and Expiration Notice:** Insurance required herein will not expire, be canceled, or materially changed without thirty (30) days prior written notice to the City.
8. **INVOICES:** Contractor shall submit invoices to the City of Surprise City Manager's Office, 16000 N Civic Center Plaza, Surprise, AZ 85374. Invoices may also be submitted electronically to danielle.osborne@surpriseaz.gov
9. **BILLING:** All billing notices to the City shall identify the specific item(s) being billed and the purchase order number. Items are to be identified by the name, model number, and/or serial number most applicable. Any purchase/delivery order issued by the requesting agency shall refer to the contract number resulting from this solicitation.
10. **CANCELLATION:** The City reserves the right to cancel the whole or any part of this contract due to failure by the contractor to carry out any obligation, term or condition of the contract. The City will issue written notice to the contractor for acting or failing to act as in any of the following:
- a. The contractor provides material that does not meet the specifications of the contract;
 - b. The contractor fails to adequately perform the services set forth in the specifications of the contract;
 - c. The contractor fails to complete the work required or to furnish the materials required within the time stipulated in the contract;
 - d. The contractor fails to make progress in the performance of the contract and/or gives the City reason to believe that the contractor will not or cannot perform to the requirements of the contract.

Upon receipt of the written notice of concern, the contractor shall have ten (10) days to provide a satisfactory response to the City. Failure on the part of the contractor to adequately address all issues of concern may result in the City resorting to any single or combination of the following remedies:

- a. Cancel any contract;
- b. Reserve all rights or claims to damage for breach of any covenants of the contract;
- c. Perform any test or analysis on materials for compliance with the specifications of the contract. If the results of any test or analysis find a material non-compliance with the specifications, the actual expense of testing shall be borne by the contractor;
- d. In case of default, the City reserves the right to purchase materials, or to complete the required work in accordance with the City Procurement Code. The City may recover any actual excess costs from the contractor by:
 - i. Deduction from an unpaid balance;

STANDARD TERMS AND CONDITIONS

- ii. Collection against the bid and/or performance bond, or;
- iii. Any combination of the above or any other remedies as provided by law.

11. DEFAULT: The City, by written notice of default to the contractor, may terminate the whole or any part of this contract in any one of the following circumstances:

- a. If the contractor fails to make delivery of the supplies or to perform the services within the time specified; or
- b. If the contractor fails to perform any of the other provisions of this contract, and fails to remedy the situation within a period of ten (10) days after receipt of notice.

In the event the City terminates this contract in whole or part, the City may procure supplies or services similar to those terminated, and the contractor shall be liable to the City for any excess costs for such similar supplies or services.

12. CONFLICT: In the event of a conflict in language between the Solicitation and the Offer, the provisions and requirements in the Solicitation will govern. However, the City reserves the right to clarify, in writing, any contractual terms with the concurrence of Contractor, and such written Contract will govern in case of conflict with the applicable requirements stated in the Solicitation or the Proposer's offer.

13. INDEPENDENT CONTRACTOR: Contractor acknowledges that all services provided under this Agreement are being provided as an independent contractor, not as an employee or agent of the City. Both parties agree that this Agreement is nonexclusive and that Contractor is not prohibited from entering into other contracts nor prohibited from practicing its profession elsewhere.

- a. Contractor is an independent contractor; therefore, the City will not provide Contractor with health insurance, life insurance, workmen's compensation, sick leave, vacation leave, or any other fringe benefits. Further, Contractor acknowledges that Contractor is exempt from coverage of the Comprehensive Benefit and Retirement Act (COBRA). Any such fringe benefits will be the sole responsibility of Contractor.

14. NON- APPROPRIATION CLAUSE/FUNDING: Contractor understands that the continuation of this Contract is subject to the budget of Surprise providing for the Contract item as an expenditure. Surprise cannot assure that the budget item for funding this Contract will be approved in the future; as such assurance would be a legislative and policy determination of the City Council.

15. AFFIRMATIVE ACTION REPORT: It is the policy of the City of Surprise that suppliers of goods or services to the City adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire, and promote regardless of race, color, religion, gender, national origin, age or disability.

STANDARD TERMS AND CONDITIONS

- 1. APPLICABLE LAW:** In the performance of this agreement, contractors shall abide by and conform to any and all laws of the United States, State of Arizona and City of Surprise including but not limited to federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this agreement.

Contractor warrants, for the term of this agreement and for six months thereafter, that it has fully complied with the requirements of the Immigration Reform and Control Act of 1986 and all related or similar legal authorities.

This contract shall be governed by the City, and Contractor shall have all remedies afforded by the Uniform Commercial Code, as adopted in the State of Arizona, except as otherwise provided in this contract or in statutes pertaining specifically to the City. This contract shall be governed by the laws of the State of Arizona and suit pertaining to this contract may be brought only in courts in the State of Arizona.

This contract is subject to the provisions of ARS §38-511; the City may cancel this contract without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City or any of its departments or agencies, 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.

- 2. CONTRACT:** The contract between the City and the Contractor shall consist of (1) the Solicitation, including instructions, all terms and conditions, specifications, scopes of work, attachments, and any amendments thereto, and (2) the offer submitted by the Proposer in response to the solicitation. In the event of a conflict in language between the Solicitation and the Offer, the provisions and requirements in the Solicitation shall govern. However, the City reserves the right to clarify, in writing, any contractual terms with the concurrence of the Contractor, and such written contract shall govern in case of conflict with the applicable requirements stated in the Solicitation or the Proposer's offer. The Solicitation shall govern in all other matters not affected by the written contract.
- 3. CONTRACT AMENDMENTS:** This contract may be modified only by a written Contract Amendment signed by persons duly authorized to enter into contracts on behalf of the City and the Contractor.
- 4. CONTRACT APPLICABILITY:** The Offeror shall substantially conform to the terms, conditions, specifications and other requirements found within the text of this specific Solicitation. All previous agreements, contracts, or other documents, which have been executed between the Offeror and the City, are not applicable to this Solicitation or any resultant contract.
- 5. PROVISIONS REQUIRED BY LAW:** Each and every provision of law and any clause required by law to be in the contract will be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the contract will forthwith be physically amended to make such insertion or correction.

STANDARD TERMS AND CONDITIONS

- 6. SEVERABILITY:** The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the contract which may remain in effect without the invalid provision or application.
- 7. RELATIONSHIP TO PARTIES:** It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Contractor is advised that taxes or Social Security payments will not be withheld from any City payments issued hereunder and that the Contractor should make arrangements to directly pay such expenses, if any.
- 8. RIGHTS AND REMEDIES:** No provision in this document or in the Proposer's offer shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract. The failure of the City to insist upon the strict performance of any term or condition of the contract or to exercise or delay the exercise of any right or remedy provided in the contract, or by law, or the City's acceptance of and payment for materials or services, shall not release the Contractor from any responsibilities or obligations imposed by this contract or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of the Contract.
- 9. INDEMNIFICATION:** To the fullest extent permitted by law, the Offeror shall indemnify, defend and hold harmless the City and each council member, officer, board, commission, officers, officials, employee or agent thereof (the City and any such person being herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, claims processing, investigation, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof) relate to, arise out of, or are caused by or in connection with the negligent or willful acts or omissions of work or professional services of the Consultant, its officers, employees, agents, or any tier of subcontractor in the performance of this Agreement. In consideration of the award of this contract, the Consultant agrees to waive all rights of subrogation against the City, its officers, officials, agents and employees for losses arising from the work performed by the Consultant for the City.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.
- 10. FORCE MAJEURE:** Except for payment for sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force Majeure. The term "*force majeure*" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God: acts of the public enemy; war; acts of terror, hate crimes affecting public order; riots; strikes; mobilization; labor disputes; civil disorders; fire; floods; lockouts, injunctions-intervention-acts, or failures or refusals to act by government authority; events or obstacles resulting from a governmental authority's response to the foregoing; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence. The force majeure shall be deemed to

STANDARD TERMS AND CONDITIONS

commence when the party declaring force majeure notifies the other party of the existence of the force majeure and shall be deemed to continue as long as the results or effects of the force majeure prevent the party from resuming performance in accordance with this Contract.

Force majeure shall not include the following occurrences:

- a. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, an oversold condition of the market, inefficiencies, or similar occurrences.
- b. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this Force Majeure term and Condition.

Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure. If either party is delayed at any time in the progress of the work by force majeure, then the delayed party shall notify the other party in writing of such delay within forty-eight (48) hours commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be hand delivered or mailed *Certified-Return Receipt* and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing. The time of completion shall be extended by contract modification for a period of time equal to the time that the results or effects of such delay prevent the delayed party from performing in accordance with this contract.

11. RIGHT TO ASSURANCE: Whenever one party to this contract in good faith has reason to question the

12. WARRANTIES: Contractor warrants that all material, service or construction delivered under this contract shall conform to the specifications of this contract. Unless otherwise stated in Contractor's response, the City is responsible for selecting items, their use, and the results obtained from any other items used with the items furnished under this contract. Mere receipt of shipment of the material/service specified and any inspection incidental thereto by the City shall not alter or affect the obligations of the Contractor or the rights of the City under the foregoing warranties. Additional warranty requirements may be set forth in the solicitation.

13. INSPECTION: All material and/or services are subject to final inspection and acceptance by the City. Materials and/or services failing to conform to the specifications of this Contract will be held at Contractor's risk and may be returned to the Contractor. If so returned, all costs are the responsibility of the Contractor. The City may elect by a written determination to do any or all:

- a. Waive the non-conformance.
- b. Stop the work immediately.
- c. Bring material into compliance.

14. TITLE AND RISK OF LOSS: The title and risk of loss of material and/or service shall not pass to the City until the City actually receives the material or service at the point of delivery, unless otherwise provided within this Contract.

STANDARD TERMS AND CONDITIONS

- 15. NO REPLACEMENT OF DEFECTIVE TENDER:** Every tender of materials shall fully comply with all provisions of the Contract. If a tender is made which does not fully conform, this shall constitute a breach of the Contract as a whole.
- 16. DEFAULT IN ONE INSTALLMENT TO CONSTITUTE TOTAL BREACH:** Contractor shall deliver conforming materials in each installment of lot of this Contract and may not substitute nonconforming materials. Delivery of nonconforming materials or a default of any nature, at the option of the City, shall constitute a breach of the Contract as a whole.
- 17. PATENTS AND COPYRIGHTS:** All services, information, computer program elements, reports and other deliverables, which may be patented or copyrighted and created under this contract are the property of the City and shall not be used or released by the Contractor or any other person except with the prior written permission of the City.
- 18. PREPARATION OF SPECIFICATIONS BY PERSONS OTHER THAN CITY PERSONNEL:** All specifications shall seek to promote overall economy for the purposes intended and encourage competition and not be unduly restrictive in satisfying the City's needs. No person preparing specifications shall receive any direct or indirect benefit from the utilization of specifications, other than fees paid for the preparation of specifications.
- 19. COST OF BID/PROPOSAL PREPARATION:** The City shall not reimburse the cost of developing presenting or providing any response to this solicitation. Offers submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner.
- 20. PUBLIC RECORD:** All offers submitted in response to this solicitation shall become the property of the City and shall become a matter of public record available for review, subsequent to the award notification.
- 21. ADVERTISING:** Contractor shall not advertise or publish information concerning this Contract, without prior written consent of the City.
- 22. DELIVERY ORDERS:** The City shall issue a Purchase Order for the material and/or services covered by this contract. All such documents shall reference the contract number as indicated on the Offer and Contract Award.
- 23. PAYMENT:** The City shall pay the Contractor monthly, based upon work performed and completion to date, and upon submission of invoices. All invoices shall document and itemize all work completed to date. The invoice statement shall include a record of time expended and work performed in sufficient detail to justify payment.
- 24. COMPLIANCE WITH FEDERAL IMMIGRATION LAWS AND REGULATIONS:** Contractor warrants that it complies with all Federal Immigration laws and regulations that relate to its employees and complies with A.R.S. § 23-214.A. Contractor acknowledges that pursuant to A.R.S. § 41-4401 and effective September 30, 2008, a breach of this warranty is a material breach of this contract subject to penalties

STANDARD TERMS AND CONDITIONS

up to and including termination of this contract, and that the City retains the legal right to inspect the papers of any employee who works on the contract to ensure compliance with this warranty.

25. CERTIFICATION OF NON-BOYCOTT OF ISRAEL: Contractor certifies that it does not, and will not, participate in during the term of this contract, a boycott of Israel in accordance with Arizona Revised Statute §35-393.01. Contractor hereby agrees to indemnify and hold harmless the City, its agents and employees from any claims or causes of action relating to the City's action based upon reliance upon this representation, including the payment of all costs and attorney fees incurred by the City in defending such an action.

26. CONTRACT ORDER OF PRECEDENCE – In the event of conflict in the provision of the Contract, as accepted by the City and as they may be amended, the following shall prevail in the order set forth below:

- a) Special Terms and Conditions
- b) Standard Terms and Conditions
- c) Statement or Scope of Work
- d) Documents referenced or included in the Solicitation
- e) Submitted Proposal
- f) Purchase Order Terms and Conditions

Ken Kasten
Fine Art

Email: k

May 11, 2018

Danielle Osborne
City of Surprise Arizona
16000 N Civic Center Plaza
Surprise, AZ 85374

Re: RFP 318000151

Dear Danielle and City of Surprise,

Thank you for personally notifying me of this Request For Proposal. I consider it a great opportunity for both the City and myself to enhance the community with art. It is my intention to create for you a unique piece which complements both your architecture and landscaping, as well as representing elements of our unequaled setting in the southwest through my sculpture "Full Equinox".

"Full Equinox" is the completed evolution of "Equinox" in which I, along with the City, initially located and designed the sculpture's pedestal in 2015. The title "Full Equinox" is derived from the addition of one half round form, differing from the original "Equinox" by filling a void, thus visually completing a full circle. This is representative of the fulfilled migration of "Equinox" back to it's original location.

"Full Equinox", \$23,500, is made of polished steel, clear coated and built to the same standards as it's predecessor. In this packet I have included the detailed specifications and plans again for your review. They have already met the requirements of the City of Surprise's following departments: Planner/Landscaping; Risk Management; Public Works and Facilities; Fire; Building Safety; Premier Engineering Corp.

As we together invest in your City, it is my goal to continue to create value through my work and reputation. A few years ago we worked together to put something special in that location and it would be an honor to be part of the City of Surprise again.

Please feel free to contact me any time, visit my studio and website.

Thank you for your consideration,



Ken Kasten

**Ken Kasten
Fine Art**

Email:

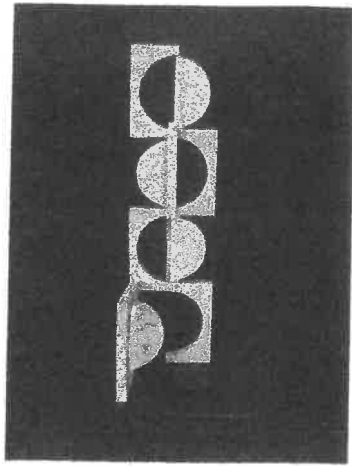
May 11, 2018

**City of Surprise Arizona
16000 N Civic Center Plaza
Surprise, AZ 85374**

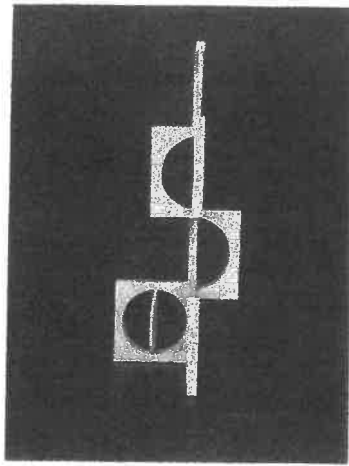
Re: RFP 318000151

Statement of Qualifications

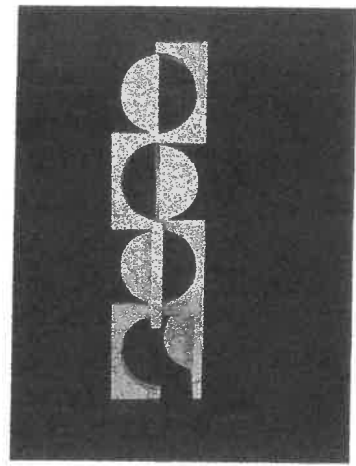
- Over 30 years experience as a builder and designer**
- I have worked with multiple municipalities and have fulfilled many contracts**
- In the few years I've pursued art I've accomplished 5 public sculptures**
- My work has been collected from Germany to Hawaii**
- I designed the current pedestal on location**



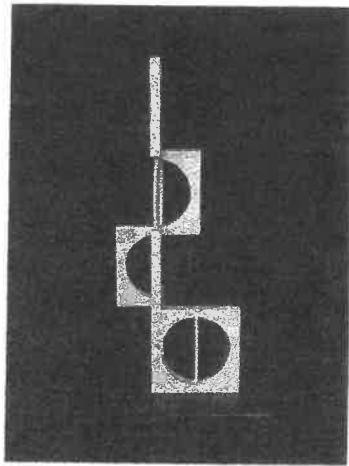
Front View



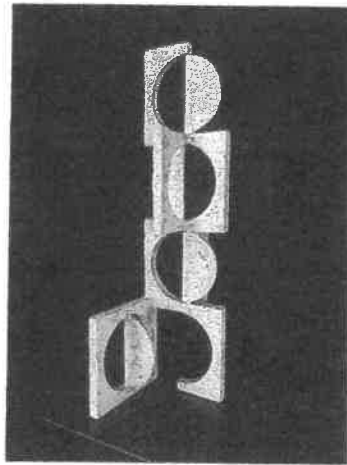
Right Side View



Rear View

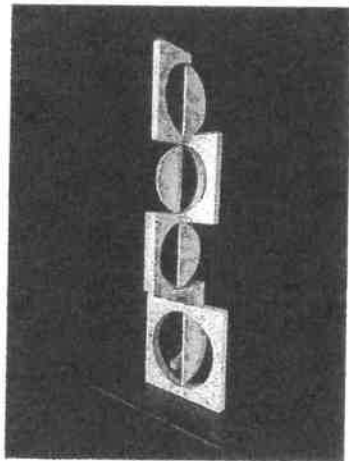


Left View

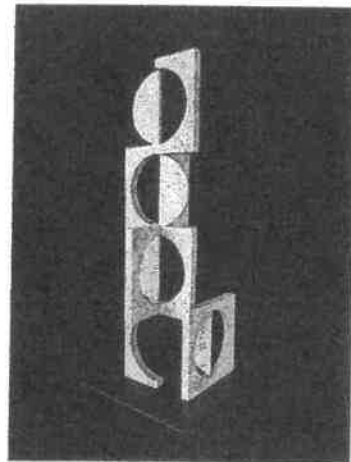


Angled View

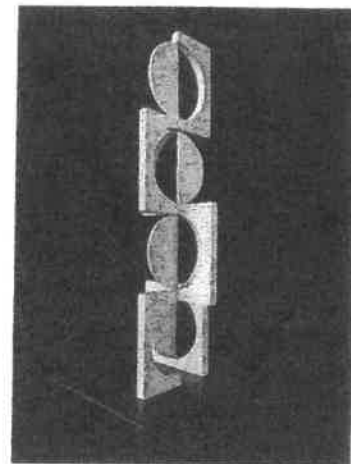
Maquette of
Proposed
"Full Equinox"



Angled View



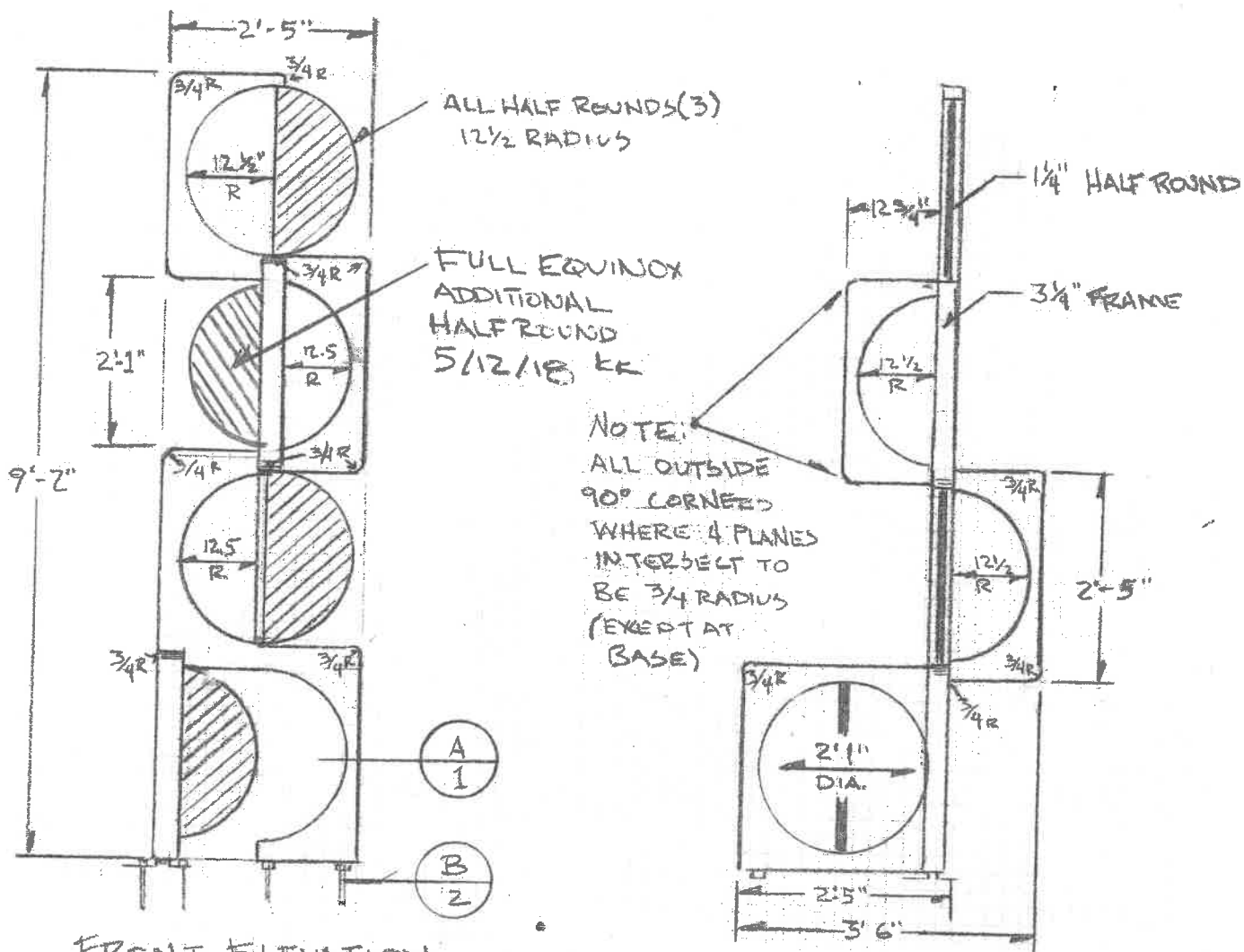
Angled View



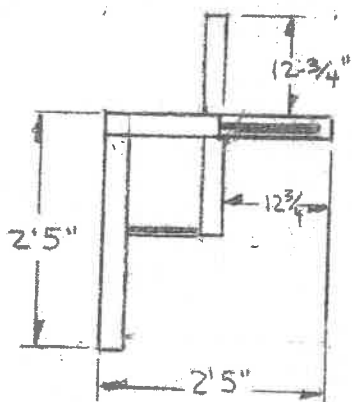
Angled View

RFP #318000151

REVISED 7/30/15

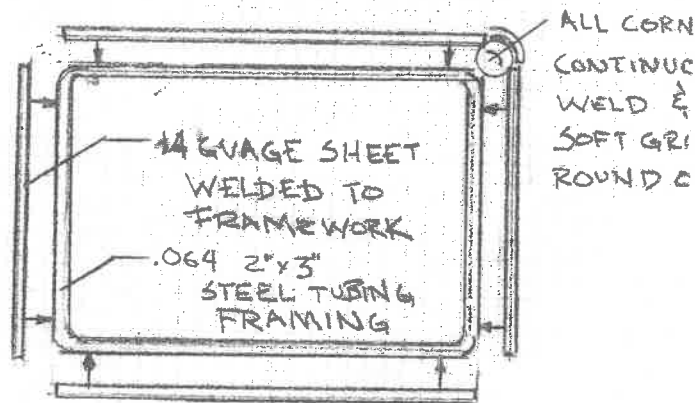


FRONT ELEVATION
SCALE 1/2" = 1'-0"

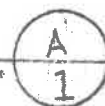


TOP ELEVATION
SCALE 1/2" = 1'-0"

SIDE ELEVATION
SCALE 1/2" = 1'-0"



SECTION
SCALE 3/4" = 1'-0"



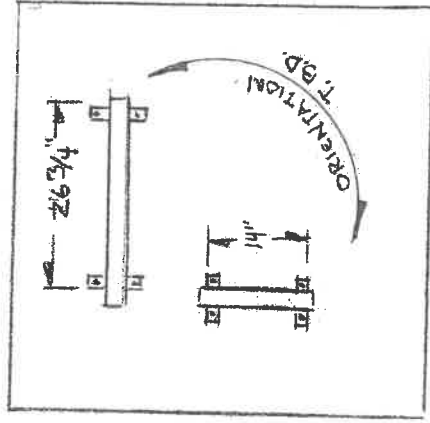
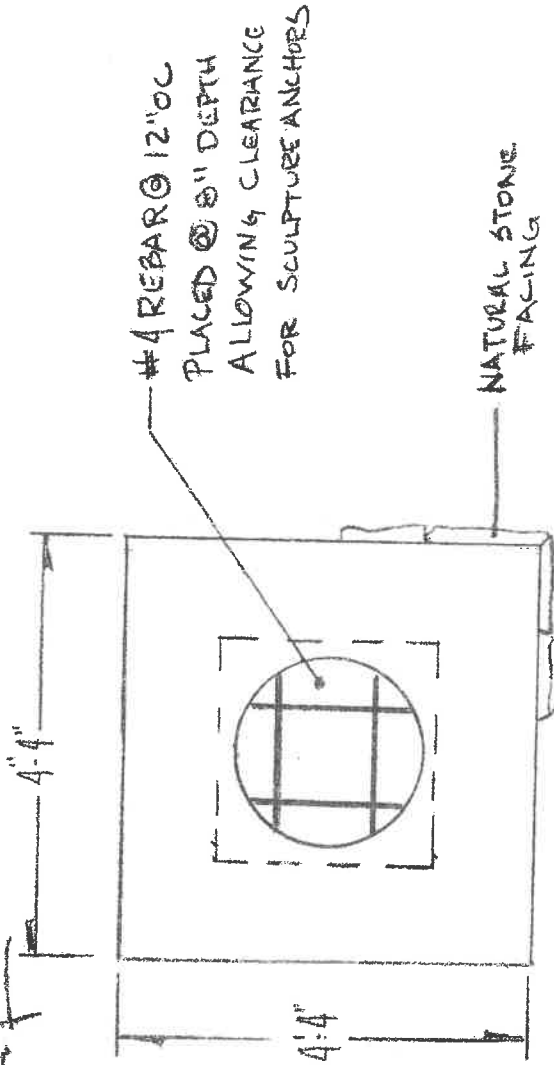
SURPRISE EQUINOX
RFP 318000 151

KEN KASTEN
kenkasten1@gmail.com

REVISED 7/30/15



NOTE: SCULPTURE ORIENTATION ON PLATFORM TO BE DETERMINED. A TEMPLATE FOR BOLT PLACEMENT SHALL BE PROVIDED TO INSTALLATION CONTRACTOR

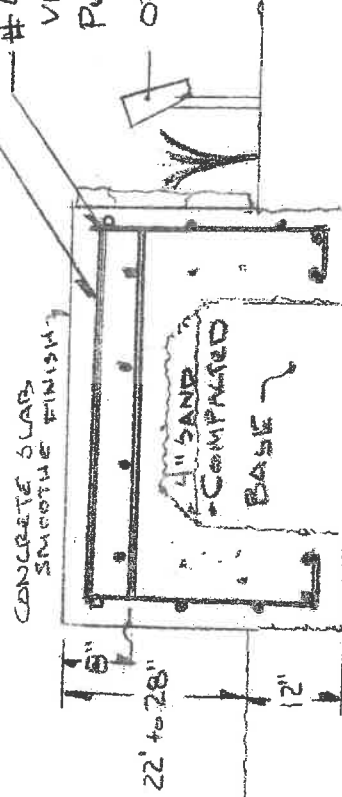


TOP VIEW
SCALE 1/2" = 1'-0"

NOTE: CONTRACTOR TO
POT HOLE FOR UTILITY
PRIOR TO EXCAVATION

TOP VIEW ANCHOR
(TO BE SIGHTED)
SCALE 1/2" = 1'-0"

#4 HORIZONTAL @ PERIMETER 12" O.C.
MIN 2" SPACE FROM EDGE OF SLAB
#4 REBAR - 12" O.C.
VERTICAL @ PERIMETER 12" O.C.
PERIMETER FACED W/ NATURAL STONE TO MATCH CITY HALL
OPTIONAL PLANTING
& LIGHTING



SIDE VIEW
SCALE 1/2" = 1'-0"

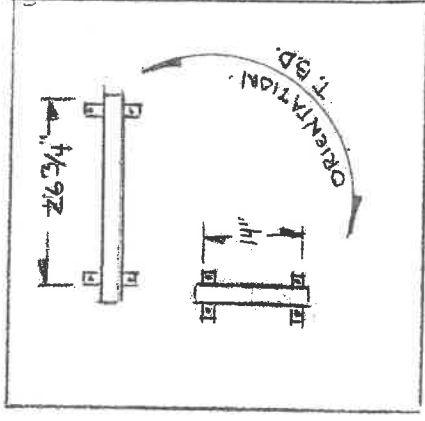
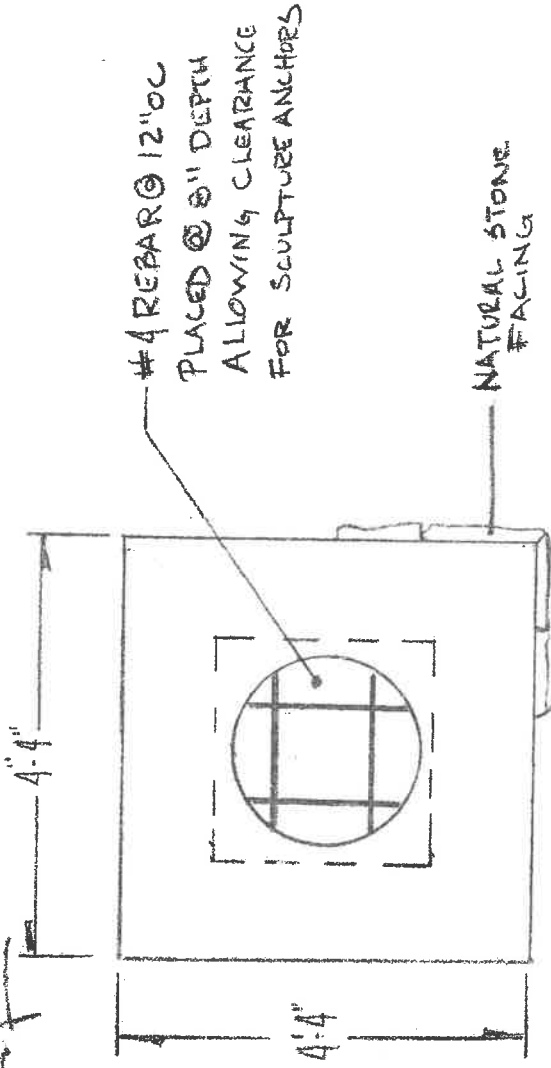
PLATFORM DESIGN PLAN
SURPRISE EQUINOX
RFP 318000151

KEN KASTEN
kenkasten@gmail.com
928 (899) 1373

REVISED 7/30/15

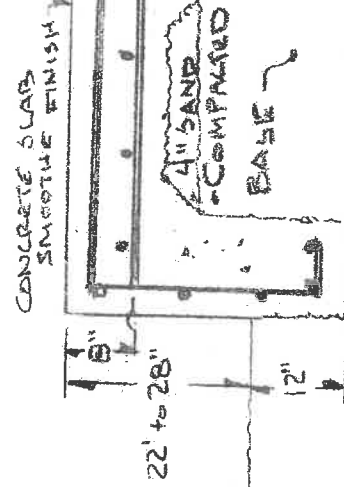


3.
NOTE: SCULPTURE ORIENTATION
ON PLATFORM TO BE DETERMINED.
A TEMPLATE FOR BOLT PLACEMENT
SHALL BE PROVIDED TO INSTALLATION
CONTRACTOR



TOP VIEW
SCALE 1/2" = 1'-0"

NOTE: CONTRACTOR TO
POT HOLE FOR UTILITY
PRIOR TO EXCAVATION



SIDE VIEW
SCALE 1/2" = 1'-0"

TOP VIEW ANCHOR
(TO BE SIGHTED)
SCALE 1/2" = 1'-0"

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MIN 2" SPACE FROM EDGE OF SLAB
#4 REBAR - 12" O.C.
VERTICAL @ PERIMETER 12" O.C.
PERIMETER FACED W/ NATURAL STONE TO MATCH CITY HALL
OPTIONAL PLANTING
& LIGHTING

PLATFORM DESIGN PLAN

SURPRISE EQUINOX
R.F.P. 318000151

KEN KASTEN
kenkasten@gmail.com
928 (899) 1373



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Kendra Pettis, Sports & Tourism Director
Submitting Department:	CRS	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to an amendment to the FY2018 Budget by reallocating revenue appropriations of \$174,200 from Other Grant Revenue within the Grant Revenue Fund and expenditure appropriations from contingency within the Grants Fund due to increased revenue received from ticket surcharges for the 2018 Spring Training Season; Resolution #2018-95.

Motion:

I move to approve Resolution #2018-95.

Background:

The adopted budget for the Community and Recreation Services Department included funding for building maintenance in the Spring Training Ticket Surcharge Fund. Additional surcharge funds were received during the 2018 Spring Training season over the budgeted amount. An increase in appropriation is required to expend the additional surcharge funds that were collected.

Objective Analysis:

The additional revenue received will assist with stadium building maintenance expenditures.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

The additional revenue received will assist with stadium building maintenance expenditures for FY18.

Budget Impact:

This is a budget amendment to transfer \$174,200 in expenditure appropriation from contingency within the Grants Fund to the Spring Training Surcharge Fund and \$174,200 in revenue appropriation from the Other Grants Revenue Fund to the Spring Training Surcharge Fund.

FTE Impact:

There is no FTE impact.

ATTACHMENTS:

Click to download

☐ [Resolution](#)

RESOLUTION # 2018-95

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2018 BUDGET BY REALLOCATING REVENUE APPROPRIATIONS OF \$174,200 FROM OTHER GRANT REVENUE WITHIN THE GRANT REVENUE FUND AND EXPENDITURE APPROPRIATIONS FROM CONTINGENCY WITHIN THE GRANTS FUND DUE TO INCREASED REVENUE RECEIVED FROM TICKET SURCHARGES FOR THE 2018 SPRING TRAINING SEASON.

WHEREAS, the FY2018 budget was adopted included funding for the Spring Training Ticket Surcharge fund;

WHEREAS, additional surcharge funds were received during the 2018 Spring Training season over the budgeted amount;

WHEREAS, an increase in appropriation is required to expend the additional surcharge funds that were collected;

WHEREAS, the FY2018 budget was adopted by Council Resolution #2017-64 on June 6, 2017;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2018-95**Exhibit A**

1. Appropriation- The allocations below represent a reallocation of appropriations in the amount of \$174,200 from Contingency within the Grants Fund to Services within the Spring Training Ticket Surcharge Fund to establish a budget for expenditures related to building maintenance. The allocations below also represent a reallocation of revenue appropriations in the amount of \$174,200 from Contingency within the Other Grants Revenue for the increase revenue collected. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants Contingency	General Operations	Contingency	Exp	\$7,175,400	(\$174,200)	\$7,001,200
Spring Training Ticket Surcharge	CRS	Services	Exp	\$689,000	\$174,200	\$863,200
Grant Revenue	General Operations	Other	Rev	\$11,828,100	(\$174,200)	\$11,653,900
Spring Training Ticket Surcharge	CRS	Charges for Services	Rev	\$689,000	\$174,200	\$863,200
				\$20,381,500	\$0	\$20,381,500



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Donna Miller, CRS Director
Submitting Department:	CRS	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to a Fiscal Year 2018 Budget amendment reallocating appropriation of \$2,100 from Project P54070 to Project P54100 within the General Capital Projects Fund to cover additional expenses for the 8 Acre Park fence project; Resolution #2018-93.

Motion:

I move to approve Resolution # 2018-93.

Background:

In fiscal year 2017, City Council approved a capital improvement project for \$300,000 to install a multi-purpose fence at the 8 Acre Park (now named Mark Coronado Park). The project commenced in fiscal year 2017 and was completed this past fall. Upon final project reconciliation, there wasn't sufficient appropriation for the permit fees. Savings were realized in other CRS capital projects which will assist in funding the additional expenses for the 8 Acre Park fence project.

Objective Analysis:

Due to savings in the other CRS capital projects, there is no additional budget impact.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

There is no financial impact. The increase to the project will be realized through savings in other projects.

Budget Impact:

This action transfers appropriation of \$2,100 from Project P54070 to Project P54100 with no additional impact to the General Capital Projects Fund.

FTE Impact:

There is no FTE impact.

ATTACHMENTS:

Click to download

☐ [Resolution # 2018-93](#)

RESOLUTION # 2018-93

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2018 BUDGET BY REALLOCATING APPROPRIATION OF \$2,100 FROM PROJECT P54070 TO PROJECT P54100 WITHIN THE GENERAL CAPITAL PROJECTS FUND FOR ADDITIONAL PROJECT EXPENSES.

WHEREAS, the FY2018 budget was adopted included funding for Capital Improvement Projects for the CRS Department;

WHEREAS, the 8 Acres fence project incurred additional expenses related to permits over the budgeted amount;

WHEREAS, savings were realized in the other CRS capital projects which will assist in funding the additional expenses for the 8 Acres fence project;

WHEREAS, the FY2018 budget was adopted by Council Resolution #2017-64 on June 6, 2017;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this _____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2018-93

Exhibit A

1. Appropriation- The allocations below represent a reallocation of appropriations in the amount of \$2,100 from Project P54070 to P54100. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
General Capital Projects	CRS	P54070	Exp	\$503,600	(\$2,100)	\$501,500
General Capital Projects	CRS	P54100	Exp	\$296,900	\$2,100	\$299,000
				\$800,500	\$0	\$800,500



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Seth Dyson, HSCV Director
Submitting Department:	Human Service & Community Vitality	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of Amendment Number Two to the Intergovernmental Agreement with Maricopa County for Workforce Development Services; Resolution #2018-92.

Motion:

I move to approve Resolution #2018-92.

Background:

On August 1, 2017, the City Council approved Resolution 2017-87 to enter into an IGA with Maricopa County for Workforce Development Services. The Workforce Innovation and Opportunity Act of 2014 is designed to help job seekers access employment, education, training and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. Maricopa County is designated as a Local Workforce Development Area under the federal WIOA. The County operates two (2) comprehensive Workforce Development One Stop Career Centers (Centers) under WIOA. The Centers provide employment-related services to job-seekers and employers in Maricopa County. The Centers provide services to job seekers such as workshops on job search and job retention skills, assessment tools for measuring interests, aptitude & skills, career exploration, vocational counseling, funding assistance for occupational skills training and job placement assistance. Resources such as computers, fax machines and copiers are available to assist in job search activities. The Centers hold job fairs for local employers recruiting employees to fill vacant positions. The Centers also provide transition assistance for local employers who experience a reduction in force and, therefore, must lay-off employees. The City will house a satellite office for the County. The services provided in the Resource Center will benefit job seekers and employers who cannot travel to access services in the County's Centers.

Objective Analysis:

This action will allow HSCV Department to continue to offer Workforce Development Services out of the Surprise Resource Center with a full time Workforce Development Coordinator, which will be employed by Maricopa County.

Policy Compliant:

This action is compliant with City and Council policies.

Financial Impact:

The ISB addresses the anticipated expenditures for July 1, 2018 – June 30, 2019. The City shall compensate the County on a monthly basis for program service delivery. The total compensation amount shall not exceed \$27,533.58 for the extension period and not more than \$2,294.47 per month.

Budget Impact:

The FY2019 adopted budget includes appropriation in the amount of \$116,600 within the General Fund for professional and outside services. As authorized by Council Resolution #2017-41, unspent appropriation at the end of each fiscal year will be carried forward to the next fiscal year through FY2020 and will be included as part of each year's budget adoption process.

FTE Impact:

This item does not impact the overall full-time equivalent count.

ATTACHMENTS:

Click to download

☐ [Resolution](#)

RESOLUTION #2018-92

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA APPROVING THE SECOND AMENDMENT TO THE INTERGOVERNMENTAL AGREEMENT WITH MARICOPA COUNTY FOR WORKFORCE DEVELOPMENT SERVICES.

WHEREAS, pursuant to Arizona Revised Statute §11-951, *et seq.*, the City of Surprise has the authority to enter into intergovernmental agreement with other governmental entities for the purposes set forth within;

WHEREAS, the City of Surprise and Maricopa County entered into an Intergovernmental Agreement on or about July 26, 2017, Resolution 2017-87;

WHEREAS, the parties desire to extend the intergovernmental agreement from June 30, 2018 – June 30, 2019 in order to continue to facilitate the integration of the County's workforce development system into the Surprise Resource Center;

WHEREAS, the city shall reimburse the County in an amount not to exceed \$27,533.58 for the extension period and a monthly amount not to exceed \$2,294.47; and

WHEREAS, Workforce Development services are critical to the City's economic health and a strategic investment and partnership with Arizona@Work Maricopa County will enhance employment services for Surprise businesses and career seekers.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Intergovernmental Agreement between the City of Surprise and Maricopa County, attached as Exhibit A, is approved.

Section 2. The City Manager, or his designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

THE SECOND AMENDMENT TO THE INTERGOVERNMENTAL
AGREEMENT BETWEEN
THE CITY OF SURPRISE AND MARICOPA COUNTY



AMENDMENT NO. 2
TO THE
INTERGOVERNMENTAL AGREEMENT
BETWEEN
MARICOPA COUNTY
ADMINISTERED BY ITS
HUMAN SERVICES DEPARTMENT
AND
CITY OF SURPRISE



- I.** Maricopa County (the “County”) by and through its Human Services Department (MCHSD), and the City of Surprise (“City”) entered into a financial Intergovernmental Agreement (“Agreement”) to integrate the County’s workforce development system into the City’s Resource Center. The term of the Agreement began on July 1 2017 through June 30, 2018. The Agreement was amended on March 2018 to include additional program requirements. The County and the City are collectively referred to herein as the “Parties” and individually as “Party”.
- II.** The Parties now wish to Amend the Agreement as follows:
- A. Extend the Agreement term from June 30, 2018 to June 30, 2019.
 - B. The Amendment shall be effective on July 1, 2018.
 - C. The City shall reimburse the County a not to exceed amount of \$27,533.58 for the extension period. The City shall pay the County the monthly amount not to exceed \$2,294.47.
 - D. Include Attachment “A” Itemized Service Budget (ISB) to the Agreement as modified for the new agreement term.
- III.** The Agreement may be extended for two (2) additional one (1) year terms. Upon approval of Amendment No. 2, one (1) one-year renewal term will remain.
- IV.** This Agreement is subject to A.R.S. §38-511. The foregoing paragraphs, contain all the changes made by this Amendment. All other terms and conditions of the original Agreement remain the same and in full force and effect as approved and amended.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS THEREOF, the Parties have signed this Agreement:

**FOR AND ON BEHALF OF
CITY OF SURPRISE:**

**FOR AND ON BEHALF OF
MARICOPA COUNTY:**

Chairman, Board of Supervisors

Date

Date

Attested to:

Attested to:

Clerk for the City Date

Fran McCarroll, Clerk of the Board Date

This Amendment has been reviewed by the undersigned legal counsel for the County and the City who have determined that it is in proper form and within the power and authority granted under the laws of the State of Arizona.

By:

By:

City Attorney Date

Deputy County Attorney Date

ATTACHMENT A

Amendment # 2

C-22-18-004-3-02

ITEMIZED SERVICE BUDGET

Effective Dates 7/1/2018 to 6/30/2019

CONTRACT SERVICE: Arizona@Work Workforce Development

AGENCY: City of Surprise

<i>City of Surprise shared cost is 33% of FTE</i>	12-Month Agreement Cost	MCHSD Cost	City of Surprise Cost
Total Personnel - 1 FTE @ \$22.09/hr * 2080 total hours	\$ 45,947.20	\$ 30,784.62	\$ 15,162.58
Maricopa County Merit Pay Increase for FY2019 - 2.5%	\$ 1,148.68	\$ 769.62	\$ 379.06
Total Employee Related Expenses - ¹ ERE = 19.45% + \$11	\$ 20,792.73	\$ 13,931.13	\$ 6,861.60
Total Indirect Cost - ² 22.9%	\$ 15,546.49	\$ 10,416.15	\$ 5,130.34
Subtotal	\$ 83,435.10	\$ 55,901.52	\$ 27,533.58

Total Cost for 12-Month for the City of Surprise **\$ 27,533.58**

¹ Based on 2019 FICA, Retirement, Unemployment Compensation, Worker's Compensation, Liability Insurance, Health/Dental/Life Insurance, and Dependent Care Assistance.

² Maricopa County Indirect Rate as allowed by Title 2 CFR Subpart E §200.414.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Donna Miller, CRS Director
Submitting Department:	CRS	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action approving an Intergovernmental Agreement with the Arizona Game and Fish Commission to continue the Community Fishing Program at Surprise Lake located within the Surprise Community Park; Resolution # 2018-68.

Motion:

I move to approve Resolution # 2018-68.

Background:

The City of Surprise and the Arizona Game and Fish Commission agreed to implement an urban fishing program at the Surprise Lake on December 12, 2002. Funds paid by the City of Surprise to the Arizona Game and Fish Commission help to defray the costs of operating the program and stocking fish at the lake. The current Intergovernmental Agreement with the Arizona Game and Fish Commission is due to expire on June 30, 2018. The new IGA will extend the agreement through June 30, 2023.

Objective Analysis:

The Community Fishing Program at Surprise Lake is important feature at the park and allows visitors of all ages to recreate at the park.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

The funds for the Community Fishing Program are budgeted within the Community and Recreation Services parks maintenance budget.

Budget Impact:

The fee for FY2019 is \$5,200, already included in the FY2019 budget. The annual fee for subsequent years through FY2023 will be \$5,800 for a total cost of \$28,500.

FTE Impact:

There is no FTE impact.

ATTACHMENTS:

Click to download

- ☐ [Agreement](#)
 - ☐ [IGA with AZ Game and Fish Resolution 2018-68](#)
-

**INTERGOVERNMENTAL AGREEMENT
BETWEEN THE
ARIZONA GAME AND FISH COMMISSION
AND
THE CITY OF SURPRISE, AZ**

Pursuant to A.R.S. § 11-952 *et. seq.*, this Intergovernmental Agreement is made this ____ day of _____, 2018, by and through the Arizona Game and Fish Commission (“Commission”), and the City of Surprise (“City”). The terms “Department” and “Director” in this Agreement hereinafter refer to the Arizona Game and Fish Department and its Director, acting as administrative agent for the Commission.

WHEREAS, the Commission has statewide responsibility for the management of wildlife, including fish, and the City owns certain park lands, including artificial lakes which it maintains for public use as recreation areas; and,

WHEREAS, both entities desire to provide sport fishing recreational opportunities to the extent such a program is found practical; and,

WHEREAS, the Commission has authority under A.R.S. § 17-231(B)(7) to make agreements with other entities for the operation of wildlife facilities and the conduct of related management studies, and the City has authority under A.R.S. § 9-494 and 11-931, *et seq.* to provide recreation through a Community Services Department; and,

WHEREAS, the Department acts under the authority of the Commission;

NOW THEREFORE, the Parties agree to conduct a Community Fishing Program, as follows:

AGREEMENT:

The Commission agrees that the Department Shall:

1. Inform the public of the purpose and intent of the Community Fishing Program. This may include coverage in various Department publications, websites, and other outlets as well as the media (radio, television, newspapers) to ensure broad coverage.
2. Make recommendations to the Commission pertaining to license requirements and bag and possession limits specific to the designated Community Fishing waters herein.
3. Issue Fishing Licenses and other applicable licenses to individuals and Department-authorized license dealers in the local area and statewide. Licenses will also be available from Department offices and online.

4. Under the Department's "Traditional" Strategy, stock participating waters with catchable rainbow trout approximately every two weeks from mid-November to mid-March, and catchable channel catfish approximately every two weeks from mid-March to June and from mid-September to mid-November. Fish stocking will cease from approximately June through mid-September due to heat stress factors.

For waters under the Department's "Expansion" Strategy, stock participating waters with catchable rainbow trout approximately four times from November to March, and catchable channel catfish approximately three times from March to June, and one time from mid-September to October. Fish stocking will cease from approximately June through mid-September due to heat stress factors.

Stock sunfish (usually bluegill or redear) at least once annually into all participating waters. Other approved fish species may be stocked as necessary to: 1) establish a resident fish population, 2) augment existing fish populations, 3) maintain a balanced fishery, 4) improve angler success rates, or 5) provide feature species for anglers.

Adjustments to these stocking schedules and/or species may be required due to climatic and/or weather conditions, fish availability and condition, logistics of fish delivery from vendors, or lake water quality conditions.

5. Monitor basic water quality and biological indicators as needed to determine if lake conditions are suitable for fish stockings. Provide periodic lake assessment reports to the park managers. Notify the appropriate City or park management staff of any public health or safety concerns found by the Department.
6. For each participating water, provide one or more Fishing Information Stations (kiosks with bulletin board) so that current Community Fishing Program information may be posted for the public. Design and provide Community Fishing Program information and regulation signs, and replacements as needed, for all primary access points, or mutually agreed-upon locations around each participating lake.
7. Conduct periodic angler surveys to ascertain angler effort and harvest, angler satisfaction, and performance success of the program. This information will be shared with the City when analyses are complete.
8. Enforce Commission rules and regulations and Arizona Revised Statutes, Title 17 (Game and Fish laws). Cooperate and coordinate with local law enforcement officials, justice courts, and park staff to ensure angler compliance.
9. Provide advice, technical assistance, and guidelines on lake/pond and/or fishery management to the City.
10. Work with the City to design and install suitable fish habitats as needed to provide adequate cover from predators and spawning habitats.

11. Establish an account to utilize funds paid to the Department by the City for operation of this program.

The City Shall:

1. Inform park users of the sport fishing opportunity and allow “Open to the Public” Sport Fishing Education programs at the included water(s).
2. Install the Department-provided signage frame(s) at mutually agreed-upon locations, and maintain the signage as needed by removing graffiti, and notifying the Department of damage to the frames, attached signage, and kiosks.
3. Make information about opportunities to go fishing within the City available to the public at park facilities, on the City website, and other outlets.
4. Provide the Department any necessary keys to locks and/or gates so Department staff can gain access to the water(s) for stocking, monitoring water quality, or conducting creel surveys.
5. Pay a Partnership Fee to the Department for waters stocked under this agreement. Annual rates shall be in accordance with the following fee schedule:

Water	Stocking Strategy	FY19 Cost	FY20 Cost	FY21 Cost	FY22 Cost	FY23 Cost	Total Costs
Surprise	Traditional	\$5,150	\$5,847	\$5,847	\$5,847	\$5,847	\$28,538

These funds shall be used to defray the cost of program operations, including costs for fish required hereunder; Payments made to the Department may be leveraged to obtain federal grant funding or other grant funding opportunities. If this opportunity arises, the City will be notified in writing by the Department, and it will be necessary to verify that all or a portion of the municipal fees do not originate from federal sources.

6. Promptly notify the Department of anticipated and emergency maintenance or management measures that may affect the Community Fishing Program. This may include lake and landscape repairs or construction, water supply or aeration disruptions, and other activities or occurrences that may affect public health, safety, and access to fishing and stocking activities.

7. With assistance from the Department, develop and implement lake management plans for each water that include general operation and maintenance of the lake and associated facilities to support a sport fishery. This may include plans for optimal timing for lake drawdown and filling, operation strategies and timing for lake aeration and mixing systems, knowing when and whom to call for algae or aquatic plant treatments, knowing how to spot unusual fish behaviors that may indicate problems, and knowing who to call in the event of a fish kill.
8. Maintain water quality in a manner consistent with all other requirements and regulations upon the City. Regularly remove trash and debris from the lakes. Remove and dispose of dead fish in a timely manner and notify the Department Community Fishing Program Manager if there is an unusual amount of dead or dying fish. Actively control excessive aquatic vegetation and algae blooms, and report any aquatic invasive species to the Community Fishing Program Manager.
9. Discourage feeding of domestic waterfowl by the public, and harass or remove excess waterfowl as necessary. Discourage populations of fish-eating aquatic birds (i.e., cormorants and herons) through park landscape management and other permissible techniques. Allow the Department to conduct Migratory bird research or depredation activities as permitted by the U.S. Fish and Wildlife Service.
10. For lakes with aeration systems, maintain a fully operational system to support good water quality. Ensure that aeration systems or other lake management systems are not limiting angler access or use, unless necessary to conduct maintenance or repairs. Manage and integrate landscape activities to be compatible with the maintenance of good lake water quality.
11. To the extent possible, assist in the enforcement of State, City and Park codes, rules, regulations and laws (including ARS Title 12 and Title 17 Game and Fish Laws), as applicable. Assist the Department in the enforcement by reporting violations or suspected violations to the Department Operation Game Thief hotline (1-800-352-0700), by verbal warnings, and by citations as necessary to achieve compliance goals. City may adopt Title 17 Rules into Municipal Code to facilitate enforcement.
12. Provide and maintain angler access to shoreline areas at each water. To the extent possible, provide suitable accommodations along the shoreline such as picnic tables, benches, and shade structures for angler use.
13. Provide access to the waters and associated park facilities such as shade structures so that Sport Fishing Education contractors, Department personnel, and volunteer instructors may conduct Sport Fishing Education programs at no charge to the Department. This may include conducting and/or supporting Sport Fishing Education programs (fishing clinics) for the general public in cooperation with the City. Specific scheduling information about Department-sanctioned programs will be provided to the City as far in advance as possible.

14. Provide suitable park and lake access to allow for stocking of fish using trucks and trailers by the Department and their fish contractors at the waters.

The Parties Mutually Agree To:

1. Work in harmony for the common purpose of managing a Community Fishing Program. Encourage a united and professional approach by personnel of both Parties in seeking solutions to problems and challenges that may arise in fish and angler management programs.
2. Department and City staff shall meet annually or as needed to discuss issues, operations and maintenance, planning, budgeting, and other activities relating to park management and the Community Fishing Program, to review accomplishments and to develop and prioritize activities for the coming year.
3. Cooperate and exchange biological, management, and other information useful in the effective operation of a Community Fishing Program.
4. Seek to obtain funding opportunities for projects that: 1) create, enhance, or restore fish habitat, water quality, or angler access; or 2) increase or enhance recreational angling opportunity. These funds may be transferred directly, or through reimbursement, to the City. Funding availability through the Department is uncertain, but may include support through the Sport Fish Restoration Federal Assistance Program, State Wildlife Grant Program, Arizona Heritage Fund, or other sources. To provide for the future transfer of special funds, the Parties agree to enter into mutually acceptable collection agreements. Future agreements will be developed within the framework of this Intergovernmental Agreement, and applicable grant and agreement requirements are to be approved by agency directors.

General Provisions:

1. Effective Date and Duration. This Agreement shall not be in effect until signed by all Parties hereto. Unless terminated earlier by operation of the terms of this Agreement, or by agreement of the Parties in writing, this five (5) year Agreement will terminate on June 30, 2023.

2. Termination Generally. Either Party may terminate this Agreement upon sixty (60) days' written notice to the other Party. Upon termination, all work performed pursuant to this Agreement will cease, and all unencumbered monies deposited for use by the Department will be returned to the City.
3. Notices. All written notices concerning this Agreement shall be delivered in person or sent by certified mail, return receipt requested, or first class mail, postage prepaid, to the Parties as follows:
 - A. To the City:
Donna Miller, Community & Recreation Services Director
City of Surprise Community & Recreation Services
15960 N. Bullard Avenue
Surprise, AZ 85374
 - B. To the Department:
Mr. Chris Cantrell
Arizona Game and Fish Department
5000 West Carefree Highway
Phoenix, Arizona 85086
4. Non-discrimination. In carrying out the terms of this Agreement, the Parties agree to comply with Executive Order 99-4 prohibiting discrimination in employment, the provisions of which are incorporated herein by reference.
5. Audit. Pursuant to A.R.S. § 35-214 all books, accounts, reports, files, electronic data, and other records relating to this Agreement shall be subject at all reasonable times to inspection and audit by the State of Arizona for five (5) years after completion of this Agreement.
6. Arbitration. To the extent required pursuant to A.R.S. § 12-1518, and any successor statutes, the Parties agree to use arbitration, after exhausting all applicable administrative remedies, to resolve any dispute arising under this Agreement, where not in conflict with Federal Law, with each Party to bear its own attorney's fees and costs.
7. Termination for Conflict of Interest. This Agreement is subject to termination pursuant to A.R.S. § 38-511.
8. Termination for Non-Availability of Funds. Every obligation of the Parties under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds for the continuance of this Agreement are not allocated or are not available, this Agreement shall terminate automatically on the date of expiration of funding. In the event of such termination, the Parties shall incur no further obligation or liability under this Agreement other than for payment of services rendered prior to the expiration of funding.

9. Other Agreements. This Agreement in no way restricts either Party from participating in similar activities with other public or private agencies, organizations, or individuals.
10. Compliance with Applicable Law. All work performed pursuant to this Agreement shall be in compliance with all applicable state and federal laws and regulations.
11. Severability. In the event that any provision of this Agreement or portion thereof is held invalid, illegal, or unenforceable, such provision or portion thereof shall be severed from this Agreement and shall have no effect on the remaining provisions of this Agreement, which shall remain in full force and effect.
12. Illegal Immigration. The Parties agree to comply with Executive Order 2005-30, "Ensuring Compliance with Federal Immigration Laws by State Employers and Contractors," the provisions of which are hereby incorporated by reference.
13. Employer-Employee Relationship. It is not intended by this Agreement to, and nothing contained in this Agreement shall be construed to, create any partnership, joint venture or employment relationship between the Parties or create any employer-employee relationship between City and any State employee, or between State and any City employee. Neither Party shall be liable for any debts, accounts, obligations or other liabilities whatsoever of the other, including (without limitation) the other Party's obligation to withhold Social Security and income taxes for any of its employees.
14. Indemnity. 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, its officers, officials, agents, employees, or volunteers.
15. Records Retention. In accordance with A.R.S. § 41-151.12 (GS 1018), all books, accounts, reports, files, electronic data, and other records relating to this Agreement shall be retained for a period of six (6) years after Agreement is fulfilled, expired, canceled or revoked.
16. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and correctly sets forth the rights, duties and obligations of each to the other as of its date. All prior or contemporaneous agreements and understandings, oral or written, are hereby superseded and merged herein. The provisions hereof may be abrogated, modified, rescinded, or amended in whole or in part only by mutual written consent executed by the Parties.

CITY OF SURPRISE

By: _____
City Mayor Date

ATTEST: _____
City Clerk

APPROVAL OF THE CITY ATTORNEY:

I have reviewed the above-referenced Intergovernmental Agreement between the City and the Arizona Game and Fish Commission and declare this Agreement to be in proper form and within the power and authority granted to the City of Surprise under the laws of the State of Arizona.

Dated this _____ day of _____, 2018 _____
City Attorney

ARIZONA GAME AND FISH COMMISSION

By: _____
Ty Gray Date
Secretary to the Commission and
Director, Arizona Game and Fish Department

APPROVAL OF THE ARIZONA GAME AND FISH COMMISSION ATTORNEY:

I have reviewed the above-referenced Intergovernmental Agreement between the City of Surprise, Arizona and the Arizona Game and Fish Commission and declare this Agreement to be in proper form and within the power and authority granted to the Arizona Game and Fish Commission under the laws of the State of Arizona.

Dated this _____ day of _____, 2018 _____
Attorney
Arizona Game and Fish Commission

RESOLUTION # 2018-68

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA APPROVING AN INTERGOVERNMENTAL AGREEMENT WITH THE ARIZONA GAME AND FISH COMMISSION FOR THE COMMUNITY FISHING PROGRAM.

WHEREAS, pursuant to Arizona Revised Statute §11-951, *et seq.*, the City of Surprise has the authority to enter into intergovernmental agreement with other governmental entities for the purposes set forth within;

WHEREAS, the parties desire to enter into an intergovernmental agreement in order to facilitate the Community Fishing Program at Surprise Lake in the City of Surprise to maximize recreation opportunities; and

WHEREAS, the parties desire to enter into this agreement for five years until June 30, 2023.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Intergovernmental Agreement between the City of Surprise and the Arizona Game and Fish Commission, attached as Exhibit A, is approved.

Section 2. The Mayor, or her designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

INTERGOVERNMENTAL AGREEMENT BETWEEN
THE CITY OF SURPRISE AND THE ARIZONA GAME AND FISH
COMMISSION



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

[Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Joe Gladieux, HSCV Dept.
Submitting Department:	Human Service & Community Vitality	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to acceptance of Fiscal Year 2019 grant funds in the amount of \$60,000 from Area Agency on Aging Region One and approval of the Agreement between the Agency and Surprise related thereto; Resolution # 2018-81.

Motion:

I move to approve Resolution # 2018-81.

Background:

The City of Surprise, through its Human Service & Community Vitality (HSCV) Department, applied for a continuation of a grant from Area Agency on Aging that has been in place since 2004. The grant award will serve to support the congregate meal program and a portion of the Senior Center multipurpose operations that support the program.

Objective Analysis:

This action will allow the HSCV Department to maintain the congregate meal service program at the Senior Center.

Policy Compliant:

This action is compliant with City and Council policies.

Financial Impact:

This grant award is \$21,700 for part-time salaries and \$38,300 for special event hosting for a one-time total of \$60,000. There is a 10% in-kind City match requirement in the amount of \$5,000 which will be met with HSCV's General Fund operating budget for a total grant budget of \$65,000.

Budget Impact:

Grant funding in the amount of \$60,000 has been included as a part of the FY2019 budget.

FTE Impact:

This action does not have an effect on current staffing levels.

ATTACHMENTS:

Click to download

- ☐ [Resolution](#)
 - ☐ [Area Agency on Agency Contract](#)
-

RESOLUTION # 2018-81

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA AUTHORIZING THE CITY TO ACCEPT GRANT FUNDING IN THE AMOUNT OF \$60,000 FROM AREA AGENCY ON AGING FOR THE CONGREGATE MEAL PROGRAM.

WHEREAS, the City of Surprise, through its Human Service & Community Vitality Department, applied for a continuation of a grant from Area Agency on Aging that has been in place since 2004;

WHEREAS, the \$60,000 grant award will serve to support the congregate meal program and a portion of the Senior Center multipurpose operations that support the congregate meal program;

WHEREAS, the grant award will be included as a part of the FY2019 budget;

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for the acceptance of grant funds of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The City of Surprise is authorized to accept a grant in the amount of \$60,000 from Area Agency on Aging for Congregate Meals.

Section 2. The City Manager, or his designees, is hereby authorized to conduct all negotiations and to execute and submit all documents and other necessary or desirable instruments in connection with this grant.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

Contract #2019-38-SUR

CONTRACT FOR SERVICES BETWEEN

Area Agency on Aging, Region One, Incorporated *AND*
1366 E. Thomas Road, Suite 108
Phoenix, Arizona 85014
602-264-2255 fax: 602-230-9132

City of Surprise
16000 North Civic Center Plaza
Surprise, Arizona 85374
623-222-1500 fax: 623-222-1501
EIN 86-6007796

DURATION OF THE CONTRACT, FY 2019: July 1, 2018 and shall end June 30, 2019

CONTACT INFORMATION FOR NOTICES

Signatories: Mary Lynn Kasunic, President & CEO

Seth Dyson, Director, Human Services &
Community Vitality

Programmatic Authority: Jeff Dean, Director of Contract
Administration

Joe Gladieux, Senior Services Program
Supervisor

Daily Contacts: Michael Ashton, Contract Specialist

Joe Gladieux, Senior Services Program
Supervisor

REIMBURSEMENT PAYMENTS SHALL BE MAILED TO:

Nick Sarpy, Accounting Supervisor, 16000 North Civic Center Plaza, Surprise Arizona 85374

This Contract is entered into by and between City of Surprise, hereafter referred to as Contractor, and Area Agency on Aging, Region One, Incorporated, hereafter referred to as Area Agency. The Contractor, in consideration of the covenants and conditions set forth herein, shall provide and perform the services as set forth in the Terms and Conditions, special Terms and Conditions, Scope(s) of Work, Service Specification(s), and other Area Agency manuals, policies, and directives. Contractor hereby affirms that all insurance and indemnification requirements as set forth in this contract have been met and shall be maintained fully throughout the terms of this contract. Further, Contractor will supply to Area Agency the required certificates of insurance including all required "additional insured" as identified in this contract. All rights and obligations of the parties shall be governed by the terms of this document, and shall include any subcontracts and the approved budget and / or unit rates and contract budget ceilings.

Notice under this Contract shall be given by personal delivery or by mail to the persons indicated above and shall be effective upon receipt by the party to whom addressed unless otherwise indicated in said notice.

IN WITNESS WHEREOF, the parties enter into this Contract:

**AREA AGENCY ON AGING,
REGION ONE, INCORPORATED**

CITY OF SURPRISE

Signature and Date

**Mary Lynn Kasunic, President & CEO
Area Agency on Aging, Region One**

Signature and Date

**Seth Dyson, Director,
Human Services & Community Vitality**

CONTRACT SUMMARY
FIXED PRICE WITH PRICE ADJUSTMENT

CONTRACT #: 2019-38-SUR

CONTRACTOR: City of Surprise

TYPE: *Original Contract*

CONTRACT TERM: July 1, 2018 to June 30, 2019

Contract Reimbursement Ceiling for all Services: TOTAL: \$ 60,000

CONTRACT OPERATING BUDGET

	Congregate Meals	Multipurpose Operations
REVENUE		
Area Agency	48,300	11,700
Project Income	21,000	-
Non-Fed Inkind	-	-
Non-Fed Cash	93,225	159,210
Other Federal	3,500	2,300
TOTAL	166,025	173,210
EXPENSES		
Personnel	77,999	127,205
ERE	15,776	25,605
Prof&Outside	3,500	2,300
Travel	200	-
Space	8,550	12,400
Equipment	-	-
Materials/Supl	58,800	5,300
Operating Svc	1,200	400
Indirect	-	-
TOTAL	166,025	173,210
UNITS	10,000	4,119
UNIT RATE	\$ 16.60	\$ 42.05

TERMS AND CONDITIONS

1. Definitions of Terms As used in this contract, the terms listed below are defined as follows:

- a. *Additional Insured* specifically includes all agencies and requirements as identified in **Section 6.b Additional Insured Requirements**.
- b. *Area Agency* means the Area Agency on Aging, Region One, Incorporated.
- c. *Begin Date* means the date the contract is officially enforce as identified in the Contract Signature page (page 1). The Contractor may start to provide services under this contract not earlier than the Begin Date. The Contractor will not be paid or reimbursed for contract services provided prior to the Begin Date. Payments or reimbursements shall not be made under this contract until the effective date of this contract.
- d. *Compensation* means that part of this contract that contains the approved method of payment or reimbursement which may include a budget or fee or rate for the delivery of services pursuant to this contract. Compensation also means Cost or Price.
- e. *Contract* means the combination of the Request for Proposals , including Terms and Conditions, Specific Terms , Service Specifications and Scopes of Work; the Offer and any Best and Final Offer(s); Methodologies and Work Statements; any Solicitation or Contract Amendments; and any terms implied by law.
- f. *Contract Amendment* means a written document signed by the Area Agency President/Chief Executive Officer (CEO) that is issued for the purpose of making changes in the Contract.
- g. *Contract Expenditures* means expenditures made by the Contractor during the term of this Contract and pursuant to the approved budget and compensation terms and methods.
- h. *Contract Monitor* means the Area Agency staff person who is assigned managerial responsibility for the contract.
- i. *Contract Operating Budget* means the Contractor's itemized then condensed operating budget as approved through a Solicitation or Amendment.
- j. *Contractor* means any person, agency, entity that has a contract with the Area Agency. Contractor shall also be referred to as Provider.
- k. *Contract Term* means the period of time from the contract Begin Date to the contract termination date as awarded, extended, or terminated based on these contract provisions.
- l. *Days* means calendar days unless otherwise specified.
- m. *Department* means the Arizona Department of Economic Security (ADES), unless otherwise indicated.
- n. *Effective Date* means the date the Contractor is to start delivering services. The Effective Dates is specified on any proposal, Contract Signature page, or amendment.
- o. *Eligible Persons* means the persons determined eligible for contract services in accordance with the criteria set forth by this contract.
- p. *Equipment* means all vehicles, furniture, machinery, electronic data processing (EDP) equipment, software and all other equipment costing \$5,000 or more, including all normal and necessary expenses incurred to make the equipment ready for its intended use (e.g., taxes, freight, installation, assembly and testing charges, etc.) and with a useful life of greater than one year. Equipment as used herein does not include real property (e.g., land buildings, structures, or facilities' improvements).
- q. *Fiscal Year* means the period beginning with July 1 and ending June 30.
- r. *Gratuity* means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.
- s. *Level of Service* means the number of units of service specified in the Contract Summary page.
- t. *Materials* means all property, including equipment, supplies, printing, insurance, and leases of property but does not include land, a permanent interest in land or real property or leasing space.
- u. *May* indicates something that is not mandatory but permissible.
- v. *Offer* means bid, proposal, or quotation or *Solicitation*

- w. *Procurement Officer* means the Area Agency President/CEO or designee who is duly authorized by Area Agency to enter into and administer contracts and make written determinations with respect to the contract.
- x. *Quarter* means fiscal quarters July-September, October-December, January-March, and April-June.
- y. *Reimbursement Ceiling* means the maximum amount payable by Area Agency to the Contractor under this Contract.
- z. *Scope of Work* means the Arizona Department of Economic Services description of service(s) to be provided pursuant to this contract.
- aa. *Service Specification* means the Area Agency description of service(s) to be provided pursuant to this contract.
- bb. *Services* means the furnishing of labor, time, product, or effort by a Contractor or Subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.
- cc. *Shall, Must* indicates a mandatory requirement. Failure to meet these mandatory requirements may result in default of contract.
- dd. *Should* indicates something that is recommended but not mandatory. If the Contractor fails to provide recommended information or comply with a “*should*” statement in a Scope of Work, Service Specification, or Area Agency directive, Area Agency may, at its sole option, ask the Contractor to provide the information or comply with the action.
- ee. *Solicitation* means an invitation for bids, a request for proposals, request for quotation, request for qualifications or *Offer*.
- ff. *State* means the State of Arizona, the Department of Economic Security, other Department(s) or Agency of the State that maintains authority in the contract.
- gg. *Subcontract* means any contract, expressed or implied, between the Contractor and another party or between the Contractor’s subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or providing any service required for the performance of the Contract.
- hh. *Vulnerable adult* means an individual who is eighteen years of age or older who is unable to protect himself from abuse, neglect or exploitation by others because of a physical or mental impairment.

2. **Contract Interpretation**

- a. Arizona Law The Arizona law applies to this contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.
- b. Compliance with Applicable Laws All changes in the governing laws, rules, and regulations during the term of this contract shall apply but do not require an amendment to this contract.
 - i. This contract shall be governed and interpreted by the laws of the State of Arizona.
 - ii. The materials and services supplied under this contract shall comply with all applicable federal, state, and local laws, and the Contractor shall maintain all applicable license and permit requirements.
 - iii. Nothing in this contract shall be construed as a waiver of an Indian tribe’s sovereign immunity; nothing shall be construed as an Indian tribe’s consent to be sued or as consent by an Indian tribe to jurisdiction of any State Court.
 - iv. The Contractor shall comply with the requirements related to reporting to a peace officer or to child or adult protective services incidents of crimes against children as specified in A.R.S. §13-3620 and crimes against the elderly as specified in A.R.S. §46-454 as may be amended.
 - v. The Contractor shall comply with Public Law 101-121, Section 319 (31 USC Section 1352) as may be amended and 29 CFR Part 93 as may be amended which prohibit the use of federal funds for lobbying and which state, in part: Except with the express

authorization of Congress, the Contractor, its employees or agents, shall not utilize any federal funds under the terms of this contract to solicit or influence, or to attempt to solicit or influence, directly or indirectly, any member of Congress regarding pending or prospective legislation. Indian tribes, tribal organizations and other Indian organizations are exempt from these lobbying restrictions with respect to expenditures that are specifically permitted by other federal law.

- vi. The Contractor shall comply with all applicable state and federal statutes and regulations. This shall include A.R.S. § 23-722.01 as may be amended relating to new hire reporting, A.R.S. § 23-722.02 as may be amended relating to wage assignment orders to provide child support, and A.R.S. § 25-535 as may be amended relating to administrative or court-ordered health insurance coverage for children.
- c. Implied Contract Terms Each provision of law and any terms required by law to be in this contract are a part of this contract as if fully stated in it.
- d. Contract Order of Precedence In the event of a conflict in the provisions of the contract, as accepted by the Area Agency and as it may be amended, the following shall prevail in the order set forth below:
 - i. Terms and Conditions;
 - ii. Provider Specific Terms for Programs with ALTCS Funded Services
 - iii. Provider Specific Terms
 - iv. Scope of Work,
 - v. Service Specifications;
 - vi. Area Agency manuals, policies and directives;
 - vii. Documents referenced or included in the solicitation.
- e. Vehicle Lease All provisions of this contract are applicable to and extended to any Vehicle Lease that may be initiated between Contractor and Area Agency during the terms of this contract.
- f. Relationship of Parties
 - i. The Contractor under this contract is an independent Contractor. Neither party to this contract shall be deemed to be the employee or agent of the other party to the contract.
 - ii. In the event that the Contractor or its personnel is sued or prosecuted for conduct arising from this contract, the Contractor or their personnel will not be represented by the Area Agency or other funding source within this contract.
 - iii. Taxes or Social Security payments will not be withheld from an Area Agency payment issued hereunder and the Contractor shall make arrangements to directly pay such expenses, if any.
- g. Severability The provisions of this contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the contract.
- h. No Parole Evidence This contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this contract and no other understanding either oral or in writing shall be binding.
- i. No Waiver Either party's failure to insist on strict performance of any term or condition of the contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3. Contract Administration and Operation

- a. Contract Term
 - i. The term of this contract shall be for the period of time from the contract begin date identified on the Contract Signature page to the contract termination date identified on the Contract Signature page or extended in an amendment.
 - ii. The begin date of the contract term is the date that the Contractor may start to provide services under this contract. The Contractor shall not provide services prior to contract term commencing or after the end date of the contract (no billable activity outside the

effective dates).

b. Contract Extension

- i. The Area Agency has no obligation to extend or renew this contract. At the sole option of the Area Agency, this contract may be extended or renewed for multiple periods, or may be established as a multi-year contract in its entirety or in part.
- ii. The Area Agency shall have the unilateral right to extend the contract period for additional one-year periods or portions thereof. The Terms and Conditions of any such contract extension shall remain the same as the original contract.
- iii. Any extension or renewal must be made prior to the end of the contract period specified in this contract.
- iv. This contract may only be extended through a written amendment by mutual agreement of the parties.

c. Cooperation and Understanding Area Agency may undertake or award other contracts for additional work related to the work performed by the Contractor, and the Contractor shall fully cooperate with such other Contractors and Area Agency employees, and carefully fit its own work to such other Contractors' work. The Contractor shall not commit or permit any act which will interfere with the performance of work by any other Contractor or by Area Agency employees. The Contractor shall cooperate as the Area Agency deems necessary, with the transfer of work, services, case records and files performed or prepared by the Contractor to other Contractor(s).

d. Certifications The Contractor and its subcontractor(s) agree to sign the following certifications within this contract:

- i. the Certification Regarding Lobbying form, compliance with 49 CFR part 20
- ii. the Certification Regarding Debarment, Suspension and Voluntary Exclusion Lower Tier Covered Transactions form.

e. Amendments This contract is issued under the authority of the Area Agency President/CEO who signed this contract. The contract may be modified only through a contract Amendment within the scope of the contract issued under the authority of the Area Agency President/CEO. Changes to the contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the Area Agency President/CEO in writing or made unilaterally by the Contractor are violations of the contract and of applicable law. Such changes, including unauthorized written contract amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this contract based on those changes.

- i. This contract may be amended or modified at any time by mutual agreement. No agent, employee or other representative of either party is empowered to alter any of the terms of the contract, unless done in writing and signed by the authorized representatives of the respective parties.
- ii. A written amendment to this contract shall be required whenever there is a material change in the content including but not limited to the following:
 1. Reimbursement ceiling;
 2. Contract term if extended and/or reduced without terminating the contract;
 3. Service delivery plan, the scope of work, or the level/units of service to be provided;
 4. Rate paid per unit of service;
 5. Ownership or legal entity responsible for the contract; or
 6. For any other change in the terms and conditions of the contract which Area Agency deems substantial.
- iii. Where a change does not fall in any of the categories listed in the above items, the Contractor must obtain approval from the Area Agency President/CEO prior to effecting the change.

f. Subcontracts The Contractor shall not enter into any subcontract under this contract for the performance of this contract without the advance written approval of the Area Agency President/CEO. The Contractor shall clearly list any proposed subcontractors and the

subcontractor's proposed responsibilities. The subcontract shall incorporate by reference all of the terms and conditions of this contract, amendments, manuals, and Area Agency directives. Area Agency will not allow a subcontract for any direct client / participant services, but may approve ancillary subcontracts for operational functions not related to direct client / participant services.

- i. Prior to adding a subcontractor to the contract, the Contractor shall submit a formal, written request to the Area Agency President/CEO. The request shall:
 1. Be on the Contractor's company letterhead and signed by an authorized representative of the Contractor;
 2. Contain the subcontractor's name, address, phone number, email and primary point of contact;
 3. Include all the certificates as included/required in this contract and as applicable signed by the subcontractor's authorized representative;
 4. Description of the subcontractor's small business status;
 5. Identification of the type of goods and/or services to be provided by the subcontractor;
 6. The amount of time or effort (as a percent of total contract performance) that the subcontractor will perform in relation to total performance of the contract's requirements; and
 7. A description of the quality assurance measures that the Contractor shall use to monitor the subcontractor's performance.
 8. The Contractor shall provide copies of each contract with a subcontractor relating to the provision of contract services to Area Agency within five (5) calendar days of execution.
- ii. Inclusive Contractor Contractor is encouraged to make every effort to utilize subcontractors that are small, women-owned and/or minority owned business enterprises. This could include subcontractors for a percentage of the administrative service being proposed. Contractor who is committing a portion of its work to such subcontractors shall do so by identifying the type of service and work to be performed by providing detail concerning the Contractor's utilization of small, women-owned and/or minority business enterprises. Emphasis should be placed on specific areas that are subcontracted and percentage of contract utilization and how this effort will be administered and managed, including reporting requirements.
- g. Assignment and Delegation The Contractor shall not assign any right nor delegate any duty under this contract, without the prior written approval of the Area Agency President/CEO. Area Agency shall not unreasonably withhold approval.
- h. Arbitration The parties to this contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. §12-1518, except as may be required by other applicable statutes (Title 41).
- i. Predecessor and Successor Contracts The execution or termination of this contract shall not be considered a waiver by Area Agency of any and all rights it may have for damages suffered through a breach of this or prior contract with the Contractor.
- j. Audit The Contractor shall retain and shall contractually require each subcontractor to retain all data, books and other records ("records") relating to this contract for a period of five (5) years after completion of the contract. All records shall be subject to inspection and audit by Area Agency at reasonable times. Upon request, the Contractor shall produce the original of any or all such records.
- k. Substantial Interest Disclosure
 - i. Contractor shall not make any payments, either directly or indirectly, to any person, partnership, corporation, trust, or any other organization which has a substantial interest in Contractor's organization or with which Contractor (or one of its directors, officers, owners, trust certificate holders or a relative thereof) has a substantial interest, unless Contractor has made a full written disclosure of the proposed payments, including amounts, to Area Agency.

- ii. Leases or rental agreements or purchase of real property which would be covered by the above paragraph of this section shall be in writing and accompanied by an independent commercial appraisal of fair market rental, lease, or purchase value, as appropriate.
 - iii. For the purpose of this section, the *relative* shall have the same meanings as in A.R.S. §38-502 as may be amended.
- l. Cooperation with Investigation Contractor, subcontractor, provider, vendor, staff, volunteers are to cooperate fully and truthfully with any Area Agency, State, or funding agency investigation, including but not limited to an investigation by an Internal Affairs division of such agencies. Failure to adhere to this policy may result in Area Agency taking whatever actions it deems appropriate, from removal of the subject and/or witness from working with Area Agency clients up to terminating this contract.
- m. Notices All notices under this contract shall be directed in writing to the persons and addresses as specified on the Contract Signature page and/or Facility Location page of this contract.
 - i. Either party shall give written notice to the other party of any non-material alteration that affects the provisions of this contract. Non-material alterations that do not require a written amendment are as follows:
 - 1. Change of address and/or telephone number;
 - 2. Change in Contract Authorized Signatory and his/her designee;
 - 3. Change in the name of the Contractor, where the ownership or responsible entity remains the same;
 - 4. Changes in the name and/or address of the person to whom notices are to be sent;
 - 5. Changes in contract-related personnel positions of the Contractor which do not affect staffing ratios, staff qualifications or specific individuals required under this contract; or
 - 6. In a fixed price with price adjustment contract, whenever there is less than a 10% increase in any budget category; any such increase must be offset by an equal value decrease in another budget category or categories or equal value increase in Contractor funds.
 - ii. In a Fixed Price with Price Adjustment contract, a written amendment shall not be necessary to shift costs among budget categories. The Contractor shall give written notice to Area Agency that includes justification for the change and may receive written approval by Area Agency. Any such increase must be offset by an equal value decrease in any budget category or categories.
- n. Advertising, Publishing and Promotion of Contract
 - i. The Contractor shall not use, advertise, or promote information for commercial benefit concerning this contract without the prior written approval of the Area Agency President/CEO or designee.
 - ii. Any advertisement, publication, or other media of promotion of contracted services must include the following statement: *Services are funded in part by Area Agency on Aging, Region One, Incorporated.*
 - iii. The Contractor shall provide to Area Agency for review and approval all reports or publications (written, visual or sound) which are funded or partially funded under this contract, a minimum of fifteen (15) calendar days prior to public release.
 - iv. All reports and publications whether written, visual or verbal shall contain the following statement: *This program is funded through a contract with the Area Agency on Aging, Region One Incorporated. Any points of view are those of the author and do not necessarily represent the official position or policies of the Area Agency or related funders.*
- o. Ownership of Intellectual Property
 - i. Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the Area Agency shall be considered the creator of such Intellectual Property. The Area Agency in requesting the issuance of this contract shall

own (for and on behalf of the Area Agency) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the Area Agency, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor (s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the Area Agency and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the Area Agency. The Intellectual Property shall not be disclosed by Contractor or its subcontractor(s) to any entity not the Area Agency without the express written authorization of the Area Agency President/CEO.

- ii. Intellectual Property developed by the Contractor that is already in the public domain is exempt from this requirement.
- p. Transfer of Knowledge The contractor shall, whenever feasible, share strategies and techniques with the Area Agency to transfer the skills and knowledge acquired in the delivery of the contracted service.
- q. Transition of Activities In the event that a contract is awarded to a new contractor for services similar to those being performed by Contractor under this contract, there shall be a transition of services period. During this period, the Contractor, under this contract, shall work closely with the new contractor's personnel and/or Area Agency staff to ensure a smooth and complete transfer of duties and responsibilities. Area Agency's authorized representative will coordinate all transition activities. A transition plan will be developed in conjunction with the existing Contractor to assist the new contractor and/or Area Agency staff to implement the transfer of duties. Area Agency reserves the right to determine which projects/service delivery nearing completion will remain with the current Contractor of record.
- r. Federal Immigration and Nationality Act
 - i. By entering into the Contract, 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 flow down this requirement to all subcontractors utilized during the term of the contract. The Area Agency shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. The Contractor shall obtain statements from its subcontractors certifying compliance and shall furnish the statements to the Area Agency President/CEO upon request. These warranties shall remain in effect through the term of the contract. 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 Contract.
 - ii. Area Agency may request verification of compliance for any Contractor or subcontractor performing work under the contract. Should the Area Agency determine that the Contractor or any subcontractors be found noncompliant, Area Agency may pursue any and all remedies allowed by law, including, but not limited to: suspension of work, termination of the contract for default, and suspension and/or debarment of the Contractor. All costs necessary to verify compliance are the responsibility of the Contractor.
- s. Offshore Performance of Work Prohibited Due to security and identity protection concerns, direct services under this contract 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 Area Agency 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 contract. All storage and processing of information shall be performed within the borders of the United States. This provision applies to work performed by subcontractors at all tiers.

t. Pandemic Contractual Performance

- i. The State shall require a written plan that illustrates how the Contractor shall perform up to contractual standards in the event of a pandemic. Area Agency may require a copy of the plan at any time prior or post award of a contract. At a minimum, the pandemic performance plan shall include:
 1. Key succession and performance planning if there is a sudden significant decrease in Contractor's workforce.
 2. Alternative methods to ensure there are services or products in the supply chain.
 3. An up to date list of company contacts and organizational chart.
- ii. In the event of a pandemic, as declared by the Governor of Arizona, U.S. Government or the World Health Organization, which makes performance of any term under this contract impossible or impracticable, the Area Agency shall have the following rights:
 1. After the official declaration of a pandemic, Area Agency may temporally void the contract(s) in whole or specific sections if the Contractor cannot perform to the standards agreed upon in the initial terms.
 2. Area Agency shall not incur any liability if a pandemic is declared and emergency procurements are authorized by the Director of the Arizona Department of Administration per A.R.S. §41-2537 as may be amended of the Arizona Procurement Code.
 3. Once the pandemic is officially declared over and/or the Contractor can demonstrate the ability to perform, Area Agency, at its sole discretion, may reinstate the temporarily voided contract(s).

4. Contract Costs and Compensation

a. Availability of Funds

- i. The provisions of this contract relating to payment for services shall become effective when funds assigned for the purpose of compensating the Contractor, as herein provided, are actually available to the Area Agency for disbursement. The Area Agency President/CEO shall be the authority in determining the availability of funds under this contract and the Area Agency shall keep the Contractor fully informed as to the availability of funds.
- ii. If any action is taken by any county, state agency, federal department, or any other agency or instrumentality to suspend, decrease, or terminate its fiscal obligation under, or in connection with this Contract, the Area Agency may reduce funding, rates, and/or services or terminate this contract without further recourse, obligation, or penalty in the event that insufficient funds are appropriated or allocated.
- iii. The Area Agency President/CEO shall have the sole and unfettered discretion in determining the availability of funds.
- iv. Area Agency and the Contractor may mutually agree to reduce reimbursement to the Contractor when the payment type is Fixed Price with Price Adjustment by executing a contract amendment.
- v. Availability of Funds for the Current Fiscal Year Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State and/or the Area Agency may take any of the following actions:
 1. Reduce payments or units authorized;
 2. Accept a decrease in price offered by the Contractor;
 3. Cancel the Contract; or
 4. Cancel the Contract and re-solicit the requirements
- vi. Availability of Funds for the Next Fiscal Year Funds may not presently be available for performance under this Contract beyond the current fiscal year. No legal liability on the part of the State or the Area Agency for any payment may arise under this Contract beyond the current fiscal year until funds are made available for performance of this Contract.

- b. Contract Payment Types Payments regarding this contract shall be made according to the type of payment indicated with the check mark (✓) and as identified on the Contract Summary page(s) and defined as follows:
- i. n/a Rate or Fixed Price – The Contractor is paid a specified amount for each unit of service or deliverable as designated in the Contract Summary, not to exceed the maximum number of units if indicated by the Area Agency for each contract service/deliverable. Area Agency may authorize units and adjust funding based on those authorized units throughout the term of the contract by amending the contract.
 - ii. ✓ Fixed Price With Price Adjustment - Reimbursement to the Contractor is in accordance with actual, allowable costs incurred consistent with each Contract Budget and/or Contract Summary not to exceed the service reimbursement ceiling. The Contractor shall furnish Area Agency with an accounting of actual costs incurred consistent with the categories set forth in the Contract Budget. Budget categories, to include cost items in a category, may be deleted, added, or modified by approval from Area Agency. Such modifications shall follow protocols as set forth in the Notices and Amendments sections of these Terms and Conditions.
- c. Contract Payment Provisions
- i. Reimbursement to the Contractor shall be in accordance with actual allowable costs incurred consistent with each service budget, budget summary, or Fixed Price, not to exceed the service reimbursement ceiling. The Contractor shall furnish Area Agency with an accounting of actual costs incurred consistent with the categories set forth in the service budget(s).
 - ii. The Contractor shall report to the Area Agency in the manner prescribed by **Section 13.q. Reporting Requirements** of these Terms and Conditions and Service Specifications or other Area Agency directives. Upon receipt of applicable, accurate, and complete records, Area Agency shall authorize payment or reimbursement in accordance with the type of payment indicated by this contract.
 - iii. If the Contractor is in any manner in default in the performance of any obligation under this contract, or if audit exceptions are identified, Area Agency may, at its option and in addition to other available remedies, either adjust the amount of payment or withhold payment until satisfactory resolution of the default or exception.
 - iv. If Contractor's performance is less than 90% of contracted service levels or projecting to be less than 90% of contracted service levels; Area Agency may, at its option, reduce contracted funds up to an equal percentage of services provided.
 - v. Under no circumstances shall Area Agency make payment to the Contractor:
 1. That exceeds the unit authorized without an amendment to this contract;
 2. That exceeds the service reimbursement ceiling as stated in the Contract Summary or Contract Budget without an amendment to this contract; or
 3. For services performed prior to or after the term of the contract without timely extension or renewal of the contract.
 - vi. Failure to submit required financial and programmatic reports by the approved due date(s) may result, at the option of Area Agency, in the assessment of a penalty equal to one percent (1%) of Area Agency reimbursement ceiling for each occurrence. Failure to provide such report within forty-five (45) days following the end of a month may result, at the option of Area Agency, in a forfeiture of such payment. Should a penalty be assessed, the level of service shall remain unchanged.
 - vii. The Contractor may offer a price reduction adjustment at any time during the term of the contract. Any price reduction shall be executed by a contract amendment.
 - viii. Payments shall comply with requirements of A.R.S. Title 35 and 41. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the Area Agency.
 - ix. In order to receive payment, the Contractor shall have a current IRS w-9 form on file with the Area Agency unless not required by law.

d. Compensation for Rate or Fixed Price

- i. Subject to the availability of funds and during the period of this contract, the Area Agency shall pay the fixed unit prices for each unit of service authorized and delivered to each client in accordance with the Contract Summary.
- ii. The Contractor shall not be entitled to bill the Area Agency, nor shall the Area Agency honor any claim for payment for any client services performed in the development of, or review of a client's plan of care.
- iii. The rates per unit of service as stated in the Contract Summary shall be considered payment in full for all services and supplies rendered or provided under the terms of this contract. The Contractor agrees that it will not bill or charge clients, their families, guardian or conservators for services provided under this contract without prior approval of the Area Agency. The provisions of this section shall not be construed as restricting the right of the Contractor to bill Medicare for allowable costs, and/or to bill clients for other services rendered that are not covered by this contract.
- iv. The Contractor shall be entitled to bill the Area Agency only for those units of service that have been performed in accordance with the Scope of Work and Service Specifications of this contract and where the Contractor has obtained a valid client signature each time services were provided.
- v. The Area Agency, working from the Contractor's billing, shall determine the payments to be made to the Contractor for services. If a discrepancy exists between the Contractor's billing and the Area Agency's record of authorized clients and units of service, the amount of the discrepancy will be disallowed and the remainder of the claim processed for payment. The Contractor shall be notified in writing of the amount and reasons for any disallowance and shall be afforded the opportunity to document the appropriateness of the disallowed costs and to resubmit a billing for payment within thirty (30) days of the original due date.
- vi. The Area Agency President/CEO shall be the sole determiner of the availability of funds.

e. Compensation for Fixed Price with Price Adjustment

- i. Subject to the availability of funds, Area Agency shall compensate the Contractor for delivery of the contract services designated within the Service Specifications, provided that the services are delivered during the term of the contract and in accordance with the terms and conditions set forth in this contract. The maximum reimbursement ceiling for all Fixed Price with Price Adjustment services provided during the term of this contract is stated in the Contract Summary.
- ii. At least a ten percent (10%) non-federal match is required for each Area Agency dollar awarded. This non-federal match may be either cash or in-kind.
- iii. If at contract termination the total number of eligible units of service delivered for any contracted service is less than ninety percent (90%) of the contracted units, Area Agency reserves the right to adjust payments to the Contractor proportionally.
- iv. The Area Agency shall not be obligated to compensate the Contractor for delivery of contracted services at a ratio greater than the time remaining in the contract year. The schedule of compensation shall be applied quarterly; therefore, a Contractor may not exceed compensation greater than 25%, 50%, 75% based on the period of the contract year served. Area Agency shall have sole and unfettered discretion to deviate from this schedule.

f. Applicable Taxes

- i. The Contractor shall be responsible for paying all applicable taxes.
- ii. The State of Arizona and the Area Agency is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.
- iii. Contractor and all subcontractors shall pay all Federal, state, and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to hold the State of Arizona, Area Agency, and its funders harmless

from any responsibility for taxes, damages, and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Workmen's Compensation.

5. Indemnification

a. Indemnification

- i. **Contractor/Vendor Indemnification (Not Public Agency):** The parties to this contract agree that the Area Agency and the State of Arizona, its departments, agencies, boards and commissions shall be indemnified and held harmless by the Contractor for the vicarious liability of the Area Agency or the State as a result of entering into this contract. However, the parties further agree that the Area Agency and the State of Arizona, its departments, agencies, boards and commissions shall be responsible for its own negligence. Each party to this contract is responsible for its own negligence.
- ii. **Public Agency Language Only:** To the extent permitted by law, each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnatee') 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 indemnatee are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its' officers, officials, agents, employees, or volunteers.

- b. **Indemnification Clause** The parties to this contract agree that the Area Agency, State of Arizona and the Department of Economic Security (DES) shall be indemnified and held harmless by Contractor for the vicarious liability of the Area Agency and/or State as a result of entering into this contract. However, the parties further agree that the Area Agency, State of Arizona and DES shall each be responsible for its own negligence. Each party to this contract is responsible for its own negligence. *This indemnity shall not apply if the Contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.*

- c. **Indemnification for Subcontractor** In addition, the Contractor shall cause its contractor(s) and subcontractor(s), if any, to indemnify, defend, save and hold harmless the Area Agency and State of Arizona, any jurisdiction or agency issuing any permits for any work arising out of this agreement, and their respective directors, officers, officials, agents, and employees (hereinafter referred to as Indemnatee) 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 or 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 Indemnatee shall, in all instances, except for claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by such Contractor to the extent permitted by law, from and against any and all claims. It is agreed that such Contractor will be responsible for primary loss investigation, defense and judgement costs where this indemnification is applicable.

- d. **Indemnification – Patent and Copyright** To the extent permitted by law, the Contractor shall indemnify and hold harmless both Area Agency and the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of contract performance or use by the Area Agency or the State of materials furnished by Contractor or work performed under this contract by Contractor. The Area Agency shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph

6. Insurance

- a. Insurance Requirements Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.
- The *insurance requirements* herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The Area Agency and State of Arizona, in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.
- b. Additional Insured Requirements For the purposes of this contract, the identified agencies and specific language shall be identified as additional insured for all contract required insurance policies. The policies shall include or be endorsed to include the following provisions:
- i. Required Agencies
 - ✓ Area Agency on Aging, Region One Incorporated
 - ✓ State of Arizona and Department of Economic Security
 - n/a Bridgeway Health Solutions
 - n/a United Health Care
 - n/a Maricopa County Public Health Department
 - n/a Mercy Care
 - n/a Total Transit Enterprises, LLC / Total Transit, Inc. / Veyo, LLC
 - ii. The policy shall be endorsed to include the following Additional Insured language:
"The Additional Insured agencies, their departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insured with respect to liability arising out of the activities performed by or on behalf of the Contractor and including involvement of owned, leased, hired, or borrowed vehicles by the Contractor".
 - iii. The Additional Insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this contract.
 - iv. The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.
 - v. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this contract.
 - vi. The Additional Insured endorsement(s), where applicable to liability policies required under these provisions, and which extend policy rights to the Area Agency, shall insure only the vicarious liability to the extent stated in the Indemnification Clause.
- c. Minimum Scope and Limits of Insurance Contractor shall provide coverage with limits of liability not less than those stated below.
- i. Commercial General Liability – Occurrence Form Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.
 - General Aggregate \$2,000,000
 - Products – Completed Operations Aggregate \$1,000,000
 - Personal and Advertising Injury \$1,000,000
 - Blanket Contractual Liability – Written & Oral \$1,000,000
 - Fire Legal Liability \$ 50,000
 - Each Occurrence \$1,000,000
 1. The policy shall be endorsed to include coverage for sexual abuse and molestation.
 2. Policy shall contain a waiver of subrogation against all agencies identified as Additional Insureds, their departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising

from work performed by or on behalf of the Contractor. This requirement may be satisfied with a policy combining General and Professional Liability, provided that the General Liability section of the policy is written on an occurrence basis, and includes coverage for contractual liability.

- ii. Business Automobile Liability Bodily Injury and Property Damage for any owned, hired, leased, and/or non-owned vehicles used in the performance of this Contract.
 Combined Single Limit (CSL) \$1,000,000
 1. The policy shall be endorsed to include the following additional insured language: *The Additional Insured shall be named as additional insured with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor.*
 2. Policy shall contain a waiver of subrogation against the Additional Insured, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
 3. This section, Business Automobile Liability, shall not be applicable in the event the Contractor (or its subcontractors) does not utilize a vehicle in any manner in the performance of this contract or if the utilization is used only for commuting purposes. In the event the Contractor (or its subcontractors) subsequently utilizes any vehicle in the performance of the contract or utilizes it for other than commuting purposes, this section, Business Automobile Liability, shall be fully applicable, effective the date the utilization is changed.
- iii. Workers Compensation and Employers' Liability
 1. Workers' Compensation Statutory
 2. Employers' Liability
 - a. Each Accident \$ 500,000
 - b. Disease – Each Employee \$ 500,000
 - c. Disease – Policy Limit \$1,000,000
 3. Policy shall contain a waiver of subrogation against Additional Insureds, their departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
 4. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. §23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.
- iv. Professional Liability (Errors and Omissions Liability)
 1. Requirements as follows
 - d. Each Claim \$1,000,000
 - e. Annual Aggregate \$2,000,000
 2. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
 3. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work and Service Specifications, work definitions, and other performance statements of this contract.
- v. Fidelity Bond or Crime Insurance
 - Bond Policy Limit \$100,000
 1. The bond or policy shall be issued with minimum limits of \$100,000.

2. The bond or policy shall include coverage for all directors, officers, agents and employees of the Contractor.
 3. The bond or policy shall include coverage for third party fidelity.
 4. The bond or policy shall include coverage for theft and mysterious disappearance.
 5. The bond or policy shall contain no requirement for arrest and conviction.
 6. The bond or policy shall cover loss outside the premises of the Named Insured.
- d. Notice of Cancellation Each insurance policy required by the insurance provisions of this contract shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the Area Agency. Such notice shall be sent directly to the Area Agency Contracts Department and shall be sent by certified mail, return receipt requested.
- e. Acceptability of Insurers Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. The Area Agency in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency. If the Contractor utilizes the Social Service Contractors Indemnity Pool (SSCIP) or other approved insurance pool for insurance coverage, SSCIP or the other approved insurance pool is exempt from the A.M. Best's rating requirements listed in this contract. If the Contractor or subcontractor chooses to use SSCIP, AMRRP, or another approved insurance pool as its insurance provider, the contract/subcontract would be considered as meeting the insurance requirements relating to the A.M. Best rating requirements. Contractors or subcontractors submitting certificates of Insurance identifying SSCIP, AMRRP, or another approved insurance pool will be considered as meeting the insurance requirements including those related to sexual abuse and molestation.
- f. Verification of Coverage
- i. Contractor shall furnish the Area Agency with certificates of insurance (ACORD form or equivalent form approved by Area Agency) and endorsement pages of each policy as required by this contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.
 - ii. All certificates and endorsements are to be received and approved by the Area Agency before work commences. Each insurance policy required by this contract must be in effect at or prior to commencement of work under this contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this contract, or to provide evidence of renewal, is a material breach of contract.
 - iii. All certificates required by this Contract shall be sent directly to Area Agency Contracts Department. The Area Agency contract number and contract description shall be noted or referenced on the certificate of insurance. The Area Agency reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.
- g. Subcontractors Contractors' certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to the Area Agency separate certificates and endorsements for each subcontractor. All coverage for subcontractors shall be subject to the minimum requirements identified within this contract.
- h. Approval Any modification or variation from the Insurance Requirements in this contract shall be made by the Area Agency, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.
- i. Exceptions
- i. In the event the Contractor or subcontractor(s) is/are a public entity, then the Insurance requirements shall not apply. Such public entity shall provide a Certificate of Self-Insurance. If the Contractor or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.
 - ii. In the event that Contractor determines that it may not be able to comply fully with the insurance requirements set forth in this section and contract, the Contractor may request

that the insurance requirements be modified pursuant to paragraph **6.h. Approval of this section**, provided that such request be delivered in writing to Area Agency at least ten (10) days prior to contract execution. Contractor shall include with such request Contractor's justification for the modification with supporting documentation.

1. As provided in paragraph **6.h. Approval of this section**, the Area Agency President/CEO shall decide whether such modification may be permitted.
2. Modifications that are approved will be done so on a case-by-case basis and shall not affect the insurance requirements of other Contractors for whom modifications have not been approved. If a Contractor's request has not been approved or a Contractor fails to deliver its request prior to the applicable deadline, then the Contractor shall be required to comply fully with the insurance requirements set forth fully in this **Section 6 Insurance**.

7. Risk and Liability

a. Force Majeure

- i. Except for payments of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.
 - ii. Force Majeure shall not include the following occurrences:
 1. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;
 2. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or
 3. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.
 - iii. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.
 - iv. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.
- b. **Third Party Antitrust Violations** The Contractor assigns to the Area Agency any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor toward fulfillment of this contract.

8. Warranties

- a. **Suspension and Debarment**: The Contractor warrants that the corporation has not been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity. If the Contractor is a sub-entity, franchise, or a DBA (doing-business-as) entity of another corporation or entity, Contractor makes the same warrant of suspension and debarment for the other corporation(s). If a Contractor has, prior to or during this contract, been debarred,

- suspended or otherwise lawfully prohibited from participating in any public procurement activity, the Contractor shall disclose that information to Area Agency in writing within ten (10) days of such debarment.
- b. Services The Contractor warrants that all services provided under this contract shall conform to the requirements stated herein and any amendments hereto. The Area Agency's acceptance of services provided by the Contractor shall not relieve the Contractor from its obligations under this warranty. In addition to its other remedies, the Area Agency President/CEO may, at the Contractor's expense, require prompt correction of any services failing to meet the Contractor's warranty herein. Services corrected by the Contractor shall be subject to all of the provisions of this contract in the manner and to the same extent as the services originally furnished.
 - c. Liens The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.
 - d. Quality Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the Area Agency of the materials, they shall be
 - i. Of a quality to pass without objection in the trade under the contract description;
 - ii. Fit for the intended purposes for which the materials are used;
 - iii. Within the variations permitted by the contract and are of even kind, quantity, and quality within each unit and among all units;
 - iv. Adequately contained, packaged, and marked as the contract may require; and
 - v. Conform to the written promises or affirmations of fact made by the Contractor.
 - e. Fitness The Contractor warrants that any material supplied to the Area Agency shall fully conform to all requirements of the contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the contract.
 - f. Inspection/Testing The warranties set forth in subparagraphs Liens, Quality, and Fitness of this section are not affected by inspection or testing of or payment for the materials by the Area Agency.
 - g. Compliance with Applicable Laws
 - i. The materials and services supplied under this contract shall comply with all applicable federal, state and local laws, and the Contractor shall maintain all applicable license and permit requirements. Any changes in the governing laws, rules and regulations during the term of this contract shall apply but do not require an amendment to this contract.
 - ii. Contractor shall comply with the laws, rules, regulations and standards contained within the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) including Section 2352 "Title XX Block Grants;" Title 45 Code of Federal Regulations Parts 74 and 96; and the Arizona Title XX Social Services Plan.
 - iii. Contractor shall comply with the laws, rules, regulations and standards contained within Title III of the Older Americans Act, as amended; Title 45 Code of Federal Regulations, Part 74 (except Subpart N); Title 45 of the Code of Federal Regulations parts 1320, 1321, 1324, and 1326. In accordance with Title 45 Code of Federal Regulations, Part 1321.51, the Area Agency shall afford the Contractor an opportunity for a hearing when required by the provisions of this part.
 - iv. Contractor shall comply with the provisions of A.R.S. Sections §46-251 through §46-253, Supplemental Payments Program.
 - v. The laws and regulations of the State of Arizona shall govern the rights of the parties, the performance of this contract and any disputes there under. Any action relating to this contract shall be brought in Arizona court.
 - vi. The Contractor shall comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) and all applicable implementing Federal regulations. The Contractor shall notify Area Agency no later than one hundred and twenty (120) days prior to any required compliance date if the Contractor is unwilling to or anticipates that it will be unable to meet these requirements. Receipt by the Area Agency of a notice of anticipated inability or unwillingness to comply with these requirements constitutes grounds for the termination of this contract.

- h. Survival of Rights and Obligations after Contract Expiration or Termination
- i. Contractor's Representations and Warranties: All representations and warranties made by the Contractor under this contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. §12-510, except as provided in A.R.S. §12-529, the Area Agency or State are not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.
 - ii. Purchase Orders: The Contractor shall, in accordance with all terms and conditions of the contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Area Agency President/CEO including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this contract.
 - iii. Risk of Loss: The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

9. Contractual Remedies

- a. Right to Assurance If Area Agency in good faith has reason to believe that the Contractor does not intend to or is unable to perform or continue performing under this contract, the Area Agency President/CEO may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of days specified in the demand may at Area Agency's option, be the basis for terminating the contract under the Terms and Conditions or other rights and remedies available by law or provided by the contract. For designated agencies, termination shall comply with the Older American's Act legislation.
- b. Stop Work Order
 - i. The Area Agency, at any time, by written order to the Contractor, may require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the Area Agency after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.
 - ii. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Area Agency President/CEO shall make an equitable adjustment in the delivery schedule or contract price, or both, and the contract shall be amended in writing accordingly.
- c. Non-Exclusive Remedies The rights and the remedies of the Area Agency under this contract are not exclusive.
- d. Non-Conforming Tender Materials or services supplied under this contract shall fully comply with the contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services the Area Agency may terminate the contract for default under applicable termination clauses in the contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.
- e. Right of Offset Area Agency shall be entitled to offset, against any sums due the Contractor, any expenses or costs incurred by the Area Agency or damages assessed by the Area Agency concerning the Contractor's nonconforming performance or failure to perform the contract, including expenses, costs and damages.

10. Contract Termination

- a. Mutual Agreement This contract may be terminated by mutual agreement of the parties at any time during the term of this agreement.
- b. Cancellation for Conflict of Interest Pursuant to A.R.S §38-511 as may be amended, Area Agency may cancel this contract within three (3) years after contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Area Agency is or becomes at any time while the contract or an extension of the contract is in effect an employee of or a consultant to any other party to this contract with respect to the subject matter of the contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this contract as provided in A.R.S §38-511 as may be amended.
- c. Gratuities The Area Agency may, by written notice to the Contractor, terminate this contract in whole or in part if Area Agency determines that employment or a gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the Area Agency for the purpose of influencing the outcome of the procurement or securing the contract, an amendment to the contract, or favorable treatment concerning the contract, including the making of any determination or decision about contract performance. The Area Agency, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the gratuity offered by the Contractor.
- d. Suspension or Debarment Either party may, by written notice, immediately terminate this contract if either party has determined to have been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the Contractor is not currently suspended or debarred. If the Contractor becomes suspended or debarred, the Contractor shall immediately notify the Area Agency as identified in ***Section 8.a. Suspension and Debarment***.
- e. Termination for Convenience The Area Agency reserves the right to terminate the contract, in whole or in part at any time, when in the best interests of the Area Agency without penalty or recourse. In addition, the Area Agency has the right to terminate the contract upon the Contractor's noncompliance which does or may jeopardize any Area Agency fund source requirements, standards, or expectations. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the Area Agency. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the contract shall become the property of and be delivered to Area Agency upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply. The Contractor may terminate this contract per this provision by providing at least sixty (60) days written notice to the Area Agency President/CEO.
- f. Termination for Default
 - i. In addition to the rights reserved under the contract, Area Agency may terminate the contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the contract. The Area Agency President/CEO shall provide written notice of the termination and the reasons for it to the Contractor.
 - ii. Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the contract shall become the property of and be delivered to the Area Agency on demand.
 - iii. This contract is voidable and subject to immediate termination by Area Agency upon the Contractor becoming insolvent or filing proceedings in bankruptcy or reorganization under the United States Code, or upon assignment or delegation of the contract and/or

- any rights there under without Area Agency's prior written approval.
- iv. Area Agency may, upon termination of this contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this contract. The Contractor shall be liable to the Area Agency for any excess costs incurred by the Area Agency in procuring materials or services in substitution for those due from the Contractor.
- v. Area Agency may immediately terminate this contract if the Area Agency determines that the health or welfare or safety of service recipients is endangered.
- vi. For designated agencies, termination shall comply with the Older American's Act legislation.
- g. Continuation of Performance Through Termination Area Agency and the Contractor shall continue to perform, in accordance with the requirements of the contract, up to the date of termination, as directed in the termination notice.
- h. Termination for Any Reason
 - i. In the event the contract is terminated, with or without cause, or expires, the parties, shall assist each other in the transition of services or eligible persons to other contractors. Such assistance and coordination shall include, but not be limited to, the forwarding of program and other records as may be necessary to assure the smoothest possible transition and continuity of services. The cost of reproducing and forwarding such records and other materials shall be borne by the Contractor. The Contractor must make provisions for continuing all management/administrative services until the transition of services or eligible persons is complete and all other requirements of this contract are satisfied.
 - ii. In the event of early termination for any reason, any funds advanced to the Contractor shall be returned to Area Agency within ten (10) days after the date of termination of the contract or upon receipt of notice of termination of the contract, whichever is earlier.

11. Services

- a. Services The Contractor shall provide the services as identified in the Contract Summary of this contract in accordance with the following:
 - i. Scope of Work(s);
 - ii. Service Specification(s);
 - iii. Specific Terms
 - iv. Approved Methodology(s);
 - v. Documents referenced or included in the solicitation
 - vi. Approved Budget or Rate;
 - vii. Approved Outreach Plan(s), if applicable; and
 - viii. Other Area Agency manuals, policies, procedures, and directives.
- b. Delivery of Services Contractor shall notify and obtain prior approval from Area Agency for modifications affecting the delivery of services which may include but is not limited to the following:
 - i. Increase or decrease in the number of days of operations to existing facilities;
 - ii. Increase or decrease in the number of facilities where services are provided; or
 - iii. Changes to the Methodologies.
- c. Levels of Service
 - i. For designated non-case managed services, if the Contractor determines service recipient eligibility, the Contractor shall maintain and regulate the units or services set forth in this contract to ensure continuity and availability of services to eligible persons during the term of this contract and during any transition to a subsequent Contractor.
 - ii. Area Agency makes no guarantee to purchase specific quantities of goods or services, or to refer eligible persons as may be identified or specified herein.
 - iii. Further, it is understood and agreed that this contract is for the sole convenience of the Area Agency and that the Area Agency reserves the right to obtain like goods or services from other sources when such need is determined necessary by the Area Agency.

- iv. Area Agency makes no guarantee to purchase all of the service units contracted or to provide any number of referrals. If quantities of units are specified, they are estimates only and the Area Agency may decrease and/or increase them by providing written notice to the Contractor.
- v. Any administration within the Area Agency may obtain services under this contract.
- vi. Contract services may be moved or expanded to other site locations within the geographic area awarded only by a written contract amendment.
- vii. When the method of compensation for the service is Fixed Price with Price Adjustment, the contract may be amended, by mutual agreement, to purchase additional services by increasing the contract service budget and/or budget summary.
 - 1. It is expected that the Contractor will serve in excess of contract authorized, case managed, units by as much as 10% without obligation for an Area Agency funding increase.
 - 2. Contractor is expected to serve, at least, within 90% of contracted levels of service. The Area Agency reserves the right to amend the contract funding and units within the contract to correspond with projected levels of service.

12. Area Agency Responsibility

- a. Technical Assistance Area Agency may, but shall not be obligated to, provide technical assistance to the Contractor in the administration of contract services, or relating to the terms and conditions, policies and procedures governing this contract. Notwithstanding the foregoing, the Contractor shall not be relieved of full responsibility and accountability for the provision of contract services in accordance with the terms and conditions set forth herein.

13. Contractor Responsibility

- a. Audit
 - i. In compliance with the Federal Single Audit Act (31 U.S.C. per. 7501-7507 as may be amended and as OMB documents may be consolidated, renamed, or reconfigured), Contractors designated as sub-recipients, as described in the Office of Management and Budget (OMB) Circular A-133, expending federal funds from all sources totaling \$750,000 or more, shall have a yearly audit conducted in accordance with the audit and reporting standards as prescribed in OMB Circular A-133 as may be amended. As outlined in A-133. the Audit Reporting Package shall include:
 - 1. Financial statements and a schedule of Expenditures of Federal Awards (SEFA)
 - 2. Summary schedule of prior audit findings
 - 3. Auditors Reports (detailed in the A-133)
 - 4. Corrective Action Plan
 - ii. The Area Agency's contract numbers and award amounts must be included on the SEFA. A copy of the Single Audit Reporting Package and Management Letter, if issued, shall be submitted to the Area Agency's Chief Finance Officer within thirty (30) days after completion of the audit or nine (9) months after the audited period and to the Area Agency's Contracts Department.
 - iii. All Contractors are subject to the programmatic and fiscal monitoring requirements of Area Agency to ensure accountability of the delivery of all goods and services, as required under the Federal Single Audit Act. A minimum fiscal requirement for all Contractors designated as vendors is an annual financial audit which includes Area Agency contract numbers and award amounts. The Audit Report, Management Letter and Auditor's Opinion must be submitted to Area Agency within thirty (30) days after the completion of the audit.
 - iv. As prescribed in OMB Circular A-133, for-profit sub-recipients are subject to compliance requirements established by the Area Agency. Methods to ensure compliance for Federal awards made to for-profit sub-recipients may include pre-award audits, Area Agency monitoring during the contract, and post-award audits.
 - v. Audits of non-profit corporations receiving federal or state monies required pursuant to

federal or state law must be conducted as provided in 31 U.S.C. Section 7501 et seq. and A.R.S. §35-181.03 as may be amended and any other applicable statutes, rules, regulations and standards.

- b. Background Checks for Employment through the Central Registry If providing direct services to children or vulnerable adults, the following shall apply:
- i. The provisions of A.R.S. §8-804 (as may be amended) are hereby incorporated in its entirety as provisions of this contract.
 - ii. The Contractor will conduct Central Registry Background Checks using the Area Agency contract number: ADES15-089127.
 - iii. The Contractor will use the information contained in the Central Registry as a factor to determine qualifications for positions that provide direct service to children or vulnerable adults for:
 1. All employees of a Contractor;
 2. A subcontractor of a Contractor and the subcontractor's employees; and
 3. Prospective employees of the contractor or subcontractor at the request of the prospective employer.
 - iv. Volunteers who provide direct services to children or vulnerable adults shall have a Central Registry Background Check which is to be used as a factor to determine qualifications for volunteer positions.
 - v. A person who is disqualified because of a Central Registry Background Check may apply to the Board of Fingerprinting for a Central Registry exception pursuant to A.R.S. §41-619.57. A person who is granted a Central Registry exception pursuant to A.R.S. §41-619.57 is not entitled to a contract, employment, licensure, certification or other benefit because the person has been granted a Central Registry exception.
 - vi. Before being employed or volunteering in a position that provides direct services to children or vulnerable adults, persons shall certify on forms provided by Area Agency whether an allegation of abuse or neglect was made against them and was substantiated. The completed forms are to be maintained as confidential.
 - vii. A person awaiting receipt of the Central Registry Background Check may provide direct services to Area Agency clients after completion and submittal of the Direct Service Position certification form if the certification states:
 1. The person is not currently the subject of an investigation of child abuse or neglect in Arizona or another state or jurisdiction; and
 2. The person has not been the subject of an investigation of child abuse or neglect in Arizona, or another state or jurisdiction, which resulted in a substantiated finding.
 - viii. If the Central Registry Background Check specifies any disqualifying act and the person does not have a Central Registry exception, the person shall be prohibited from providing direct services to Area Agency clients.
 - ix. Contractors will conduct re-checks of any staff or volunteers:
 1. Upon request from Area Agency;
 2. In conjunction with the fingerprint clearance card renewal; and
 3. If the staff/volunteer person has had a period of one (1) year interrupted from employment/service or interrupted from performing direct services.
 - x. The Contractor shall maintain the Central Registry Background Check results and any related forms or documents in a confidential file for five (5) years after termination of the contract.
 - xi. Assistance:
 1. The Request for Search of Central Registry for Background Check form is located at:
<https://www.des.az.gov/file/3219/download>
 2. The Certification of Direct Service Position is located at:
<https://www.des.az.gov/file/5808/download>

c. Books and Records

- i. The Contractor shall retain and shall contractually require each subcontractor to retain all data and other “records” relating to the acquisition and performance of the contract for a period of five years after the completion of the contract. All records shall be subject to inspection and audit by Area Agency at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.
- ii. Contract service records will be maintained in accordance with this contract amendment(s), scope(s) of service, service specification(s), and any other Area Agency policies and directives. Records shall, as applicable, include but not be limited to meeting the following standards:
 1. Adequately identify the service provided and each service recipient’s application for contract and subcontract activities;
 2. Include personnel records which contain applications for employment, job titles and descriptions, hire and termination dates, a copy of the fingerprinting clearance card, wage rates, and effective dates of personnel actions affecting any of these items;
 - a. Specific to staff/volunteers providing transportation services, records must include a copy of a valid driver’s license based on the vehicle to be driven and the initial physical exam and subsequent physical exams per contract requirements.
 - b. Specific to staff/volunteers providing home delivered meals, records must include a copy of a valid driver’s license based on the vehicle to be driven.
 3. Include time and attendance records for individual employees to support all salaries and wages paid;
 4. Include records of the source of all receipts and the deposit of all funds received by the Contractor;
 5. Include original copies of invoices, statements, sales tickets, billings for services, deposit slips, etc., and a cash disbursement journal and cancelled checks to reflect all disbursements applicable to the contract;
 6. Include a complete general ledger and accounts for the collection of all costs and/or fees applicable to the contract; and
 7. Include copies of lease/rental agreements, mortgages and/or any other agreements that in any way may affect contract expenditures.
- iii. Any such records not maintained shall mandate an audit exception in the amount of the inadequately documented expenditures.
- iv. Contractor shall preserve and make available all records for a period of five (5) years from the date of final payment under this contract or if subject to Health Insurance Portability & Accountability Act which is six (6) years from the date of final payment.
- v. If this contract is completely or partially terminated, the records relating to the work terminated shall be preserved and made available for a period of five (5) years from the date of any such termination.
- vi. Records which relate to disputes, litigation or the settlement of claims arising out of the performance of this contract, or costs and expenses of this contract to which exception has been taken by the Area Agency, shall be retained by the Contractor until such disputes, litigations, claims or exceptions have been disposed of.

- d. Certification of Cost or Pricing Data By submittal of an offer, the contract, contract amendment or other official form, the Contractor certifies that, to the best of the Contractor's knowledge and belief, any cost or pricing data submitted is accurate, complete and current as of the date submitted or other mutually agreed upon date. Furthermore, the price to the Area Agency shall be adjusted to exclude any significant amounts by which the Area Agency finds the price was increased because the Contractor-furnished cost or pricing data was inaccurate, incomplete or not current as of the date of submittal. Such adjustment by the Area Agency may include overhead, profit, or fees.

- e. Certification of Rate and/or Budget Contractor certifies the following:

- iv. No costs are included as both direct and indirect costs.
 - v. The Contractor agrees that the funds received under this contract will be expended to achieve the purposes of this contract and to meet costs defined as allowable in applicable federal or state laws, rules, regulations and guidelines. For contracts where costs are reimbursed, any costs deemed unallowable as determined by a financial audit shall be subject to recoupment pursuant to **Section 13.p, Payment Recoupment** of these Terms and Conditions. The Contractor shall be entitled to appeal such determination through Area Agency's appeal process.
- f. **Conflict of Interest** Contractor is responsible to ensure that volunteers and staff do not engage in any extraneous, for hire, or non-contractual service tasks or otherwise engage in a conflict of interest relationship with a service recipient. Contractor shall have a specific Conflict of Interest policy to include staff training and monitoring system to ensure compliance.
- g. **Gratuities** Contractor and all representatives, staff, and volunteers shall not accept any form of gratuity including but not limited to cash, promise of cash, property, gifts, or services from service recipients. Contractor shall have a specific Gratuity Policy including staff training and monitoring system to ensure compliance.
- h. **Code of Conduct** The Contractor shall avoid action that might create or result in the appearance of:
 - i. Inappropriate use or divulging of information gathered or discovered pursuant to the performance of its duties under the contract;
 - ii. Acting on behalf of the Area Agency or contracted funding sources, without appropriate authorization;
 - iii. Provide favorable or unfavorable treatment to anyone;
 - iv. Make a decision on behalf of the Area Agency that exceeds Contractor's authority that could result in partiality, or have a political consequence for the Area Agency or contracted funding sources.
 - v. Misrepresent or otherwise impede the efficiency, authority, actions, policies, or adversely affect the confidence of the public or integrity of the Area Agency or contracted funding sources.
 - vi. Loss of impartiality when advising the Area Agency or contracted funding sources.
- i. **Competitive Bidding** Contractor is authorized to purchase the supplies and equipment itemized in the contract or specified in an amendment for utilization in the delivery of contract services. Contractor shall procure all such supplies and equipment at the lowest practicable cost and shall purchase all non-expendable items, having a useful life of more than one year and an acquisition cost of \$5,000 or more, through generally accepted and reasonable competitive bidding processes. Any procurement in violation of this provision shall be considered a financial audit exception. The documentation of bids and bid acceptance decision must be maintained by the Contractor and made available to Area Agency for review upon written request.
- j. **Disaster Preparedness** Contractor will develop and implement an emergency preparedness plan describing agency protocols to assist clients in the event of an emergency/disaster. The plan should include agency methods of coordination with state and/or local emergency response agencies. Contractor agrees to conduct staff training on the implementation of the emergency preparedness plan.
- k. **Equipment**
 - i. If the Contractor is authorized, specifically by the Area Agency, to purchase equipment, it shall be itemized in the contract or in the Terms of the amendment for utilization in the delivery of contract services. If equipment is purchased as authorized by this contract,

the Contractor shall maintain complete and up-to-date inventory records for all equipment purchased hereunder. Equipment specifically designated within this contract, to be purchased in whole or part with Area Agency funds, shall be reported in accordance with Area Agency Finance Manual inventory policies and procedures. The Contractor shall report equipment purchased with contract funds to Area Agency within thirty (30) days of purchase, perform an annual inventory of all equipment purchased with Area Agency funds and submit the equipment inventory to the Area Agency.

- ii. Reimbursement claims for equipment must include the detailed receipt identifying the equipment item, cost including taxes, shipping, and installation, and the type(s) of funds used from the Area Agency.
- iii. The Area Agency and its funding sources shall retain an equitable interest equal to the purchase price paid, or a fair estimate or appraisal of current market value, whichever is greater, in all equipment purchased or assigned to the Contractor under this contract. Area Agency shall be included as a co-insured on any insurance policy which covers equipment purchased under this contract.
- iv. The Contractor shall not dispose of any equipment purchased or assigned under this contract without the prior written consent of Area Agency during and after the contract term. Such consent, if given, may include direction as to the means of disposition and the utilization of proceeds, including any necessary adjustments to the contract.
- v. Upon termination of this contract, any equipment purchased or assigned under this contract shall be disposed of as directed by Area Agency and, if sold, Area Agency shall be compensated in the amount of its equitable interest.
- vi. Under a Fixed Price contract, **Section i.** and **Section v.** do not apply unless specifically required by federal or state law.

l. E-Verify

- i. In accordance with A.R.S. §41-4401 as may be amended, Contractor warrants compliance with all federal immigration laws and regulations relating to employees and warrants to compliance with section A.R.S. §23-214, Subsection A as may be amended which reads: *“After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program and shall keep a record of the verification for the duration of the employee’s employment or at least three (3) years whichever is longer.”*
- ii. A breach of a warrant regarding compliance with immigration laws and regulations shall be deemed a material breach of the contract and the Contractor may be subject to penalties up to and including termination of the contract.
- iii. Failure to comply with an Area Agency audit process to randomly verify the employment records of the Contractor and subcontractors shall be deemed a material breach of the contract and the Contractor may be subject to penalties up to and including termination of the contract.
- iv. Area Agency retains the legal right to inspect the papers of any employee who works on the contract to ensure that the Contractor or subcontractor is complying with the warranty statement herein.

m. Fingerprinting

- i. Contractor shall comply with, and shall ensure that all of Contractor's employees, independent contractors, subcontractors, volunteers and other agents comply with all applicable (current and future) legal requirements relating to fingerprinting, fingerprint clearance cards, certifications regarding pending or past criminal matters, and criminal records checks that relate to contract performance.
- ii. Applicable legal requirements relating to fingerprinting, certification, and criminal background checks may include, but are not limited, to the following: A.R.S. §§36-594.01, 36-3008, 41-1964, and 46-141. All applicable legal requirements relating to fingerprinting, fingerprint clearance cards, certifications regarding pending or past criminal matters, and criminal records checks are hereby incorporated in their entirety as provisions of this contract. The contractor is responsible for knowing which legal

requirements relating to fingerprinting, fingerprint clearance cards, certifications regarding pending or past criminal matters, and criminal records checks relate to contract performance.

- iii. "Certifications regarding pending or past criminal matters" as identified above may be satisfied through the submission of the Criminal History Self Disclosure Affidavit by staff/volunteers. Such use of this form cannot be construed as the only manner or the best manner to obtain certifications regarding pending or past criminal matters. The Criminal History Self Disclosure affidavit form is located at:
 - 1. <https://www.des.az.gov/file/8584/download> English
 - 2. <https://www.des.az.gov/file/3226/download> Spanish
- iv. To the extent A.R.S. §46-141 as may be amended, is applicable to contract performance or the services provided under this contract, the following provision apply:
 - 1. Personnel who are employed by the Contractor, whether paid or not, and who are required or allowed to provide services directly to juveniles or vulnerable adults shall have a valid fingerprint clearance card or shall apply for fingerprint clearance card within seven working days of employment. The Contractor is required to maintain complete documentation of all fingerprint clearance cards to demonstrate all personnel have clearance.
 - 2. Except as provided in A.R.S. §46-141, this contract may be cancelled or terminated immediately if a person employed by the Contractor and who has contact with juveniles or vulnerable adults certifies pursuant to the provisions of A.R.S. §46-141 as may be amended, that the person is awaiting trial or has been convicted of any of the offenses listed therein in this State, or of acts committed in another state that would be offenses in this State, or if the person does not possess or is denied issuance of a valid fingerprint clearance card.
 - 3. Federally recognized Indian tribes or military bases may submit and the Department of Economic Security shall accept certifications that state that no personnel who are employed or who will be employed during the contract term have been convicted of, have admitted committing, or are awaiting trial on any offense as described in A.R.S. §46-141 (H) (as may be amended).
- v. Contractor is solely responsible for maintaining and providing upon request documentation verifying all aspects of this section.
- n. IT 508 Compliance Unless specifically authorized in the contract, any electronic or information technology offered to the Area Agency under this contract shall comply with A.R.S. §41-3531 and §3532 as may be amended, and Section 508 of the Rehabilitation Act of 1973, which requires that employees and members of the public with disabilities 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.
- o. Payment Indemnification The Contractor shall be responsible for issuing payment for services performed by the Contractor's employees, subcontractors, suppliers, or any other third party incurred in the furtherance of the performance or the arising out of the contract and will indemnify and save the Area Agency harmless for all claims whatsoever out of the lawful demands of such parties. The Contractor shall, at the Area Agency's request, furnish satisfactory evidence that all obligations of the nature hereinabove designated have been paid, discharged or waived.
- p. Payment Recoupment Contractor shall reimburse Area Agency upon demand or Area Agency may deduct from future payments for the items below.
 - i. Any amounts received by the Contractor from Area Agency for contract services which have been inaccurately reported or are found to be unsubstantiated;
 - ii. Any amounts paid by the Contractor to a subcontractor not authorized in writing by Area Agency;
 - iii. Any amount or benefit paid directly or indirectly to an individual or organization not in accordance with the **Section 3.k, Substantial Interest Disclosure** and/or **Section 10.b. Cancellation for Conflict of Interest** of these Terms and Conditions;

- iv. Any amounts paid by Area Agency for services which duplicate services covered or reimbursed by other specific grants, contracts, or payments;
 - v. Any amounts expended for items or purposes determined unallowable by Area Agency when this contract provides for the reimbursement of costs, see the ***Section 13.s, Unallowable Costs*** section of these Terms and Conditions;
 - vi. Any amounts paid by Area Agency for which the Contractor's books, records, and other documents are not sufficient to clearly substantiate that those amounts were used by the Contractor to perform contract services;
 - vii. Any amounts received by the Contractor from Area Agency which are identified as a financial audit exception;
 - viii. Any amounts received by the Contractor from Area Agency which are identified as a financial audit exception;
 - ix. Any amounts paid or reimbursed in excess of the contract or service reimbursement ceiling;
 - x. Any amounts paid to the Contractor which are subsequently determined to be defective pursuant to ***Section 13.d, Certification of Cost or Pricing Data*** of these Terms and Conditions;
 - xi. Any payments made for services rendered before the contract begin date or after the contract termination date.
- q. **Reporting Requirements**
- i. Unless otherwise provided in this contract and specifically excluding the last reporting month of the contract term, reporting shall adhere to the following schedule: no later than the tenth (10th) day following each month during the contract term the Contractor shall submit to Area Agency programmatic and financial reports in the form set forth in the contract or by Area Agency directive. Failure to submit accurate and complete reports by the tenth (10th) day following the end of each month may result, at the option of Area Agency, in assessing available penalties as allowed in ***Section 4.c.vi Contract Payment Provision*** of these Terms and Conditions.
 - ii. No later than the twenty-fifth (25th) day following end of each contract term, or other date specified by Area Agency, the Contractor shall submit to Area Agency a final program and fiscal report.
 - iii. Failure to submit the final program and fiscal report within the above time period may result, at the option of Area Agency, in forfeiture of final payment.
- r. **Supporting Documents and Information** In addition to any documents, reports or information required by any other section of this contract, Contractor shall furnish Area Agency with any further documents and information deemed necessary by Area Agency. Upon receipt of a request for information from Area Agency, the Contractor shall provide complete and accurate information no later than fifteen (15) days after the receipt of the request.
- s. **Unallowable Costs** The cost principles set forth in the Code of Federal Regulations, 48 CFR, Chapter 1, Subchapter e, Part 31, (October 1, 1991), including later amendments and editions, on file with the Arizona Secretary of State and incorporated by this reference, shall be used to determine the allow ability of incurred costs for the purpose of reimbursing costs under contract provisions that provide for the reimbursement of costs. Those costs which are specifically defined as unallowable therein will not be submitted for reimbursement by the Contractor and may not be reimbursed with Area Agency funds. In addition, the Contractor shall comply with the following publications (including subsequent revisions) as applicable:
- i. OMB Circular A-87 for State, local and Indian Tribal Governments.
 - ii. OMB Circular A-122 for private nonprofit organizations other than institutions of higher education, hospitals or others specified in A-122.
 - iii. OMB Circular A-21 for educational institutions.
 - iv. OMB Circular A-133 for audits of institutions of higher education and other non-profit institutions.

14. Contract Performance Terms

- a. Evaluation Area Agency may evaluate and the Contractor shall cooperate in the monitoring, assessing, and evaluation of contract services. Evaluation may assess the quality and impact of contract services, either in isolation or in comparison with other similar services, and assess the Contractor's progress and/or success in achieving the goals, objectives and deliverables set forth in this contract. As requested by the Area Agency, the Contractor shall participate in third party evaluations relative to contract impact in support of Area Agency and contract goals. Evaluations shall include access to all subcontractor services if applicable.
- b. Monitoring Area Agency may monitor the Contractor and/or subcontractor and they shall cooperate in the monitoring of services delivered, facilities and records maintained and fiscal practices.
- c. Non-Discrimination
 - i. 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.
 - ii. Unless exempt under federal law, the Contractor shall comply with Title VII of the Civil Rights Act of 1964 as amended. Contractor shall comply with the Age Discrimination in Employment Act. The Contractor shall comply with the Rehabilitation Act of 1973, as amended, which prohibits discrimination in the employment or advancement in employment of qualified persons because of physical or mental handicap. The Contractor shall comply with the requirements of the Fair Labor Standards Act of 1938, as amended.
 - iii. If Contractor is an Indian Tribal government, Contractor shall comply with the Indian Civil Rights Act of 1968. It shall be permissible for an Indian Tribal Contractor to engage in Indian preference in hiring.
 - iv. The Contractor shall comply with Title VI of the Civil Rights Act of 1964, which prohibits the denial of benefits of or participation in contract services on the basis of race, color, or national origin. The Contractor shall comply with the requirements of Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination on the basis of handicap, in delivering contract services and with Title II of the Americans with Disabilities Act, and the Arizona Disability Act, which prohibit discrimination on the basis of physical or mental disabilities in the provision of contract programs, services, and activities.
 - v. The following shall be included in all publications, forms, flyers, etc. that are distributed to recipients of contract services:

“Under Titles VI and VII of the Civil Rights Act of 1964 (Title VI and VII) and the Americans with Disabilities Act of 1990 (ADA) Section 504 of the Rehabilitation Act of 1973 and the Age Discrimination Act of 1975, [insert Contractor name here] prohibits discrimination in admissions, programs, services, activities or employment based on race, color, religion, sex, national origin, age, and disability. The [insert Contractor name here] must make a reasonable accommodation to allow a person with a disability to take part in a program, service, or activity. Auxiliary aids and services are available upon request to individuals with disabilities. For example, this means that if necessary, the [insert Contractor name here] must provide sign language interpreters for people who are deaf, a wheelchair accessible location, or enlarged print materials. It also means that the [insert Contractor name here] will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program or activity because of your disability, please let us know of your disability needs in advance if at all possible. To request this document in alternative format or for further information about this policy please contact [insert Contractor contact person and phone number here]. Para obtener este documento en otro formato u obtener informacion adicional sobre esta politica, contact [insert Contractor contact person and phone number here].”

- d. Personnel The Contractor's personnel shall satisfy all qualifications, carry out all duties, and work the hours set forth in this contract.
- e. Professional Standards The Contractor shall deliver contract services in a humane and respectful manner and in accordance with any and all applicable professional accreditation standards. Levels of staff qualifications, professionalism, numbers of staff and individuals identified by name must be maintained as presented in the contract.
- f. Visitation, Inspection, and Copying
 - i. Contractor's or subcontractor's facilities, services and individuals served, books and records pertaining to the contract shall be available for visitation, inspection and copying by Area Agency and any other appropriate agent of a funding source or the state or federal government. At the discretion of Area Agency, visitation, inspection and copying may be at any time during regular business hours, announced or unannounced. If Area Agency deems it to be an emergency situation, it may at any time visit and inspect the Contractor's or subcontractor's facilities, services, and individuals served, as well as inspect and copy their contract-related books and records.
 - ii. Facilities Inspection and Materials Testing The Contractor agrees to permit access to its facilities, subcontractor facilities and the Contractor's processes or services, at reasonable times for inspection of the facilities or materials covered under this contract. The Area Agency shall also have the right to test, at its own cost, the materials to be supplied under this contract. Neither inspection of the Contractor's facilities nor materials testing shall constitute final acceptance of the materials or services. If the Area Agency determines non-compliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by the Area Agency for testing and inspection.

15. Programmatic Terms

- a. Client Contributions, Fees, and Program Income The Contractor shall impose no fees or charges of any kind upon recipients of contract services without written approval from the Area Agency President/CEO. The Contractor shall solicit voluntary contributions from recipients/clients for services received. The Contractor shall not deny or affect levels, delivery, quality of service to any client solely because he/she refuses to make a contribution. Any contributions generated and received by the Contractor as a result of contract services must be directly allocated to the contracted service and shall be disposed of and reported in accordance with the Area Agency Finance Manual.
- b. Confidentiality
 - i. 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 the Area Agency and/or the Attorney General's Office as required by the terms of this contract, by law, or upon their request.
 - ii. The contractor shall comply with the requirements of Arizona Address Confidentiality Program, A.R.S. 41-161 e. seq. Area Agency will advise the Contractor as to the applicable policies and procedures the State and/or DES have adopted for such compliance.
 - iii. Notwithstanding the foregoing, Contractor may release public records redacting confidential and personal identifying information in response to a valid public records request pursuant to the Arizona Public Records Law (A.R.S. §39-121 et seq.), provided, that in the event such a public records request is received, Contractor shall immediately notify Area Agency and thereafter permit Area Agency (or any counterpart of the Area Agency to whom the records or information subject to the request belongs or concerns) to intervene in order to secure a protective order or other appropriate relief from a court of competent jurisdiction. The protective action described in the preceding sentence shall be undertaken (if at all) in sole discretion of Area Agency and/or its counterparties, and a protective order or other appropriate relief must be obtained within ten (10) business days

from the date that notification of the public records request is delivered by Contractor to Area Agency. Contractor shall not, under any circumstances, be responsible for securing a protective order or other relief enjoining the release of records, nor shall Contractor be in any way financially responsible for any costs associated with securing such an order.

c. Fair Hearings and Service Recipients' Grievances

- i. The Contractor shall advise all applicants for and recipients of contract services of their right, at any time and for any reason, to present to the Contractor and to Area Agency any grievances arising from the delivery of contract services, including but not limited to ineligibility determination, reduction of services, suspension or termination of services, or quality of services. The Area Agency may assert its jurisdiction to hear the grievance or refer the matter to the appropriate authority.
- ii. The Contractor, whenever authorized by law, shall maintain a formal system acceptable to and approved by the Area Agency for reviewing and adjudicating grievances by service recipients or subcontractors arising from this contract.

d. Outcome Measurement Participation The Contractor shall participate with the Area Agency in efforts to comply with federal and state mandated requirements regarding the tracking of outcome measurement performance data and standards. Measurement data may be developed through joint planning efforts between the Contractor and the Area Agency or required as a result of mandates from federal or state fund sources.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

SCOPE OF WORK

17.0 CONGREGATE MEALS

17.1 Purpose Statement

17.1.1 The service help to increase the nutrient intake of participants to prevent or reduce the risk of chronic diseases, preserve and promote health, and improve nutritional status.

17.2 Service Description

17.2.1 Taxonomy Definition – A service that provides for a nutritious meal containing at least 1/3 of the Recommended Dietary Allowance for an individual in a congregate setting.

17.2.3 Congregate nutrition services:

1. Provide for meal planning, preparation and service.
2. Provide staff training, nutrition education and social interaction.
3. Links older adults with community-based services and provide resources that give participants choices for physical and health interventions, where available.

17.2.4 The Older Americans Act as amended in 2006 adopted 1/3 of Dietary Reference Intakes as the meal standard.

17.2.5 Eligibility Requirements – The Contractor shall ensure services are provided to individuals that meet the eligibility requirements described in chapter 3100 of the DAAS Policy and Procedure Manual, as may be amended.

<https://www.azdes.gov/common.aspx?menu=36&menuc=28&id=8252>

17.3 Service Requirements – The Contractor shall provide:

17.3.1 Menu planning

1. Develop cycle menus to be used on a semi-annual basis (every 6 months). A cycle menu is a six or more week menu that will be rotated throughout the period.
2. Keep menus, as served, available for audit inspection for at least one year after the meals have been served. Menus shall also be kept for at least one year at the meal preparation site and the location where the meal was served.
3. Ensure a mechanism is in place to solicit the advice and expertise of:
 - a. a dietitian or other individual described in paragraph in 17.3.1.11
 - b. meal participants, and
 - c. other individuals knowledgeable with regard to the needs of older individuals as stated in DAAS Policy and Procedure Manual, Chapter 3200
4. Write menus in the dominant language or languages of the participant group for each site.
5. Incorporate ethnic and cultural preferences of participants when planning menus.
6. Plan, prepare, provide and serve meals in accordance with the Arizona Department of Economic Security Division of Aging and Adult Services “Nutrition, Food Service, and Wellness Manual (2008)” and as amended.
7. Ensure that each meal contains at least one-third (1/3) of the current Dietary Reference Intakes for nutrients as may be amended, as established by the Food and Nutrition Board of the National Academy of Science – National Research Council.
 - i. Each meal must contain a specified number of calories as defined in DAAS policies and procedures.
 - ii. Plan the menu with a majority as hot meals.
 - iii. A few cold meals may be planned, such as once a week during the summer, to add variety to the menu. Examples include chef salad, sub sandwich or deli plate.
8. Submit menus per the DAAS Policy and Procedures Manual, as may be amended on a standardized menu form and secure the approval of a Registered Dietitian (R.D.), Nutritionist, Dietetic Technician Registered (DTR), or Certified Dietary Manager (CDM) prior to serving.

- i. The R.D., Nutritionist, DTR, or CDM shall verify this by computerized nutritional analysis of at least one meal per week of the menu cycle and adherence to menu requirements in the Arizona Department of Economic Security Division of Aging and Adult Services "Nutrition, Food Service, and Wellness Manual" and as may be amended from time to time.

9. Plan menus to reduce the frequent use of foods high in sugar, salt, and saturated fats.

10. Plan menus considering the availability of foods during seasons when they are most plentiful.

17.3.2 Provide meal preparation and service

1. Prepare or arrange for preparation and service of meals, and adhere to menus as written. Substitutions which shall be made because of a temporary inability to obtain certain foods shall be selected from the same food group, for example, ½ cup carrots for ½ cup green beans. Substitution menus for holidays and special occasions must meet menu requirements. All substitutions shall be documented on the menu for site review.

2. Purchase and receive food contributions only from an approved source, such as grocery stores and food vendors. The following shall not be used: cans which are bulging, dented, leaking, rusty, or which spurt liquid when opened; food with an off-odor; food which shows signs of mold; food prepared or canned in the home.

3. Prepare and serve meals for persons needing diabetic or sodium-restricted diets, etc. (when appropriate and feasible) with written approval from the individual's physician, e.g., diet order. All special diet menus shall be approved by a Registered Dietitian or Nutritionist.

4. Maintain a distinct and physical separation of dining facilities from food preparation facilities.

5. Use facilities and equipment that are suitable and accessible for use by aged and disabled individuals when providing congregate meals.

6. Allow adequate aisle space between tables for the use of wheelchairs, or to allow persons with canes or other support devices to walk with ease.

7. Post monthly menus at the site at least one week in advance, in a location at the site that is clearly accessible and visible to individuals attending the congregate meals site.

8. Obtain the individual's signature and date for each meal served and maintain the signatures in a central file.

9. Document the number of meals provided each month.

10. Review food service expenditures in order to further cost effective management.

11. Develop and implement an emergency plan to be used when a meal cannot be prepared or is unsuitable for consumption. This includes a one-day emergency menu with supplies on hand for implementation.

12. Give participants an opportunity to contribute towards the cost of the meal in accordance with the DAAS Policy and Procedure Manual Chapter 3200, as may be amended.

13. Prepare and serve congregate meals in compliance with all municipal, county, state, and federal requirements related to the food service operation.

17.3.3 Staff Training

1. Provide food safety and sanitation training for all new food service personnel within the first month of employment to include at a minimum, but not limited to: personal hygiene, proper attire for food service workers, cleaning and sanitizing, correct use of gloves, proper hot and cold food temperatures, proper use of a thermometer, food delivery procedures and correct disposal and/or storage of left-overs.

2. Ensure that all food handlers pass a course in food safety and sanitation as specified by their County Health Department, within one month of employment. The site manager or the appropriate management staff shall have additional training such as ServSafe or other course approved by their County Health Department.

3. Provide training on a periodic basis to persons preparing meals. Training is encouraged in the areas of food safety and sanitation, storage, food preparation and

- service, cost effective management, purchasing, menu planning, equipment operation and safety.
4. Document staff training in personnel files.
- 17.3.4 Nutrition Education
1. Plan, develop, and implement a written nutrition education program that includes at least two sessions/activities each quarter.
 2. Nutrition education includes written materials, demonstrations, audio-visual presentations, lectures, and small group discussions.
 3. Nutrition education pertains to nutritionally related topics that are culturally sensitive such as: dietary guidelines for older adults, modified meals and chronic disease, food and drug interaction, physical fitness health information as it relates to nutrition, meal planning and preparation, budgeting, shopping, and sanitation.
 4. Nutrition information shall be backed by credible research. Only materials from reputable sources shall be used such as The American Dietetic Association, United State Department of Agriculture, United States Food and Drug Administration, National Institutes of Health, Centers for Disease Control, Administration on Aging, and the National Institute on Aging.
 5. Post and advertise nutrition education sessions/activities in advance.
 6. Ensure that each center/site submits to the Contractor an outline of the proposed nutrition education program annually.
 7. Document the date, topic covered, name of the presenter and the number of people who attended the nutrition education. Keep documentation available for audit inspection for at least one year at the center/site.
 8. Ensure that every participant is given the Nutrition Screening Survey initially, and annually thereafter. Those at high nutritional risk with a score of six or higher are referred to a healthcare professional for nutrition-related counseling.
- 17.3.5 Social Interaction
- a. Provide activities that encourage social interaction, e.g., recreation and group activities.
- 17.3.6 Site Monitoring
- iii. Monitor on an annual basis the centers/sites for compliance.
 - iv. Establish timeframes (not to exceed 30 days) for centers/sites to respond to monitoring reports and to initiate corrective actions.
- 17.4 Licensure/Certification Requirements – The Contractor shall ensure that:**
- 17.4.1 Registered Dietitians and Registered Dietetic Technicians meet the requirements for membership in the American Dietetic Association, have successfully completed the examination for registration, and meet continuing education requirements.
- 17.4.2 Nutritionists hold a Bachelor's or Master's degree in food and nutrition.
- 17.4.3 Certified Dietary Managers meet the requirements for certification as identified by the Certifying Board of Dietary Managers of the Dietary Managers Association, in good standing with the Board, and meet continuing education requirements.
- 17.4.4 Staffing Standards
1. Newly hired employees providing congregate meals shall submit three (3) references from persons other than their family members. All references, whether verbal or written, shall be contacted and results documented in the personnel record.
- 17.5 Performance Measures**
- 17.5.1 Number of congregate meals served annually.
- 17.6 Reporting Unit**
- 17.6.1 One unit of service equals one meal.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

SCOPE OF WORK

28.0 MULTIPURPOSE CENTER OPERATIONS

28.1 Purpose Statement

28.1.1 The service is to help foster social, emotional, mental and physical well-being and reduce the social isolation of eligible individuals as well as providing beneficial intergenerational opportunities.

28.2 Service Description

28.2.1 Taxonomy Definition - A service that operates facilities and maintains activities necessary for the delivery of services.

28.2.2 Multipurpose centers are community facilities utilized for the organization and provision of a broad spectrum of services for older adults.

28.2.3 Activities and services are planned based on the participant's needs and preferences.

28.2.4 Centers provide:

1. An array of physical activities on a daily or weekly basis which may include but not limited to, chair exercises, aerobics, balance exercises, yoga, and Tai Chi.
2. Opportunities for socialization through group activities such as games, discussions, special events, crafts, and lectures
3. Required nutrition education activities such as food demonstrations, guest speakers, discussions, and videos
4. Other educational and recreational activities such as gardening, computer training, dancing
5. Outreach to the community on the available programs and services.
6. Assistance and information for available services such as housing, transportation, and legal services

28.2.5 Centers that serve as nutrition sites provide meals that meet 1/3 of the Dietary Reference Intakes.

28.2.6 Eligibility Requirements - The Contractor shall provide services to individuals that meet the eligibility requirements described Chapter 3100 of the DAAS Policy and Procedure Manual, as may be amended.

<https://www.azdes.gov/common.aspx?menu=36&menuc=28&id=8252>

28.3 Service Requirements – The Contractor shall provide:

28.3.1 Operations

1. Provide services to meet the cultural and language needs of those being served.
2. Employ bilingual staff in centers whose participants have limited English proficiency
3. Maintain records (e.g., client participation, financial, staffing, activities).
4. Establish and post a contribution policy for services.
5. Train staff on services related to the elderly.
6. Establish and maintain project/site councils.
7. Involve participants in program planning and implementation.

28.3.2 Information on available services

1. Maintain and update a resource file of currently available services and resource referrals.
2. Provide written and verbal information on the following as available: housing, transportation, legal services, governmental programs, physical and mental health related services, food assistance, financial assistance, support groups, residential repair, energy assistance, and other relevant information.

28.3.3 Referral and assistance in accessing the services.

1. Assess/determine the services needed by individuals and groups.
2. Contact agencies providing the identified services.

3. Provide/arrange for transportation of individuals and groups to services when necessary.
 4. Provide or arrange for assistance when the individual is handicapped or has limited English abilities.
 5. Provide follow-up with individual and with agency providing service to ensure contact was made by the agency.
- 28.3.4 Outreach
1. Conduct outreach to ensure the participation of economically and socially needy individuals and of minorities.
 2. Provide written and verbal information to community groups on services available at the center and offered by other agencies.
 3. Conduct home visits to home-bound elderly in the community to conduct wellness checks.
- 28.3.5 Education
1. Provide educational opportunities that assist older individuals with their economic and personal needs including the following topics: consumer and continuing education, retirement and financial planning.
 2. Provide or arrange a variety of health promotion and disease prevention sessions designed to maintain and/or improve the physical and mental health status of older individuals.
 3. Provide written information on health promotion, disease prevention, mental and physical health to include home bound individuals.
 4. Develop and maintain on-going physical activity programs.
 5. Coordinate with local community resources to provide health screening and health risk assessments.
 6. Provide training on the self-management of chronic conditions.
 7. Develop and distribute a monthly calendar for educational activities.
- 28.3.6 Volunteer Opportunities
1. Designate a volunteer coordinator to provide meaningful volunteer opportunities for older individuals.
 2. Develop a volunteer recruitment system.
 3. Provide job descriptions for volunteers.
 4. Provide training for volunteers.
- 28.3.7 Recreational Activities
1. Provide recreational activities appropriate to the physical and emotional needs of older individuals.
 2. Develop and distribute a monthly calendar for recreational activities that may include, but not limited to entertainment, arts and crafts, field trips, special interest classes, and table games.
- 28.3.8 Intergenerational Programs
1. Provide intergenerational programs of mutual benefit that includes input from all age groups involved.
- 28.4 Licensure/Certification Requirements**
- 28.4.1 All facilities used for Multipurpose Center Operations shall comply with Federal, State and local laws regarding public facilities, fire and sanitary codes and licensures, as may be amended.
- 28.5 Performances Measure**
- 28.5.1 Participants needs and preferences will be met at least 90% of the time as measured through client satisfaction surveys conducted annually.
- 28.6 Reporting Unit**
- 28.6.1 One unit of service equals 60 minutes of service time.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
SCOPE OF WORK

Multipurpose Center Operations Service Cluster
41.0 SOCIALIZATION AND RECREATION

41.1 Purpose Statement

41.1.1 This service promotes the improvement in social, emotional, mental and physical well-being of older adults.

41.2 Service Description

41.2.1 Taxonomy Definition - A service that promotes mentally and emotionally healthy interaction between participants and that may be organized around leisure activities.

41.2.2 This service is to increase or maintain the functional independence of the eligible individuals by providing purposeful activities appropriate to the participants' preferences and needs.

41.2.3 Preferences and needs of the individuals, as well as the group, are evaluated and activities are planned accordingly.

41.2.4 The service may include physical activities such as chair exercises, balance exercises, dancing, and walking; developmental activities such as writing, drawing, reading, crafts, and sewing; emotional activities such as support groups and discussions; cognitive activities such as games, and puzzles that promote memory and thinking; and social activities such as group events (e.g., singing, dancing, trips to museums, theater, and parks).

41.2.5 Services include a variety of individual and group activities.

41.2.6 Target Population – The Contractor shall provide services in accordance with Chapter 3100 of the DAAS Policy and Procedure Manual, as may be amended.

41.3 Service Requirements – The Contractor shall provide one or more of the following:

41.3.1 Assess the preferences and needs of the participants individually and/or as a group.

41.3.2 Develop and implement an activity plan in conjunction with the program participants.

41.3.3 Establish and maintain working relationships with community resources.

41.3.4 Utilize community resources for the provision of services.

41.3.5 Provide training and instruction in techniques necessary for individuals to participate in program activities and to independently choose and perform a variety of leisure-time activities.

41.3.6 Actively enlist participation of individuals in the service.

41.3.7 Provide a variety of recreational activities.

41.3.8 Document those activities in which the individual participated.

41.3.9 Providing training to paid and volunteer staff.

41.3.10 Solicit input from Site Councils, where available.

41.4 Performances Measure

41.4.1 Number of participants attending recreational activities.

41.5 Reporting Unit

41.5.1 One unit of service equals 60 minutes of staff time.

***AREA AGENCY ON AGING, REGION ONE INCORPORATED
SERVICE SPECIFICATIONS***

**MULTIPURPOSE CENTER OPERATION
SOCIALIZATION & RECREATION**

1. ADDITIONAL REPORTING UNIT DEFINITIONS

Area Agency recognizes two forms of units for this service:

- a. Activity: a unit shall be one activity in the categories of health promotion and exercise.
- b. Staff hour: the staff reporting time is limited to the following categories:
 - i. program planning.
 - ii. conducting activities.
 - iii. providing social services.
 - iv. conducting outreach.
 - v. volunteer coordination to include recruitment, supervision, recognition.
 - vi. staff training provided to contractor staff / volunteers.
 - vii. continuing education for staff / volunteers.

2. SERVICE STANDARDS

Contractor shall comply with the following minimum standards:

- a. Health Promotion
Conduct a minimum of two (2) health promotion activities per month that may include (but not be limited to) health screening, disease information, nutrition education, home safety, and education sessions that will emphasize the benefits of physical exercise and activity.
- b. Exercise
Conduct a minimum of two (2) exercise classes per week. Exercise classes should be geared to a variety of skill levels to encourage participation from as many participants as possible.

3. SERVICE REQUIREMENTS FOR SOCIALIZATION AND RECREATION

Contractor will comply with all of the services as outlined in the Arizona DES Scope of Work, 41.3.

4. REPORTING REQUIREMENTS

Contractor shall comply with all Area Agency policies, procedures, and directives regarding billing as follows:

- a. all health promotion and exercise sessions must be reported using the Pharos™ software.
- b. reports and documentation must be reported as follows:
 - i. program report for activities.
 - ii. program report for MCO units.
 - iii. calendar of activities.
 - iv. financial statement.

FACILITY LOCATION

Contract services shall be delivered only at facilities and locations specified below and will be available during the hours and days of operation indicated:

AGENCY INFORMATION Facility / Site Name Address, City, State, Zip Telephone # Fax # (list corporate office, then any site office)	CONTRACTED SERVICES BY SITE	SUBCONTRACT	DAYS OF WEEK & HOURS OF OPERATION BY SITE	GEOGRAPHIC SERVICE AREA (service area by PSA, City(s) & communities or north, south, east, west boundaries)	ADULT DAY HEALTH CARE TRANSPORTATION or HOME DELIVERED MEALS DELIVERY AREA (specific north, south, east, west boundaries)
City of Surprise 16000 N Civic Ctr Plz Surprise, AZ 85374	Administrative				
City of Surprise Senior Center 15832 N. Hollyhock St Surprise, AZ 85378 623-222-1500 623-222-1501 fax	Congregate Meals Multipurpose Center Ops	n/a	Mon-Friday 8am – 4pm	PSA 1	n/a

HOLIDAY OBSERVANCES

A √ indicates the **HOLIDAYS** that the facility(s) listed above will not be open:

√	New Year's Day	√	Labor Day	Other Holidays:	
√	Martin Luther King Day		Columbus Day	√	July Staff In-Service
√	President's Day	√	Veteran's Day		
	Good Friday	√	Thanksgiving Day(s): 2		
√	Memorial Day	√	Christmas Day(s): 1		
√	Independence Day		HOLIDAYS marked are administrative only; services are provided 24/7		

CERTIFICATE REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

CITY OF SURPRISE

Signature and Date

**Seth Dyson, Director,
Human Services & Community Vitality**

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY, AND VOLUNTARY EXCLUSION

Lower tier Covered Transactions

This certification is required by the regulations implementing Executive Order 12549-Debarment and Suspension, 29 CFR Part 98, Section 98.510, Participant's responsibilities. The regulations were published as Part VII of the May 28, 1988 Federal Register (pages 19160 - 19211).

1. By signing this certificate, the prospective recipient of federal assistance funds certifies that neither it nor its principals are presently debarred, suspended, proposed for disbarment, declared ineligible, or voluntarily excluded from participation in this transaction by an Federal department or Agency.
2. Contractor is providing the certification as set out below.
3. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective recipient of federal assistance funds knowingly rendered an erroneous certification, in addition to other remedies available to the federal government, the Department of Labor (DOL) may pursue available remedies, including suspension and/or debarment.
4. The prospective recipient of federal assistance funds shall provide immediate written notice to the Area Agency President/CEO if at any time the prospective recipient of federal assistance funds learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549.
6. The prospective recipient of federal assistance funds agrees by signing this certification, that should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the Department of Labor (DOL).
7. The prospective recipient of federal assistance funds further agrees by signing this certification that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
8. A participant in a covered transaction may rely upon a certification of prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may but is not required to check the List of Parties Excluded from Procurement or Non-Procurement Programs.
9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the federal government, the DOL may pursue available remedies including suspension and/or debarment.

CITY OF SURPRISE

Signature and Date

**Seth Dyson, Director,
Human Services & Community Vitality**

COMMUNICATION PAGE
(not an integral page of the Contract)

5/10/18 EMAILED TO:
seth.dyson@surpriseaz.gov
joe.gladieux@surpriseaz.gov



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Shirley Phan - Community Development
Submitting Department:	CD	District:	1
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of the Final Plat entitled, "Plath Minor Land Division" dated May 9, 2018, a approximately 4.59 acre property generally located north of the Dynamite Road Alignment and east of 166th Avenue in a RR (Residential Ranch) zoning district.

Motion:

I move to approve the Final Plat entitled, "Plath Minor Land Division" dated May 9, 2018.

Background:

On November 3rd, 1988 the Mayor and City Council approved Ordinance #88-24 approving the annexation of the subject property. Robert Plath Jr. on behalf of Robert Plath Sr., and Jeffrey and Tammy Hostetler submitted a request for a Final Plat of a 4.595 acre (approx.) parcel.

Objective Analysis:

This Final Plat will establish a 27.50-foot right-of-way dedication on both 165th and 166th Avenue.

Policy Compliant:

This proposal Final Plat is consistent with the Surprise General Plan 2035 and the Surprise Municipal Code.

Financial Impact:

All activity related to ongoing development of the City of Surprise has an economic and fiscal impact on the city and the region.

Budget Impact:

None.

FTE Impact:

This item does not have an impact of current staff levels.

ATTACHMENTS:

Click to download

- ☐ [00 - FS17-631 Plath Final Plat - Staff Report](#)
 - ☐ [01 - FS17-631 Plath Final Plat - Vicinity Map](#)
 - ☐ [02 - FS17-631 Plath Final Plat - Final Plat](#)
 - ☐ [03 - FS17-631 Plath Final Plat - Presentation](#)
-

FINAL PLAT

REPORT TO THE CITY COUNCIL

Case: **FS17-631**

Project Name: Plath Final Plat

Council District: 1-Acacia

City Council Date: **June 19, 2018**

Planner: Shirley Phan

Owner: Robert Plath Sr., Jeffery Hostetler, and Tammy Hostetler

Applicant: Robert Plath Jr.

Request: Final Plat to subdivide a 4.59 acre (approx.) parcel into four (4) parcels; Lot 1 (1.15 acre), Lot 2 (1.10 acre), Lot 3 (1.26 acres), and Lot 4 (1.06 acres) in the RR (Residential Ranch) zoning district.

Site Location: Generally north of Dynamite Road and east of 166th Avenue

Site Size: 4.59 acres (approx.)

Density: 0-1 DU/AC

General Plan Conformance: The proposal is consistent with the Surprise General Plan 2035

Support/Opposition: None known

Findings:

- The proposed Final Plat is consistent with the Surprise General Plan 2035.
- The proposed Final Plat is consistent with the Surprise Municipal Code.

Alternative Actions: **Approval** of the requested Final Plat to subdivide a 4.59 acre parcel into 4 lots.

Denial of the requested Final Plat to subdivide a 4.59 acre parcel into 4 lots.

44 **PROJECT DESCRIPTION:**

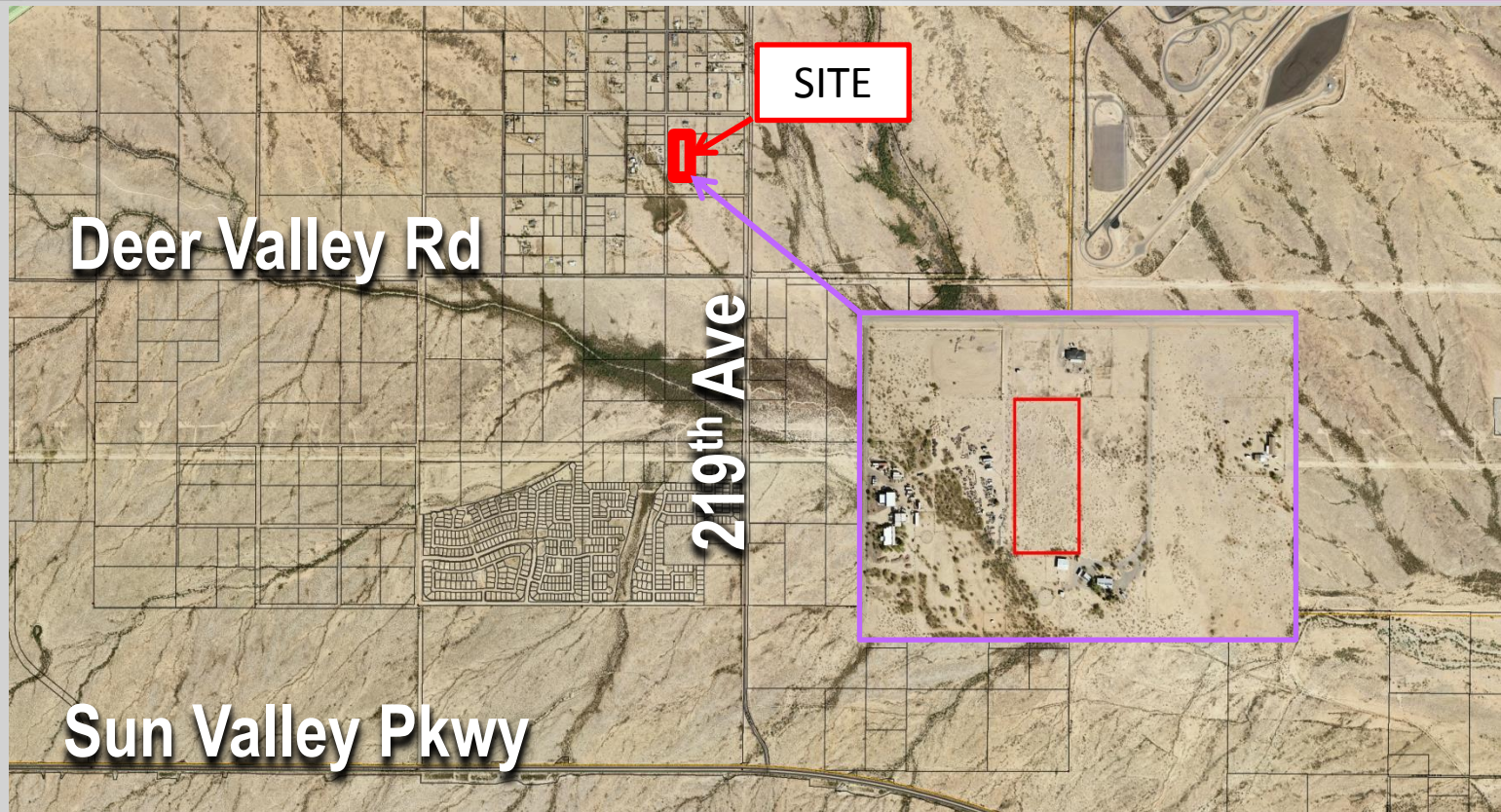
45
46 On November 3rd, 1988 the Mayor and City Council approved Ordinance #88-24 approving the
47 annexation of the subject property.
48

49 The applicant is requesting a final plat approval that will subdivide a 4.59 acre (approx.) parcel into
50 four (4) parcels; Lot 1 (1.15 acre), Lot 2 (1.10 acre), Lot 3 (1.26 acres), and Lot 4 (1.06 acres) in the
51 RR (Residential Ranch) zoning district . The final plat will be dedicating 27.50 feet of right-of-way on
52 both 165th and 166th Avenue. Lots 1, 2, and 4 are currently vacant lands. Lot 3 is owned and
53 occupied by Jeffery and Tammy Hostetler. The applicant plans to begin development soon after this
54 final plat is approved.
55

56
57 **Attachments:**

58
59 01 Vicinity Map
60 02 Final Plat
61

Vicinity MAP



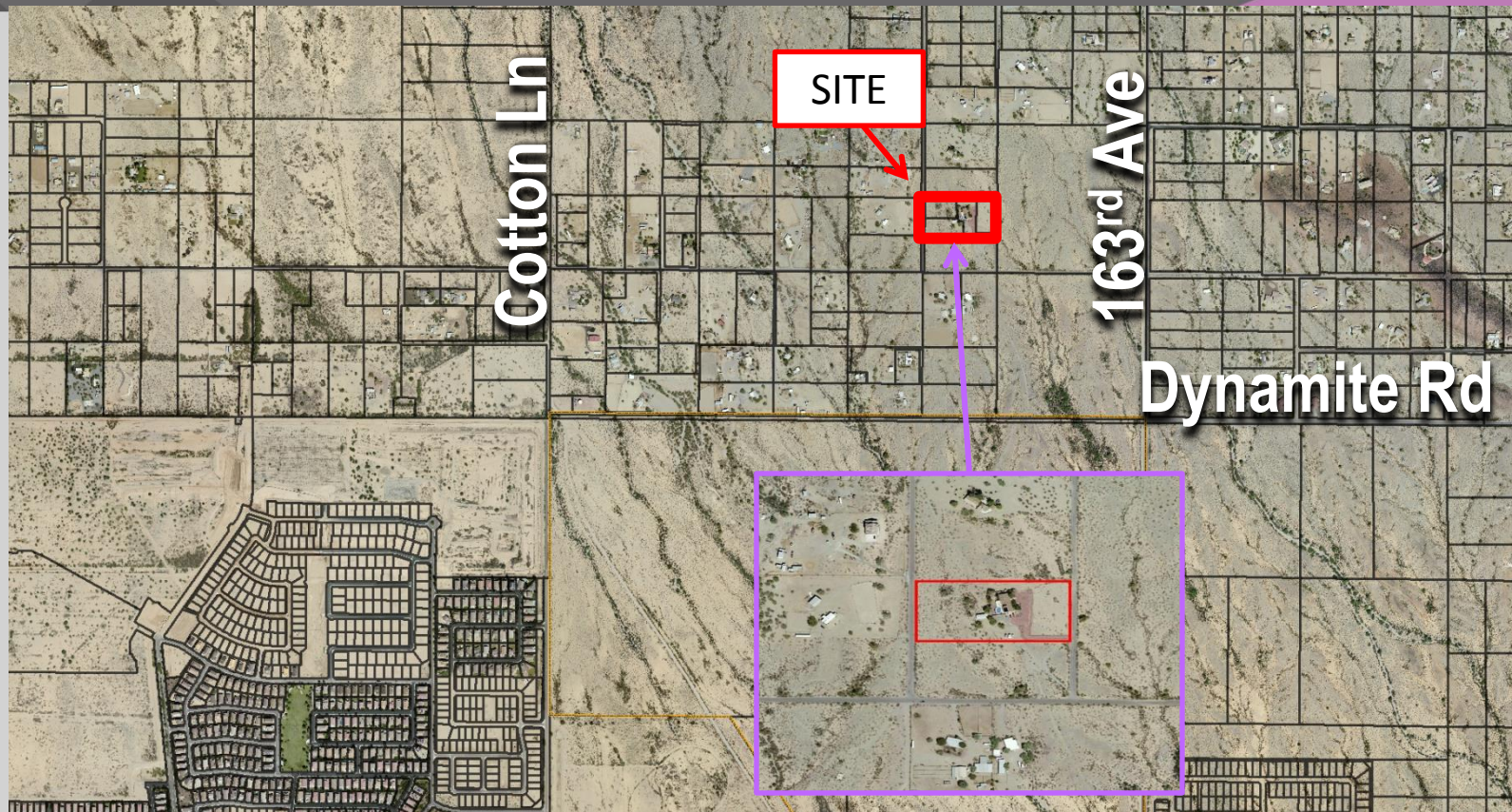


FS17-631

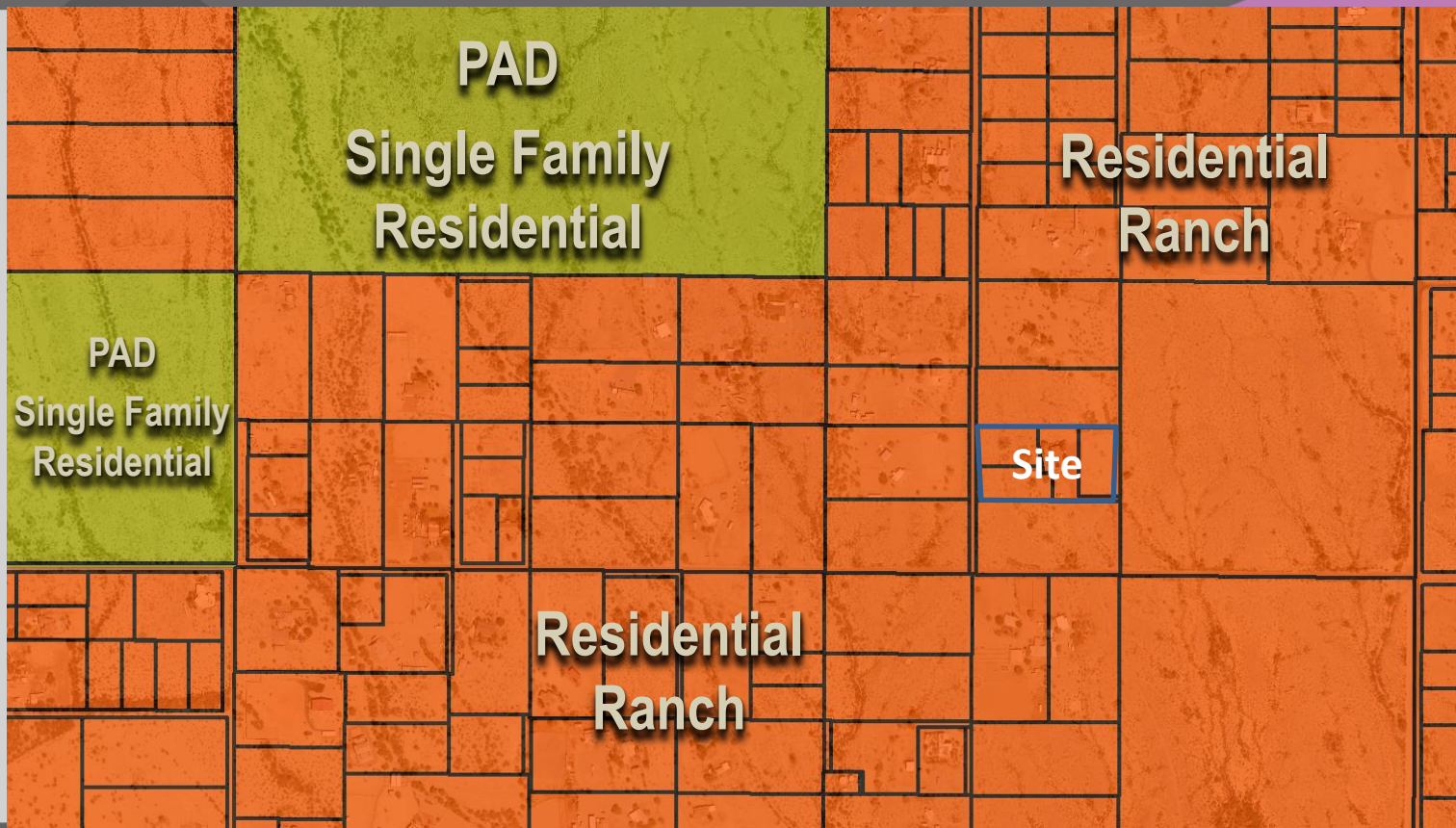
Plath Final Plat

City Council
June 19, 2018

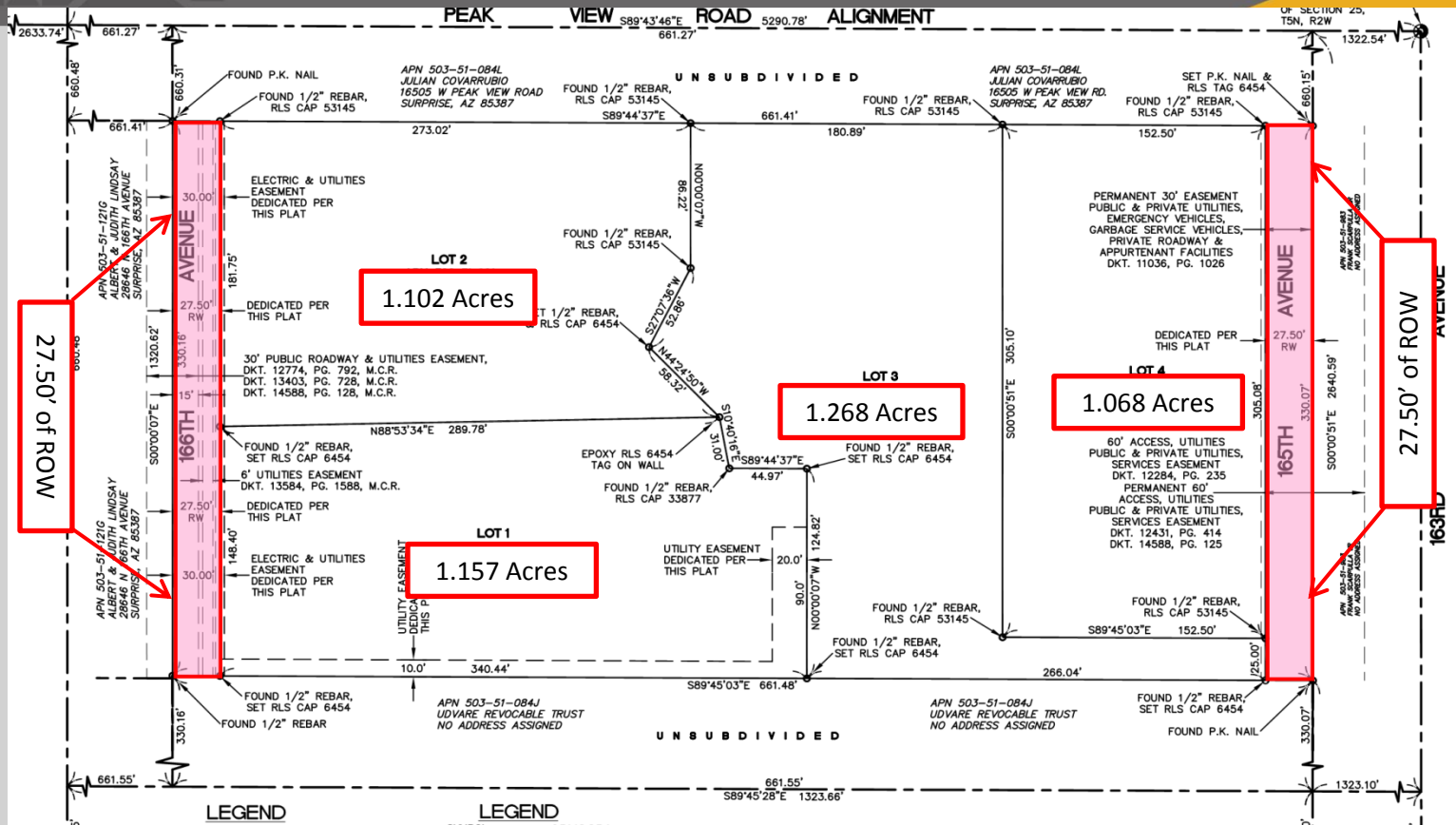
Vicinity MAP



SURROUNDING ZONING



Final Plat





SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Martin Lucero - Community Development
Submitting Department:	CD	District:	Citywide
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on approving an Intergovernmental Agreement with Maricopa Association of Governments for the development of an Active Transportation Plan.

Motion:

Motion to approve an Intergovernmental Agreement with Maricopa Association of Governments to utilize their on call services for the development of a Surprise Active Transportation Plan.

Background:

This is a grant that have been accepted and budgeted by the City to continue to facilitate the City's bicycle and pedestrian planning efforts. This grant will help to establish multimodal policies and standards that will help establish and encourage alternative forms of transportation within the City of Surprise.

Objective Analysis:

The IGA will allow the City to utilize the federal grants that have been secured and accepted.

Policy Compliant:

This is compliant with the City of Surprise Strategic Plan under Transportation - Goal 7: Identify funding sources for the transportation system.

Financial Impact:

The IGA will allow the City to utilize grant awards in the total federal amount of \$26,400 with a City Match of \$6,600 for a total budget of \$33,000. The City match requirement will be met with the Community Development Department's General Fund budget.

Budget Impact:

The total project budget amount has been included in the City's FY2019 Budget.

FTE Impact:

No new FTE

ATTACHMENTS:

Click to download

- ☐ [- 906 Surprise Active Transportation Plan IGA - Service Agreement](#)
 - ☐ [Resolution #2018-97](#)
-

AGREEMENT BETWEEN
MARICOPA ASSOCIATION OF GOVERNMENTS
AND THE CITY OF SURPRISE
FOR THE CITY OF SURPRISE ACTIVE TRANSPORTATION PLAN

This agreement (the "Agreement") is between the Maricopa Association of Governments, an Arizona non-profit corporation ("MAG") and the City of Surprise, an Arizona municipal corporation ("CITY"), collectively referred to as the "Parties," or individually as a "Party."

This Agreement shall become effective as of the date it is duly executed by the last Party and shall continue in full force and affect until June 30, 2019. MAG and Surprise view this Agreement as a mutually beneficial relationship.

A) Statutory Authorization Agreement

MAG

MAG is empowered by Arizona Revised Statutes §§ 28-6308 and 28-6353 to enter into this Agreement. MAG is the recipient of Regional Area Road Funds, Federal Highway Administration ("FHWA") Funds, and Federal Transit Administration ("FTA") Funds as described in the FY 2018 MAG Unified Planning Work Program and Budget ("FY 2018 UPWP"), and as described in the agreement between MAG and the Arizona Department of Transportation ("ADOT").

THE CITY OF SURPRISE

CITY is authorized by Arizona Revised Statutes § 11-952 to enter into this Agreement.

B) Purpose of the Agreement

The purpose of this Agreement is to identify and define the level of financial participation by CITY and MAG to prepare the City of Surprise Active Transportation Plan (the "PROJECT").

The PROJECT will be completed through MAG Contract No. 828B-0E using a consultant(s) from the approved FY 2018 Pedestrian and Bicycle Facilities Design Assistance Program and Bicycle and Pedestrian Master Plans and First Time Updates On-Call Consultant list. The cost of this PROJECT will not exceed THIRTY THREE THOUSAND DOLLARS AND 0/100 (\$33,000.00). The scope of work is set forth in Exhibit "A."

C) Mission/Goal Statement

The goal of the PROJECT is to develop a plan that will guide the development of bicycle and pedestrian facilities into a well-connected and useful non-motorized transportation network for all ages and abilities, and include strategies on encouraging.

D) Study Funding

1. MAG is the recipient of FY 2018 FHWA Planning Funds as described in the FY 2018 UPWP and in the agreement between MAG and ADOT.
2. The FY 2018 UPWP includes the PROJECT as part of the approved FY 2018 Bicycle and Pedestrian Master Plans and First Time Updates On-Call.

3. The consultant contract for the PROJECT will be for an amount not to exceed (\$33,000). Subject to the availability of funding and approval of their respective governing bodies, funding for the PROJECT will be shared among the Parties as follows:

Maricopa Association of Governments	\$ (\$26,400)	80%
City of Surprise	\$ (\$6,600)	20%
Total	\$ (\$33,000)	100%

4. Cost adjustments: The MAG/CITY proportional share is to be split 80/20 for any amount less than or equal to \$33,000. If the cost for the consultant is more than \$33,000, it will be CITY'S responsibility to cover excess costs.
5. CITY'S financial participation is limited to paying CITY'S proportional share as provided in paragraphs 3 and 4 above. It shall be MAG's responsibility to enter into the consultant contract.
6. MAG will invoice CITY for CITY'S proportional share within thirty (30) calendar days of execution of this Agreement. The CITY shall make payment to MAG within thirty (30) calendar days after receipt of invoice. The financial contribution of both Parties shall be deposited into the specified account no later than sixty (60) calendar days after payment of invoice by CITY. MAG shall maintain billing accounts and financial records during and for three (3) years after the completion of this Agreement and will produce the same to CITY upon CITY's written request.
7. All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other Party in writing, delivered in person, sent by confirmed email, deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, or deposited with any commercial air courier or express service at the addresses set forth below, or to such address as the Parties may substitute by written notice given in the manner described in this paragraph.

For MAG:

Eric J. Anderson
Executive Director
Maricopa Association of Governments
302 North First Avenue, Suite 300
Phoenix, Arizona 85003
602-254-6300

For the Surprise:

Martin Lucero
Transportation Planning Manager
City of Surprise
16000 N Civic Center Plaza
Surprise AZ, 85374
623-222-3142

Notices shall be deemed received on date delivered, if delivered by hand; on the day it is sent by confirmed email; on the second day after its deposit with any commercial air courier or express service; or, if mailed, ten (10) calendar days after the notice is deposited in the United States mail as above provided; and on the delivery date indicated on receipt if delivered by certified or registered mail. Any time period stated in a notice shall be computed from the time the notice is deemed received. Notices sent by confirmed email shall also be sent by regular mail to the recipients at the above addresses. This requirement for duplication notice is not intended to change the effective date of the notice sent by confirmed email.

8. In the event that the MAG funds required for performance of this Agreement are withdrawn or are not

available for funding, this Agreement, without penalty to any of the Parties, may be immediately terminated; and any financial contribution paid by CITY will be returned to CITY.

E) General Terms and Conditions of the Agreement

1. Governing Law. This Agreement is entered into in Arizona and shall be construed and interpreted under the laws of the State of Arizona.
2. Severability. If any provision of this Agreement is declared invalid, illegal or unenforceable, that provision shall be severed from the Agreement, and the remaining provisions shall otherwise remain in full force.
3. Hold Harmless. Each Party to this Agreement, as Indemnitor, agrees to indemnify, defend and hold harmless the other Party, and such Party's departments, officers, employees, elected officials, agents and representatives (collectively, "INDEMNITEES"), for, from and against all liability, losses, expenses, damages or claims (collectively "CLAIMS") arising from or related to the Indemnitor's performance or non-performance of its obligations pursuant to the terms of this Agreement.
4. This Agreement shall not be construed to imply authority to perform tasks, or accept any responsibility, not expressly set forth herein.
5. This Agreement shall be strictly constructed against the creation of a duty or responsibility unless the intention to do so is clearly and unambiguously set forth herein.
6. This Agreement shall be subject to cancellation for conflict of interest without penalty or further obligations as provided by A.R.S. § 38-511.
7. This Agreement constitutes the entire understanding of the Parties and supersedes all previous representations, written or oral, with respect to the services specified herein. This Agreement may not be modified or amended except by a written document, signed by authorized representatives of each Party.
8. Each Party hereby warrants and represents that it has full power and authority to enter into and perform this Agreement, and that the person signing on behalf of each has been properly authorized and empowered to enter into this Agreement. Each Party further acknowledges that it has read this Agreement, understands it, and agrees to be bound by it.

(Signature page follows)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

City of Surprise, an Arizona municipal corporation

By: _____
Bob Wingenroth
City Manager

Date: _____

Attest:

By: _____
Sherry Aguilar
City Clerk

Maricopa Association of Governments, an Arizona non-profit corporation

By: _____
Eric J. Anderson
Executive Director

Date: _____

Reviewed as to form by General Counsel for Maricopa Association of Governments, and Counsel for the City of Surprise

I hereby state that I have reviewed the proposed Agreement, between the City of Surprise and Maricopa Association of Governments, and declare the Agreement to be in proper form and within the powers and authority granted to their respective governing bodies under the laws of the State of Arizona.

Robert Wingo
City of Surprise
City Attorney

Mitesh V. Patel
Maricopa Association of Governments
General Counsel

APPENDIX A – SCOPE OF SERVICES

MARICOPA ASSOCIATION OF GOVERNMENTS (MAG)

CITY OF SURPRISE ACTIVE TRANSPORTATION PLAN

I. WORK PLAN AND TASKS

The purpose of this Section is to outline the major tasks required to be performed by the CONSULTANT in order to produce the needed analyses and deliverables to MAG.

Task 1. Kickoff, Background & Best Practices

Task 1.1 Kickoff Meeting

The CONSULTANT will schedule a kickoff meeting with City of Surprise (CITY) staff to discuss work plan, schedule, and project goals. In this meeting CITY staff will identify all adopted plans with relevant policies as well as internal policies or standards utilized in the planning for active transportation facilities.

Task 1.2 Summarize Existing Plans

The CITY will provide existing plans, policies and studies to the CONSULTANT. The CONSULTANT will become familiar with ongoing studies that are pertinent to developing the Surprise Active Transportation Plan. The Plan is anticipated to be a vision and policy document that compiles, refines, or creates policies that support active transportation goals for the CITY. Up to 15 existing plans/studies/policy documents (seven of which are Safe Routes to Schools Plans) will be reviewed and relevant policy directions will be documented. Additionally, the CITY will provide the CONSULTANT with the relevant maps from these plans to be incorporated in the Draft Active Transportation Plan. It is anticipated the following documents, if available, will be reviewed in this process:

- Seven (7) Safe Routes to Schools Plans
- Transit Study
- Parks Master Plan
- General Plan Circulation Element
- Engineering Standards
- Zoning
- Draft (not adopted) Complete Streets Policy
- Additional Internal Staff Policies or Standards

Task 1.3 Best Practices Research

The CONSULTANT will conduct research related to the best practices in active transportation policies. Best practices may come from national examples or examples within Arizona or the Phoenix region. Up to two (2) best practice case studies per topic will be researched. Topics of interest to the CITY, that are to be researched in this process, are as follows:

- Roadway Overlay and Restriping
- Controlled Access, spacing and metering for cyclists' perception
- Multimodal Design Standards for Roadways (including pavement markings)
- Transit Oriented Development Overlay (incorporated from Transit Study) (including 'first and last mile' bicycle/pedestrian connections to transit)
- Riding on Sidewalk Policy

- Bikeshare Policies
- Multiuse Trail Design
- Pedestrian and Bicycle Crossing Signals (pedestrian signals, HAWKs, flashing beacons)

Task 1.4 Draft and Final Document Template

The CONSULTANT will produce a Draft Document Template that includes a branding style tailored to the project and a Draft Table of Contents for the Active Transportation Plan. CITY staff will provide comments on the Draft Document Template and Draft Table of Contents. The CONSULTANT will address the comments and produce a Final Document Template and Final Table of Contents to be used in all working papers and the Draft and Final Active Transportation Plan.

Task 1.5 Working Paper 1: Background & Best Practices

The CONSULTANT will produce Working Paper 1: Background & Best Practices that will summarize the relevant policies from existing and ongoing planning efforts as well as guidance from the best practices research. CITY staff will provide comments to the Working Paper, which will be addressed prior to incorporating into the Draft Active Transportation Plan, further described in Task 3.

Deliverables

- Kickoff Meeting summary (electronic)
- Draft Document Template and Table of Contents (electronic)
- Final Document Template and Table of Contents (electronic)
- Working Paper 1: Background & Best Practices, (electronic) including:
 - Summary of relevant existing plans, studies and policies identified in Task 1.2
 - Summary of Best Practices research relevant to the topics of interest identified in Task 1.3
 - Compilation of relevant maps (provided by the CITY) to be incorporated in the Draft Active Transportation Plan

Task 2. Engagement

Task 2.1 Project Team Calls

The CONSULTANT will conduct up to five (5) monthly Project Team calls with the CITY project team and MAG via GoToMeeting or conference call. The intent of these calls will be to review progress and interim products during the plan process. This internal Project Team will serve as the project technical/steering committee to guide the project process.

Task 2.3 Online Survey Questions

The CONSULTANT will coordinate with CITY staff and the CITY'S Transit Study consultant team and will provide up to ten questions to be asked in an online survey. These questions will be used in prioritizing the Active Transportation Plan priorities. It is anticipated this survey may occur in late summer (approximately August/September 2018) and will be timed to provide feedback on the Draft Active Transportation Plan, further described in Task 3.

Task 2.4 Council Work Sessions

The CONSULTANT will attend and present at two (2) Council Work Sessions. Tentatively, the first Council Work Session would be held approximately September 2018 and would focus on results of the draft recommendations process including providing initial results of the Online

Survey described in Task 2.3. The second Council Work Session would be held in November 2018 and would focus on the Draft Plan and providing an opportunity to gather Council comments before proceeding to the adoption process. The CONSULTANT will also attend the Council Adoption hearing, further described in Task 3.3. CITY staff will be responsible for disseminating public announcements for all Council Work Session and providing any printed materials for the Council sessions.

Task 2.5 MAG Interviews

The CONSULTANT will conduct up to two (2) interviews/meetings with MAG staff to discuss best practices in government pursuits for funding resources for active transportation improvements. This outreach to MAG will allow the plan to directly line up to the regional funding sources available for ongoing implementation of the Active Transportation Plan.

Task 2.6 Working Paper 2: Engagement Summary

At the conclusion of the engagement efforts, the CONSULTANT will produce a Working Paper that summarizes the engagement efforts and the results of those efforts. CITY staff will provide comments on the Working Paper. The CONSULTANT will address comments prior to incorporation in the Draft Active Transportation Plan, further discussed in Task 3.

Task 2 Deliverables

- Up to five (5) Monthly Project Team Calls
- Up to two (2) Council Work Sessions
- Up to ten (10) questions for an online survey, coordinated with the Transit Study survey
- Up to two (2) interviews with MAG staff to discuss regional funding and strategies for effective plan implementation
- Project meeting agenda and notes summarizing the meetings
- Working Paper 2: Engagement Summary (electronic)

Task 3. Draft & Final Active Transportation Plan

Task 3.1 Draft Active Transportation Plan

The CONSULTANT will produce the Draft Active Transportation Plan (Draft Plan) that will focus on the vision for active transportation in Surprise and the design standards and policies to support that vision. The Draft Plan will incorporate the edited Working Papers 1 and 2 (see Tasks 1.5 and 2.7) and will include recommendations specifically tailored to the CITY including potential implementation strategies and funding sources.

A Preliminary Draft Plan will be reviewed by CITY staff for initial comments. An edited Draft Plan will then be presented to City Council in the second Council Work Session, described in Task 2.4. All comments for the Draft Plan will be documented in a comment errata sheet and addressed in consultation with City staff.

Task 3.2 Final Active Transportation Plan

CITY staff will compile all comments and provide them to the CONSULTANT. The CONSULTANT will work in consultation with CITY staff to create the Final Active Transportation Plan (Final Plan). Once all comments have been addressed, the Final Plan will be presented for City Council adoption.

Task 3.3 Council Adoption Hearing

The CONSULTANT will attend and present at one (1) Council adoption hearing. The Council Adoption Hearing is anticipated to occur in January 2019. CITY staff will be responsible for disseminating public announcements for the Council Adoption Hearing.

Task 3. Deliverables

- Attendance and presentation at up to one (1) Council Adoption Hearing
- Preliminary Draft Plan for CITY staff to review incorporating the following:
 - Edited versions of Working Papers 1 and 2 to be incorporated in Draft Plan
 - Descriptions and tables that include policies, priorities, and funding sources
 - File to be provided in PDF format (electronic submittal)
 - CITY to be responsible for any prints of Preliminary Draft Plan
- Draft Plan for Council Work Session
 - File to be provided in PDF format (electronic submittal)
 - CITY to be responsible for any prints of Preliminary Draft Plan
- Final Active Transportation Plan
 - File to be provided in Microsoft Word and PDF format (electronic submittal)
 - Up to five (5) prints of Final Plan to be provided
- Native files delivered to client

II. SCHEDULE

It is anticipated that the project will commence on or about July 1, 2018 and will be completed by January 30, 2019.

Task	Jul	Aug	Sept	Oct	Nov	Dec	Jan
Task 1. Kickoff, Background & Best Practices	①	②	③				
Task 2. Engagement	①	① ②	① ③	④ ①	③ ①		⑤
Task 3. Draft & Final Active Transportation Plan				④ ⑤	⑥		⑦

Engagement Milestones		Deliverable Milestones	
①	Project Team Meetings	①	Work Plan
②	Online Survey Questions	②	Document Template
③	Council Work Sessions	③	Working Paper 1
④	MAG Interviews	④	Working Paper 2
⑤	Council Adoption	⑤	Preliminary Draft Plan
		⑥	Draft Plan
		⑦	Final Plan

III. **BUDGET**

The budget for the project by task is as follows:

	<u>Task</u>	<u>Budget</u>
A.	Kickoff, Background & Best Practices	\$13,760.58
B.	Engagement	\$9,091.93
C.	Draft & Final Active Transportation Plan	\$10,147.49
	Total	\$33,000.00

RESOLUTION #2018-97

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY
OF SURPRISE, ARIZONA APPROVING AN
INTERGOVERNMENTAL AGREEMENT WITH MARICOPA
ASSOCIATION OF GOVERNMENTS (MAG) FOR THE
DEVELOPMENT OF THE SURPRISE ACTIVE
TRANSPORTATION PLAN.**

WHEREAS, pursuant to Arizona Revised Statute §11-951, *et seq.*, the City of Surprise has the authority to enter into intergovernmental agreement with other governmental entities for the purposes set forth within;

WHEREAS, the City supports policies and programs aimed at the health and safety of pedestrians and cyclists within the City;

WHEREAS, the City and MAG desire to enter into this intergovernmental agreement that will initiate a vision and policy document that will guide the bicycle and pedestrian facilities that are needed for the City; and

WHEREAS, the funding for this project is included in the FY 2019 budget.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Intergovernmental Agreement between Maricopa Association of Governments (MAG) and the City of Surprise for the development of an Active Transportation Plan (the "Agreement") is hereby approved in the form attached hereto as Exhibit A and incorporated herein by this reference.

Section 2. The City Manager, and his designee are hereby authorized and directed to cause the execution of the Agreement and to take all steps necessary to carry out the purpose and intent of this Resolution.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

INTERGOVERNMENTAL AGREEMENT BETWEEN
THE CITY OF SURPRISE AND
THE MARICOPA ASSOCIATION OF GOVERNMENTS



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Joshua Mike - Community Development
Submitting Department:	CD	District:	Citywide
Staff Recommendations:	None		

Consent	☒	Regular	☐	Public Hearing	☐	Report/Discussion	☐
---------	-------------------------------------	---------	--------------------------	----------------	--------------------------	-------------------	--------------------------

Agenda Wording:

Consideration and action on the final draft of the Surprise Arts and Culture Master Plan, which the Arts and Cultural Advisory Commission has recommended for approval.

Motion:

Motion to approve the Resolution #2018-89 for Surprise Arts and Culture Master Plan

Background:

In February of 2017, the Arts and Cultural Advisory Commission and the Community Development Department hired a consultant, to begin developing an Arts and Culture Master Plan. This team has conducted stakeholder meetings, participated in public outreach events, and conducted multiple surveys that evaluated the current conditions and identified the needs of the City. This Master Plan includes strategies intended to bolster the community's sense of place by expanding public art and promoting more cultural experiences. The initial drafts were published and distributed in February-April 2017 for public and stakeholder comments. The Arts and Cultural Advisory Commission help special meetings to review comments and make revisions, leading to the final draft of the Arts and Culture Master Plan.

Objective Analysis:

This development team has drafted strategies intended to bolster the community's sense of place by expanding public art and promoting more cultural experiences.

Policy Compliant:

Adopting the Surprise Arts and Culture Master Plan will be implementing the goals and policies of the Arts and Culture Element of the General Plan 2035

Financial Impact:

At this time there are no financial impacts associated with this item.

Budget Impact:

At this time there are no budget impacts associated with this item.

FTE Impact:

At this time there would be no additional FTEs associated with this item.

ATTACHMENTS:

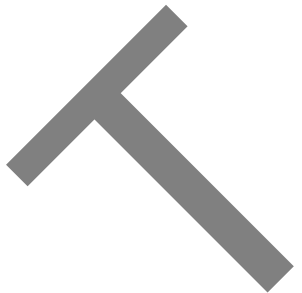
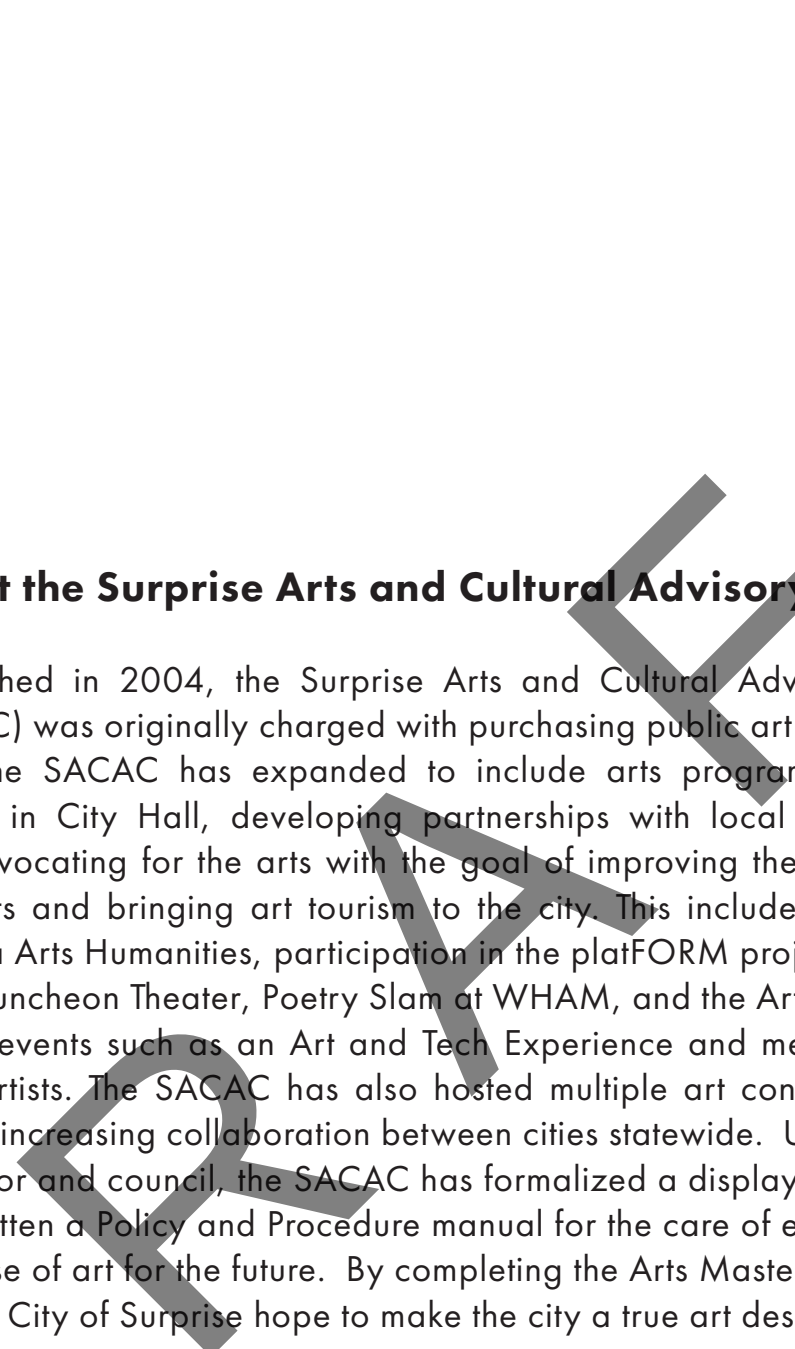
Click to download

- ☐ [00 FS18-108 Arts and Culture Master Plan – DRAFT](#)
 - ☐ [02 - FS18-108 Arts and Culture Master Plan Resolution](#)
 - ☐ [03 - FS18-018 - Arts and Culture Master Plan - Presentation](#)
-

SURPRISE

ARTS AND CULTURE MASTER PLAN





About the Surprise Arts and Cultural Advisory Commission

Established in 2004, the Surprise Arts and Cultural Advisory Commission (SACAC) was originally charged with purchasing public art for the city. Since then, the SACAC has expanded to include arts programming, a rotating gallery in City Hall, developing partnerships with local art organizations and advocating for the arts with the goal of improving the quality of life for residents and bringing art tourism to the city. This includes lectures through Arizona Arts Humanities, participation in the platFORM project, public art bus tours, Luncheon Theater, Poetry Slam at WHAM, and the Art Encounters which hosted events such as an Art and Tech Experience and meeting local comic book artists. The SACAC has also hosted multiple art conversations geared toward increasing collaboration between cities statewide. Under the direction of Mayor and council, the SACAC has formalized a display plan for City Hall and written a Policy and Procedure manual for the care of existing art and the purchase of art for the future. By completing the Arts Master Plan, the SACAC and the City of Surprise hope to make the city a true art destination.

SURPRISE

ARTS AND CULTURE MASTER PLAN

Surprise Arts and Cultural Advisory Commission

Susan deJong, Chair
Margaret Lieu, Vice Chair
Aletha (Lee) Whitehead
Kathie L. Morgan
Doug Tolf
John Hastings
Sally Wilson-Johnson

Surprise Elected Officials

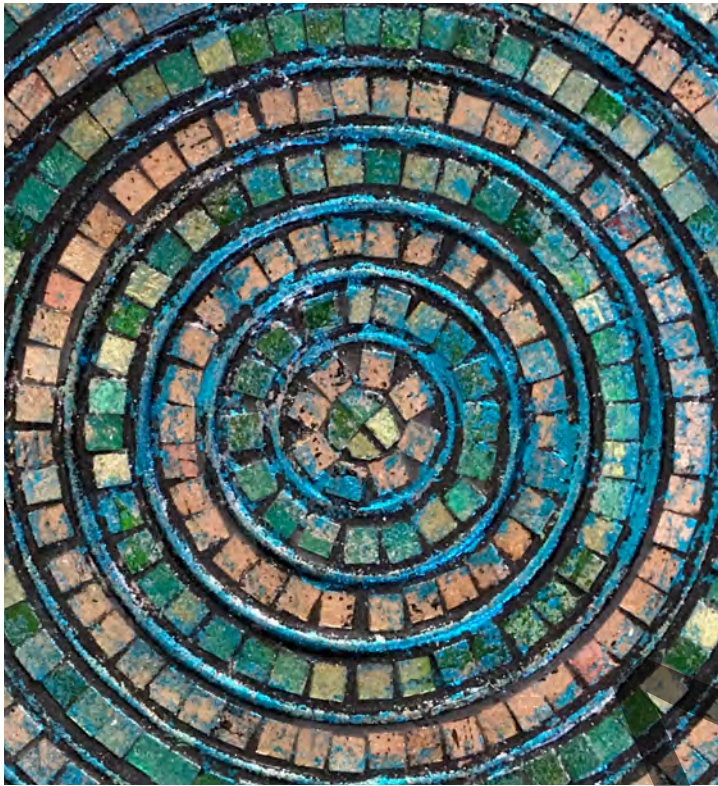
Sharon Wolcott, Mayor
Todd Tande, Councilmember
Roland F. Winters Jr, Councilmember
Nancy Hayden, Councilmember
Patrick Duffy, Councilmember
Ken Remley, Vice Mayor
Skip Hall, Councilmember

Surprise City Staff

Joshua Mike, Planner
Danielle Osborne, Management Analyst
Paul Bernardo, Director, Government & Community Partnerships

Consultant Team

Designing Local Ltd.



SURPRISE

ARTS AND CULTURE MASTER PLAN

6

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CHAPTER 5: PRIORITY ACTION PLAN

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APPENDIX

WHY AN ARTS & CULTURE MASTER PLAN

Surprise is a city built on the prospects of the future. It has grown rapidly from a small town to a large city that exemplifies the West Valley. Now is the time to ensure that the culture of the city and its place in the world is expressed in the physical environment through arts and culture.

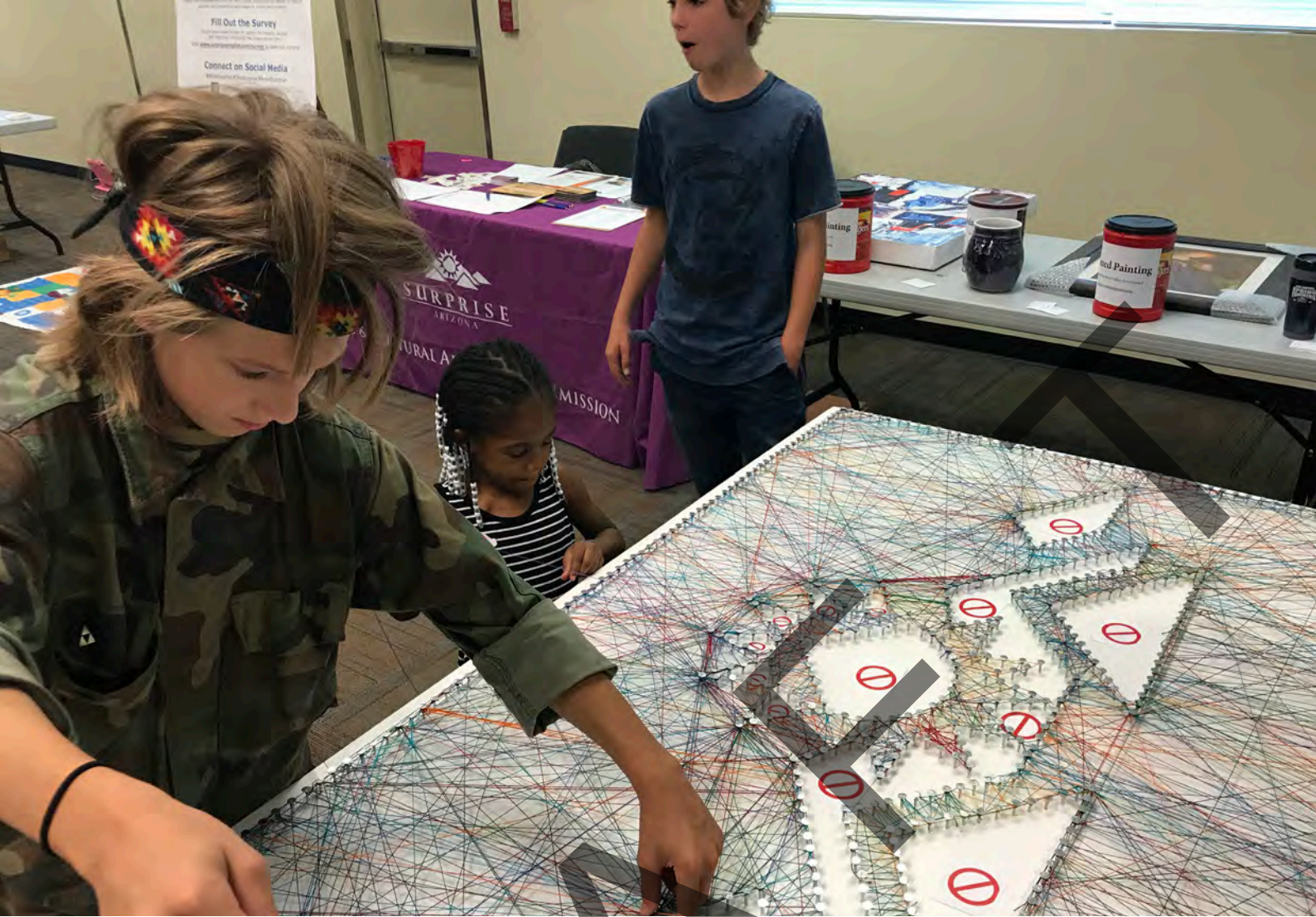
The story of Surprise can be told by public art. The civic infrastructure of Surprise should physically embody the communal desire to ensure the City is livable, prosperous, and allows room for creativity by all. The Surprise Arts and Culture Master Plan will guide the future of public art and investment in cultural amenities for the city and allow the community to find common ground that will define how it sees itself and how it wishes to be seen.

Surprise is already sought out by visitors and future residents from the Phoenix Metropolitan Area and around the country. Public art can extend the reach of Surprise and tell its story while cultural amenities and activities convey the opportunities that abound in the City. The art of Surprise can become its calling card to the world.

The spirit that led to commissioning this Arts and Culture Master Plan has facilitated positive collaboration between the Arts and Cultural Advisory Commission, City staff, and stakeholders. This plan is a living document that will grow and change with the trajectory of the community – as will the scale and diversity of artwork and cultural amenities available within Surprise. That growth, however, will not be random or unfocused. Instead it will follow the guidelines outlined by this plan, ensuring that all future art will reflect the values and vision of Surprise.

Art is born of inspiration. Whether the art of Surprise is created here or originates across the country, that inspiration must be drawn from the community and be relevant to Surprise. The goal of this plan is to ensure that the community succeeds in improving Surprise – making it the most livable, interesting, and creative city possible.





HOW WE ENGAGED

A successful Arts & Culture Master Plan is built on input from the community. In order to understand Surprise and gauge the needs of its residents, visitors, and the arts community a series of strategic public engagement events were undertaken that created a foundation for the Arts & Culture Master Plan process.

STAKEHOLDER ROUNDTABLES

The first public meetings of the Arts & Culture Master Plan process were a series of Stakeholder Roundtables. The meetings were held over a week throughout the City. They were targeted toward business owners and civic-minded members of the arts community, however they were open to and advertised for the public as well.

The purpose of the roundtables was to gain a clearer picture of the wants and needs of the arts community specifically while helping to layout the larger process, specifically future larger public engagement events. The stakeholder roundtables laid the basis on which the larger Arts & Culture Master Plan public engagement was built.

The roundtables each began with an 'open house' format where attendees moved about the room viewing specific boards that asked questions about what types of art and cultural amenities attendees desired. After the open house period, a roundtable discussion generated additional feedback from attendees.

A closing reception brought together attendees from the different roundtables as well as others that couldn't attend throughout the week. The intent was to continue the discussion as well as give a brief overview of the results of those sessions and to present initial results of the online survey.

SURPRISE ART WEEK

Informed by the initial stakeholder roundtables, the public engagement for the Arts & Culture Master Plan process culminated in Surprise Art Week. Art Week was a combination of events that were hosted by the City, the Arts and Cultural Advisory Commission (Arts Commission), West Valley Arts

Council, WHAM!, and the Northwest Regional Library. Some were planned specifically as part of the outreach process, and others were events that were already slated to occur.

Art Week included the creation of a community art piece to represent the participants and that was to be displayed in the City Hall Art Gallery. At each event (except the Poetry Slam) a participatory String Art Piece functioned as an enticing way to draw in participants of all ages.

The most widely attended events were the Fiesta Grande and Block Party. Each event was impactful to the engagement efforts; allowing for both survey input and direct conversations that included thoughtful suggestions.

SURVEY

As part of the Stakeholder Roundtables, we surveyed stakeholders about accomplishments of the Arts Commission and the existing challenges the City still faces. This aided in refining the public survey during Surprise Art Week which asked residents and visitors to think about what makes Surprise interesting, unique, and a great place to visit or to call home. Additionally, they were asked specific questions about where they currently go to see/buy/experience art, what types of art they would like to see more of, and what cultural amenities were lacking in Surprise.

Thanks to donations of artwork by WHAM!, West Valley Arts Council, and several local artists, survey participants were able to enter a raffle hosted by Designing Local to win a piece of locally created art. The efforts of staff, Arts Commissioners, and the consultant team were fruitful through many conversations with the public as well as 232 survey participants.

WHAT WE HEARD

As a result of the many stakeholder interviews, community conversations, and survey responses, several themes emerged that should underlie every facet of arts and culture related activities and amenities in Surprise.

KEY THEMES

Art is not exclusive, art is for everyone

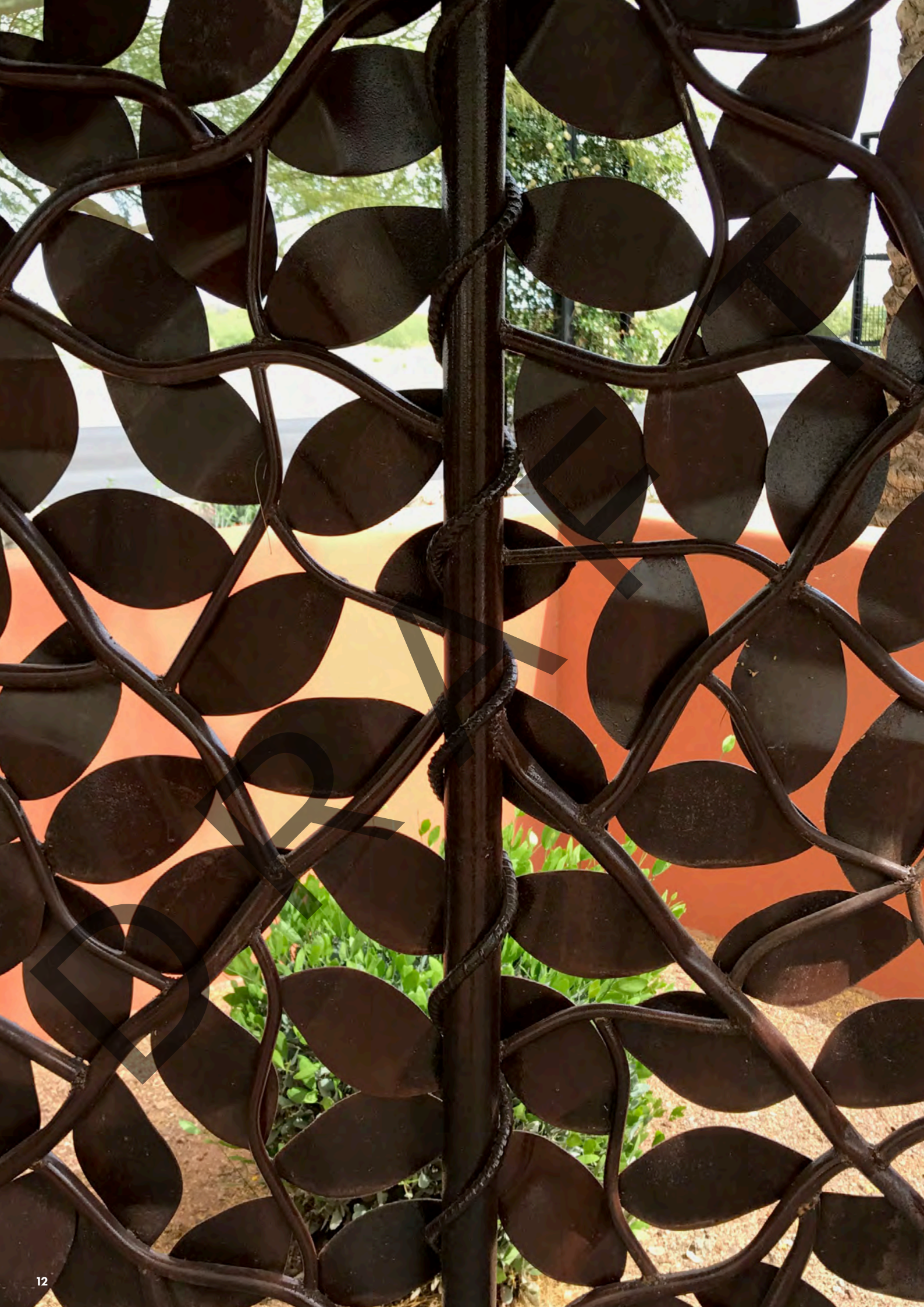
There are two key elements to achieving success for arts and culture in Surprise - reacting to the city that already exists and preparing for the new city that will be built over the next 30 years

Art can be used as inspiration, informing who we are and to solidify our identity as a unique community

Residents of Surprise desire more creativity in their city – both in the built environment through public art and in activities through cultural amenities

The youth of Surprise are anxious to participate, both creatively and actively





COMMUNITY CHARACTER FRAMEWORK

As a result of our extensive public engagement process, clear elements emerged of both what makes Surprise unique and how Surprise wants to define itself moving into the future. These elements are described below in the Community Character Framework. A major goal of the Arts & Culture Master Plan is to focus adding more public art and building cultural facilities in Surprise as the city grows and develops. Residents, business owners, and other stakeholders contributed their thoughts on what Surprise represents and what is important to the community. By using this community-defined essence, the City can facilitate a future of art that is meaningful, locally based, and will resonate with residents and visitors alike.

The following framework becomes a family of components that speak to the core identity of the City and should be used to evaluate city-purchased artwork, new public art installations commissioned by the city, and private donations of art. Those who are considering creating art for Surprise can use this document to become inspired by our unique qualities and desires and add Surprise-specific ideas into creative projects.

Any ideas for art – from traditional pieces to the avant-garde and from the diminutive scale to the immense – can be created using this framework. Public art in Surprise should express the affection and pride its residents; standing out among other communities within the West Valley as a place that values creativity and excellence.

Artists may mix and match these elements into their designs or emphasize one element over another to accentuate what is most important to them and how they see Surprise. However creatively the components of the Community Character Framework are interpreted, they will serve as a reflection of the City and as an inspiration to the creative process.

A BRIEF HISTORY OF SURPRISE

On May 17, 1938 Flora M. Statler purchased a portion of property south of Wickenburg-Phoenix Highway and named it "Surprise", a portion of the current Original Town Site of Surprise. At the time of Statler's purchase, a service station, several dwellings, and two families occupied the land. In the next decade, more families chose Surprise as their home. In 1940, the estimated population of Surprise was 20 people. Over the following decades, the population increased slowly along the bank of the Agua Fria River.

The City's location at the edge of the Phoenix Metropolitan Area and prominence along the US 60/Grand Avenue corridor make the city a gateway to the Phoenix metropolitan area for travelers coming from Las Vegas and other northwestern places.

On December 12, 1960, a 616-acre area of land, the Original Town Site, was incorporated as the Town of Surprise. At the time of incorporation, only 169 acres of the Town Site were developed with a population of 1,574 residents. The predominant land use of the town during this time was residential, with no parks, inadequate streets, and depended on City of El Mirage for water.



Flora Mae Statler, Founder of Surprise

County planners projected that the City population would grow to 4,700 by 1980. The existing incorporated area was expanded for the first time on November 14, 1978 when a 10 foot strip of land encircling roughly 26 miles of unincorporated land was annexed by the City. The purpose of this strip annexation was to reserve this unincorporated land until future development occurred in the area, at which time the City would annex the land into its City limits.

The 1987, Surprise Comprehensive Development Guide included this area as well as other lands bordered by Perryville Road and US60/Grand Avenue as its planning area boundary. In 50 years, Surprise grew from 1,547 residents to a city of over 130,000 residents. The City offers a broad range of lifestyles, from apartments and single-family subdivisions to secluded ranches attracting young families to establish new roots. Surprise also offers a significant array of retirement communities that address the needs and lifestyles of active adults. The City provides a wide variety of commercial establishments and recreational opportunities for all ages.



AGRICULTURE

Surprise was long a hotbed of agriculture in the West Valley – an industry that still lives on today. Long-term residents still remember the community as a land of citrus, roses, sweet onions, and more.



UNIQUE PAST & PRESENT

Founded in 1938 by a woman who would certainly be surprised at what the city has amounted to today, Surprise has an interesting past that deserves to be celebrated.



PROSPEROUS FUTURE

Surprise has rapidly grown into a large and successful city. With a population focused on the future, the community is built not just on legacy, but on a tomorrow that is bold and prosperous.



WELL
PLANNED



CREATIVE



DIVERSE



FAMILY
ORIENTED

SERENE DESERT

The Sonoran Desert that envelops Surprise defines the physical environment with dark nights and warm sunny days. As the sun sets over nearby mountains the beauty of Surprise explodes with color.



PLACE-BASED STRATEGIES

The City of Surprise is one of Arizona's, and the country's, fastest growing cities. As Surprise has grown at a scale matched by few in the country, it has also devoted considerable resources to plan for its growth. In addition to sustainable and efficient growth, ensuring that it is a highly livable community is a key goal of the City. By integrating public art into the existing and future development of Surprise, it can inject life and creativity into the built environment. Surprise can continue to shape an identity around public art and creativity, forming a sense of the place, and making it stand out in the West Valley.

Through the public engagement process community members shared their priorities for public art types and location. The feedback was refined utilizing best practices to develop several strategies to show how public art can continue to be integrated throughout the community.



LOCATION TYPOLOGIES

Several location types are mentioned throughout this document as ideal opportunities for public art in Surprise.

PARK AND OPEN SPACE

Surprise continues to be planned, developed, and made into a home for thousands of people. The City and the community, through the 2015 Surprise Parks and Trails Master Plan have ensured that ample park and open space will be available for residents and visitors in the future. The opportunity to infuse these spaces with creativity and art can help to create a sense of place in the many parks of Surprise. Art in parks can inspire health and activity. Inspiration can also be found in natural adornments such as in flora, fauna, and geography.

CITY GATEWAYS

A critical part of establishing the identity of Surprise, both regionally and nationally, involves locations where you enter the city from neighboring communities. Specially designed landmark elements should be located at key entrances to the city. It is essential that these features be unique in design, visible to both motorists and pedestrians, and emblematic of the city they introduce. Artist designed installations may not be appropriate for every entry point, especially where conditions may include short sight lines, crowded sidewalks, multiple competing visual demands and limited space for installations. Monuments that were previously designed would be appropriate at these locations as well, possibly in conjunction with public art. Public art may also be added adjacent to existing monument signage





NEIGHBORHOOD ENTRANCES & WALLS

Neighborhoods and subdivisions in Surprise almost universally exhibit several characteristics: they generally utilize monument signage to signify their community entrances and are often surrounded by masonry walls on the exterior of the subdivisions. Both of these physical traits provide opportunities for integrating art into developments. Subdivisions can share their own neighborhood identity and show pride in being part of Surprise. Art created at neighborhood entrances and on walls should be led by private developers in partnership with the city and may be useful as part of an incentive package in the zoning code.

GREENWAYS, WASHES, AND TRAILS

As Surprise plans for future growth, greenways, trails, and washes have been identified as key to creating a sustainable and livable community. These spaces, which have been thoroughly identified in the 2015 Surprise Parks and Trails Master Plan, provide ample opportunity for the inclusion of public art.

CITY BUILDINGS & COMMUNITY FACILITIES

As Surprise continues to grow, city services and community facilities will grow to meet expanded needs. These locations are often meeting points for the community and could provide chances for residents and visitors to interact with and explore public art.



PUBLIC ART TYPOLOGIES

Several types of art are mentioned throughout this document as ideal mediums for public art in Surprise. They are described in detail below.

SCULPTURE

Sculptures are often the highlight and focal point of civic art. Sculptures may have the express purpose of celebrating civic pride or inversely may become culturally defining showpieces for the City.

Sculptures can take on many shapes and sizes and often fit well when created in or alongside gateways, parks, urban gathering spaces, and city centers. Because communities can celebrate and enhance their civic identity, they may be especially appropriate for a young, rapidly growing city like Surprise.

MOSAICS

Mosaics come in many shapes and sizes and have a particular relevance for Surprise due to its location in Arizona and the Southwest. The relative flexibility of the application of mosaics responds well to many art contexts.

Mosaics can help to enrich the built environment as a component of something functional like the bench mentioned above, internal and inlaid in flooring, or as a stand-alone exterior element.

GLASS WORKS

Modern glass installations arose in the 1960s and have quickly taken prominence in the art world. Glass works tend to be whimsical and are often used in interior entry spaces and exterior sculpture gardens.

Glass installations are especially useful when trying to inject color and interest into otherwise boring spaces. A fitting example is the Rio Glass building in Skyway Business Park.

MURALS

Murals can transform a wall into a colorful and stimulating piece of art. Opportunities for murals exist in many spaces throughout the city: on commercial buildings, on dumpster enclosures, at parks and recreation centers, and more.

Whether curating permanent works of art as part of the City's collection or focusing on ephemeral works murals provide many opportunities for the public art program. The exposure of many artists over a short period of time rather than a few artists over a long period of time may be a benefit or more temporary murals. More permanent works allow for the integration of other mediums not typically included in other forms of public art such as photography.

FUNCTIONAL ART

Surprise is a fast-growing city that has focused on improving the infrastructure to facilitate added use by residents. Due to the ongoing addition and expansion of infrastructure in the city there is a unique opportunity to implement designs in place of otherwise ordinary pieces of infrastructure. Integrating unique 'Surprise' designs into infrastructure may be an affordable and efficient way to create a major visual impact.

Some possible options for functional art installations include bike racks, benches (such as the bench at the Surprise Senior Center), signal boxes, medians, subdivision walls, trash cans, transit stops, storm drains, manholes, installations within parking garages, monument signage, sidewalk treatments and more.





LIGHT INSTALLATIONS

Contemporary artists have begun to use lighting in creative and interesting ways in order to manipulate into the built environment with limited physical impacts. Light installations may be used on existing buildings, park space, or other locations. They may be especially useful and impactful when used in infrastructure projects.

MULTIMEDIA

Multimedia installations may combine many art types in ways that expand the imagination. Video, lighting, sculpture, murals, and more can be combined to make multimedia installations some of the most interesting around. Multimedia installations are especially useful for temporary or pop-up installations.

TEXTILE

Textiles may range from wall hangings to giant masterpieces that visually impact public spaces. This form of art can be used to add interest to new spaces or existing spaces within our public buildings.

COMMUNITY, COLLABORATIVE ART

Community art is more focused on the creation of an art piece than any of the typologies listed above. Specifically, a piece is made by the community or a specific group to enhance and celebrate its participants. Collaborative art pieces use the people to enrich the experience and heighten the feeling of pride and ownership. Community art can be as small as the String Art piece created during the 2017 Surprise Art Week associated with this plan, or as large as the murals that can be seen around Surprise

POP-UP & TEMPORARY ART

Art can be long lasting, or it can be something that is experienced for a short period. Though temporary art isn't long-lived, it can have a lasting impact on a community. By creating a sense of surprise and joy in unexpected places temporary art can impact locations such as construction sites, empty spaces, and storefronts.

Temporary art can be done inexpensively and easily, and it can be a small pop of color for a huge "WOW" factor. In whatever form, its short lifespan gives energy to the space and drives excitement among the community. Temporary art invites collaboration, be it with local schools or community groups, and creates a space that can evolve with the city and residents.

SITE-SPECIFIC

Site-specific art is created to enhance and celebrate its surroundings in which an artist considers the site first before anything else. Site-specific art uses the surroundings to enrich the experience. It can help to tell the story of the location or it can simply exist to elevate the site.

APPROACHES TO INTEGRATING ART INTO SURPRISE

The City of Surprise faces a unique challenge, and in turn, multiple opportunities to infuse the community with public art. With more than 130,000 residents, as of 2017, on roughly one-third of the Surprise planning area, there is already a significant built environment that should be retroactively included when planning for public art. There is also a proactive need to integrate public art into the remaining 200+ square miles of open desert that will eventually become part of the developed city limits. In order to ensure equal access and opportunity to the entire community both the existing and future built environment must be addressed.

REACTION TO EXISTING BUILT ENVIRONMENT

There are concentrations of neighborhoods to the north and west edges of the city limits that have been expanding within the past 4-5 years. Yet the existing built environment in Surprise is largely focused south of Loop 303, east of the McMicken Dam, and north of Peoria Ave growing from the Original Town Site (OTS)

New public art should be focused on existing park and open space, gateways, city buildings, and community facilities. This has, thus far, been the approach of the SACAC and has served the community well in injecting art into the built environment.

Future Art Within This Area

Thanks to the work of the SACAC supported by elected official and city staff the City Hall Campus, the Northwest Regional Library, Surprise Senior Center and other important locations within Surprise now feature public art. Future art in this area should be geographically diverse but also strategically placed in order to visually impact the existing community as much as possible. The criteria below should be used when evaluating the siting of future public art in the existing landscape of Surprise.

Ideal Location Typologies for Public Art in the Existing Built Environment

- Gateways
- City Buildings
- Community Facilities
- Parks and Open Space





PROACTIVE INCLUSION INTO FUTURE BUILT ENVIRONMENT

The majority of future development in Surprise will take place to the north and west of the McMicken Dam, towards the White Tank Mountain Regional Park and State Route AZ-74. In this area, public art should be proactively included as new land is developed. This is a priority of both city leadership and the commission.

Future Art Within This Area

Both the 2035 General Plan and the 2015 Surprise Parks and Recreation Master Plan define specific development standards and growth patterns for the future built environment of Surprise. Though the evaluation criteria above should be utilized for this area in addition to the existing built environment, the established plans present different opportunities for public art within this area.

Public Art Procured by the Arts Commission

Art procured by the Arts Commission for newly developed areas of Surprise should focus on the following location types:

Parks and Open Space & Greenway and Trail Network

Unlike the existing built environment of Surprise, a network of interconnected greenways, washes, trails, and parks is proposed throughout the future developed area of Surprise. In addition, many community facilities will be co-located at these proposed parks. This truly integrated network provides a wonderful opportunity to add art systematically throughout the community.

The following types of locations should be priorities for public art within this network:

- *Major Trailheads*
- *New City Parks*
- *Multigenerational Recreation Centers*
- *Minor Trailheads*
- *Meeting Points and viewing areas of Paths*

City Gateways

In the newly developed areas of Surprise there is an opportunity to integrate public art into City Gateways from their initial construction. Due to Surprise's unique position in the far West Valley these City Gateways also may be entry points into the Phoenix Metro itself. Art at these Gateways has the possibility to truly define new areas of Surprise.

Public Art & Cultural Amenities Associated with Private Developers

If private developers choose to add public art to their developments either independently or in partnership with the city, the following location types should be prioritized:

Neighborhood Walls

Subdivisions and neighborhoods within Surprise are often characterized by the masonry walls which surround them. These walls are typical of the region and create a unique built environment but also may create visual monotony throughout the community. At the same time, these walls provide an opportunity to inject art into the built environment. Incentivizing developers to devote a portion of the walls to art installations is a strategy that should be used to develop more interesting masonry walls throughout the community. This recommendation should be used in combination with the incentives described on page 43. If implemented the following is recommended:

- *Ten percent of wall space must be devoted to art*
- *The developer is required to submit the artist contract as proof of meeting the art requirement and no approval by Arts Commission should be necessary*
- *Art must either be integrated into the wall as a sculptural element, mosaic, or other form of art or should be directly adjacent to the public facing portion of the wall*
- *The Arts Commission may review proposed projects as directed by the Planning and Zoning Commission*

Monument Signage or Neighborhood Entrances

As new developments such as subdivisions, commercial areas, mixed use areas, corporate headquarters or other sites are developed, monument signage is often added at key site entrances. Monument signage is important in placemaking and identification of new developments. Because these locations are often highly visible they provide a great opportunity to add visual interest with art, which can also help to identify locations and create a sense of place. Future developments have an opportunity to support the "One Surprise" identity that is priority of the Mayor and City Council. Newly developed areas can create their own unique identity and while still representing pride in being part of Surprise. Incentivizing developers to utilize art alongside monument signage or neighborhood entrances is a strategy that should be used in order to add visual interest into the environment. This recommendation should be used in combination with the incentives described on page 43. If implemented the following is recommended:

- *Larger signage should be allowed as an incentive if art is included as part of monument signage and could be tied to scale of proposed art or amount of funds spent on the art*
- *The developer is required to submit the artist contract as proof of meeting the art requirement and no approval by Arts Commission should be necessary*
- *The Arts Commission should pursue a unique art piece or consistent theme that is used for new subdivisions and partner with existing subdivisions to integrate with existing entrances.*

Cultural Facilities

New developments – particularly residential neighborhoods – have ample opportunities to integrate cultural facilities into their outdoor areas, clubhouses, and community centers. By including publicly accessible and rentable cultural facilities these developments can help meet the needs and desires of residents of Surprise. Incentivizing developers to include cultural facilities in their developments is a strategy that should be used to help bring amenities to the city that would otherwise not be built or take many years to realize. This recommendation should be used in conjunction with the incentives outlined in Chapter 3.B.2. If implemented the following is recommended:

- *Any cultural amenity constructed to meet the incentive requirement should be publicly accessible and/or available for reservation or rentable for festivals, performing arts, or other social gathering events.*
- *Developers should prioritize amenities recommended on page 54-55 or other desired amenities as recommended by staff or the Arts Commission.*
- *Community Development staff should work with developers to determine exact incentives based on the scale of the proposed cultural amenities.*

SITE SELECTION CRITERIA FOR ONE AND ONE-THIRD PERCENT FOR ART ORDINANCE PROJECTS WITH NEXUS REQUIREMENT

Qualifying projects that grow out of the One and One-Third Percent for Arts Ordinance (Percent for Arts) may have a requirement that they be placed as a part of the project that triggered the art due to bonds which fund the Capital Improvement Plan (CIP) projects. In order to ensure that the public art be impactful to the city, the following criteria should be followed. These criteria should be communicated to the project development team and the project management team to ensure that they are followed for all public art funded by the city.

Criteria 1: Public Access During Business Hours

When placing a piece of public art as part of a CIP project - first and foremost – the art should be publicly accessible for all and meet Federal ADA requirements. This means that in buildings that have regular public access during business hours, the art may be located inside a publicly accessible space. In projects that are not publicly accessible, the art should be located on the exterior of the building or further out on the side within view of a public road or right of way.

Criteria 2: Highly Visible Site or Highly Visited Site Within the Project

Even the most obscure city-funded infrastructure likely has a site that is more visible or visited than other areas of the site. These sites should take precedent above other sites within a project. Inside a building this would mean locating the art in a highly trafficked area such as a main lobby or entryway. Outside this may mean an area of the building or site visible from a main arterial, trail, or other location where many people are likely to see it.



PUBLIC ART PROGRAM & POLICIES

The City of Surprise and its Arts and Cultural Advisory Commission have made great strides in adding public art and art focused activities in the City of Surprise. The following sections detail the existing program and provide opportunities to add to its success.



CITY INTERNAL OPERATIONS

The internal operations of the public art program at the city staff level are highly important to the long term and functional success of the program. The recommendations for staffing and internal organization are detailed below. With the additional funding that will arise from the Percent for Arts , this staff member will be necessary for the City to effectively administer the funds. The following description should be utilized by the Human Resources department at the City of Surprise to create a final Job Description.

Public Art Program Staff Member

No staff member currently exists whose sole duty is to manage the Surprise Public Arts Program, act as a liaison with the arts community, nor to fully implement the guidance of the SACAC. The addition of a public art staff member is integral to the long-term success of the public art program in Surprise. This staff position may be titled Public Art & Culture Manager, which is broad in nature and allows for the expansion of responsibility. This position would be created specifically to handle all arts and cultural related issues on the city level. They would handle the day-to-day activities and relieve the SACAC from much of its current administrative responsibilities, similar to other departments/commission relationships; such as Community Recreational Services and Community Development.

With the additional funding that will arise from the Percent for Arts, this staff member will be necessary for the City to effectively administer the funds.

In addition to acting as a liaison to the SACAC, this position's responsibilities include but are not limited to:

- Management of the existing collection
- Creation and management of the maintenance plan for the existing collection and all future additions to the collection
- Integration of public art into projects in the Capital Improvement Plan at the conceptual stage
- Development and maintenance of strategic partnerships
- Integration of public art into the development process at the conceptual stage of the project
- Management of all new public art installation processes
- Management of programming
- Procurement of outside funding sources
- Inspect all public art pieces in the city's collection annually to ensure they are maintained in a good state of repair

INTERNAL ORGANIZATION

Currently the Arts and Culture Advisory Commission, and by extension the public art program, is housed within the Surprise City Manager's office. Even in surrounding communities, peer programs are housed in a variety of departments within City Government and no one solution is a panacea. Below is a discussion of the three most frequently cited potential homes for the program within the City of Surprise, the positives and negatives, and recommendations for how the program should function in the future.

For now, the program should be maintained within the City Manager's Office. The internal organization should be reevaluated every 3-5 years. Regardless of the placement of the program within the internal city structure, the commission and future staff person should collaborate with other city departments and commissions.

City Manager

The City Manager's office currently houses the Arts and Culture Advisory Commission and public art program. The city manager is responsible for carrying out the council-created policies and directing the day-to-day operations of city government. The manager reports directly to the city council and is subject to council performance reviews. The city manager is responsible for drafting a balanced budget for council review and approval each year.

The public art program should continue within the City Manager's office until a staff member is hired to manage the program. If city staff and elected officials are not in favor of moving the public art program to Community Development, we recommend that the program stay within the City Manager's Office.

POSITIVES

- The City Manager's Office works closely with elected officials and develops the City Budget therefore could more easily advocate for funding on behalf of the Commission and public art program.
- The most recent successes of the Commission and public art program have happened while the program was housed within the City Manager's Office.
- The public art program needs an interdisciplinary approach to task management and implementing this plans goals. The City Manager's Office provides the flexibility necessary to address variety of partnerships required for the recommended Public Art & Culture Manager.

NEGATIVES

- The City Manager's Office must take a high-level approach when addressing Citywide issues and that approach may not benefit the public art program because the program requires specialized focus and close attention.
- In the long term, the public art program may benefit more from being integrated into a larger department and resources.



Community Development

The Surprise Community Development Department provides services related to planning, permitting and building safety elements within the City of Surprise. It is the charge of this department to ensure responsible planning within the current and future city limits and that new and existing structures are safe for occupancy.

POSITIVES

- The public art program could benefit from the comprehensive nature of the department's approach to planning and development in the City.
- A public art manager could advocate for the inclusion of public art within new development more easily if the program was housed within Community Development.
- The department could more easily harness the economic and placemaking power of the public art program in Community Development

NEGATIVES

- The Community Development Department does not have the staff, capacity, or expertise to operate the public art program and act as a liaison to the Commission without a public art staff member.
- Some of the current event-based programming of the Commission falls outside the scope of Community Development's work.

SPORTS & TOURISM

The Surprise Sports and Tourism Department is responsible for marketing Surprise as an intentional sports and tourist destination. In addition, the department manages Surprise Stadium and the partnerships with Major League Baseball's Kansas City Royals and Texas Rangers.

POSITIVES

- The Sports and Tourism Department is well marketed and hosts many events all of which could benefit the public art program.
- Both programs are building a sense of place to create new residents through marketing and attracting visitors.

NEGATIVES

- The expertise of this department in marketing sports may not translate well into managing the public art program.
- This department's focus on activities and experiences limits the collaboration with internal and external development partners for public art and the built environment.





FUNDING

The City of Surprise has made a strong statement in favor of adding public art and cultural amenities in the city through the creation of the One and One-Third Percent For the Art Program (Percent for Arts). The program is explained in the following section along with recommendations on how to refine and enhance public art and cultural amenities in Surprise into the future.

EXISTING FUNDING

Per the ordinance that establishes the Percent for Arts Program, “The City of Surprise desires to expand the experience of its citizenry through public art of the highest quality in concept and execution. Public art contributes directly to the quality of life in the City of Surprise because citizens view and interact with it daily in public spaces. Public art instills concern for beauty and good design in the public sector by setting high aesthetic standards. Public art reflects and communicates the history, character and values of the community and thereby creates a sense of place.”

The existing program, which is detailed below, was codified in 2016 to establish a funding source for public art by dedicating one and one-third percent (1-1/3 %) of each fiscal year’s budgeted, unrestricted capital improvement funds. The following policies were established under that ordinance:

Contribution of Capital Improvement Plan Funding

Each fiscal year, based on the most recently adopted CIP and, as determined by the Finance Department, every participating department must appropriate, an amount equal to one and one-third percent of its budgeted eligible capital project funds to the Municipal Art Fund. Legally restricted funds are exempt.

For the purposes of this program, capital projects are defined as city projects with a budget exceeding \$500,000 paid for wholly or in part by the City of Surprise for buildings, roads, infrastructure, parks, etc. Projects related to emergency work, minor alterations, repair, maintenance, software system development, or vehicle replacements are exempt.

Establishment of Municipal Art Fund

The funds generated by the One and One-Third Percent for Art Program are appropriated to the Municipal Art Fund, separate and apart from the Arts and Cultural Commissions’ operating budget. The Municipal Art Fund must be used for the limited purpose of acquisition and administration of public art or to establish a public art program. Acquisition can include, but not be limited to, costs associated with the procurement, design and siting of public art. Administration can include, but not be limited to, costs associated with implementing the requirements of the One and One-Third Percent for Art Program and relevant community outreach and education. Any costs related to maintenance are excluded.

Nexus Requirement

Funds appropriated under this program may be used for the siting of public art city-wide. Many of the future funds that will be generated for the Percent for Arts will be associated with bond ballot projects. The general obligation associated with bond projects will require art components to also be located on the project site. Projects with this nexus requirement should still follow the other guidelines outlined in this plan.

However, according to the Percent for Arts there is no nexus is required between the public art and the city project which funded the public art unless a legal restriction exists (e.g. general obligation bond ballot). Projects that are funded without a nexus requirement (i.e. from the general fund) can be located differently than the associate CIP project.

OTHER POTENTIAL FUNDING OPTIONS

Additional proposed options are detailed below that in the future could allow for an expanded public art program within Surprise.

Percent of Hotel Transaction Privilege Tax Revenue

Some communities allocate a percentage of their Hotel Transaction Privilege Tax (TPT), also known as a Bed Tax, towards arts and cultural programming. This frequently occurs due to the connection between cultural amenities and tourism, citing those amenities acting as a driver of tourism and tourist-related businesses. The proposed allocation below would focus on arts and cultural programming which may serve to increase tourism within Surprise.

Proposed Allocation

As expansion of this plan in a few years, the City should explore a feasibility study to permanently allocate TPT funds on arts and cultural programming such as classes, festivals, or other cultural events. In addition, temporary art projects, murals, and re-granting to local arts and cultural related organizations could take place.

Percent of Sports and Tourism Revenue

Often communities seek out funding mechanisms that are unique to their communities in order to drive additional funds to arts and culture in a creative way. Sports and sporting facilities are a large driver of people and business to Surprise. Outside of the season and games, there is a lack of interesting programming to occupy visitors and encourage them to spend additional time and money in Surprise. The proposed allocation of funding from Sports and Tourism revenue above would be utilized for additional arts and cultural programming in Surprise.

Proposed Allocation

As expansion of this plan, after the department meets all enterprise fund requirements, the City should explore a feasibility study to permanently allocate funds that can be spent on arts and cultural programming such as classes, festivals, or other cultural events. In addition temporary art projects, murals, and re-granting to local arts and cultural related organizations could take place. The study should include recommended guidelines be put in place to tie funding to projects and programs that would take place in conjunction with events related to Sports and Tourism such as Spring Training or other events.

Public Private Partnerships

Many cities with successful public art and cultural facilities have found a private partner that helps fund and manage these public assets. Staff and the Arts Commission should work to identify private partners that can help to fund long term projects and facilities.

INCENTIVE PROGRAM

In order to incentivize public art within private development, the City of Surprise can take several unique approaches that would be economically and politically feasible. Proposed development incentive options are listed below and should be further investigated by City Staff, including Community Development and the Planning and Zoning Commission.

The guidelines for the implementation of these incentives “Public Art and Cultural Amenities Associated with Private Developers” are detailed on page 31. If any of the following incentives are adopted they should be codified in conjunction with the guidelines.

Possible Incentive Program Options:

Density Bonus

Under the Density Bonus provision, a development would qualify for additional square footage or units in their development if one of requirements detailed in “Public Art and Cultural Amenities Associated with Private Developers” on page 31 was met.

Parking Reduction

Under the Parking Reduction provision, less parking spaces would be required for commercial and residential developments if one of requirements detailed in “Public Art and Cultural Amenities Associated with Private Developers” on page 31 was met.

Parkland Set Aside Reduction

Under the Parkland Set Aside Reduction provision, less park or open space would be required for commercial and residential developments if one of requirements detailed in “Public Art and Cultural Amenities Associated with Private Developers” on page 31 was met.

Open Space Requirement

Under the development code requirements for open space, establish a provision that allows any of the requirements detailed in “Public Art and Cultural Amenities Associated with Private Developers” on page 31 to satisfy the Open Space Requirement.



ONE AND ONE-THIRD PERCENT FOR ART EXPENDITURES

Though the Percent for Arts that was codified in 2016 specifically states that there is no nexus between city funded projects that are required to contribute a percentage of their budget to the Municipal Art Fund and the public art projects they fund, this is generally only the case for non-bond funded projects. Despite this the Arts Commission may still attempt to pool funds from non-bond funded projects in order to make a larger impact with public art projects. This policy is important to the long-term success of the public art program and the collection that will eventually be curated by that program. Funds may be pooled in order to achieve projects of a greater scale.

Why Should Funds be Pooled for Larger Scaled Projects?

The Percent for Arts Ordinance establishing the Surprise Public Art Program specifically states that the City “desires to expand the experience of its citizenry through public art of the highest quality in concept and execution.” This statement proved true throughout the extensive public engagement that was done as part of this planning effort.

In an effort to ensure that the Public Art Program is executed at a stature that meets the stated desires of the City and its residents, it is recommended that funds be pooled in the Municipal Art Fund in order to achieve projects of greater scale.

What Does It Mean To Pool Funds?

Funds from the One and One Third Percent for the Arts ordinance will likely be generated in varying amounts. In order to achieve the goals of the program, these amounts should be combined in order to achieve scale.

What Scale Projects Should Be Funded by Percent for The Arts?

The majority of projects funded by the One and One Third Percent for the Arts should be of the Large and Significant Scale as defined below. A small amount of the Percent for the Arts funding could go toward medium scale projects, ideally through partnerships. Small scale projects should be funded with non-Percent for the Arts funding associated with the Arts & Cultural Advisory Commission’s annual budget, various grant applications, and donations from local art groups and the community. The project scales are defined below and further described in Section 3.1.

Small scale projects (\$10,000 and Below)

Medium scale projects (\$10,000 - \$50,000)

Large scale projects (\$50,000 – \$250,000)

Significant scale projects (\$250,000 and above)





GUIDELINES FOR TIERS OF FUNDED PROJECTS

Small Scale Projects (\$10,000 and Below)

Projects funded at this scale are typically community-based endeavors. Many times projects at this scale seek to engage the community and create small but impactful improvements, or can initiate a new civic image. Small scale projects would likely be projects geared specifically towards local artists such as those from the West Valley or Maricopa County.

Funding Type

General Fund Allocation
Arts & Cultural Advisory Commission operating budget
Donations from non-profit groups and/or community
Grant Funded

Typical Art Types

Murals
Textile
Multimedia
Pop-Up and Temporary Art
Functional Art
Community created, collaborative art

Typical Locations Types

City Owned Facilities
Park Space
Temporary installations, i.e. Festivals

Medium Scale Projects (\$10,000 - \$50,000)

Projects funded at this scale typically draw attention from the local community, can create community charm, and focus on semi-permanent installations or long-term installations. Medium scale projects would likely solicit artists based throughout the Phoenix Region or State of Arizona.

Funding Type

General Fund Allocation

Arts & Cultural Advisory Commission operating budget

Joint Funding with Sports and Tourism Revenue

Joint Funding with Private Partners

Grant Funded

Typical Art Types

Glass Works

Light Installations

Textile

Murals

Mosaics

Multimedia

Pop-Up & Temporary Art

Functional Art

Community Created, Collaborative Art

Typical Locations Types

City Owned Facilities

Park Space

Trails and Greenways

Neighborhood Entrances



Large Scale Projects (\$50,000 – \$250,000)

Projects funded at this scale typically draw attention from beyond the local community, can become a regional symbol, and focus on long term installations. Large scale projects would likely solicit artists nationally.

Funding Type

One and One Third Percent for The Arts
Joint Funding with Private Partners
Grant Funded

Additional Requirements

Calls for Artist at this scale should require applicants to have completed a project of at least 25% of the total cost of the proposed project within the call

Typical Art Types

Sculpture
Glass Works
Light Installations
Textile
Murals
Mosaics
Multimedia

Typical Locations Types

Park Space
Washes / Trails
Gateways
City Owned Facilities
Private Land, Publicly Accessible



Significant Scale Projects (\$250,000 and above)

Projects funded at this scale typically draw visitor attention from beyond just the state of Arizona, can become iconic, and focus on long term installations. Significant scale projects would likely solicit artists nationally and possibly internationally.

Funding Type

One and One Third Percent for The Arts
Joint Funding with Private Partners
Grant Funded

Additional Requirements

Calls for Artist at this scale should require applicants to have completed a project of at least 25% of the total cost of the proposed project within the call

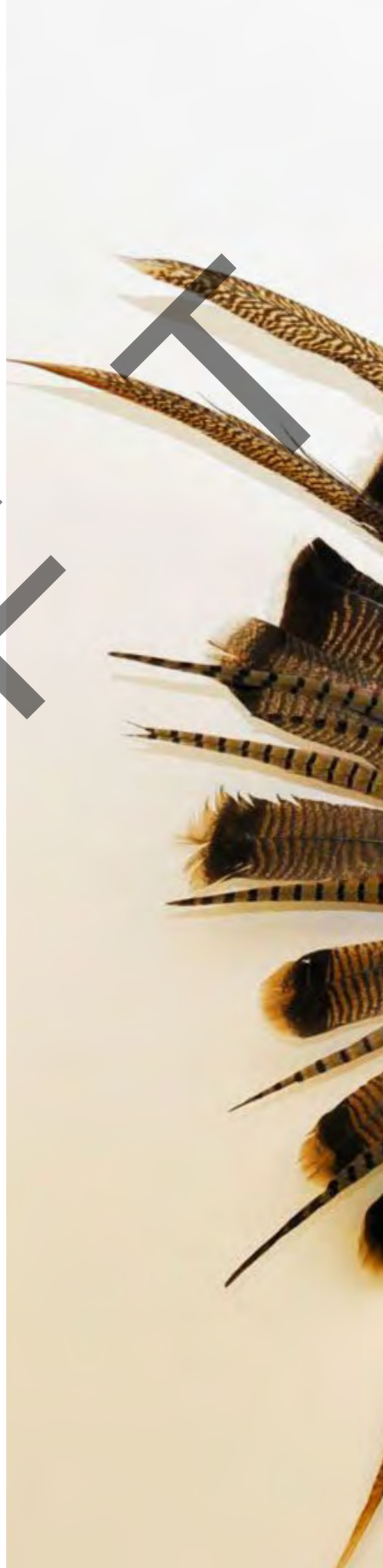
Typical Art Types

Glass Works
Light Installations
Textile
Murals
Mosaics
Multimedia

Typical Locations Types

Park Space
Washes / Trails
Gateways
Private Land, Publicly Accessible

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CULTURAL AMENITIES & FACILITIES

As detailed in previous sections, Surprise is a large and fast-growing community. As such, community members desire additional cultural amenities. The cultural amenities are an important economic development tool that can drive additional residents, businesses, and tourists to the city. Due to the cost of providing cultural facilities and amenities, the city must do so as economically and efficiently as possible.

The following sections contain important guiding principles to achieve short-term goals for cultural facilities. Long-term goals merit further study before specific plans are proposed.

Key Goals

- Invest in facilities that are not duplicative of facilities in surrounding communities
- Provide access and opportunity for residents of Surprise to express their creativity
- Provide amenities and facilities that expand the diversity of offerings in both Surprise and the West Valley



FACILITY TYPES FOR SURPRISE

Through public engagement, the community defined several different types of venues they currently attend, how far they travel, and the types of cultural facilities that are desired in Surprise. This helped evaluate and study nearby cultural facility offerings and utilize national best practices to determine what the City should pursue.



Slub Maker Space, Dresden, Germany



Makerspace or Creative Space

A makerspace or creative space is an arts-based facility that is similar to a community recreation facility for athletics and sports. It's where users can explore their imagination and urge to be creative. This type of facility provides classrooms, tools, and resources where visitors and members can take classes or work freely; for example, making furniture, sculptures, jewelry or other artistic forms. In order to maximize resources, this facility could also include musical and performance resources and classes. These facilities provide opportunities for young and old, hobbyists and professionals, entrepreneurs and artists to connect and enhance community connections. The facilities are often bare-bones and could utilize a variety of low cost locations such as vacant a strip center or warehouse. This type of facility would ideally be a partnership between the City of Surprise and local universities or businesses and requires for further study to fully develop.

Fairgrounds or Festival Venue

Attendance at area festivals, coupled with feedback from public engagement, shows a need for a festival venue in the City of Surprise. This type of facility would be outdoors and would likely be used as park or open space outside of festival programming. The key amenities provided as part of a festival venue would be electric hookups, restroom facilities, vehicular access, and parking. These amenities could be added to an existing park, open space, or planned for and built as part of future park construction. A permanent fairgrounds or festival venue would allow Surprise to take advantage of the year-round climate with a space that can be programmed by the City or rented by private organizations.



Red Rocks Amphitheater, Denver Colorado

White Tank Outdoor Amphitheater

The General Plan 2035 and City Council have identified a vision of a resort or resort-style community to the north of the White Tank Mountain Regional Park. Future development plans and partnerships should include an outdoor amphitheater. This should be a large regional venue, creating an iconic destination to draw more visitors and bolster tourism in Surprise.



Boulevard Auditorium, Brisbane, Australia

Small Multipurpose Indoor Venue

Possibly in conjunction with the Black Box Theater (below), a small indoor performing arts venue is recommended. This small venue would likely accommodate between 250 - 500 people and would be ideal for small music acts, private recitals, community theater acts, as well as other performing art mediums. This size venue requires further outreach and a full development plan due to the lack of available accommodations within Surprise and the demand that was expressed by community members.



Small Outdoor Venue

Possibly in conjunction with existing or new community parks, a small outdoor performing arts venue should be included in upcoming development plans. This small venue would likely accommodate between 250-500 people and would be ideal for local and regional music acts, an anchor for small festivals, as well as other event-based gatherings. This style of venue reflects a high demand expressed by community members and lends itself to a funding partnership between private developers, CIP funds, and possible grant applications.



Nimitz High School, Irving, Texas

Black Box Theatre

A Black Box Theatre is a simple indoor venue that is small, unadorned, and highly flexible. This type of performing arts venue is relatively low cost and can accommodate performances of many types – from musical acts to interactive performances. Due to the small scale, high demand, and lack of this style of venue in Surprise, it should be pursued as a temporary solution using current infrastructure until a permanent plan can be established. Black box theaters are also encouraged as a private establishment due to the high demand expressed by the community. The City should consider ways to partner and support this type of venue.



INTEGRATION WITH NEW UNIVERSITY FACILITIES

In February of 2017 Ottawa University announced a plan to develop a 35-acre campus adjacent to Surprise City Hall. This development presents an ideal opportunity for partnerships to develop cultural amenities and facilities, specifically performing venues which otherwise may take much longer to develop separately. City staff should coordinate with University representatives to study the possibility of jointly developing cultural facilities that would be available for use by residents and businesses in Surprise. Any agreements to develop cultural facilities should include specific provisions to ensure ample access for Surprise residents and businesses.

DRAFT

PRIORITY ACTION PLAN

The implementation of this plan will require collaboration on a broad scale. As the implementation leader, the Arts and Cultural Advisory Commission will collaborate with city staff and other critical decision-making entities to ensure clear and consistent interpretation of the plan throughout implementation. The goals and recommendations within this chapter will be implemented as staffing allows.



SHORT-TERM GOALS AND STRATEGIES (1-2 YEARS)

STAFFING:

1. Create a part-time staff position entitled Public Art & Culture Manager. In order to maximize the effectiveness of the Public Arts Program, it is necessary to dedicate staffing resources to the Program. This staff position title is broad in nature and allows for expansion of responsibility and funded through a general fund allocation.

The staff person will:

- Manage the public art program
- Act as a point of contact when partnering with the arts community
- Work closely departments that host or program activities that have an art component
- Serve as a liaison between the Arts and Cultural Advisory Commission, and elected officials

Opportunities should be explored to collaborate with neighboring communities or other organizations in order create staffing efficiencies while the Percent for Arts Ordinance is in its initial collection phases.

FUNDING:

1. Staff and elected officials should study the proposed additional options for funding and incentives on page 43. This funding could allow for additional smaller projects or help fund the Public Art & Culture Manager staff position

PROCESS/POLICY:

1. Develop an internal initial priority blueprint for future public art installations. This initial blueprint would prioritize locations for future art and should be based on community input, availability of space, future development, as well as the recommendations and guidelines contained in this plan. Additionally, this blueprint should be updated and revised regularly following its initial creation and adoption. Until this list is complete and adopted by the Arts and Cultural Advisory Commission and City Council, no additional art should be placed aside from in process project or Percent for Arts Ordinance Projects with a nexus requirement.

2. Complete and maintain inventory of all public art pieces in the Surprise Public Art Collection.

Details must include:

- a. Type of public art
- b. Specific location
- c. Materials used
- d. Artist
- e. Current and projected maintenance needs

- f. Determination of whether or not the piece is on loan or is part of the permanent collection
- g. If on loan, how long the piece has been on display
- h. If on loan, from whom

3. Develop an inter-departmental process for collaboration. Within each city department, develop an internal process for coordination between departments. Departments include: Community Development, Public Works, Community and Recreation Services, Sports and Tourism, Economic Development, and any additional city departments that manage projects or pieces funded by Public Arts Program funds. This must also address the process of requesting funds for public art in each department's projects.

4. Evaluate and adopt proposed Guidelines for Tiers of Funded Projects. These guidelines could be integrated into other policy documents.

5. Develop a list of qualified artists. This list should include artists that are well-oriented to the Surprise Public Arts Program that can be provided to developers, individuals, and businesses in the event they are interested in procuring or commissioning a piece of public art.

6. Study the options for the proposed Public Art Incentive Program for private development detailed on page 43. Select and implement one of the proposed options.

7. Study the options for the proposed Neighborhood Wall and Monument Signage recommendations for private development on page 31. Select and implement one of the proposed options.

8. Review, assess, and reestablish goals and priorities annually.

ARTIST SUPPORT:

1. Prioritize easily implementable projects and programming such as temporary art, pop-up art, and murals.
2. Establish an annual tradition of continuing Art Week to bring exposure to and celebrate all forms of art in Surprise and create a new community, collaborative art piece each year.



MEDIUM TERM GOALS AND STRATEGIES (3-5 YEARS)

FUNDING:

1. Utilize Percent for Art funds to leverage and provide matching monies for grant opportunities from local, state, and national organizations.

Target grants for strategic placemaking endeavors or programmatic actions such as:

- a. Programming that supports cultural diversity in the arts;
- b. Programs for reaching underserved communities;
- c. Projects that integrate arts and culture into community revitalization work such as land-use, transportation, economic development, education, housing, infrastructure, and public safety strategies;
- d. Projects that utilize the arts to support the creative needs of non-arts sectors;
- e. Projects that explore the intersection of artistic creativity and creativity in non-arts sectors;
- f. Projects that use the arts and the creative process to address complex issues; and
- g. Programming that celebrates heritage or history of a specific place.

2. Staff, the Arts and Cultural Advisory Commission, and elected officials should study and strive to implement one of the proposed funding options on page 42 in addition to the Percent for Art Program. This funding could allow for additional smaller projects that supports other departments' and commissions' goals or help fund the Public Art & Culture Manager staff position.

PROCESS/POLICY:

1. Create a reserve of 'shovel ready' public art projects for easy implementation by developers or private sponsorship. This reserve must be fully vetted by staff and the Arts Commission, including the approval of the artists.
2. Purchase or commission art through collaborations between arts and non-arts partners.
3. Staff should internally study proposed cultural facilities in Chapter 4 on pages 54 - 55 and determine which, if any, are appropriate for additional in-depth exploration and identify potential funding opportunities.

ARTIST SUPPORT:

1. Develop an Artist in Residence Program. Engaging an artist at the most basic level within city functions will encourage creativity and integration of public art from the beginning of capital projects and new private development. Artists are generally hired on a 9-12 month contract.
2. Create a volunteer program to engage non-artists that assist with events or artist installations.
3. Prioritize more expensive or difficult-to-implement projects and programming such as sculptures, gateway pieces, and functional art.

LONG TERM GOALS AND STRATEGIES (5+ YEARS)

PROCESS/POLICY:

1. Review and update the Arts and Culture Master Plan every 5 to 10 years to respond to strengths, opportunities, weaknesses, and challenges as the program grows. The Arts and Cultural Advisory Commission with city staff may do this internally.
2. Create public art projects and programming with non-traditional partners. Potential collaborators include hospitals, rehabilitation and senior centers, disability-focused organizations, and more.
3. Staff and elected officials should determine which, if any, of the proposed cultural facilities in Chapter 4 on pages 54 - 55 are expressly supported and conduct specific feasibility studies on the proposed venue or venues.

ARTIST SUPPORT:

1. Create partnerships with local schools to ensure public art and educational opportunities for students and artists.
2. Prioritize the most expensive or difficult to implement projects and programming such as monumental sculptural pieces and multi-piece installations.

always
future
youth,

but we can build our
youth for the future.

FRANKLIN DELANO ROOSEVELT



APPE



NDIX

OVERVIEW OF AREA OFFERINGS BY CITY

1. PEORIA

City Body: Peoria Arts Commission

City Staff: Art Coordinator

Funding: One Percent from CIP Projects

Cultural Amenities: Peoria Center for the Performing Arts; Arizona Broadway Theater

2. GLENDALE

City Body: Glendale Arts Commission

City Staff: Arts and Culture Program Manager

Funding: One Percent from CIP Projects

Cultural Amenities:

3. BUCKEYE

City Body: None

City Staff: None

Funding: None

Cultural Amenities: Buckeye Valley Museum

4. EL MIRAGE

City Body: None

City Staff: None

Funding: None

Cultural Amenities: None

5. YOUNGTOWN

City Body: Youngtown Arts Commission

City Staff: None

Funding: None

Cultural Amenities: Clubhouse Square

6. WICKENBURG

City Body: None (Repealed 2011)

City Staff: None

Funding: None

Cultural Amenities: Del E Webb Center for the Performing Arts; Desert Caballeros Western Museum; Constellation Park & Rodeo Grounds; Community Center

7. LITCHFIELD PARK

City Body: None

City Staff: None

Funding: None

Cultural Amenities: Annual Native American Arts Festival, The Wigwam

8. GOODYEAR

City Body: Goodyear Arts and Culture Commission

City Staff: Art Coordinator

Funding: Up to One Percent from CIP Projects

Cultural Amenities: Annual Goodyear Lakeside Music Festival

9. AVONDALE

City Body: Municipal Art Committee

City Staff: Community Relations and Public Affairs Director

Funding: One Percent from CIP Projects, General Fund

Cultural Amenities: None

10. TOLLESON

City Body: None

City Staff: None

Funding: None

Cultural Amenities: Path of Art

DRAFT

SURVEY RESULTS

1. What activities would you like to see more of in Surprise?

Top 5: Arts / Crafts Festivals (67.53%)

Live Music (63.20%)

Live Performance (Dance, Theatre, etc.) (58.87%)

Art Exhibitions (51.52%)

Festivals (49.78%)

"Other" (15.58%):

Festivals: food, cooking, cultural, music, wine and beer, art, outdoor concerts

2. What types of arts and cultural classes would you be interested in if available?

Top 3: Cooking/Cuisine (61.50%)

Fine Art (54.87%)

Music (43.36%)

Theatre/Drama (36.73%)

Cultural Traditions (33.63%)

Dance Classes (30.97%)

Graphic Design (27.88%)

Creative writing (24.34%)

Storytelling (16.37%)

"Other" (9.29%):

Zumba, Ceramics, Glass blowing, Mixed Media, Wine and Paint, Weaving, Photography

3. What types of performance venues would you regularly attend if offered in Surprise?

Festival-style venue (63.44%)

Medium-large indoor venue (57.27%)

Medium outdoor venue (56.39%)

Small indoor venue (48.90%)

Small outdoor venue (45.81%)

None (2.64%)

"Other" (6.17%):

Theatre (like in Peoria); outdoor amphitheater, street festival

"I think that the park by the pool/stadium is a wonderful venue. It has a lot of parking, is open, and a pleasant environment."

"Events at the Stadium, events at the library, at the lake, at the dog parks, more events, bring in big musicians, have more hot air balloons, bring in car shows, dog shows, rose shows, you name it, Surprise needs to be the spot for entertainment, like a mini vegas"

4. My favorite activity involving arts and culture in Surprise is:

Festivals: Arts and Crafts, Music, Interactive Booths, Art shows, Art Galleries and Exhibits

Music: Symphony, Music Library performances, Outdoor concerts

Performing Arts: Ballet in the Park, Theatre

Events: Fiesta Grande, WHAM Poetry Slam, Surprise Block Party, City of Surprise Christmas Party, Play in Taste of Surprise, Dancing with the Stars in Sun Village, Annual Art HQ, Holiday Event

Balloon Glow

"More art shows at Art Q"

"Art Walks needed"

"I don't feel like there are a lot of big venues or activities I often find myself leaving surprise to visit events in other cities"

Litchfield

Tempe arts

5. What types of arts and cultural activities do you attend outside of Surprise?

Top 5: Arts / Crafts Festivals (62.01%)

Festivals (60.70%)

Live Music (57.21%)

Live Performance (55.46%)

Art Exhibitions (44.10%)

"Other" (8.30%):

Plays, museums, specific cultural ethnic events, ballets, concerts

"I like going to the Native American Art Festival, to the Phoenix Symphony, to the local car shows, to the foodie events, the local chef's food and drink events"

"Murals Farmers Market Botanical Gardens Parks - Walking Paths with sculptures, art pieces, historical exhibits etc"

"Free music concerts Mesa, art museums and galleries, Bluegrass, Western chuckwagon events, and a multitude of other adventures."

6. At what types of locations would you like to see more Public Art in Surprise?

Top Response: Parks (77.67%)

Gateways (43.72%)

Library (40.47%)
Neighborhood entrances (39.53%)
Within Streetscapes or Medians (38.60%)
Government Buildings (34.42%)
Major Intersections (32.09%)
Schools (30.70%)
Washes / Trails (29.77%)

"Other" (10.70%):

Baseball stadium; "Everywhere!"; Art Walk; Marley Park; the walking downtown area; murals on various buildings; Friday or Saturday night street walk art (interaction)

"local business venues, outdoor venues (especially October to April), greenbelt areas, large outlet parking areas"

"The City needs a cultural core. The municipal government has City Hall, sports fanatics have the baseball complex... where is the cultural core of Surprise? The Mesa Art center helps define Mesa for the citizens who live there. We in Surprise need a theater/art complex/multi-functional plaza where various art events can be animated. Facilities that are well thought through, well planned to accommodate activities today and that have the capacity and land area to allow for growth over the decades ahead, as the city grows."

"At the park surrounding the Northwest Regional Library, create and then install cement benches that a variety of children groups have painted in a competition" (like in Chestertown, MD)

7. What types of Public Art would you like to see more of in Surprise?

Sculptural (66.37%)
Murals (62.33%)
Functional Art (54.26%)
Mosaics (52.47%)
Glass Works (50.22%)
Lighted Installations (47.98%)

"Other" (11.21%):

Clean park sidewalks; sculptural outside and inside; wood; interactive; paint or stain storm water features; underpasses, paint the infrastructure

"Natural habitat plantings rendered in an artistic layout similar to the botanical gardens in Phoenix or Boyce Thompson. With spacing that would allow sculptures, and other art objects to be placed with ease and changed readily from time to time."

"We are such a family driven community that it would be great to show off our youths art throughout the city as a reminder of the beauty seen through the eyes of a child."

"Invite public artisans to set up temporary displays of their art (ie, metal fabricators sculptures from the SCW & SCG Metal shops) Clay statuettes, Native American decor, design fabricators - allow places for swap meets to be more central/local areas"

8. Do you live, work, and/or visit Surprise?

53.71%	Live only
7.86%	Work only
25.76%	Live and Work
12.66%	Visit

9. Please select your age range

Under 19	4.8%
18-25	3.49%
25-35	12.66%
35-45	13.54%
45-55	17.03%
Over 55	48.47%

DRAFT

ONE AND ONE-THIRD PERCENT FOR PUBLIC ART PROGRAM ORDINANCE

ARTICLE X. - ONE AND ONE-THIRD PERCENT FOR PUBLIC ART PROGRAM

*Note— Section 4 of Ord. No. 2016-13, adopted Aug. 2, 2016, provides that said ordinance is effective July 1, 2017, and that the appropriation of funds imposed pursuant to this ordinance shall not apply to capital projects on which construction has begun prior to July 1, 2017.

Sec. 2-363. - Title.

This article shall be known as the "City of Surprise One and One-Third Percent for Public Art Program."

Sec. 2-364. - Purpose.

The City of Surprise desires to expand the experience of its citizenry through public art of the highest quality in concept and execution. Public art contributes directly to the quality of life in the City of Surprise because citizens view and interact with it daily in public spaces. Public art instills concern for beauty and good design in the public sector by setting high aesthetic standards. Public art reflects and communicates the history, character and values of the community and thereby creates a sense of place. The city therefore declares its policy to include works of art in capital projects of the city and establishing a mechanism to fund the acquisition of public art and administration of a public art program.

Sec. 2-365. - Definitions.

The following definitions shall apply when used within this article:

Capital improvement plan means the city's program for advance planning of capital improvements.

City project means any capital improvement plan project exceeding budget of \$500,000.00 paid for wholly or in part by the City of Surprise, including but not limited to, any building, roads, infrastructure, structure, park, parking facility, or any portion thereof within the limits of the City of Surprise. "City project" does not include emergency work, minor alterations, ordinary repair or maintenance necessary to preserve a facility or infrastructure, software system development or vehicle replacement.

Eligible capital project funds means that portion of a participating department's city projects funded with eligible funds.

Eligible funds means funds which are not restricted or precluded by law or contract as a source of funds for acquisition of public art or administration of a public art program as provided for by this article.

Municipal art fund means a city fund or account into which eligible funds allocated pursuant to this article shall be deposited. Funds within the municipal art fund shall be solely utilized for the purposes outlined in this article.

Participating department means the department of the city that is subject to the requirements of this article by its sponsorship of a city project.

Public art means all forms of non-ephemeral original works of art accessible to the public and/or public employees and which may, or may not, be sited in, on, or about any city project.

Public art program means one or more city funded initiatives to promote and achieve the proliferation of public art within the corporate boundaries of the City of Surprise through non-profit entities, public-private partnerships, and local artists via grants, sponsorships, endowments, fund matching, or any other legally available mechanisms.

Sec. 2-366. - Required appropriation.

(a) *Appropriation of one and one-third percent to public art, municipal art fund.* Each fiscal year, based on the most recently adopted capital improvement plan, every participating department shall appropriate, for public art, an amount equal to one and one-third percent of its budgeted eligible capital project funds as determined by the finance department.

(b) *Restricted funds.* If funding for a particular city project is subject to legal or contractual restrictions that preclude public art as an object for expenditure, the portion of the city project that is funded with the restricted funds shall be exempt from the requirements of this chapter.

(c) *Phased projects.* When a city project is constructed in phases, the one and one-third percent appropriation shall be applied to the estimated total cost of each phase of the project at the time that funds for the phase are appropriated and encumbered. However, this subsection does not prevent reservation of all or part of the appropriation of a particular phase if deemed appropriate to avoid a piecemeal approach to implementing an overall public art plan.

Sec. 2-367. - Establishment of municipal art fund.

(a) *Municipal art fund.* There is hereby created a separate city fund or account, called the municipal art fund to which one and one-third percent of eligible capital project funds shall be appropriated. The municipal art fund shall be separate and apart from the arts and cultural commissions' operating budget.

(b) *Fund purpose.* The municipal art fund shall be used for the limited purpose of acquisition and administration of public art or to establish a public art program. Acquisition shall include, but not be limited to, costs associated with the procurement, design and siting of public art. Administration shall include, but not be limited to, costs associated with implementing the requirements of this article and relevant community outreach and education.

(c) *Expenditure approval.* Expenditures from the municipal art fund shall require city council approval, and shall be made in accordance with a public art program policy and any rules adopted in accordance therewith.

(d) *Unexpended funds.* Appropriations to the municipal art fund shall be carried over automatically for a period of three years, and upon request of the city manager, an additional two years. Appropriations carried over for three years, or upon city manager request for five years, and still unexpended at the expiration of such period shall be reported to the city council and reallocated per resolution of city council.

Sec. 2-368. - No nexus requirement to city projects.

The participating department shall consider the siting of public art as part of the design and engineering phase of any city project. Nevertheless, nothing in this article shall be deemed to require that expenditure of the appropriated one and one-third percent funds from any particular city project be limited to acquisition or administration of public art for that respective city project. Funds appropriated pursuant to this article may be used for the siting of public art city-wide and expenditure does not require any nexus between the public art and the city project which funded the public art.

Secs. 2-369, 2-370. - Reserved.

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ARTS AND CULTURAL ADVISORY COMMISSION STRATEGIC PLAN

A. COMMISSION MESSAGE

The promotion and expansion of arts and culture in Surprise is the primary focus of the Arts & Cultural Advisory Commission.

The Commission is committed to ensuring that arts, culture and entertainment are central elements both of the quality of life for our residents and of the “visitability” of our city.

Arts and culture have a significant impact on economic vitality by attracting visitors, increasing leisure spending and providing a well-rounded and diverse community to attract new residents to provide a quality workforce for new businesses moving to Surprise.

B. PURPOSE

Per Municipal Code - the primary purpose of the commission is to serve in an advisory capacity to the council on matters relating to the development and placement of public art and to encourage the development of cultural opportunities and resources for the Surprise community.

C. ANALYSIS

During an analysis of the strengths, weaknesses, opportunities and threats the Arts & Cultural Advisory Commission identified the following:

Strengths

- Growing, diverse population
- Support of City Council
- Stadium facilities for outdoor arts and cultural events

Opportunities

- Existing arts entities
- Existing city amenities

Weakness

- Lack of funds
- Lack of museums
- Limited performing arts facilities

Threats

- Economic climate
- Political climate
- Established events in other cities

D. MISSION

The mission of the Arts & Cultural Advisory Commission is to encourage cultural growth in Surprise and to ensure that art, culture and entertainment are central elements of the quality of life for Surprise residents.

To this end, the Commission will encourage the development of cultural opportunities and resources, as well as the creative, social, and community benefits they provide

E. KEY AREAS

Partnerships
Events & Activities
Outreach & Advocacy
Public Art
Leverage Funding Mechanisms
Evaluation

1. PARTNERSHIPS

GOAL: Develop long term relationships in support of a strong arts and cultural presence in the city.

OBJECTIVES:

- 1.1 Look for areas where alignment exists among other arts and cultural organizations
- 1.2 Network with art organizations
- 1.3 Identify key stakeholders for Arts & Cultural support
- 1.4 Form Alliances to leverage specific areas of expertise

2. EVENTS AND ACTIVITIES

GOAL: Promote arts and cultural events within the City of Surprise.

OBJECTIVES:

- 2.1 Identify existing events and activities and their sponsors
- 2.2 Develop a "wish list" of new events and activities to reach various styles, preferences and needs
- 2.3 Look for ways to integrate or "package" events across disciplines (example: a poetry reading and exhibit of art that illustrates themes from the poetry)

3. OUTREACH & ADVOCACY

GOAL: Encourage arts and cultural growth in the community.

OBJECTIVES:

- 3.1 Enhance public awareness of arts and culture in Surprise through education, communication and marketing strategies

- 3.2 Engage the community as a partner in arts and cultural advocacy
- 3.3 Promote Surprise as an attractive place for artists to work, display and/or perform

4. PUBLIC ART

GOAL: Use public spaces to show that arts and culture are central To Surprise's vibrancy and visitability.

OBJECTIVES:

- 4.1 Inventory and assess all public spaces in Surprise for their potential to display art and/or host cultural events and entertainment.
- 4.2 Develop a list of ideas for possible uses of the inventoried spaces.

5. LEVERAGE FUNDING MECHANISMS

GOAL: Find sources of funds that could be used in support of arts and culture in Surprise.

OBJECTIVES:

- 5.1 A per capita amount as an annual line item in the general fund
- 5.2 Grants and donations
- 5.3 A percentage of capital-funded public buildings and/or a percentage of sales taxes collected
- 5.4 Fees (example: a portion of booth fees collected for Parks & Rec sponsored events)

DRAFT



SURPRISE

ARIZONA

A PROJECT BY

DESIGNING LOCAL

RESOLUTION # 2018-89

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, APPROVING FS18-018 FOR A PROJECT KNOWN AS THE CITY OF SURPRISE ARTS AND CULTURE MASTER PLAN.

WHEREAS, the City of Surprise General Plan 2035 was amended with Resolution #2015-120 on December 19, 2015;

WHEREAS, the City of Surprise General Plan 2035 directed the city to adopt an Arts and Culture Master Plan under Policy 1 of Goal 1 in the Arts and Culture Element; and

WHEREAS, the Arts and Cultural Advisory Commission recommended approval of the City of Surprise Arts and Culture Master Plan on June 4, 2018.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. That the City Council of the City of Surprise accept and approve case FS18-018, the Surprise Arts and Culture Master Plan.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney



Presentation: Arts and Culture Master Plan

City Council Regular Meeting
June 19, 2018

Arts and Culture Master Plan

Today's Discussion

- Developing an Arts and Culture Master Plan
- Outreach Recap
- Proposed Plan
- Final Steps



Developing an Arts and Culture Master Plan

What is an Arts and Culture Master Plan?

- Set the standard and strategic direction, implement and plan
- Better express the uniqueness and artistic vitality of Surprise
- Express our special qualities and competitive advantages
- Characterizes our sense of place and communicates our direction
- Vision created by community input
- Tangible document lives beyond the ebbs and flow of leadership
- Arts and Cultural Advisory Commission, with staff and Designing Local

Outreach Recap

June 2017

Stakeholder & Public Outreach

- City Hall, Marley Park, Sun City Grand, WVHQ

August-September 2017

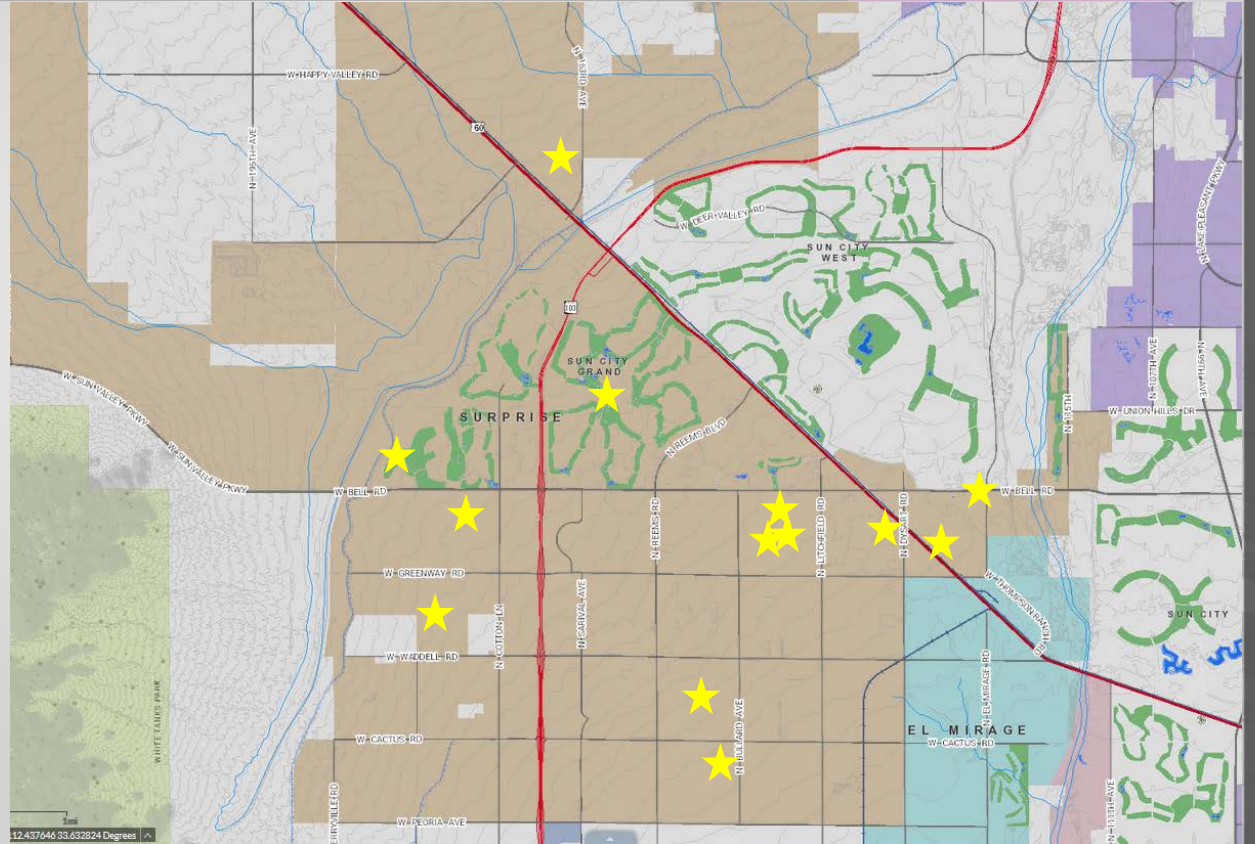
District, Commissions, HOA, and Community Meetings

- District 1, 2, and 4; CRS, Tourism, DAC, and P&Z Commissions; Youth Council, Rancho Gabriella, Veramonta, Dysart Art Teachers, Surprise Rotary Club

October 2017

Art Week

- Fiesta Grand, Asante Park, Public Art Bus Tour, Surprise Block Party, Tech & Art Fair, Poetry Slam, Sierra Montanta



Stakeholder and Public Review Dates

Feb 2018

Open House Meetings

- Invitations to stakeholders
- Published, open to public
- Discuss details of actual draft
- Sierra Montana Rec Center
2/26 at 1pm
- NW Regional Library, 2/27 at 6pm
- Marley Park, 2/28 at 1pm

March-April 2018

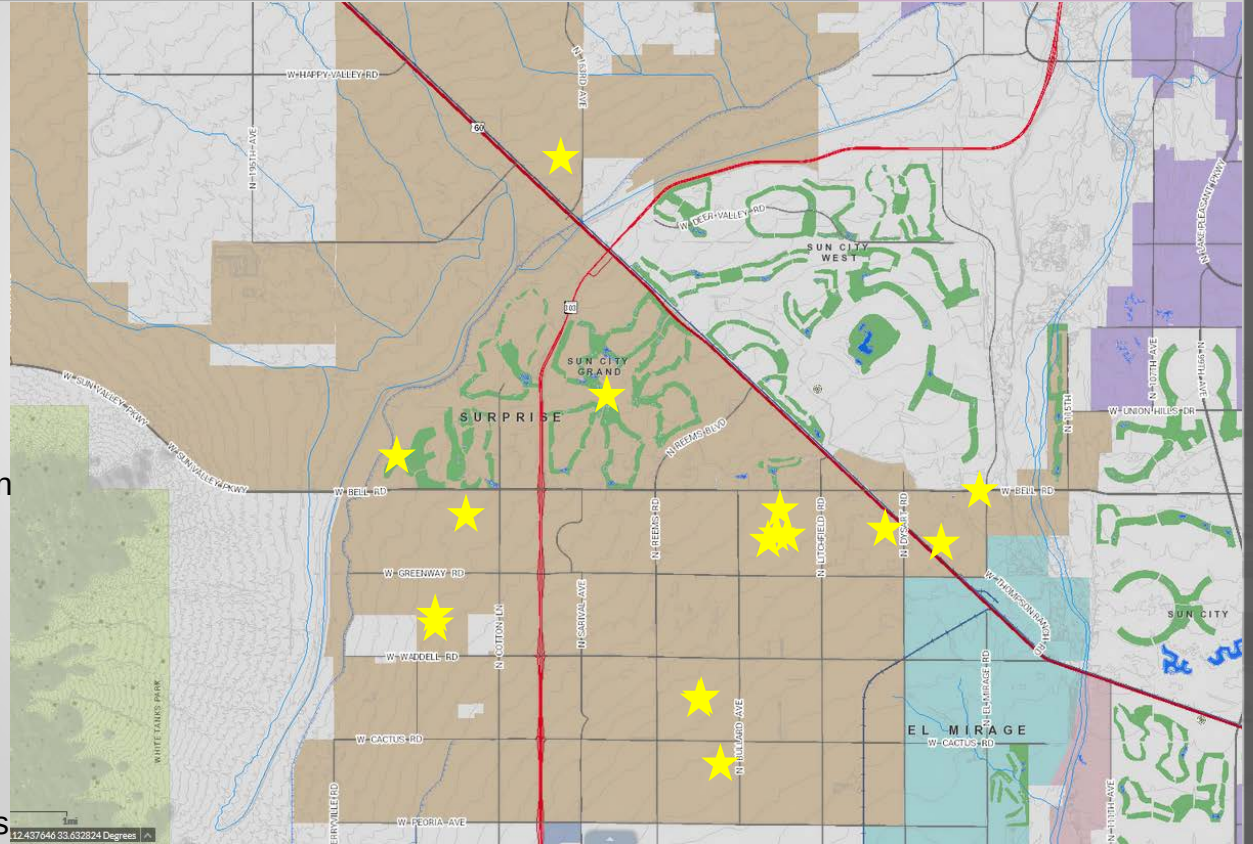
Arts and Cultural Advisory Commission

- Special Meetings

- Present stakeholder and public comments on draft plan
- Commission reviews draft plan, assesses stakeholder comments, and advises revisions to draft

May 2018

Finalize Draft, present to Commissions





Proposed Plan

Table of Contents

Chapter 1: Why an Arts & Culture Master Plan

Chapter 2: Place-Based Strategies

Chapter 3: Public Art Program & Policies

Chapter 4: Cultural Facilities

Chapter 5: Priority Action Plan





Proposed Plan

Chapter 1: Why an Arts & Culture Master Plan

Key Themes

- Art is not exclusive, art is for everyone
- Reactive and proactive decisions
- who we are and our unique community
- Residents of Surprise desire more creativity
- The youth of Surprise are anxious to participate, both creatively and actively

Community Character Framework

- Surprise, Uniquely Defined
- Unique Past & Present
- Prosperous Future
- Serene Desert

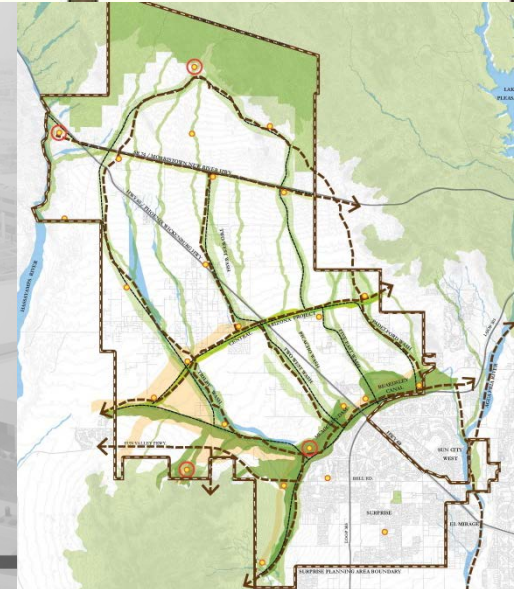
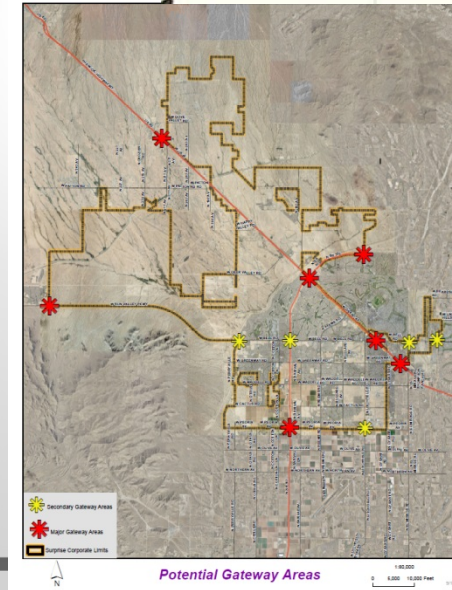
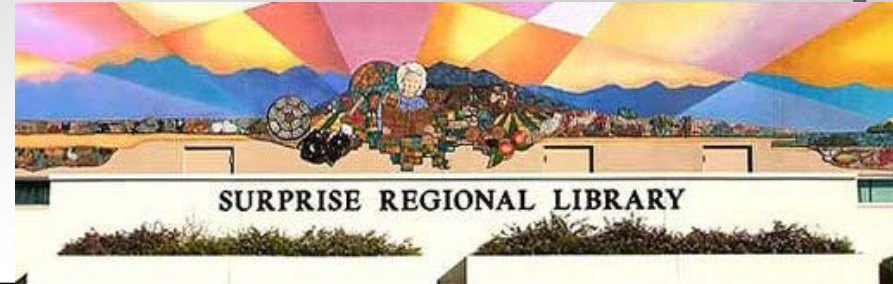


Proposed Plan

Ch 2: Place-Based Strategies

Location Typologies

- Park and open space
- City gateways
- Neighborhood entrances & walls
- Greenways, washes, and trails
- City buildings & community facilities

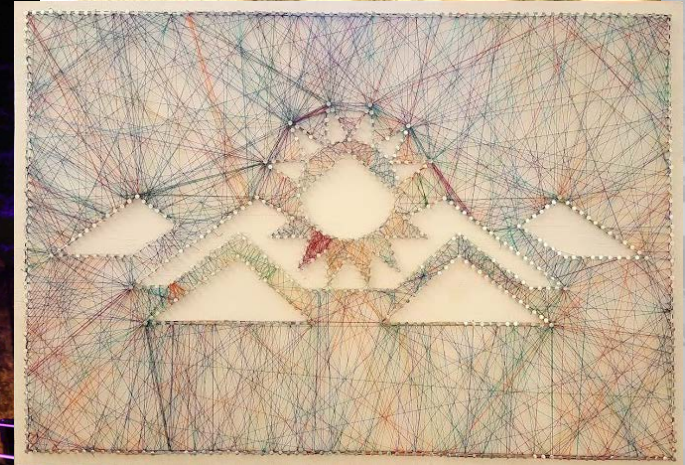
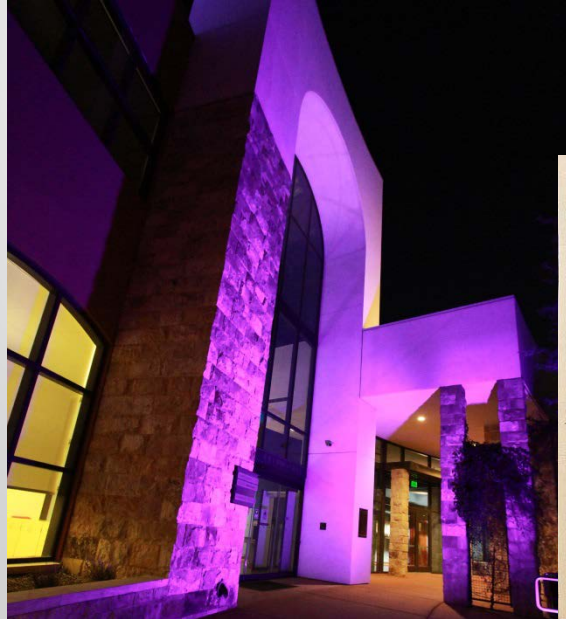


Proposed Plan

Ch 2: Place-Based Strategies

Public Art Typologies

- Sculpture
- Murals
- Functional art
- Mosaics
- Glass works
- Light installations
- Multimedia
- Textile
- Pop-up & temporary art
- Site-specific
- Community, collaborative art



Ch 2: Place-Based Strategies

Integrating Art Into Surprise

- Reaction to existing built environment
- Proactive inclusion into future built environment
- Site criteria Percent for Art Fund Projects
 - Publicly accessible/meet Federal ADA
 - Highly Visible Site or Highly Visited Site



Proposed Plan

Ch 3: Public Art Program & Policies

- City Internal Operations
 - staff member and internal organization
- Funding, Percent for Arts
- Other potential funding options
 - Revisit in a few years
 - Public Private Partnerships
- Incentive Program, Zoning Code
- Guidelines for tiers of funded projects
 - Small scale projects (\$10,000 and Below)
 - Medium scale projects (\$10,000 - \$50,000)
 - Large scale projects (\$50,000 – \$250,000)
 - Significant scale projects (\$250,000 and up)



Proposed Plan

Ch 4: Cultural Facilities

- **Key Goals**
 - Don't copy major facilities of the West Valley
 - Access and opportunity, express creativity
 - Expand the diversity of offerings
- **Facility Types for Surprise**
 - Black Box Theatre, Small Indoor and Outdoor Venues, White Tank Amphitheater, Makerspace or Creative Space, Fairgrounds or Festival Venue
- **Integration with New University Facilities**
 - Study the possibility of joint cultural facilities





Proposed Plan

Ch 5: Priority Action Plan

Short-term goals and strategies (1-2 years)

- Staffing, Public Art & Culture Manager
- Funding, study the proposed options
- Process/Policy
 - initial priority blueprint for future
 - inventory of all public art
- Artist support, continue Art Week Tradition

Medium term goals and strategies (3-5 years)

- Funding, grant opportunities
- Process/Policy
 - reserve of 'shovel ready' public art projects
 - study proposed cultural facilities
- Artist support, Artist in Residence Program
 - Prioritize difficult-to-implement projects gateway pieces, and functional art

Long term goals and strategies (5+ years)

- Process/Policy
 - Collaborator with non-traditional partners
 - Study proposed cultural facilities
- Artist support
 - Create partnerships, long-term opportunities for students
 - Prioritize most expensive projects such as monumental sculptural pieces and multi-piece installations





Final Steps

- Home stretch of this 18 month project
 - May 2018: Finalized Draft and Present to Commissions
 - Presented final draft to commissions that contributed input
 - June 2018: Present to ACA Commission and Council
 - Arts and Cultural Advisory Commission provide recommendation to City Council
 - Present to City Council for consideration and action
- 



SURPRISE

ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Lloyd Abrams - Community Development
Submitting Department:	CD	District:	1
Staff Recommendations:	None		

Consent	☒	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on a Partial Release of land from the Verdugo Development Agreement; Resolution 2018-98.

Motion:

I move to approve Resolution # 2018-98.

Background:

On April 17, 2018, the City received a request from Beus Gilbert PLLC for a partial release of a small piece of land from the Verdugo Development Agreement. The partial release request will bring the Development Agreement into conformance with the Verdugo Master Final Plat approval on October 10, 2017 by City Council and the Verdugo PAD amendment approved on December 15, 2015.

Objective Analysis:

The proposed request does change the existing agreement other than the boundary and cleans up a title issue.

Policy Compliant:

The proposed project is consistent with City and Council Policy.

Financial Impact:

All activity related to ongoing development of the City of Surprise has an economic and fiscal impact on the city and the region.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

Click to download

☐ [Resolution #2018-98 and Partial Release of Development Agreement document](#)

RESOLUTION # 2018-98

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY
OF SURPRISE, ARIZONA APPROVING THE PARTIAL RELEASE
OF LAND FROM THE VERDUGO DEVELOPMENT AGREEMENT.**

WHEREAS, Verdugo Land, LLC (“Verdugo”) and the City of Surprise entered into the Verdugo Development Agreement recorded on February 10, 2015, MCR #2015-0085625;

WHEREAS, Verdugo has agreed to convey small portions of the Verdugo property to Evergreen-163rd & Pinnacle Peak, LLC (“Evergreen”), to better align the common border of the Verdugo property with adjacent property owned by Evergreen;

WHEREAS, Evergreen has required that the property to be conveyed to it by Verdugo be released from the Development Agreement;

WHEREAS, City staff recommends release of the property to be acquired by Evergreen from the Verdugo Development Agreement for all purposes; and

WHEREAS, pursuant to the Partial Release of Development Agreement, attached hereto as Exhibit A, the property to be acquired by Evergreen, the “Released Parcel,” would be released for all purposes from the Verdugo Development Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Mayor and City Council approve the Partial Release of Development Agreement attached hereto as Exhibit A.

Section 2. The City Manager, or his designee, is authorized to execute the Partial Release of Development Agreement on behalf of the City of Surprise and to take all further actions necessary to implement that Agreement.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

PARTIAL RELEASE OF DEVELOPMENT AGREEMENT

WHEN RECORDED, RETURN TO:

James B. Connor, Esq.
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016

PARTIAL RELEASE OF DEVELOPMENT AGREEMENT

This Partial Release of Development Agreement (the “**Partial Release**”), is entered into to be effective as of this ____ day of June, 2018, by and between VERDUGO LAND, LLC, an Arizona limited liability company (“**Verdugo**”), and CITY OF SURPRISE, an Arizona municipal corporation (“**Surprise**”).

WHEREAS, Verdugo and Surprise entered into that VERDUGO DEVELOPMENT AGREEMENT, recorded on February 10, 2015, as Instrument No. **2015-0085625** in the Official Records of Maricopa County, Arizona (the “**Development Agreement**”), in regard to certain matters which affect the real property described on the exhibits attached to said Agreement (and specifically, the real property owned by Verdugo is herein referred to as the “**Property**”); and

WHEREAS, Verdugo has agreed to convey small portions of the Property to Evergreen-163rd & Pinnacle Peak, LLC, an Arizona limited liability company (“**Evergreen**”), in order to better align the common border of the Property with the real property owned by Evergreen, for infrastructure and for other purposes; and

WHEREAS, Evergreen has required that the portion of the Property to be conveyed by Verdugo to Evergreen (which is the real property described on **Exhibit A**, attached hereto, the “**Released Parcel**”), be released for all purposes from the Development Agreement, and Surprise is willing to provide for release;

THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Surprise and Verdugo each execute and deliver this Partial Release, and will cause the same to be recorded, with the understanding and intent that the Released Parcel shall forever be released, exonerated and free from any and all benefits, rights, claims, liabilities, obligations or encumbrances of any kind in regard to the Agreement.

Nothing herein shall be construed to cause any other real property, other than the Released Parcel, to be so released from the burdens and obligations arising pursuant to the Agreement.

This Partial Release may be executed in counterparts, each of which shall be deemed to be a duplicate original, but all of which together shall constitute one and the same instrument. Each party to this Partial Release represent and warrant that each has full power and authority to execute and cause this Partial Release to be effective, without obtaining any other consents or approvals. The parties ratify and confirm that except as modified hereby, the Development Agreement remains binding and enforceable in accordance with its terms.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement on their behalf as of the _____ day of _____, 2018.

VERDUGO LAND, LLC, an Arizona limited liability company

By: New West Advisors, LLC, a Nevada limited liability company
Its: Manager

By: _____
Name: Terry Manley
Its: Authorized Member

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, 2018, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity; and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

NOTARY PUBLIC

CITY OF SURPRISE, an Arizona municipal corporation

By: _____
Name: Bob Wingenroth
Its: Manager

ATTEST:

By: _____
Name: Sherry Ann Aguilar
Its: Town Clerk

APPROVED AS TO FORM:

By: _____
Name: Robert Wingo
Its: City Attorney

STATE OF ARIZONA)
) ss.
COUNTY OF _____)

On _____, 2018, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity; and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

NOTARY PUBLIC

Exhibit "A"

Legal Description of Released Parcel

PARCEL NO. 1

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 7, TOWNSHIP 4 NORTH, RANGE 1 WEST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE CITY OF SURPRISE BRASS CAP FLUSH MARKING THE SOUTHWEST CORNER OF SAID SECTION 7, FROM WHICH THE CITY OF SURPRISE BRASS CAP FLUSH MARKING THE WEST QUARTER CORNER OF SAID SECTION 7 BEARS NORTH 00°21'11" EAST, A DISTANCE OF 2,634.04 FEET;

THENCE NORTH 00°21'11" EAST, ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 7, A DISTANCE OF 976.14 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 00°21'11" EAST ALONG SAID WEST LINE, A DISTANCE OF 47.01 FEET;

THENCE SOUTH 89°41'45" EAST, A DISTANCE OF 324.61 FEET TO A POINT ON THE NORTHERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN DOCUMENT NO. [2007-0882280](#), RECORDS OF MARICOPA COUNTY, ARIZONA, SAID POINT BEING ON A 550.00 FOOT RADIUS NON-TANGENT CURVE, WHOSE CENTER BEARS NORTH 23°51'01" WEST;

THENCE WESTERLY, ALONG SAID NORTHERLY LINE AND ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 20°27'08", A DISTANCE OF 196.33 FEET TO THE NORTHWEST COMER OF SAID CERTAIN PARCEL OF LAND;

THENCE NORTH 89°41'45" WEST, A DISTANCE OF 135.10 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL NO. 2

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 7, TOWNSHIP 4 NORTH, RANGE 1 WEST OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE CITY OF SURPRISE BRASS CAP FLUSH MARKING THE SOUTHWEST CORNER OF SAID SECTION 7, FROM WHICH THE CITY OF SURPRISE BRASS CAP FLUSH MARKING THE WEST QUARTER CORNER OF SAID SECTION 7 BEARS NORTH 00°21'11" EAST, A DISTANCE OF 2,634.04 FEET;

THENCE NORTH 00°21'11" EAST, ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 7, A DISTANCE OF 1,023.14 FEET;

THENCE SOUTH 89°41'45" EAST, A DISTANCE OF 647.68 FEET TO A POINT ON THE NORTHERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN DOCUMENT NO. [2007-0882280](#), RECORDS OF MARICOPA COUNTY, ARIZONA, SAID POINT BEING THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 89°41'45" EAST, A DISTANCE OF 117.40 FEET TO A POINT ON THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID CERTAIN PARCEL OF LAND;

THENCE SOUTH 00°21'36" WEST, ALONG SAID NORTHERLY PROLONGATION, A DISTANCE OF 238.36 FEET TO THE EASTERNMOST NORTHEAST CORNER OF SAID CERTAIN PARCEL OF LAND, SAID POINT BEING ON A 275.00 FOOT RADIUS NON-TANGENT CURVE, WHOSE CENTER BEARS NORTH 89°39'35" WEST;

THENCE ALONG THE NORTHERLY LINE OF SAID CERTAIN PARCEL OF LAND THE FOLLOWING COURSES:

THENCE NORTHERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 40°47'25", A DISTANCE OF 195.78 FEET;

THENCE NORTH 40°24'48" WEST, A DISTANCE OF 77.39 FEET TO THE TRUE POINT OF BEGINNING.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date: June 19, 2018
Submitting Department: Finance Dept
Staff Recommendations: None

Contact Person: Lindsey Duncan, Finance Director
District: Citywide

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to an amendment to the Fiscal Year 2018 Capital and Operating List Items over \$50,000 to include an increase in the online utility payment contract line item by \$60,000; Resolution #2018-104.

Motion:

I move to approve Resolution # 2018-104.

Background:

Council approved, Reference #18004, Online Utility Payment Contract for \$275,000 on the Fiscal Year 2018 Capital and Operating List Items Over \$50,000. The City has experienced increasing customer preference to pay their utility bills through online channels plus coupled with customer growth the overall costs are increasing faster than anticipated. Though the transaction costs are unchanged the volume of transactions is requiring an increase to Reference # 18004.

Objective Analysis:

This is a request to amend the list with no impact to the budget.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

Cost associated with Online utility payments are an ongoing expense and could vary from year to year.

Budget Impact:

Along with the FY2018 adopted budget, Council approved Reference #18004 Online Utility Payment Contract for \$275,000 on Fiscal Year 2018 Capital and Operating List of items over \$50,000. Approval of this item will increase the amount by \$60,000 to \$335,000. The funding for this item is budgeted within the Finance Department's Enterprise Funds budget.

FTE Impact:

The number of full time equivalents (FTE) is not impacted by this action.

ATTACHMENTS:

Click to download

☐ [Resolution](#)

RESOLUTION # 2018-104

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2018 CAPITAL AND OPERATING LIST OF ITEMS OVER \$50,000 BY INCREASING THE ONLINE UTILITY PAYMENT CONTRACT ITEM TO 335,000.

WHEREAS, the FY2018 budget was adopted included funding for online utility payment services;

WHEREAS, the City has experienced a higher than anticipated cost associated with online utility payments;

WHEREAS, in order to accommodate this increase it is necessary to increase the Capital and Operating List of Items Over \$50,000;

WHEREAS, the FY2018 budget, including the FY2018 Capital and Operating List of Items Over \$50,000, was adopted by Council Resolution #2017-64 on June 6, 2017;

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The statements and schedules attached as *Exhibit A* and incorporated by reference are approved and adopted into the Fiscal Year 2018 Capital and Operating List of Items Over \$50,000 of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2018-104
Exhibit A

1. List of Operating Items Over \$50,000 – Council approved \$275,000 for the purpose of Online Payment Contract fees included on the Fiscal Year 2018 Capital and Operating List of Items Over \$50,000. This resolution would provide authorization to increase the Online Utility Payment Contract line item in the amount of \$60,000. This request is based on department estimates and contract terms.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
18004	Online Utility Payment Contract	\$275,000	\$60,000	\$335,000



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Lloyd Abrams, Community Development
Submitting Department:	CD	District:	3
Staff Recommendations:	None		

Consent	x	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action to vacate a portion of public roadway located on Citrus Road between Peoria Avenue and Cactus Road; Resolution #2018-103.

Motion:

I move to approve Resolution #2018-103.

Background:

On June 8th, 2006, City Council approved the Prasada Pre-Annexation Development Agreement (MCR #2006-1238109). In sections 5.1 and 5.2 of the Agreement the City acknowledged and agreed to allow for the realignment of various streets and abandonment of rights-of-ways created by the Ramola plat to accommodate the planned development of the property. In order to allow the project to develop in accordance with the April 17th, 2018 City Council approval of the Toll at Prasada preliminary plat, Toll Brother's has requested the abandonment of Citrus Road pursuant to the Development Agreement.

Objective Analysis:

Vacating the indicated portion of Citrus Road is in compliance with the Prasada Pre-Annexation Development Agreement, their PAD, and the City Council approved Preliminary Plat.

Policy Compliant:

The proposed project is consistent with City and Council Policy.

Financial Impact:

All activity related to ongoing development of the City of Surprise has an economic and fiscal impact on the city and the region.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

Click to download

- ☐ [01 Resolution # 2018-103](#)
 - ☐ [02 Exhibit A Legal Description](#)
-

RESOLUTION # 2018-103

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, VACATING A PORTION OF PUBLIC ROADWAY LOCATED ON CITRUS ROAD BETWEEN PEORIA AVENUE AND CACTUS ROAD.

WHEREAS, the City of Surprise is the owner of certain real property generally located along Citrus Road between Cactus and Peoria Avenue, more particularly described and depicted in Exhibit A, attached hereto and incorporated here by this reference ("Property");

WHEREAS, A.R.S. Sec. 28-7202, et seq., and A.R.S. §28-7205 provide that a city may dispose of a public roadway or portion thereof that is no longer necessary for public use by abandoning it to the adjoining landowners;

WHEREAS, the City desires to abandon the Property described on Exhibit A, which falls within, serves, or affects the following parcels:

- A. 502-04-012.
- B. 502-04-010D
- C. 502-04-018
- D. 502-04-016B

WHEREAS, pursuant to A.R.S. §28-7215, the Mayor and City Council may vacate the Property without compensation to the governing body if the person taking the Property agrees to assume the costs of maintaining the Property and the liability for the Property.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. The Mayor and City Council finds the Property to be disposed of or abandoned is unnecessary to the public use.

Section 2. The City's interest in the Property to be disposed of or abandoned is hereby vacated, subject to Sections 3 and 4 of this Resolution, without compensation to the City.

Section 3. This Resolution does not abandon or extinguish existing utility easements or the right to access, operate, or maintain a facility that existed before this abandonment resolution, pursuant to A.R.S. §28-7210.

Section 4. This abandonment is made on the express condition that Suburban Land Reserve, Inc. has agreed in writing to assume the costs of maintaining the Property and the liability for the Property as shown on the Exhibit A.

Section 5. The City Manager is hereby authorized and directed to take all steps necessary and appropriate to further the purposes of this Resolution.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney



**Legal Description
Toll at Prasada
Citrus Road Right-of-Way**

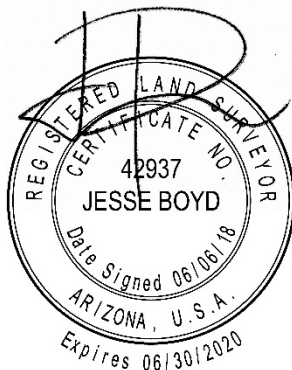
Job No. 16-339

June 6, 2018

A portion of right-of-way dedicated in "Replat for Vacating Subdivision of Unit Number 27 Romola of Arizona Grapefruit Unit" per Book 24 of Maps, Page 23 of Official Records of Maricopa County, situated in Section 22, Township 3 North, Range 2 West, Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

The east 33 feet of said Section 22, except the north 33 feet and except the south 33 feet.

Contains 3.9505 acres, more or less.



EPS Group, Inc. • 2045 S. Vineyard, Suite 101 • Mesa, AZ 85210
Tel (480) 503-2250 • Fax (480) 503-2258

NORTH QUARTER CORNER
SECTION 22, T.3N.,R.2W.,
BRASS CAP FLUSH

NE COR. OF
SECTION 22, T.3N., R.2W.,
2" ALUMINUM CAP

S89°50'14"E 2643.76'
CACTUS RD.

N0°21'18"E 2637.80'

N0°22'35"E 2640.51'

S89°46'43"E 2642.77'

EAST QUARTER CORNER
SECTION 22 T.3N.,R.2W.
BRASS CAP IN POTHOLE

33' RIGHT-OF-WAY

N0°21'18"E 2638.53'

N0°22'52"E 2640.15'

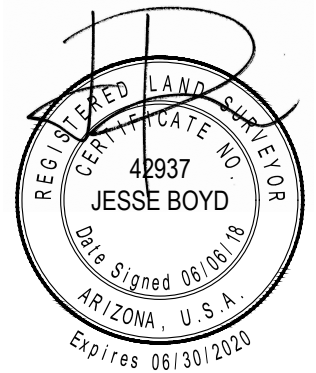
CITRUS ROAD

SOUTH QUARTER CORNER
SECTION 22, T.3N.,R.2W.,
BRASS CAP FLUSH

PEORIA AVE.

N89°44'37"W 2641.56'

SOUTHEAST CORNER
SECTION 22, T.3N.,R.2W.
1/2" REBAR



www.epsgroupinc.com

16-339

EXHIBIT

TOLL AT PRASADA
CITRUS ROAD RIGHT-OF-WAY





CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Seth Dyson, Human Service & Community Vitality
Submitting Department:	Human Service & Community Vitality	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	x	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to a text amendment to Chapter 42 by adding a new article III, titled Urban Camping; Ordinance #2018-08.

Motion:

I move to approve Ordinance #2018-08.

Background:

The use of streets and public areas for camping purposes and storage of personal property interferes with the rights of others to use the areas for the purposes for which it is intended and may have adverse public health and safety impacts. The purpose behind the adoption of this article is to maintain public and private areas within the city in a clean, sanitary and accessible condition.

Objective Analysis:

This amendment will allow the City to limit Urban Camping in public and private areas of the city.

Policy Compliant:

This amendment is compliant with City and Council Policy.

Financial Impact:

None at this time; however topics covered could lead to future actions which may have a budget/financial impact. Also, if the city revises its fee schedule to include the new ordinance similar to other jurisdictions then revenues/fees may be received.

Budget Impact:

None at this time; however topics covered could lead to future actions which may have a budget/financial impact. Also, if the city revises its fee schedule to include the new ordinance similar to

other jurisdictions then revenues/fees may be received.

FTE Impact:

This item does not impact the overall full time equivalent count.

ATTACHMENTS:

Click to download

- ☐ [Urban Camping Presentation](#)
 - ☐ [Ordinance 2018-08 Amended Urban Camping](#)
-



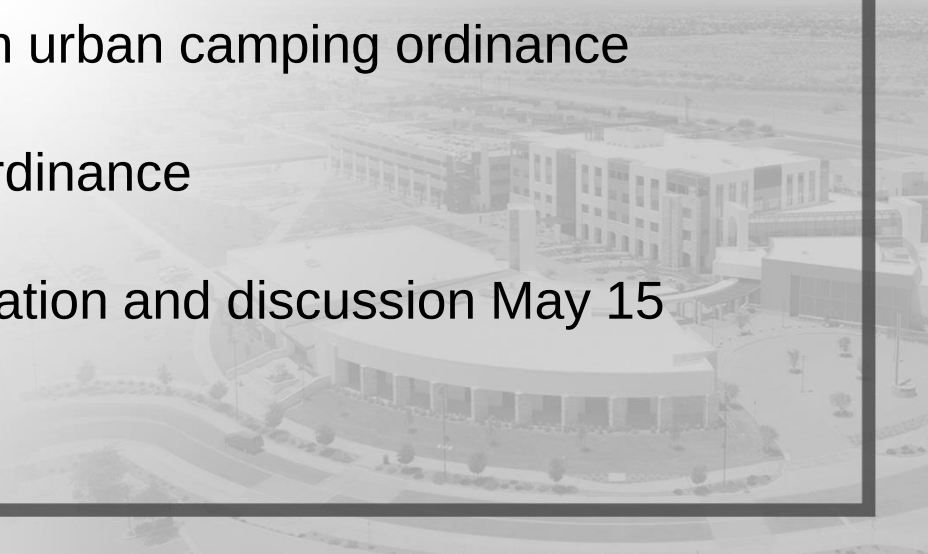
Draft Urban Camping Ordinance

Surprise City Council Meeting | June 19, 2018



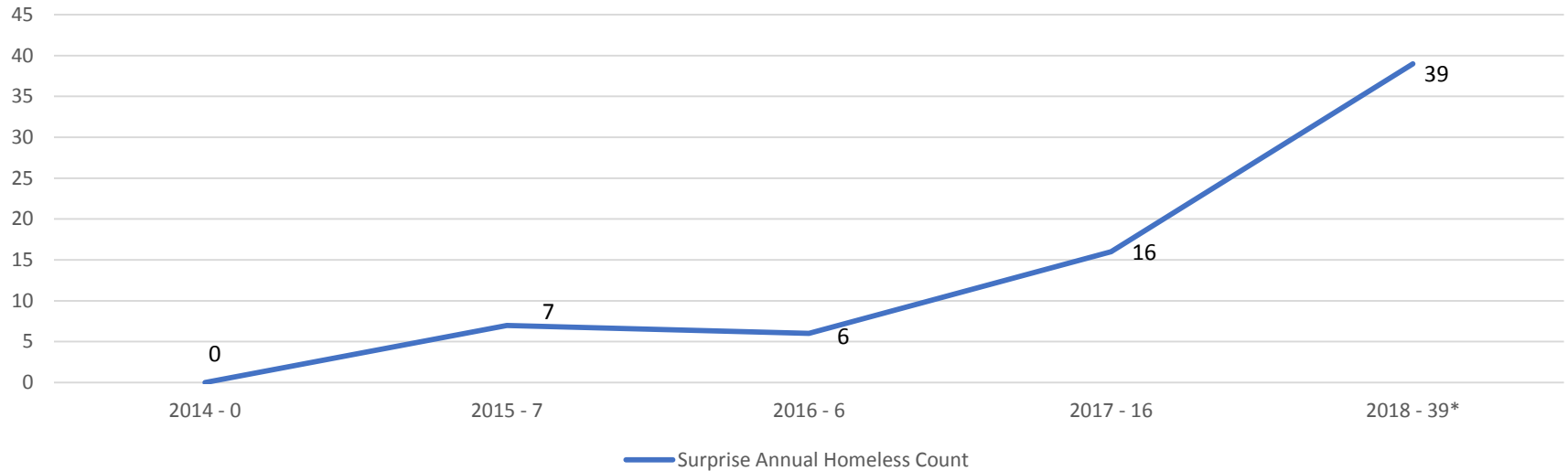
Background

- Council presentation on the importance of a multidisciplinary approach to homelessness February 6, 2018
- Surprise does not currently have an urban camping ordinance
- Research into an urban camping ordinance
- City Council Work Session presentation and discussion May 15
- A public meeting was held June 6



Homelessness in the City of Surprise

Surprise Annual Homeless 'Point in Time' Count





Urban Camping Ordinance

Issue:

the use of streets and public areas for camping purposes and storage of personal property interferes with the rights of others to use the areas for the purposes for which it is intended and may have adverse public health and safety impacts





Urban Camping Ordinance

Purpose:

To maintain streets, parks and other public and private areas within the city in a clean, sanitary and accessible condition and to adequately protect the health, safety and public welfare of the community, while recognizing that, subject to reasonable conditions, camping and camp facilities associated with special events can be beneficial to the cultural and educational climate in the city.





Urban Camping Ordinance

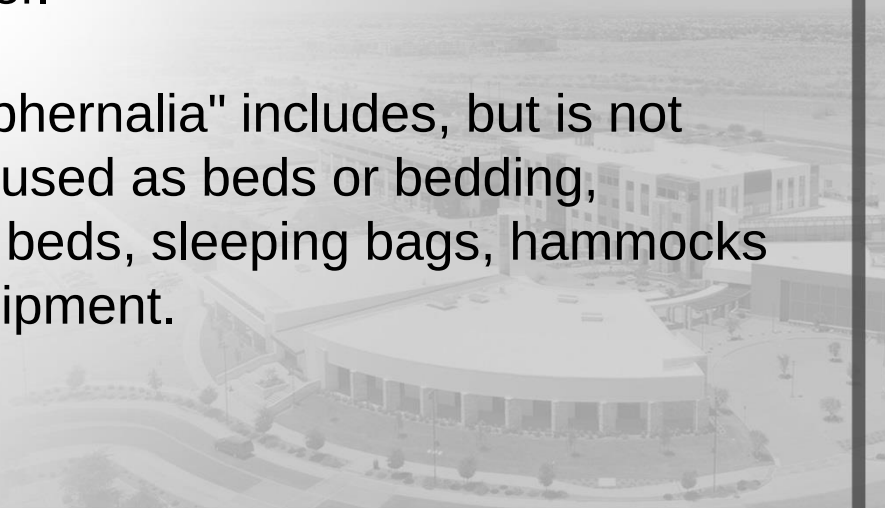
Definitions:

- Camp - "Camp" means to utilize camp facilities and/or camp paraphernalia for the purpose of temporarily or permanently sleeping or living at that location, including but not limited to, activities such as laying down of bedding, erecting tents or any other structure providing shelter, digging or breaking earth, using camp paraphernalia, storing personal belongings, starting a fire, regularly cooking or preparing meals, or living in a parked vehicle...



Urban Camping Ordinance

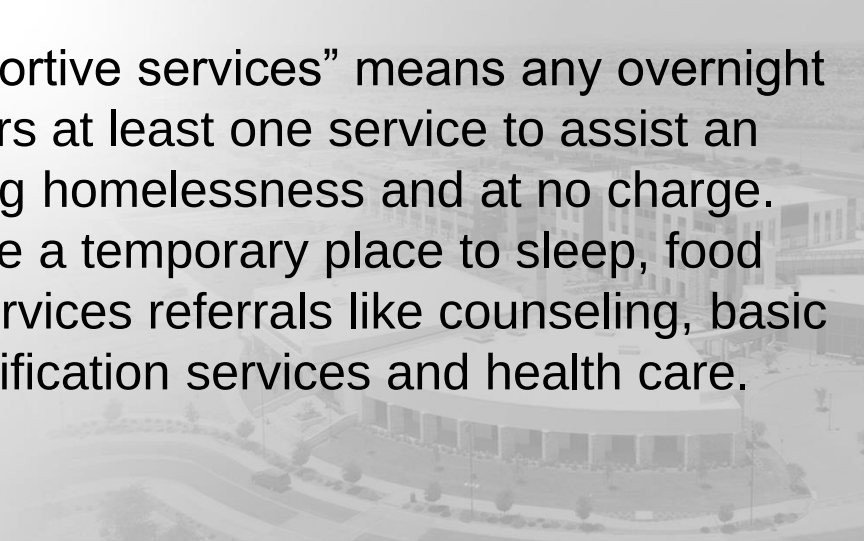
Definitions Continued:

- Camp facilities - "Camp facilities" include, but are not limited to, tents, huts, lean to's, tarps, cardboard boxes or structures, vehicles, vehicle camping outfits, or temporary shelter.
 - Camp paraphernalia - "Camp paraphernalia" includes, but is not limited to, materials intended to be used as beds or bedding, blankets, bedrolls, tarpaulins, cots, beds, sleeping bags, hammocks or cooking facilities and similar equipment.
- 



Urban Camping Ordinance

Definitions Continued:

- "Establish" means setting up or moving equipment, supplies or materials on to public or private property to camp or operate camp facilities.
 - "Operate" means participating or assisting in establishing or maintaining a camp or camp facility.
 - "Shelter space with homeless supportive services" means any overnight temporary housing shelter that offers at least one service to assist an individual or family unit experiencing homelessness and at no charge. For example a service might include a temporary place to sleep, food availability, shower/bathe, social services referrals like counseling, basic needs, housing, employment, identification services and health care.
- 



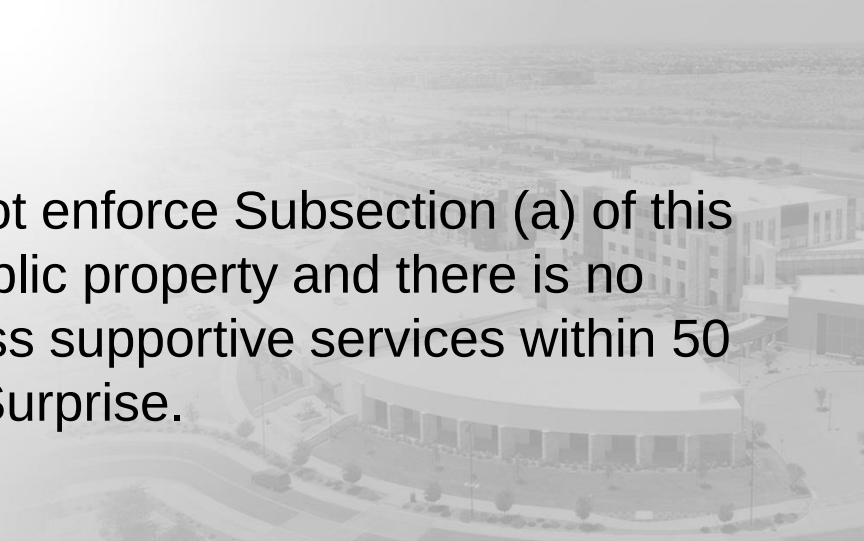
Urban Camping Ordinance

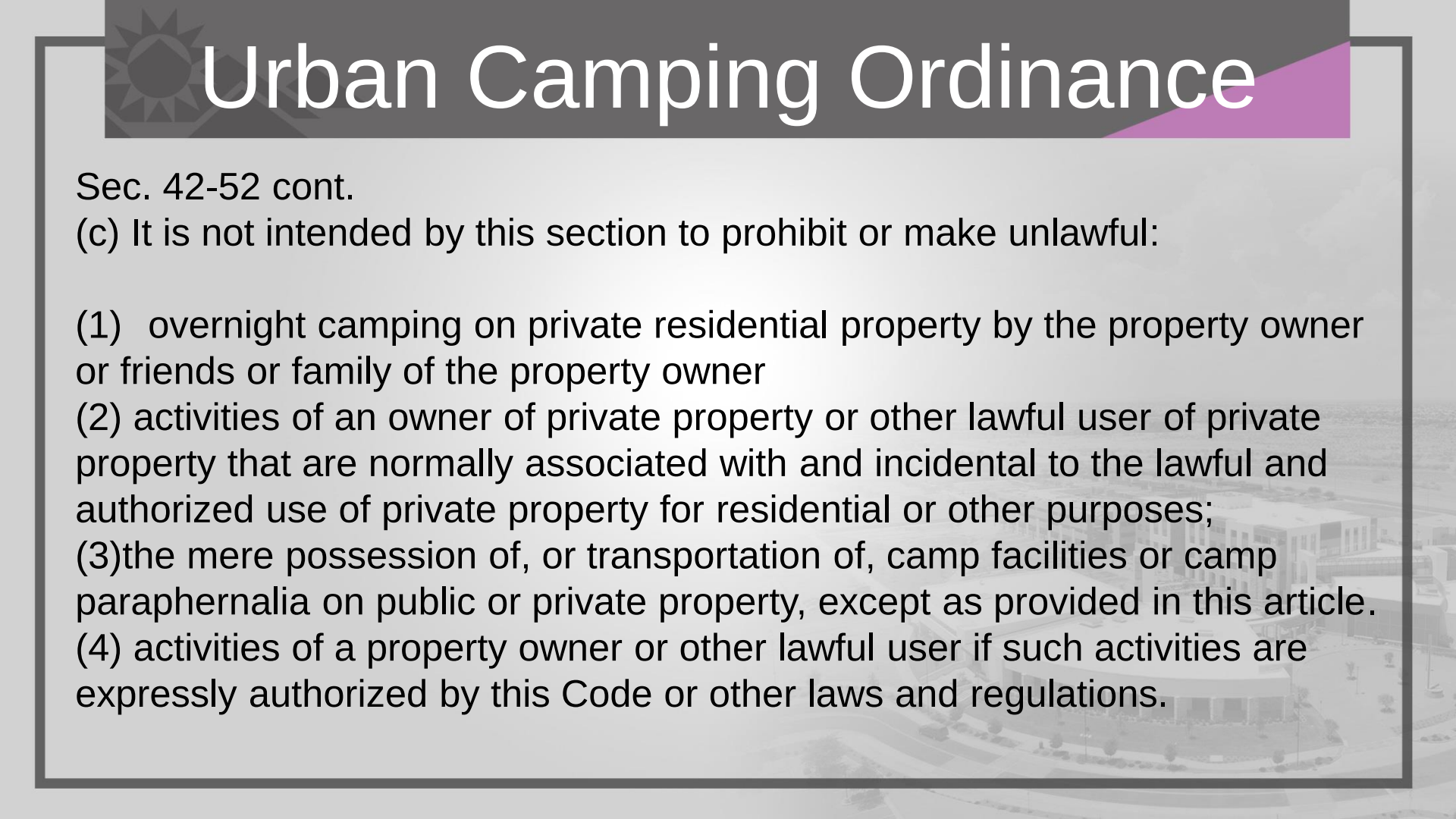
Prohibited Acts (Sec. 42-52)

a) It is unlawful and a public nuisance for any person to camp, occupy camp facilities, establish camp facilities, maintain camp facilities, or use camp paraphernalia in the following areas:

- (1) Any public property; or
- (2) Any private property.

(b) Law enforcement officers shall not enforce Subsection (a) of this Section when the individual is on public property and there is no available shelter space with homeless supportive services within 50 miles of the city limits of the City of Surprise.



The slide features a dark grey header bar at the top. On the left side of this bar is a stylized sun icon with rays. To the right of the icon, the title "Urban Camping Ordinance" is written in a large, white, sans-serif font. The background of the slide is a light grey, semi-transparent aerial photograph of a city street scene with buildings and trees. A purple triangular graphic element is located in the top right corner, partially overlapping the header bar.

Urban Camping Ordinance

Sec. 42-52 cont.

(c) It is not intended by this section to prohibit or make unlawful:

- (1) overnight camping on private residential property by the property owner or friends or family of the property owner
- (2) activities of an owner of private property or other lawful user of private property that are normally associated with and incidental to the lawful and authorized use of private property for residential or other purposes;
- (3) the mere possession of, or transportation of, camp facilities or camp paraphernalia on public or private property, except as provided in this article.
- (4) activities of a property owner or other lawful user if such activities are expressly authorized by this Code or other laws and regulations.



Urban Camping Ordinance

Sec. 42-52 cont.

(d) The City Manager may, as provided in section 42-55 of this article, issue a temporary permit to allow camping on public or private property in connection with a special event. It is a defense to a charge pursuant to this section that the person has a permit issued in accordance with section 42-55.

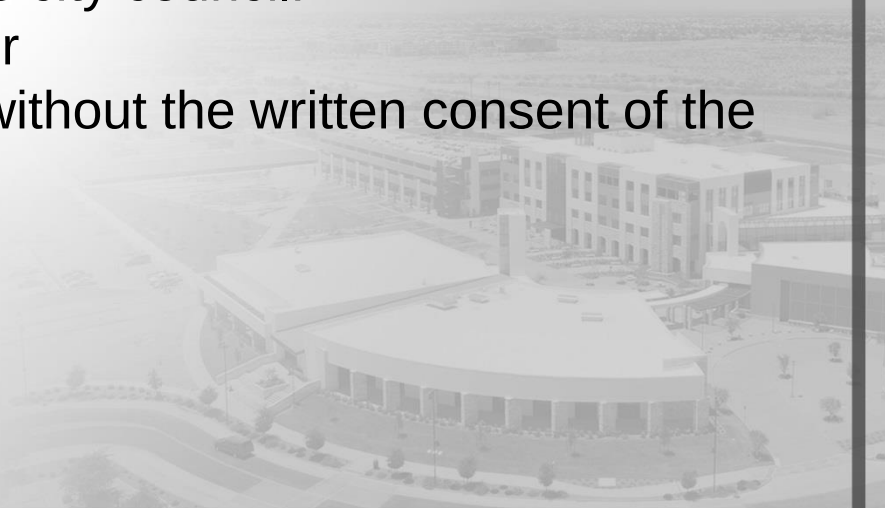


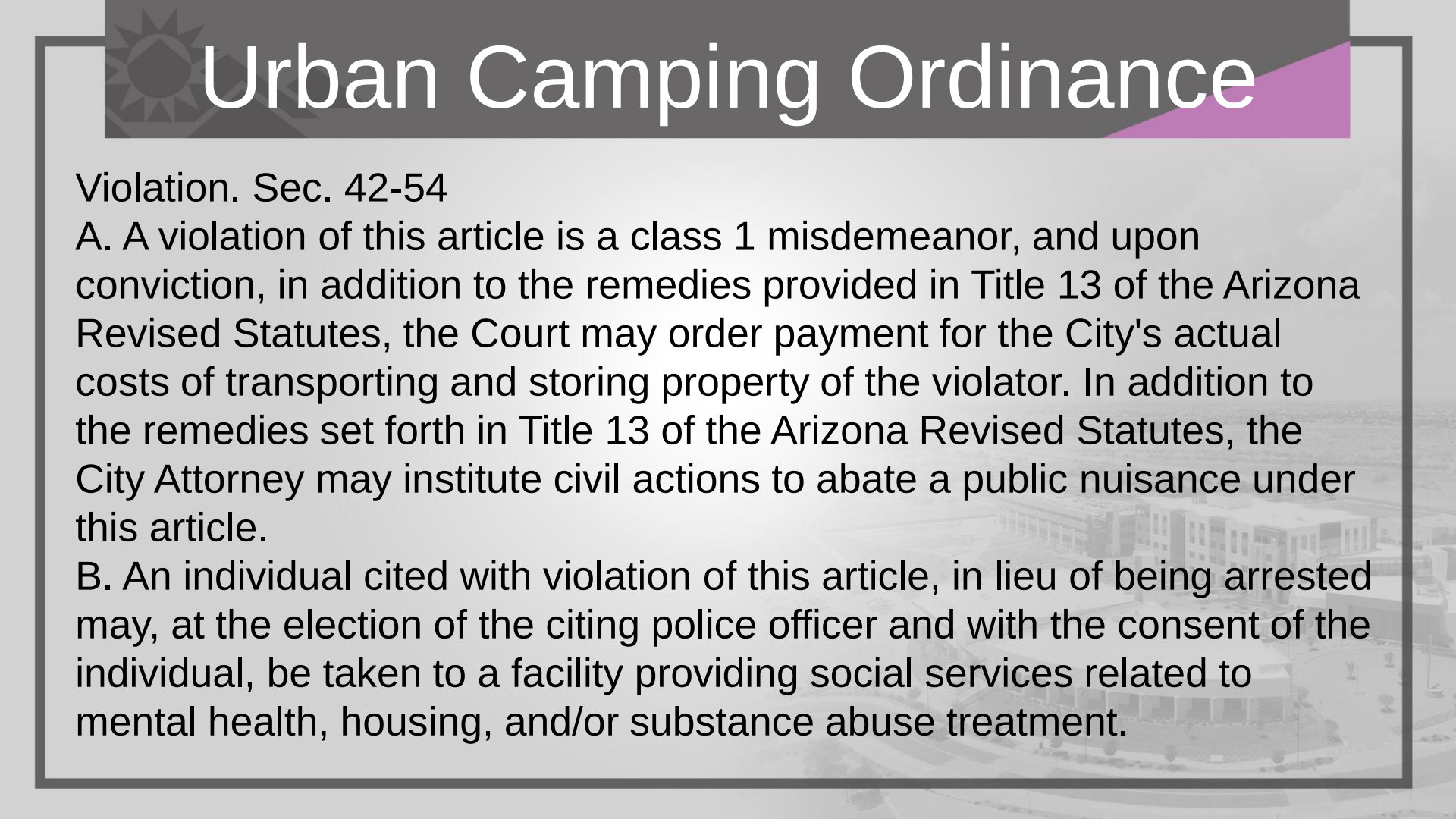


Urban Camping Ordinance

Storage of Personal Property on Public and Private Property. (Sec. 32-53)

It is unlawful and a public nuisance for any person to store personal property, including camp paraphernalia, in the following areas, except as otherwise provided by resolution of the city council:

- A. Any public property; or
 - B. Any private property without the written consent of the owner.
- 

The graphic features a dark grey header bar at the top. On the left side of this bar is a stylized sun icon with rays. The title "Urban Camping Ordinance" is written in a large, white, sans-serif font across the header. A purple triangular shape is located on the right side of the header bar. The background of the slide is a faded, light-colored image of a city street scene with buildings and trees.

Urban Camping Ordinance

Violation. Sec. 42-54

A. A violation of this article is a class 1 misdemeanor, and upon conviction, in addition to the remedies provided in Title 13 of the Arizona Revised Statutes, the Court may order payment for the City's actual costs of transporting and storing property of the violator. In addition to the remedies set forth in Title 13 of the Arizona Revised Statutes, the City Attorney may institute civil actions to abate a public nuisance under this article.

B. An individual cited with violation of this article, in lieu of being arrested may, at the election of the citing police officer and with the consent of the individual, be taken to a facility providing social services related to mental health, housing, and/or substance abuse treatment.



Urban Camping Ordinance

Permit for Special Events Required. Sec. 42-55

The City Manager may, in his or her discretion, issue a permit to establish, maintain and operate a camp or a camp facility in connection with a special event.

Implementation:

An ordinance would go into effect 30 days after City Council action





Urban Camping Ordinance

June 6 Public Meeting Response:

- 14 attended

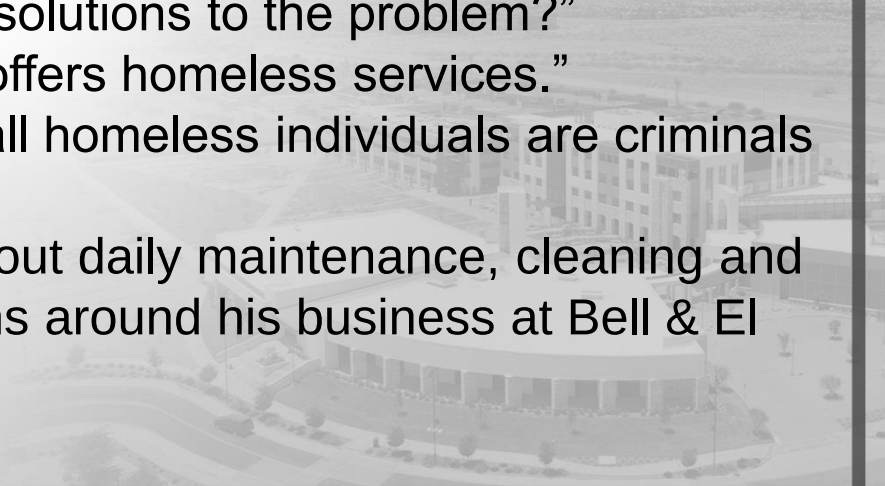
Questions received:

- Impact private retail businesses who allow overnight stays? Exemption?
- Why ban camping rather than establish camping?
- What services are those experiencing homelessness seeking/not seeking
- How do the Surprise Police Department interact with those experiencing homelessness now? How would it change?
- What is the cost of this ordinance?
- Is there data available on homelessness? Would the city consider an accurate study to decrease the number of homeless?
- Has the city considered a coalition of volunteers to solve the homeless problem?



Urban Camping Ordinance

Comments received:

- Resident since 2004: “I no longer feel safe in Surprise with all the homeless.”
 - “This ordinance would criminalize the poor and less fortunate.”
 - “39 homeless is nothing compared to other cities...have we considered a council of residents to come up with solutions to the problem?”
 - “A facility is needed in Surprise that offers homeless services.”
 - Homeless Helpers of Surprise: “not all homeless individuals are criminals or drug addicts.”
 - Business owner shared concerns about daily maintenance, cleaning and upkeep because of homeless persons around his business at Bell & El Mirage Rds.
- 



Urban Camping Ordinance

Summary:

- A new Urban Camping Ordinance for Surprise
- Referral to services before enforcement
- Provides city staff with enforcement options





SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

ORDINANCE 2018-08

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING CHAPTER 42 BY ADDING A NEW ARTICLE III, URBAN CAMPING, RELATING TO KEEPING STREETS AND PUBLIC AREAS ACCESSIBLE AND AVAILABLE; INCLUDING SEVERABILITY; ESTABLISHING AN EFFECTIVE DATE; AND REPEALING CONFLICTING ORDINANCES.

WHEREAS, the City of Surprise desires that streets and public areas be accessible and available to the public at large;

WHEREAS, the use of streets and public areas for camping purposes and storage of personal property interferes with the rights of others to use the areas for the purposes for which it is intended and may have adverse public health and safety impacts; and

WHEREAS, the purpose behind the adoption of this article is to maintain streets, parks and other public and private areas within the city in a clean, sanitary and accessible condition and to adequately protect the health, safety and public welfare of the community, while recognizing that, subject to reasonable conditions, camping and camp facilities associated with special events can be beneficial to the cultural and educational climate in the city.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. Chapter 42, Article III. Sections 42-50 through 42-57 of the Surprise Municipal Code is hereby added as described on attached Exhibit A, and incorporated by this reference.

Section 2. All ordinances, resolutions or codes in conflict with the provisions of this Ordinance or Code adopted by this Ordinance are repealed.

Section 3. If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of these amendments to the municipal code adopted herein is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision will not be read to affect the validity of the remaining portions thereof.

Section 4. This ordinance will become effective at the time and manner prescribed by law.

SIGNATURES ON THE FOLLOWING PAGE
PASSED AND ADOPTED this _____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT A

Chapter 42, Article III. -- Urban Camping.

SEC. 42-50. - Purpose.

The streets and public areas within the city should be readily accessible and available to residents and the public at large. The use of these areas for camping purposes or storage of personal property interferes with the rights of others to use the areas for which they were intended. Such activity can constitute a public health and safety hazard which adversely impacts neighborhoods and commercial areas. Camping on private property without the consent of the owner, proper sanitary measures and for other than a minimal duration adversely affects private property rights as well as public health, safety, and welfare of the city. The purpose of this article is to maintain streets, parks and other public and private areas within the city in a clean, sanitary and accessible condition and to adequately protect the health, safety and public welfare of the community, while recognizing that, subject to reasonable conditions, camping and camp facilities associated with special events can be beneficial to the cultural and educational climate in the city. Nothing in this article is intended to interfere with otherwise lawful and ordinary uses of public or private property.

SEC. 42-51. - Definitions.

Unless the particular provisions or the context otherwise requires, the definitions contained in this section shall govern the construction, meaning, and application of words and phrases used in this article.

- (a) "Camp" means to utilize camp facilities and/or camp paraphernalia for the purpose of temporarily or permanently sleeping or living at that location, including but not limited to, activities such as laying down of bedding, erecting tents or any other structure providing shelter, digging or breaking earth, using camp paraphernalia, storing personal belongings, starting a fire, regularly cooking or preparing meals, or living in a parked vehicle. An activity shall constitute camping when it reasonably appears, in light of all the circumstances, the participants in conducting the activity are in fact using the area for the purpose of temporarily or permanently sleeping or living at the location regardless of the intent of the participants or the nature of any other activities in which they may also be engaging.
- (b) "Camp facilities" include, but are not limited to, tents, huts, lean to's, tarps, cardboard boxes or structures, vehicles, vehicle camping outfits, or temporary shelter.
- (c) "Camp paraphernalia" includes, but is not limited to, materials intended to be used as beds or bedding, blankets, bedrolls, tarpaulins, cots, beds, sleeping bags, hammocks or cooking facilities and similar equipment.

- (d) "City Manager" means the City Manager or designee.
- (e) "Establish" means setting up or moving equipment, supplies or materials on to public or private property to camp or operate camp facilities.
- (f) "Maintain" means keeping or permitting equipment, supplies or materials to remain on public or private property in order to camp or operate camp facilities.
- (g) "Operate" means participating or assisting in establishing or maintaining a camp or camp facility.
- (h) "Private property" means all private property including, but not limited to, streets, sidewalk, alleys, and improved or unimproved land.
- (i) "Public property" means all public property including, but not limited to, streets, sidewalks, alleys, improved or unimproved land and parks.
- (j) "Store" means to put aside or accumulate for use when needed, to put for safekeeping, to place or leave in a location.
- (k) "Street" means any street, highway, sidewalk, alley, avenue or other public way or public grounds in the city.
- (l) "Shelter space with homeless supportive services" means any overnight temporary housing shelter that offers at least one service to assist an individual or family unit experiencing homelessness and at no charge. For example, a service might include a temporary place to sleep, food availability, shower/bathe, social services referrals like counseling, basic needs, housing, employment, identification services and health care. (These are examples and do not reflect all available services from public or private shelters)

SEC. 42-52. - Prohibited acts

- (a) It is unlawful and a public nuisance for any person to camp, occupy camp facilities, establish camp facilities, maintain camp facilities, or use or store camp paraphernalia in the following areas:
 - (1) Any public property; or
 - (2) Any private property.
- (b) Law enforcements officers shall not enforce Subsection (a) of this Section when the individual is on public property and there is no available shelter space with homeless supportive services within 50 miles of the city limits of the City of Surprise.

- (1) An overnight space shall still be considered an “available overnight shelter” if the individual cannot utilize the space due to voluntary actions such as intoxication, drug use, unruly behavior, or violation of shelter rules.
 - (2) An overnight space shall not be considered an “available overnight shelter” if the individual is part of a family unit and the family would need to stay overnight at two or more different shelters; however, an overnight space is considered “available overnight shelter” if the individual is part of a family unit but the shelter requires that males and females must sleep separate and apart.
- (c) It is not intended by this section to prohibit or make unlawful:
- (1) overnight camping on private residential property by the property owner or friends or family of the property owner, so long as all of the following conditions are met:
 - (i) the owner consents and the overnight camping is limited to not more than five consecutive nights;
 - (ii) the activity is not a nuisance because of noise, inadequate sanitation, or other matters offensive to person of ordinary sensibility;
 - (iii) no fee, charge or other monetary consideration is collected for the privilege of camping or for any services or the use of any facilities related thereto;
 - (iv) the camping occurs either in the rear yard or an area of a front or side yard separated from view from the street by a fence, hedge or other obstruction.
 - (2) activities of an owner of private property or other lawful user of private property that are normally associated with and incidental to the lawful and authorized use of private property for residential or other purposes;
 - (3) the mere possession of, or transportation of, camp facilities or camp paraphernalia on public or private property, except as provided in this article.
 - (4) activities of a property owner or other lawful user if such activities are expressly authorized by this Code or other laws and regulations.
- (d) The City Manager may, as provided in [section 42-54](#) of this article, issue a temporary permit to allow camping on public or private property in connection with a special event. It is a defense to a charge pursuant to this section that the person has a permit issued in accordance with section 42-55.
- (e) It is unlawful and a public nuisance for any person to wash one's body or belongings in a fountain.

- (f) It is unlawful and a public nuisance to urinate or defecate in public.

SEC. 42-53. – Violation.

- A. A violation of this article is a misdemeanor, and upon conviction, in addition to the remedies provided in Title 13 of the Arizona Revised Statutes, the Court can order payment for the City's actual costs of transporting and storing property of the violator. In addition to the remedies set forth in Title 13 of the Arizona Revised Statutes, the City Attorney may institute civil actions to abate a public nuisance under this article.
- B. An individual charged with violation of this article, in lieu of being taken to jail may, at the election of the citing police officer and with the consent of the individual, be taken to a facility providing social services related to mental health, housing, and/or substance abuse treatment.

SEC. 42-54. – Permit for special events required.

The City Manager may, in his or her discretion, issue a permit to establish, maintain and operate a camp or a camp facility in connection with a special event. A special event is intended to include, but not be limited to, programs operated by the departments of the city, youth or school events, marathons or other sporting events and scouting activities. The City Manager may consult with various city departments, the health officer and the public prior to issuing any temporary permit. Each department or person consulted may provide comments regarding any health, safety or public welfare concerns and provide recommendations pertaining to the issuance, denial or conditioning of the permit. The City may establish a reasonable fee, to be paid in advance by the applicant. The fee shall be returned if the application is denied. In exercising his or her discretion to issue a temporary permit, the City Manager may consider any facts or evidence bearing on the sanitary, health, safety and welfare conditions on or surrounding the area or tract of land upon which the proposed temporary camp or camp facility is to be located.

Any person who establishes, maintains or operates a camp or camp facility without a permit is guilty of a misdemeanor and constitutes a public nuisance. In addition to remedies provided in Title 13 of the Arizona Revised Statutes, the City Attorney may institute civil actions to abate a public nuisance under this article.

SEC. 42-55. – Posting copy of permit.

It is unlawful for any person to establish, maintain, conduct or carry on any camp or camp facility unless there shall be at all times posted in a conspicuous place upon the area or tract of land upon which the camp or camp facility is located a permit obtained from the City Manager in accordance with the provisions of [section 42-54](#) of this article.

SEC. 42-56. – Power of the City Manager to make rules and regulations.

The City Manager is further empowered to ascertain that the operation or maintenance of any camp or camp facilities to which a temporary permit shall apply will in no way jeopardize the public health, safety or welfare and for this purpose may make additional rules and regulations pertaining to their establishment, operation or conduct. The City Manager may also impose conditions on the establishment, maintenance and operation of the camp or camp facility, including, but not limited to, security, sanitation facilities, the number of occupants, posting of bonds or deposits, insurance, quiet hours, duration of the permit, and permitted activities on the premises. When the City Manager shall issue any permit under the terms of [section 42-54](#) of this article, the same may be revoked at any time thereafter by the City Manager if the City Manager becomes satisfied that the maintenance or continuing operation of the camp or camp facilities is adverse to the public health, safety and welfare.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Kendra Pettis, Sports/Tourism Director
Submitting Department:	Sports and Tourism	District:	1
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action on the Tourism Five Year Strategic Plan (2018-2023) as recommended by the Tourism Advisory Commission.

Motion:

I move to approve the Tourism Five Year Strategic Plan (2018-2023).

Background:

In April of 2017, the Tourism Advisory Commission decided to start the process of updating the 2010 Tourism Strategic Plan. The Commission worked with the Sports and Tourism department, Community and Recreation Services Department and a facilitator on two developmental planning work sessions in April and November of 2017. The draft has been approved by the Tourism Advisory Commission and the Commission has recommended the Tourism Five Year Strategic Plan (2018-2023) for Council Approval.

Objective Analysis:

The Tourism Five Year Strategic Plan (2018-2023) is intended to increase and enhance tourism opportunities and awareness in Surprise.

Policy Compliant:

The Tourism Five Year Strategic Plan (2018-2023) is in compliance with City and Council Policy.

Financial Impact:

At this time there are no financial impacts, however the goals and objectives contained within the document will guide future decision making related to tourism.

Budget Impact:

At this time, there are no budget impacts associated with this item.

FTE Impact:

There are no additional FTE's associated with this item.

ATTACHMENTS:

Click to download

☐ [Tourism Five Year Strategic Plan \(2018-2023\) TAC Approved](#)



TOURISM FIVE YEAR STRATEGIC PLAN

Created: January 2018
Revised: April 2018

The Purpose

The Tourism Advisory Commission completed a developmental work session to evaluate the current standing strategic plan. Completed by the Tourism Advisory Commission, Sports and Tourism Department, with facilitation from Bailey Strategic Innovation Group, the work session enabled the Tourism Advisory Commission to identify both internal and external influences affecting the current strategy in place.

This process served as a precursor to the strategic plan and offered insight into the vision, such as exploring new initiatives, making decisions about new policies, identifying possible areas for change, or refining and redirecting efforts. The work session is a reflection of time spent at events, communications with visitors, residents and stakeholders, goals for upcoming years, and weaknesses identified as opportunities for growth and change.

Deangelo Hall, ***Tourism Advisory Commission*** Chair, Citizen Representative
Mario Rana, ***Tourism Advisory Commission*** Vice Chair, Restaurant Representative
Kristin Peck, ***Tourism Advisory Commission***, Citizen Representative
Marco Daleo, ***Tourism Advisory Commission***, Hotel Representative
Raoul Sada, ***Tourism Advisory Commission***, Chamber of Commerce Representative
Chris Hall, ***Tourism Advisory Commission***, Restaurant Representative
Eric Bailey, Bailey Strategic Innovation Group (Facilitator)
Kendra Pettis, City of Surprise Sports and Tourism Director
Joe Bertolotti, City of Surprise Sports and Tourism Associate Director
Tara Combs, City of Surprise Sports and Tourism Senior Manager
Guillermo Lucero, City of Surprise Sports and Tourism Manager
Travis Ashby, City of Surprise Sports and Tourism Supervisor
Cecilia A. Covarrubio, City of Surprise Sports and Tourism Supervisor

Tourism Strategic Plan

Tourism is one of Arizona's largest export industries. 43 million domestic and international overnight visitors chose to experience Arizona in 2016. These visitors generated over \$21 billion in spending. That breaks down to an estimated \$58 million dollars a day or \$40,000 every minute.

Visitor spending in Arizona led to \$3 billion dollars in tax revenue. These taxes reduce the annual tax burden for every Arizona household by almost \$1,200. Tax dollars generated by visitation in Arizona go directly to essential services for residents such as public safety, health services and education.

The City of Surprise has positioned itself to participate in this important economic driver with the creation of the new Department of Sports and Tourism and the continuing growth of the Tourism Advisory Commission.

Additional commitments within the community include Major League Baseball Spring Training, the Tennis and Racquet Complex, and many other facilities within our area.

With the creation of the second iteration of the Tourism Five Year Strategic Plan – 2018-2023, it will continue to provide guidance and direction for future efforts and funds aimed to increase tourism related spending within the City of Surprise, as well as measurements of its success.

With a renewed emphasis on tourism and a focus on the business development strategy needed to succeed in the highly competitive marketplace, the City of Surprise has identified key objectives:

- Increase total tourism related revenue
- Increase total number of room nights / length of stay
- Increase destination awareness

The City of Surprise also recognizes that what is attractive to tourists can also be a benefit to residents, thus providing a quality of life and business development component to the strategy.

Formation of the Strategic Plan

This is the second strategic plan for the City of Surprise Tourism Commission since the group was established in Spring 2009, and with the recent creation of the new Sports & Tourism Department in conjunction with the completion of the first strategic plan, the committee identified the opportunity to evaluate the outcomes of the “Tourism Five Year Strategic Plan” and begin laying the ground work for next steps in the development of becoming a more robust tourism destination.

The planning process began with the review of the previous plan’s various initiatives, challenges and goals and a new discovery and collaboration session. The four new focus areas were identified by reviewing the previous strategic plan and establishing the areas of critical growth needed for the City of Surprise to continue to expand into a year round tourism destination.

The steps of creating the strategic plan

1. Evaluate the current strategic plan and analysis
2. Identify the Focus Areas
 - a. Outlining the top priorities for each focus area.
3. Define the Focus Areas
 - a. Within the definitions identifying the key stakeholders and beneficiaries.
4. Create goals for each Focus Area
 - a. Identifying activities and action plans that would drive success for each focus area.

The City of Surprise Tourism Advisory Commission

Statement of Purpose

With the consistent growth of the City of Surprise, the Tourism Advisory Commission will increase prospective awareness of Surprise tourism and enhance the quality of life for residents through increased tourism based development and partnership opportunities, showcasing Surprise as an intentional tourist destination.

Focus Areas

Through a process of discovery and collaboration, the Tourism Advisory Commission identified 4 key focus areas for this strategic plan.

Events & Entertainment Marketing Partnership & Facility Development Funding

Focus Area 1: Events & Entertainment

Definition

Events are special activities (sporting events, tournaments, festivals, arts & culture events etc.) that attract visitors from outside the city limits and support the economic vitality of the community. Utilize existing facilities to enhance entertainment opportunities within the City of Surprise.

Goals:

- 1.1 Utilize the Tourism Fund to partner with an event management contractor to create an annual magnet event to attract tourist attendance in excess over 10% each year.

Action Items:

- a. Create an RFP process to attract professional event partners to hold events in Surprise.
 - i. Identify guidelines and criteria for the RFP.
 - ii. Establish a budget amount that can be used from the Tourism Fund to attract a magnet event each year.
 - iii. Establish a marketing budget to promote the RFP opportunity.

- 1.2 Create and update infrastructure for outside/third party events in order to add three new event/entertainment opportunities to build and promote year-round tourism activity.

Action Items:

- b. Update the current Tourism Fund application for third party events.
- c. Update current Sports & Tourism facility use fee structure and streamline facility use agreement process.
 - i. Work with PD/Fire to establish guidelines.
 - ii. Work with Finance and Council to update fees for tourism events.
 - iii. Develop an approved vendor list to help the third parties be successful (security companies, tenting/stage, etc.).
 - iv. Work with current and new hotel properties as well as local businesses to create competitive bid packages for events.
- d. Create an evaluation process for third party event bids and funding requests

- 1.3 Increase overall attendance to spring training, current sports tournaments and events by 5% each year.

Action Items:

- e. Develop master tracking system to accurately account for tourism related event participation and attendance.
- f. Develop specific event based strategies to increase attendance.
- g. Develop funding priorities to help increase exposure of current events.

- 1.4 Increase tourism related room nights by 5% each year.

Action Items:

- h. Work with hotel partners to develop a tracking mechanism for tourism related hotel stays.
 - i. Create statistical reporting standards and requirements for hotels to report impacts from tourism related efforts.
- i. Evaluate current facility capacity between Sports & Tourism, CRS, Rangers/Royals and OUAZ.
- j. Look at ways to improve and enhance current facilities to increase event and entertainment opportunities.
- k. Develop a tourism survey strategy for all event participants, visitors and spectators designed to find ways to extend their average stay in Surprise.

Focus Area 2: Marketing

Definition

Strategically market Surprise as an intentional sports and tourist destination.

Goals:

- 2.1 Achieve / become recognizable nationally through one or more destination publications by 2020.

Action Items:

- a. Research publications and apply for tourism related awards and recognition.

- 2.2 Assist to increase the departments advertising/marketing reach by 20% by 2021.

Action Items:

- b. Provide resources to expand the departments marketing reach.
- c. Assist in the implementation of the departments marketing plan.

- 2.3 Increase strategic collaboration with key partners to expand our ability to identify and target demographics for tourism.

- 2.4 Identify possible other partners within the city (businesses, professional groups, etc) to invest in the board activities to assist in tourism board reach.

- 2.5 Assist in the acquisition of data to provide information for informed decision making for marketing and advertising.

Action Items:

- d. Work with other cities/partners/boards to establish what markets we want to advertise to (geographical, special interest, partner connections, etc.).
- e. Pool resources with partners for marketing research.

- 2.6 Create and expand Tourism Brand and assets by 50% to attract target tourism demographics by 2020
Action Items:
- f. Support branding, advertising, and marketing materials to expand exposure of tourism assets in Surprise in line with the marketing strategy of the department of Sports and Tourism.
 - g. Assist in maximizing multimedia channels to position the Surprise tourism story and value proposition to expose prospective tourists and event planners to our marketing messages.
 - h. Assist in creating, identifying, and supporting marketing leads to help position a national consistent tourism brand.
- 2.7 Develop a comprehensive tourism advertising and communications plan to promote tourism board events and initiatives.
Action Items:
- i. Create an annual tourism board event and activity calendar.
 - j. Produce an annual marketing plan based on board initiatives, goals, and event plans.
- 2.8 Create benchmarks, measurements, and criteria for tourism board resource allocation.
Action Items:
- k. Create an evaluation mechanism for tourism board fund spending, DMO approval, projects, and time and resource allocation.
 - l. Align evaluation mechanism with tourism board goals and initiatives.

Focus Area 3: Partnership & Facility Development

Definition

Cultivate partnerships that enhance tourism events and/or lead to the development of permanent facilities or destination attractions that will increase visitors, room nights and enhance quality of life for Surprise residents.

Goals:

- 3.1 Assist in the planning/strategy execution to establish public-private partnerships to develop two new permanent facilities/attractions by 2023.
Action Items:
- a. Continue to work with our current partners to find creative ways to utilize/expand facilities and enhance tourism.
 - i. Texas Rangers and Kansas City Royals
 - ii. Ottawa University
 - iii. Dysart Unified School District
 - iv. United States Tennis Association
 - b. Work with land owners and developers to support tourism and entertainment development in Surprise.
 - c. Identify and attend sports and/or tourism related trade shows and conferences to establish best practices for the Tourism Board.
- 3.2 Work with the Economic Development department to attract a resort to Surprise by 2023.
Action Items:
- d. Provide potential resources to fund a resort feasibility study.
 - e. Assist in researching resort groups and target partners that would potentially locate to Surprise.

Focus Area 4: Funding

Definition

Maximize the current Tourism Funds to enhance or add tourism driven events and opportunities. Develop new creative revenue sources for future planning, enabling Surprise to grow as a future tourist destination.

Goals:

- 4.1 Strategically utilize a minimum of 50% of the Tourism Fund each year.

Action Items:

- a. Create guidelines and criteria for using Tourism Fund annually:
 - i. Events
 - ii. Marketing
 - iii. Studies

- 4.2 Double Tourism Fund operating budget by 2023.

Action Items:

- b. Increase operating budget by increasing hotel nights/transient lodging tax.
 - i. Assist in the development of partnerships to entice event/tournament participants and fans to increase their average hotel stays.
 - ii. Work with local/regional partners to market tourism amenities in the area.
- c. Research and initiate other possible sources for creating revenue for Tourism in Surprise.
 - i. Grants: Private and Public grant processes
 - ii. Philanthropic Opportunities
- d. Develop entrepreneurial strategies to generate additional revenue.



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Jeanine Jerkovic, ED Director
Submitting Department:	Econ Development	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of an annual agreement between the City of Surprise and the Greater Phoenix Economic Council (GPEC) for the participation and support of regional economic development programs, in the amount of \$60,471 in fiscal year 2019.

Motion:

I move to approve the Fiscal Year 2019 Agreement between The Greater Phoenix Economic Council and the City of Surprise.

Background:

The Greater Phoenix Economic Council (GPEC) is a public-private partnership founded in 1989 to leverage resources to attract and grow business to Greater Phoenix. Their goal is to develop a high-performance economy by attracting high-quality investments and jobs. The annual agreement with GPEC provides Surprise with the opportunity to partner with GPEC to attract quality jobs to the community, to receive marketing services that reach a targeted national and international industry and site selection audience, and to engage with local industry leaders in initiatives to enhance the overall regional competitiveness. Surprise was an inaugural community member of GPEC and has been a member since 1990. In the last 5 years, GPEC has assisted Surprise in locating 682 jobs - providing a return-on-investment value of 12-to-1 for the community. Over the history of our membership, GPEC has assisted Surprise with the location of several local employers such as Janus International, RioGlass Solar, Brentwood Industries, Gestamp Solar Steel, Campcorp Structures, Cobalt Rehabilitation Hospital, and IRIS USA. The Economic Development Department is currently working on two confidential pending company location announcements with GPEC at the present time. GPEC will be engaging in an enhanced marketing efforts over the next two years to roll out "The Connected Place" rebranding strategy for the region, implementing new marketing and data tools. GPEC has communicated this 2.5% temporary increase need effectively to all stakeholders, including the Board of Directors and Economic Development Directors Team, throughout the year.

Objective Analysis:

GPEC has always acted ethically, responsibly and transparently with respect to rate increases and decreases; they have communicated effectively in advance of changes. The temporary increase from

\$.4397 per capita to \$.46 was anticipated and budgeted accordingly this year in the FY 2019 Economic Development services and operations budget.

Policy Compliant:

This action item is consistent with Council policy.

Financial Impact:

This year's contract amount at \$60,471 represents a \$4,109 increase over last year's total; and if the per capita calculation rate of \$.4397 had stayed consistent, the amount would be \$57,217, given Surprise's present population calculation used at 130,129, a difference of \$3,254. This increase of 2.5% will only be this year and next year, and the amount charged per capita will likely be reduced after two years.

Budget Impact:

This item has been approved by the Mayor and Council in the FY2019 budget. The total FY2019 budget amount for this line item is \$61,000.

FTE Impact:

No FTE impact is anticipated.

ATTACHMENTS:

Click to download

- ☐ [GPEC FY 2019 Presentation](#)
 - ☐ [GPEC Contract with Exhibits](#)
 - ☐ [Community Benefit Report](#)
-



SURPRISE
ARIZONA

GPEC FY2019 Annual Contract

Economic Development Department
June 19, 2018

Mission: Attract and grow quality businesses and advocate for Greater Phoenix's competitiveness.



GPEC OVERVIEW

- Twenty-eight year old organization (founded 1989)
- Public-private partnership: 22 cities / 175+ investors
- Core competencies: market analysis & site selection
- Assisted with 740+ business relocations and expansions, 130,000+ quality jobs to the Greater Phoenix region since launching in 1989

GPEC Services

- In Depth Market Data and Analysis
- Operational Cost Analysis
- Connectivity to Key Resources
- Speed-to-Market Support
- Site Selection Assistance
- Economic Impact Analysis
- Economic Policy Competitiveness

THE CONNECTED PLACE: Building a Regional Identity

- Launched as part of the Metro Phoenix Global Investment Plan
- Greater Phoenix is “The Connected Place” where people, place and technology intersect
- Increased opportunity to attract and grow technology companies

GPEC = TOP QUALITY PARTNER

- **Over 5 years**
 - 682 direct Surprise jobs / \$1.6 billion in payroll
 - \$45 million in new consumer spending,
 - Estimated \$3.29 million in direct city revenues
- 2018 *Site Selection* Award **Excellence in Economic Development**

GPEC
Prospects
Increasing

GPEC-Surprise Activity	FY16	FY17	FY18 (YTD)
COS Proposals Submitted	45	61	51
COS Site Visits	4	3	5

GPEC VALUE PROVIDED

City of Surprise – GPEC Annual Contract

FY 2019 Contract \$60,471	\$0.4647 per capita / 130,129 pop.
FY 2018 Contract \$56,362	\$0.4397 per capita / 128,182 pop.
FY 2017 Contract \$55,236	\$0.4397 per capita / 125,621 pop.
FY 2016 Contract \$54,434	\$0.4397 per capita / 123,797 pop.
FY 2015 Contract \$53,480	\$0.4397 per capita / 121,629 pop.

Prospect
Generation /
12:1 ROI

Board Level
Engagement

Strategic
Support

Regional
Branding

City of Surprise



GPEC SURPRISE RESULTS





SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

AGREEMENT BETWEEN THE GREATER PHOENIX ECONOMIC COUNCIL AND THE CITY OF SURPRISE

The City Council of the CITY OF SURPRISE, an Arizona municipal corporation (the “City”), has approved participation in and support of the regional economic development program of the GREATER PHOENIX ECONOMIC COUNCIL, an Arizona non-profit corporation (“GPEC”). The purpose of this agreement (“Agreement”) is to set forth the regional economic development program that GPEC agrees to undertake, the support that the City agrees to provide, the respective roles of GPEC and the City, and the payments of the City to GPEC for the fiscal year July 1, 2018 - June 30, 2019 (“FY2019”).

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City and GPEC agree as follows:

I. RESPONSIBILITIES OF GPEC

A. MISSION: Attract and grow quality businesses and advocate for Greater Phoenix’s competitiveness.

B. GOALS: GPEC is guided by and strategically focused on two specific long-range goals:

1. Marketing the region to generate qualified business/industry prospects in targeted economic clusters.
2. Leveraging public and private allies and resources to locate qualified prospects, improve overall competitiveness, and sustain organizational vitality.

C. RETENTION AND EXPANSION POLICY:

1. GPEC’s primary role is developing the Greater Phoenix region’s market intelligence strategy for high wage, base industry clusters in coordination with representatives of GPEC member communities.
2. Retention and expansion of existing businesses within GPEC member communities is primarily a local issue.
3. GPEC will support its member communities’ efforts to retain and expand existing businesses through coordinating regional support and providing research on key retention and expansion projects.
4. GPEC will advise its member communities when an existing company contacts GPEC regarding a retention or expansion issue, subject to any legal or contractual non-disclosure obligations.

D. ACTION PLAN AND BUDGET: In accordance with the Mission, Goals and Retention Policy set forth above and subject to the availability of adequate funding, GPEC will implement the Action Plan and Budget adopted by GPEC’s Board of Directors, a copy of which has been delivered to the City, receipt of which is hereby acknowledged. A summary of the Action Plan is attached hereto as **Exhibit A** (“GPEC Action Plan”).

GPEC will inform the City of any changes in the adopted Action Plan which materially affect or alter the priorities established therein. Such notification will be in writing and will be made prior to implementation of such changes. Notwithstanding the foregoing, the City acknowledges and agrees that GPEC may, in its reasonable judgment in accordance with its own practices and procedures, substitute, change, reschedule, cancel or defer certain events or activities described in the Action Plan as required as a result of changing market conditions, funding availability, unforeseen expenses or other circumstances beyond GPEC's reasonable control. GPEC will solicit the input of the City on the formulation of future marketing strategies and advertisements. The Action Plan will be revised to reflect any agreed upon changes to the Action Plan.

- E. PERFORMANCE TARGETS:** Specific performance targets, established by GPEC's Executive Committee and Board of Directors, are attached hereto as **Exhibit B** ("GPEC Performance Measures") and will be used to evaluate and report progress on GPEC's implementation of the Action Plan. In the event of changing market conditions, funding availability, unforeseen expenses or other circumstances beyond GPEC's reasonable control, GPEC may revise these performance targets with the City's prior written approval, or with the prior written approval of a majority of the designated members of GPEC's Economic Development Directors Team ("EDDT"). GPEC will provide monthly reports to the City discussing in detail its progress in implementing the Action Plan as well as reporting the numerical results for each performance measurement set forth in Exhibit B. GPEC will provide a copy of its annual external audit for the preceding fiscal year to the City no later than December 31, 2018. Monthly Activity reports, substantially in the form of **Exhibit D** ("Reporting Mechanism for Contract Fulfillment") attached hereto, are to be submitted to the address listed under paragraph IV.P.

In the event GPEC fails to meet any benchmark, GPEC will meet with the EDDT within 30 calendar days to provide an explanation of the relevant factors and circumstances, and to present a plan for improving performance in order to achieve the target(s) within the term of this Agreement. Failure to meet a performance target will not, by itself, constitute an event of default hereunder unless GPEC (i) fails to inform the City of such event, or (ii) fails to meet with EDDT to present a plan for improving its performance during the balance of the term of the Agreement. Such an event of default allows the City to terminate this Agreement pursuant to paragraph IV.J below.

II. RESPONSIBILITIES OF THE CITY

- A. STAFF SUPPORT OF GPEC EFFORTS:** The City will provide staff support to GPEC's economic development efforts as follows:
1. The City will respond to leads or prospects referred by GPEC in a professional manner within the time frame specified by the lead or prospect if, in the City's sole discretion, the City desires to compete. When available, the City agrees to provide its response in the format developed jointly by EDDT and GPEC;
 2. The City will provide appropriate local hospitality, tours and briefings for prospects visiting sites in the City;
 3. The City will provide an official economic development representative to represent the City on the EDDT, which advises GPEC's President and CEO;

4. The City will cooperate in the implementation of GPEC/EDDT process improvement recommendations including the use of common presentation formats, exchange of information on prospects with GPEC's staff, the use of shared data systems, land and building data bases and private sector real estate industry interfaces;
5. The City will attempt in good faith to respond to special requests by GPEC for particularized information about the City within three business days after the receipt of such request;
6. In order to enable GPEC to be more sensitive to the City's requirements, the City will, at its sole option, deliver to GPEC copies of any City approved economic development strategies, work plan, programs and evaluation criteria. GPEC may not disclose the same to the other participants in GPEC, their representatives, or any other third parties without the express written permission of the City Manager;
7. The City will utilize good faith efforts to cause an economic development professional representing the City to attend all marketing events and other functions to which the City has committed itself;
8. The City agrees to work with GPEC to improve the City's competitiveness and market readiness to support the growth and expansion of the targeted industries as identified for the City in **Exhibit C** ("Targeted Industries");

B. RECOGNITION OF GPEC: The City agrees to recognize GPEC as the City's officially designated regional economic development organization for marketing the Greater Phoenix Region.

III. ADDITIONAL AGREEMENTS OF THE PARTIES:

A. PARTICIPATION IN MARKETING EVENTS AND PROVISION OF TECHNICAL ASSISTANCE: Representative(s) of the City, at the City's own expense, are entitled to participate in GPEC's marketing events. GPEC will provide no funding or otherwise share in any way the expense with the City's expense related to participating in any GPEC marketing events. When requested and appropriate, GPEC will use its best efforts to provide technical assistance and support to City economic development staff for business location prospects identified and qualified by the City and assist the City with presentations to the prospect in the City or their corporate location.

B. COMPENSATION:

1. The City agrees to pay **\$60,471.00** for services to be provided by GPEC pursuant to the Agreement during the fiscal year ending on June 30, 2019. This amount is based on approximately \$.4647 per capita, based upon the 2017 Office of Economic Opportunity population estimate, listing the City's population as **130,129**. The payment by the City may, upon the mutual and discretionary approval of the board of directors of GPEC and the City Council, be increased or decreased during the term of this Agreement consistent with any changes in the per capita payments by other municipalities which support GPEC.

2. Funding of this Agreement is subject to the annual appropriations of funds for this activity by the City Council pursuant to the required budget process of the City. The City cannot assure that the budget item for funding this Agreement will be approved in the future. In such event, the City may terminate this Agreement.
3. Nothing herein precludes the City from contracting separately with GPEC for services to be provided in addition to those to be provided hereunder; and
4. GPEC will submit an invoice for payment due under this agreement pursuant to Paragraph III.B.1 on an annual basis within 30 days of City Council approval of Agreement.

C. COOPERATION:

1. The parties acknowledge that GPEC is a cooperative organization effort among GPEC and its member communities. Accordingly, the City and GPEC covenant and agree to work together in a productive and harmonious manner, and to cooperate in furthering GPEC's goals for FY2019. The City and GPEC further covenant and agree to comply with the Regional Cooperation Protocol, attached hereto as **Exhibit F**, in all material respects.
2. The City agrees to work with GPEC, as necessary or appropriate, to revise the performance measures, and/or benchmarks, and/or goals for the FY2020 contract.
3. The City agrees to work with GPEC during FY2019 to develop a revised public sector funding plan, including a regional allocation formula FY2020, if determined to be necessary or appropriate.

IV. GENERAL PROVISIONS:

- A. COVENANT AGAINST CONTINGENT FEES:** GPEC warrants that no person or selling agent has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee. For a breach or violation of this warranty, the City has the right to terminate this Agreement without liability or, in its discretion, to deduct the commission, brokerage or contingent fee from its payment to GPEC.
- B. PAYMENT DEDUCTION OFFSET PROVISION:** GPEC recognizes the provisions of the City Code of the City of Surprise which require and demand that no payment be made to any contractor as long as there is any outstanding obligation due to the City, and directs that any such obligation be offset against payment due to GPEC.
- C. ASSIGNMENT PROHIBITED:** No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement is void and no effect.
- D. INDEPENDENT CONTRACTOR; NO AGENCY:** Nothing contained in this Agreement creates any partnership, joint venture or agency relationship between the City and GPEC. The parties acknowledge that the services provided under this Agreement are being provided as an independent contract, not as an employee or agent of the City. City has no

right to control GPEC beyond the results of GPEC's services contemplated pursuant to this Agreement. GPEC has no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. GPEC has no authority, express or implied, under to this Agreement to bind City to any obligation whatsoever.

- E. INDEMNIFICATION AND HOLD HARMLESS:** GPEC agrees to indemnify, defend, hold, protect and save harmless the City and any and all of its Council members, officers and employees for, from and against any and all actions, suits, proceedings, claims and demands, loss, liens, costs, expense and liability of any kind and nature whatsoever, arising out of this Agreement for injury to or death of persons, or damage to property, including property owned by City, brought, made, filed against, imposed upon or sustained by the City, its officers, or employees in and arising from or attributable to or caused directly or indirectly by the negligence, wrongful acts, omissions or from operations conducted by GPEC, its directors, officers, agents or employees acting on behalf of GPEC and with GPEC's knowledge and consent.

Any party entitled to indemnity must notify GPEC in writing of the existence of any claim, demand or other matter to which GPEC's indemnification obligations would apply, and must give to GPEC a reasonable opportunity to defend the same at its own expense and with counsel reasonably satisfactory to the indemnified party.

Nothing in this Subsection E may be deemed to provide indemnification to any indemnified party with respect to any liabilities arising from the fraud, negligence, omissions or willful misconduct of such indemnified party.

- F. INSURANCE:** GPEC must procure and maintain for the duration of this Agreement, at GPEC's own cost and expense, insurance against claims for injuries to persons or damages to property which may arise from or in connection with this Agreement by GPEC, its agents, representatives, employees or contractors, in accordance with the Insurance Requirements set forth in **Exhibit E** ("Insurance Requirements"), attached hereto. The City acknowledges that it has received and reviewed evidence of GPEC's insurance coverage in effect as of the execution of this Agreement.
- G. GRATUITIES.** The City may, by written notice to GPEC, terminate the right of GPEC to proceed under this Agreement upon one (1) calendar day notice, if it is found that gratuities in the form of entertainment, gifts, or otherwise were offered or given by GPEC, or any agent or representative of GPEC, to any officer or employee of the City with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performance of such contract; provided that the existence of the facts upon which the City makes such findings may be reviewed by any competent court consistent with Subsection L. In the event of such termination, the City is entitled to pursue all legal and equitable remedies against GPEC available to the City. Activities by an officer or employee of the City while engaged in official business with GPEC, including travel shall not be deemed a gratuity.
- H. EQUAL EMPLOYMENT OPPORTUNITY.** During the performance of this Agreement, GPEC agrees as follows:

1. GPEC will not discriminate against any employee or applicant for employment because of race, color, religion, gender, sexual orientation, national origin, age or disability. GPEC will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, gender, sexual orientation, national origin, age or disability. Such action will include, but is not limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. GPEC agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
2. GPEC will, in all solicitations or advertisements for employees placed by or on behalf of GPEC, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, gender, sexual orientation, national origin, age or disability.
3. GPEC will cause the foregoing provisions to be inserted in all subcontracts for any work covered by this Agreement, provided that the foregoing provisions do not apply to Agreements or subcontracts for standard commercial supplies or new materials.
4. Upon request by the City, GPEC will provide City with information and data concerning action taken and results obtained in regard to GPEC's Equal Employment Opportunity efforts performed during the term of this Agreement. Such reports will be accomplished upon forms furnished by the City or in such other format as the City may prescribe.

I. COMPLIANCE WITH FEDERAL AND STATE LAWS REQUIRED.

1. GPEC understands and acknowledges the applicability of the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989 and agrees to comply therewith in performing under any resultant agreement and to permit City inspection of its records to verify such compliance.
2. GPEC warrants to the City that, to the extent applicable under A.R.S. §41-4401, GPEC is in compliance with all federal immigration laws and regulations that relate to its employees and with the E-Verify Program under A.R.S. §23-214(A). GPEC acknowledges that a breach of this warranty by GPEC under this Agreement is a material breach of this Agreement subject to penalties up to and including termination of this Agreement. The City retains the legal right to inspect the papers of any employee of GPEC who works on this Agreement to ensure compliance with this warranty.
3. The City will not consider GPEC in material breach of the foregoing warranty if GPEC establishes that it has complied with the employment verification provisions prescribed by 8 USC § 1324(a) and (b) of the Federal Immigration and Nationality Act and the e-verify requirements prescribed by Arizona Revised Statutes § 23-214(A).
4. GPEC hereby certifies that it does not, and will not, participate in during the term

of this contract, a boycott of Israel in accordance with Arizona Revised Statute §35-393.01. GPEC hereby agrees to indemnify and hold harmless the City, its agents and employees from any claims or causes of action relating to the City's action based upon reliance upon this representation, including the payment of all costs and attorney fees incurred by the City in defending such an action.

- J. TERMINATION.** This Agreement will expire on June 30, 2019 unless otherwise extended by the Parties. Except as otherwise set forth in this Agreement, City has the right to terminate this Agreement if GPEC fails to duly perform, observe or comply with any covenant, condition or agreement on its part under this Agreement and such failure continues for a period of 30 days (or such shorter period as may be expressly provided herein) after the date on which written notice requiring the failure to be remedied is given to GPEC by the City; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied which, by their nature, cannot reasonably be accomplished within 30 days, no event of default will be deemed to have occurred or to exist if, and so long as, GPEC commences such action within that period and diligently and continuously prosecutes the same to completion within 90 days or such longer period as the City may approve in writing. The foregoing notwithstanding, in the event of circumstances which render GPEC incapable of providing the services required to be performed hereunder, including, but not limited to, insolvency or an award of monetary damages against GPEC in excess of its available insurance coverage and assets, the City may immediately and without further notice terminate this Agreement.
- K. RESPONSIBILITY FOR COMPLIANCE WITH LEGAL REQUIREMENTS.** GPEC's performance hereunder must materially comply with all applicable federal, state and local health, environmental, and safety laws, regulations, standards, and ordinances in effect during the performance of this Agreement.
- L. INSTITUTION OF LEGAL ACTIONS.** Any legal actions instituted pursuant to this Agreement must be filed in the County of Maricopa, State of Arizona, or in the Federal District Court in the District of Arizona. In any legal action, the prevailing party in such action will be entitled to reimbursement by the other party for all costs and expenses of such action, including reasonable attorneys' fees as may be fixed by the Court.
- M. APPLICABLE LAW.** Any and all disputes arising under any Agreement to be awarded hereunder or out of the proposals herein called for, which cannot be administratively resolved, will be tried according to the laws of the State of Arizona, and GPEC agrees that the venue for any such action will be in the State of Arizona.
- N. CONTINUATION DURING DISPUTES.** GPEC agrees that, notwithstanding the existence of any dispute between the parties, each party will continue to perform the obligations required of it during the continuation of any such dispute, unless enjoined or prohibited by an Arizona court of competent jurisdiction.
- O. CITY REVIEW OF GPEC RECORDS.** GPEC must keep all Agreement records separate and make them available for audit by City personnel upon request.
- P. NOTICES.** Any notice, consent or other communication required or permitted under this Agreement must be in writing and is deemed received at the time it is personally delivered, on the day it is sent by facsimile transmission, on the second day after its

deposit with any commercial air courier or express service or, if mailed, three (3) days after the notice is deposited in the United States mail addressed as follows:

If to City: Bob Wingenroth
 City Manager
 City of Surprise
 16000 N. Civic Center Plaza
 Surprise, Arizona 85374
 (623) 222-3300
 FAX: (623) 222-3301

And to: Surprise City Attorney's Office
 City of Surprise
 16000 N. Civic Center Plaza
 Surprise, Arizona 85374
 (623) 222-1120
 FAX: (623) 222-1101

If to GPEC: Chris Camacho
 President and Chief Executive Officer
 Greater Phoenix Economic Council
 Two North Central Avenue, Suite 2500
 Phoenix, Arizona 85004-4469
 (602) 256-7700
 FAX: (602) 256-7744

Any time period stated in a notice will be computed from the time the notice is deemed received. Either party may change its mailing address or the person to receive notice by notifying the other party as provided in this section.

- Q. TRANSACTIONAL CONFLICT OF INTEREST.** All parties hereto acknowledge that this Agreement is subject to cancellation by the City pursuant to the provisions of Section 38-511, Arizona Revised Statutes.
- R. NONLIABILITY OF OFFICIALS AND EMPLOYEES.** No member, official or employee of the City will be personally liable to GPEC, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to GPEC or successor, or on any obligation under the terms of this Agreement. No member, official or employee of GPEC will be personally liable to the City, or any successor in interest, in the event of any default or breach by the GPEC or for any amount which may become due to the City or successor, or on any obligation under the terms of this Agreement.
- S. NO WAIVER.** Except as otherwise expressly provided in this Agreement, any failure or delay by any party in asserting any of its rights or remedies as to any default, will not operate as a waiver of any default, or of any such rights or remedies, or deprive any such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.
- T. SEVERABILITY.** If any provision of this Agreement is found invalid or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement will not be affected thereby and will be valid and enforceable to the fullest extent permitted by law,

provided that the fundamental purposes of this Agreement are not defeated by such severability.

- U. **CAPTIONS.** The captions contained in this Agreement are merely a reference and are not to be used to construe or limit the text.
- V. **NO THIRD PARTY BENEFICIARIES.** No creditor of either party or other individual or entity has any rights, whether as a third-party beneficiary or otherwise, by reason of any provision of this Agreement.
- W. **DISCLOSURE OF CONFIDENTIAL INFORMATION IF REQUIRED BY LAW.** This Agreement allows the Parties to disclose Confidential Information, as defined below, to each other under the following terms. In the opinion of the Parties to this Agreement: (1) the Confidential Information is the proprietary property of the Parties and is strictly confidential and privileged pursuant to, among other laws, A.R.S. §§ 44-401, et seq., (2) the release of the Confidential Information provided could cause harm to the Parties' competitive position, (3) the Confidential Information is potentially personal and private, and (4) the Confidential Information is exempt from disclosure under the Arizona Public Records and Open Meeting Laws, A.R.S. § 39-121, et seq. The Agreement does not license, assign, or convey any intellectual property or proprietary rights from any Party to any other Party.

"Confidential Information" means non-public information, know-how, or trade secrets in any form, that:

1. Are designated as being confidential; or
2. A reasonable person knows or reasonably should understand to be confidential.

The City must comply with and may be subject to certain disclosure requirements under the Arizona public records law (A.R.S. § 39-101, et seq.). The City may disclose Confidential Information if required to comply with a court order or other government demand that has the force of law. Prior to disclosure, the Party must:

1. Seek the highest level of protection available; and
2. Give GPEC reasonable prior notice of the request for records and identified responsive documents to allow them to seek a protective order, unless such notice is not permitted under law.

- X. **ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS.** This Agreement may be executed in up to three (3) duplicate originals, each of which is deemed to be an original. This Agreement, including ten (10) pages of text and the below-listed exhibits which are incorporated herein by this reference, constitutes the entire understanding and agreement of the parties.

Exhibit A – GPEC Action Plan
Exhibit B – GPEC Performance Measures
Exhibit C – Targeted Industries
Exhibit D – Reporting Mechanism for Contract Fulfillment
Exhibit E – Insurance Requirements
Exhibit F – Regional Cooperation Protocol

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the City or GPEC, and all amendments hereto must be in writing and signed by the appropriate authorities of the parties hereto.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed the Agreement this _____ day of _____, 2018.

CITY OF SURPRISE, a municipal corporation

By: _____
Honorable Sharon Wolcott, Mayor

ATTEST:

By: _____
Its: City Clerk

APPROVED AS TO FORM:

By: _____
Its: City Attorney

GREATER PHOENIX ECONOMIC COUNCIL,
an Arizona nonprofit corporation

By: _____

Chris Camacho
President & Chief Executive Officer

EXHIBITS
TO
AGREEMENT
BETWEEN
THE CITY OF SURPRISE, ARIZONA
AND
THE GREATER PHOENIX ECONOMIC COUNCIL

See following pages.

EXHIBIT A

GPEC Action Plan

GREATER PHOENIX ECONOMIC COUNCIL

ACTION PLAN

FISCAL YEAR 2019



Greater Phoenix
ECONOMIC COUNCIL



Attract and grow
quality businesses
and advocate for
Greater Phoenix's
competitiveness.

GPEC MISSION

A LETTER FROM CHRIS CAMACHO

President & CEO, Greater Phoenix Economic Council



Over the past year, we saw county, community and industry leadership join together to advance our economic position and bring new business to the region, generating a record number of jobs. Additionally, The Connected Place campaign established our region as a nationally renowned place where technology and innovation can thrive.

Even with 85 companies relocating or expanding to the region over the past two years, our work is not done.

As we enter fiscal year 2019, the Greater Phoenix Economic Council (GPEC) is committed to further advancing the region's economy by implementing strategies that drive business expansion and relocation from both national and global markets. We'll strategically implement a plan that will evolve The Connected Place identity to reflect innovation across people, place and technology. And as we continue to build on our depth of knowledge in cybersecurity, autonomous vehicles, wearables and industry 4.0, we'll empower business leaders to join us in advancing our regional position.

This next fiscal year is the final year of our three-year strategic plan. We're humbled by the achievements and energized by the opportunity to continue doing more. In order to build on the work we've started, we'll chart a path forward and set new goals to advance our competitiveness through the Modern Economy and Smart Region Plans.

Our region's story runs deeper than just being a market offering a good value to do business. Greater Phoenix is the place where talent is bred, community is built and business thrives. Join us as we advance our economy together.

VISION

For 29 years the Greater Phoenix Economic Council (GPEC) has successfully attracted quality businesses to the Greater Phoenix region, gaining a reputation as a premier economic development organization in the country. In the FY2017-19 strategic plan, GPEC presents pragmatic and forward-looking strategies for positioning the region as a competitive environment where companies can locate and grow their business.

Our region will pivot to competing on value, not solely on low cost. Competing on value means our strategy is aligned with the global 21st century economy, which increasingly rewards regions that offer a wide range of capabilities, including workforce and talent availability, access to customers, a robust supply chain, quality infrastructure and strategic partnerships with universities and research institutions.

We will lead the effort to position the region for the next economy by working collaboratively across the public and private sectors. Together

we will be best-in-class in designing and implementing economic growth strategies that stimulate inclusive growth and shared prosperity, improving the opportunities and quality of life for all Arizonans.

Solidify the region as a place where businesses locate and grow, creating quality jobs.

We will selectively target markets and advanced industries that align with our region's shift towards a knowledge-based, innovation-driven economy, positioning the region as a place where companies can effectively scale their growth and create quality jobs.

Strengthen the regional model by organizing around workforce development and market intelligence through public-private partnerships and strategic alliances.

We will lead with our unique strengths – visionary leadership, strong public-private sector partnerships and research expertise – to implement an integrated advanced industry strategy, driving sustainable economic growth.

Lead policy and civic dialogue to drive consensus around economic performance objectives for advancing our region's competitiveness.

As the region's economic development experts, we will continuously assess, monitor and measure our economic performance, and advocate for policies and strategies that diversify our economy.

**BUSINESS
ATTRACTION**

Drives Quality Job Creation

COMPETITIVENESS

Foundational Elements for Economic Growth



GREATER PHOENIX ECONOMIC COUNCIL

ACTION PLAN

FISCAL YEAR 2019

Fiscal year 2019 marks the final year of GPEC's current Strategic Plan. This action plan reviews the strategies and projected outcomes outlined in the current three year Strategic Plan and the proposed activities GPEC will undertake to achieve these outcomes in fiscal year 2019. Together with the community and our partners we have made significant progress against our three year goals as we reported in our year-end summary for fiscal year 2017 and our mid-year report for fiscal year 2018. This action plan includes specific measures and milestones we will work toward in fiscal year 2019 to further demonstrate success.

FISCAL YEAR 2019 ACTION PLAN

BUSINESS ATTRACTION

STRATEGIES

- ↓ Attract more scalable enterprises in advanced industries
- ↓ Brand the region as a location of choice for FDI
- ↓ Refine the consultative model with a focus on specialized expertise and knowledge

ACTIVITIES

- Refine predictive modeling targeting key markets and industry sectors
- Continue to strengthen relationships with key multipliers, site selectors, and CRE's through specific case studies and industry ecosystem analyses
- Expand key initiatives to engage targeted companies in key industries
- Intensify outreach to scalable start-up and early stage companies in defined industries to promote opportunities for growth in Arizona
- Expand the reach of the "The Connected Place" brand with a focus on internationally-based technology companies
- Engage European, Asian, and Canadian markets through strategic conferences and partnerships with Select USA
- Enhance coordination with technology companies in Mexico looking to expand in the US market
- Promote Greater Phoenix's unique assets to better attract international companies looking to expand to the US
- Utilize the International Leadership Council (ILC) to increase outreach to international companies and promote the brand internationally
- Develop and refine GPEC's knowledge of emerging technology sectors
- Engage local industry to enhance expertise and outreach efforts

FY19 METRICS	CONTRACT	TARGET	STRETCH
PAYROLL (IN MILLIONS)	\$380.15	\$418.17	\$480.89
JOBS	7,434	8,177	9,404
HIGH WAGE JOBS	3,261	3,587	4,125
AVERAGE HIGH WAGE SALARY	\$55,915	\$62,128	\$71,447
QUALIFIED PROSPECTS	229	252	277
QUALIFIED INTERNATIONAL PROSPECTS	38	42	46
GPEC ASSISTS	10	12	14



Engage targeted audiences through digital platforms to generate leads and establish GPEC as a thought leader



Partner with cities to enhance local and regional infrastructure and community preparedness

- Apply digital marketing best practices, tools, and social media platforms to target key audiences, engage influencers and generate interest in the market
- Continue placement of thought leadership pieces in key foreign and domestic media outlets

- Utilize the Community Partnership Program (CPP) to enhance community strengths and enhance project readiness for our diverse community partners
- Engage the Community Building Consortium (CBC) to provide feedback to communities on issues of preparedness for projects and development
- Utilize the Economic Development Director Team (EDDT) Council to coordinate and advocate for the execution of the Modern Economy Plan
- Work with local elected officials to support GPEC's efforts to drive regional economic development

PROJECTED OUTCOMES

- Increased percentage of GPEC's total locates in advanced industries
- Increased number of international prospects
- Elevated reputation of GPEC as a credible and respected "go-to" organization
- Increased number of directly sourced prospects
- Enhanced national profile of the region
- Strengthened value proposition, allowing attraction and growth of advanced industries

MEASURES & MILESTONES

- 5% increase over fiscal year 2018 of prospects in advanced industries
- 3,587 high wage jobs coming to Greater Phoenix as a result of GPEC activity
- 42 international prospects in GPEC's pipeline
- Feature press stories about the Greater Phoenix region in top foreign and domestic media outlets
- Increased conversion rate of prospects to locates year over year
- 5% increase in direct prospect generation
- 20% increased response rate in targeted marketing campaigns
- Communities advance their preparedness to recruit new companies through the counsel of GPEC

COMPETITIVENESS

STRATEGIES

- ↓ Develop and deploy a regional market intelligence system
- ↓ Engage state and federal policymakers on new and economic development competitiveness concepts
- ↓ Advocate for workforce development initiatives to support the growth of advanced industries

ACTIVITIES

- Develop a locate “aftercare” process with communities to connect local leadership to key resources in the region and support continued engagement and integration into the market
- Work with communities to enhance the market intelligence program to support regional retention and expansion and locate aftercare
- Develop and disseminate data-driven narratives to educate policy makers at the federal, state, and local level about the importance of modernized economic development policy
- Utilize the Biennial Washington D.C. Executive Mission to convey key needs of the region to federal policy makers and influencers
- Support adoption of Pipeline AZ by engaging employers, educational institutions and GPEC communities
- Leverage data collected via Pipeline AZ to support regional workforce development partners



 Promote innovation and commercialization to support an advanced industry ecosystem

 Lead collaboration across peer organizations to leverage complementary assets and strengthen coordinated action

- Support the development of a Smart Region Plan that encourages the development and adoption of smart technologies that enhance the innovation capacity of the region
- Support the work of the Partnership for Economic Innovation (PEI) in developing research consortiums in key industry sectors
- Continue the Health Innovation Council's (HIC) partnership with the Co+Hoots Foundation's PERCH program to engage Health IT entrepreneurs in the region

- Align with peer groups to execute policy, workforce, and industry initiatives
- Convene peer organizations to support and advance responsible investments in P-20 education system

PROJECTED OUTCOMES

- Increased number of data-driven actions to improve region's competitiveness
- Coordinated economic development policies that are aligned with the region's long-term development goals
- Expanded labor pool that meets industry needs
- Establishment of innovation partnerships
- A nationally recognized economic development system that is coordinated across peer organizations

MEASURES & MILESTONES

- Develop a repository for aggregating regional business intelligence data
- Launch an aftercare program that incorporates community leadership
- Execute a PR advocacy campaign with state and local policy makers on the need for infrastructure development tools
- Action items resulting from Biennial Washington D.C. Executive Mission are successfully adopted
- Smart Region Plan is adopted by Greater Phoenix communities
- At least one pilot smart region project is launched

BUDGET OVERVIEW

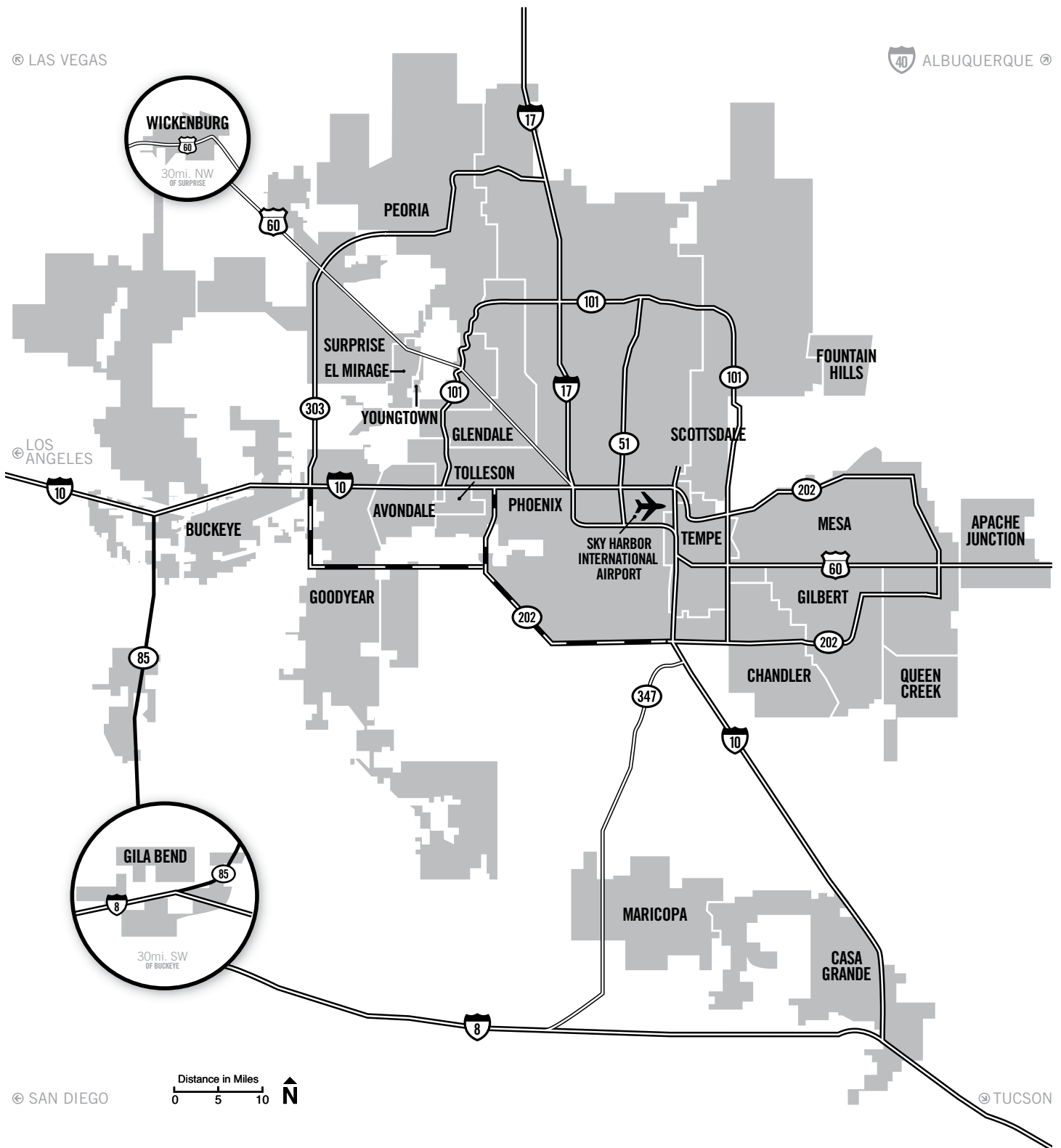
REVENUES	FY 2018 FORECAST	% OF TOTAL	FY 2019 BUDGET	% OF TOTAL	FY 2018 BUDGET	\$ CHANGE	% CHANGE
Public Funds	\$2,385,100	37.9%	\$2,577,000	41.2%	\$2,385,100	\$191,900	8.0%
Private Funds	2,697,800	42.8%	2,820,900	45.1%	2,628,900	192,000	7.3%
New Pledge Revenue	450,000	7.1%	350,000	5.6%	350,000	-	0.0%
In-Kind Pledges	218,500	3.5%	118,500	1.9%	218,500	(100,000)	(45.8%)
Events & Programs	85,000	1.3%	200,000	3.2%	100,000	100,000	100.0%
Grant Income	461,000	7.3%	182,800	2.9%	102,600	80,200	78.2%
Other	1,300	0.0%	1,300	0.0%	1,300	-	0.0%
TOTAL REVENUES	\$6,298,700	100.0%	\$6,250,500	100.0%	\$5,786,400	\$464,100	8.0%

OPERATING EXPENDITURES							
Business Development	389,400	6.2%	395,300	6.0%	389,400	5,900	1.5%
Marketing & Communications	330,600	5.3%	536,000	8.1%	330,600	205,400	62.1%
Research & Strategy	217,200	3.5%	225,000	3.4%	222,000	3,000	1.4%
Engagement & Public Affairs	299,800	4.8%	120,300	1.8%	201,800	(81,500)	(40.4%)
Other Initiatives	63,000	1.0%	80,400	1.2%	101,600	(21,200)	(20.9%)
Administration/Operations	411,700	6.6%	444,200	6.7%	394,200	50,000	12.7%
Personnel	3,633,000	57.9%	3,781,500	56.9%	3,424,100	357,400	10.4%
Facilities	665,400	10.6%	728,500	11.0%	760,900	(32,400)	(4.3%)
In-Kind	118,500	1.9%	-	0.0%	118,500	(118,500)	(100.0%)
Events & Programs	99,000	1.6%	280,000	4.2%	120,000	160,000	133.3%
TOTAL OPERATING EXPENDITURES	6,227,600	99.2%	6,591,200	99.2%	6,063,100	528,100	8.7%

NON-OPERATING EXPENDITURES							
Grant Expenses	50,000	0.8%	50,000	0.8%	50,000	-	0.0%
TOTAL EXPENSES	\$6,277,600	100.0%	\$6,641,200	100.0%	\$6,113,100	\$528,100	8.6%
NET GAIN (LOSS)	\$21,100		\$(390,700)		\$(326,700)	\$(64,000)	
Less: Capital Expenditures	(\$530,000)		(40,000)		(15,000)	490,000	
Amortization of Deferred Rent	312,000		(86,000)		(45,400)	(398,000)	
Add: Depreciation	331,000		372,900		319,500	41,900	
Add: Allowance for Doubtful Accounts	60,000		25,000		25,000	(35,000)	
Changes from Operating Activities	(1,500)		1,100		(1,800)	2,600	
Net Cash Flows	192,600		(117,700)		(44,400)	(310,300)	
Beginning Cash	2,379,600		2,572,200		2,379,600	192,600	
ENDING CASH	\$2,572,200		\$2,454,500		\$2,335,200	\$(117,700)	



MEMBER COMMUNITIES



OUR INVESTORS

Current as of 05/12/2018

CHAIRMAN'S COUNCIL



CORPORATE COUNCIL



EXECUTIVE COUNCIL



DIRECTORS' COUNCIL

American Airlines
Arizona Cardinals
Arizona Diamondbacks
Bank of America
Banner Health
BBVA Compass
Cancer Treatment
Centers of America

Chicanos Por La Causa
CBRE
Cousins Properties
Dignity Health
DMB Associates
Empire Southwest
Ernst & Young

Freeport McMoRan Copper
& Gold
Goodwill of Central Arizona
Intel Corporation
Kitchell
Knight Transportation
Maracay Homes
Mayo Clinic

MidFirst Bank
Mortenson
Northern Trust
OH Partners
Perkins Coie LLP
Phoenix Suns
Polsinelli PC

Quarles & Brady
RED Development
Republic Media
Squire Patton Boggs
University of Phoenix
Valley Metro

LEADERSHIP COUNCIL

Aetna
Alexander Building
Company
Atmosphere
Commercial Interiors
BDO
Blue Cross Blue
Shield of Arizona
BMO Harris Bank
Bryan Cave
Brycon Construction
Caliente Construction
Celgene Corporation
CenturyLink
Colliers International
Crescent Crown
Distributing

Cushman & Wakefield
D.L. Withers Construction
Daedalus Real Estate
Advisors
Deloitte
Deutsch Architecture
Group
El Dorado Holdings
Equity Health
Gammage & Burnham
Goodmans Interior
Structures
Green Loop Solutions
Hensley
Hines
Homeowners
Financial Group

Honeywell
JE Dunn Construction
Jones Lang LaSalle
Kutak Rock
Layton Construction
Lee & Associates
Lewis Roca Rothgerber
Liberty Property Trust
Mainstreet
M+W Group
Meritage Homes
Nationwide Realty
Investors
Newmark Grubb
Knight Frank
Oakland Construction

Opus Development
Company
Phoenix Children's Hospital
Renaissance Companies
Rose Law Group
Ryan Companies
Savills-Studley
Siemens
Skanska USA Building
SmithGroup
Snell & Wilmer
Southwest Gas Corporation
Southwest Airlines
Sunbelt Holdings
The Plaza Companies
Transwestern
Commercial Services

Tratt Properties
TriWest Healthcare Alliance
TruPath
Turner Construction
University of Arizona
UPS
USAA
US Bank
VanTrust Real Estate
ViaWest Group
Ware Malcomb
Weitz Company
Wespac Construction
Willmeng Construction
Wist Office Products

AMBASSADOR

3rd Story Architecture
Air Products & Chemicals
Archicon L.C. Architecture
Arizona Business Bank
Arizona Community
Foundation
Avnet
BNSF

Bristol Global Mobility
Bury
Cenlar
Central Arizona Commerce
Park
CKS Advisors
Clarius Partners
Clark Hill PLC

Coe & Van Loo Consultants
Corporate Interior Systems
CoStar Group
Dircks Moving & Logistics
DIRTT
Grant Thornton
Holualoa Companies

IRIS USA
Johnson Carrier
Keyser
KTAR
Landmark Companies
Macerich
Merit Partners

Midwestern University
MSS
On Q Financial
Osborn Maledon
Resolution Copper Mining
St. Clair Technologies
Sunstate Equipment
Company

2 N. CENTRAL AVE. | SUITE 2500 | PHOENIX, AZ 85004 | TEL. 602.256.7700 | GPEC.ORG



Greater Phoenix
ECONOMIC COUNCIL

EXHIBIT B

GPEC Performance Measures

EXHIBIT B
GPEC PERFORMANCE MEASURES
FY 2019

Specific performance targets as established by the GPEC Executive Committee and Board of Directors:

1. Payroll Generated	\$380.15M
2. Total Number of Jobs Created	7,434
3. Total Number of High-Wage Jobs¹	3,261
4. Average High-Wage Salary	\$55,915
5. GPEC Assists²	10
6. Number of Qualified Prospects	229
7. Number of Qualified International Prospects	38

Footnotes:

1. High Wage Jobs: High wage jobs are those that are over 130% of the Maricopa County Median Wage (currently \$45,580).
2. GPEC Assist: Companies that located in the region, for which GPEC provided assistance, that do not qualify as a locate due to project size, for example; and would otherwise be listed as “non-reported locates.” This replaces the Emerging Tech Assist metric from previous reports to better capture GPEC activities.

EXHIBIT C

Targeted Industries

EXHIBIT C

TARGETED INDUSTRIES

FY2019

GPEC and our member communities have identified targeted industries on a local and regional level, incorporating these industries into a regional economic development plan. For fiscal year 2019, GPEC will continue its emphasis on the following: Advanced Business Services; Aerospace & Defense; Emerging Technologies; Healthcare and Biomedical; Manufacturing & Logistics; Mission Critical Operations; and Software

Member communities will target the following:

Apache Junction

Business services; standard and advanced manufacturing; regional and corporate centers; medical institutions and/or associated satellite operations; mining support facilities; resort/tourist-oriented development; expanded retail opportunities; high-density residential

Avondale

Financial business services, manufacturing, amateur sports, tourism and hospitality, healthcare/medical services, emerging technology and innovation, corporate regional headquarters

Buckeye

Advanced business services; renewable energy; high tech (data center and services); environmental technology / sustainability; standard and advanced manufacturing; medical and educational institutions; logistics/transportation/distribution; small business/incubator; aerospace/aviation; and ag-tech

Casa Grande

Advanced manufacturing; transportation/distribution; healthcare/medical services; aviation/aerospace; hospitality/entertainment

Chandler

Advanced business services; corporate/regional headquarters, advanced manufacturing, software development; aerospace/aviation, automotive technology, and applied research

El Mirage

Business Services; standard and advanced manufacturing; transportation; warehousing/distribution; heavy industrial; food, fiber, and natural products; aerospace aviation

Fountain Hills

Advanced business services (professional, technical, and scientific services including finance and insurance); healthcare, medical, bio-life sciences and wellness; medical and educational institutions; arts, entertainment and recreation; retail

Gila Bend

Clean technology (manufacturing/central station generation/R&D); warehousing/transportation/distribution; military supply chain; tourism/hospitality; standard manufacturing; agriculture/agri-biotechnology; food, fiber and natural products; aerospace/aviation; heavy industrial

Gilbert

Advanced business services; information communication technology; aerospace/aviation and defense; life sciences; clean and renewable technology; Manufacturing; and related corporate/regional headquarters

Glendale

Advanced business services; aerospace and defense; education; healthcare/medical; hospitality/entertainment; manufacturing; renewable energy; technology

Goodyear

Advanced business services; advanced manufacturing; aerospace and aviation; corporate and regional headquarters; entrepreneurial and emerging technology; environmental technology; food, fiber and natural products; healthcare and biomedical services (treatment, medical diagnostics, research); advanced distribution centers; higher education; information technology and data centers

Maricopa (City)

Professional and Business Services, Healthcare Services, Small Business and Entrepreneurship, Higher Education and Education Technology, Agribusiness/Agrisciences, and Visitor/Hospitality Commerce

Mesa

Primary Target Industries: Healthcare, education, aerospace/aviation/defense and tourism/technology
Secondary target industries: Advanced business services; standard and advance manufacturing; regional and corporate centers; research & development; bioscience; medical devices

Peoria

Advanced business services; high technology (data centers, R&D); life sciences and healthcare technologies; advanced medical services; advanced and standard manufacturing; clean technologies research and manufacturing; entertainment and tourism

Phoenix

Bio-life sciences; advanced business services; manufacturing; sustainable industries and enterprises; higher education; world business, trade and FDI; and established/emerging enterprises; healthcare

Queen Creek

Agritainment/agribusiness; healthcare and biotechnology; higher education; software and information technology; manufacturing

Scottsdale

Bio-life sciences; advanced business services; technology and innovation (including ICT and entrepreneurship/emerging enterprises); higher education; hospitality/visitor trade and commerce

Surprise

Advanced manufacturing and rail-served industry; innovation/entrepreneurship/emerging technology; medical, healthcare and life science technologies, services; specialty services for global companies/FDI.

Tempe

Advanced business services (financial services); high tech/software (R&D, data center and services); high-tech/next generation electronics; aerospace R&D/aviation; bioscience (research, drug development, treatment, medical diagnostics); corporate/regional headquarters; sustainability (environmental); advanced materials/plastics; senior industries; clean tech, renewable energy and manufacturing

Tolleson

E-Commerce/Fulfillment Centers; resort/tourist-oriented development; expanded retail opportunities; small manufacturers with some related retail and offices

Wickenburg

Standard manufacturing; transportation & distribution; rail services; mining support facilities; healthcare and medical (emphasis on behavioral healthcare); senior industries; tourism and filmmaking (location shooting); resort/tourist-oriented development; equestrian entertainment; expanded retail operations

Youngtown

Youngtown is in the throes of developing a commerce park. The park will target second-stage small manufacturers with some related retail and offices.

EXHIBIT D

Reporting Mechanism for Contract Fulfillment

EXHIBIT D

FY 2019

REPORTING MECHANISM FOR CONTRACT FULFILLMENT

Monthly Activity Report - Month, Year

BUSINESS ATTRACTION PERFORMANCE METRICS:

GPEC Progress Toward Goals

Targeted Opportunities	Annual Contract Goal	Actual YTD	Goal YTD	% of Goal YTD
PAYROLL GENERATED (MILLIONS)				
NUMBER OF JOBS				
NUMBER OF HIGH-WAGE JOBS				
AVERAGE HIGH WAGE SALARY				
QUALIFIED PROSPECTS				
QUALIFIED INTERNATIONAL PROSPECTS				
GPEC ASSISTS				

KEY BUSINESS ATTRACTION ACTIVITIES AND OTHER GPEC ACTIVITIES

GPEC continues to target high-wage industries (Advanced Business Services; Aerospace & Defense; Emerging Technologies; Healthcare and Biomedical; Manufacturing & Logistics; Mission Critical Operations; and Software)

EXHIBIT E

Insurance Requirements

EXHIBIT E

INSURANCE REQUIREMENTS

The City's insurance requirements are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement. The City in no way warrants that the minimum limits required of GPEC are sufficient to protect GPEC from liabilities that might arise out of this Agreement for GPEC, its agents, representatives, employees or Contractors and GPEC is free to purchase such additional insurance as may be determined necessary.

A. Minimum Scope and Limits of Insurance. GPEC shall provide coverage at least as broad as the categories set forth below with limits of liability in amounts acceptable to the City.

1. Commercial General Liability - Occurrence Form

General Aggregate/ per Project	\$2,000,000
Products-Completed Operations Aggregate	\$2,000,000
Personal & Advertising Injury	
Each Occurrence	\$1,000,000
Fire Damage (Any one fire)	\$300,000
Directors and Officers	\$2,000,000

2. Automobile Liability - Any Auto or Owned, Hired and Non-Owned Vehicles

Bodily Injury and Property Damage – Combined Single Limit Per Accident	\$1,000,000
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3. Workers' Compensation and Employers' Liability

Workers' Compensation	Statutory
Employers' Liability	\$100,000/\$100,000/ \$500,000

B. Self-insured Retentions. Any self-insured retentions must be declared to and approved by the City. The City may request that the insurer reduce or eliminate such self-insured retentions with respect to City, its officers, officials, agents, employees and volunteers. GPEC is solely responsible for any deductible and/or self-insured retention.

C. Other Insurance Requirements. The policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability

a. The City, its officers, officials, agents, employees and volunteers are to be named as additional insureds under the commercial general liability and auto liability policies.

b. GPEC's insurance shall include broad form contractual liability coverage.

c. The City, its officers, officials, agents, employees and volunteers shall be additional insureds to the full limits of liability purchased by GPEC, even if those limits of liability are in excess of those required by this Agreement.

d. GPEC's insurance coverage shall be primary insurance with respect to City, its officers, officials, agents, employees and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees or volunteers shall be in excess of GPEC's insurance and shall not contribute to it.

e. GPEC's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

f. Coverage provided by GPEC shall not be limited to the liability assumed under the indemnification provisions of this Agreement.

g. The policies shall contain a waiver of subrogation against City, its officers, officials, agents, employees and volunteers for losses arising from work performed by GPEC for the City.

2. Workers' Compensation and Employers' Liability Coverage. The insurer shall agree to waive all rights of subrogation against City, its officers, officials, agents, employees and volunteers for any and all losses arising from work performed by the Contractor for the City.

- D. Notice of Cancellation.** Each insurance policy required by the insurance provisions of this Agreement shall provide the required coverage and shall not be suspended, voided, canceled by either party except after thirty (30) calendar days' prior written notice has been sent to City at the address provided herein for the giving of notice. Such notice shall be by certified mail, return receipt requested.
- E. Acceptability of Insurers.** Insurance is to be placed with insurers duly licensed or approved unlicensed companies in the State of Arizona and with a "Best's" rating of not less than A-VII. City in no way warrants that the above required minimum insurer rating is sufficient to protect GPEC from potential insurer insolvency.
- F. Verification of Coverage.** GPEC shall furnish City with Certificates of Insurance (ACORD form or equivalent approved by City) and with original endorsements effecting coverage as required by this Agreement. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. Any policy endorsements that restrict or limit coverage shall be clearly noted on the Certificate of Insurance.

All certificates and endorsements are to be received and approved by City before work commences. Each insurance policy required by this Agreement must be in effect at or prior to commencement of work under this Agreement and remain in effect for the duration of the project.

All certificates of insurance required by this Agreement shall be sent directly to City at the address and in the manner provided in this Agreement for the giving of notice. City's Agreement/Agreement number, GPEC's name and description of the Agreement shall be provided on the Certificates of Insurance. City reserves the right to require complete certified copies of all insurance policies required by this Agreement, at any time.

- G. Approval.** During the term of this Agreement, no modification may be made to any of GPEC's insurance policies which will reduce the nature, scope or limits of coverage which were in effect and approved by the City prior to execution of this Agreement.

EXHIBIT F

Regional Cooperation Protocol

Regional Cooperation Protocol Policy

Greater Phoenix Economic Council and Economic Development Directors Team

The foundation of this policy is built on trust and the spirit of regional cooperation among the entities involved. GPEC and the Economic Development Directors of its member communities agree and acknowledge that it is important that they work together as partners on projects involving the communities which GPEC represents, regardless of the source of the lead, as follows:

1. Demonstrate a commitment to the positive promotion of the Greater Phoenix, specifically, GPEC member communities, as a globally competitive region.
2. Maintain the highest standards of economic development prospect handling, including confidentiality, without jeopardizing a prospect's trust to secure the probability of a regional locate. Partners agree to respect the prospect's request for confidentiality but also agree to notify each other as to the existence of a project with a confidentiality requirement when able and shall make a good-faith effort to involve the appropriate state, regional or local partners at the earliest possible time.
3. Unless otherwise restricted, agree to coordinate through GPEC for any prospect considering a project in Maricopa County or in any of the communities that GPEC represents, understanding that GPEC is in a unique position to represent and speak on regional economic development issues and on characteristics of the region's economy. Likewise, GPEC acknowledges that communities are in the best position to speak about local incentives and efforts surrounding the local economy.
4. For projects that originate with a GPEC member community, GPEC will be available for confidential research access, topical expertise or as a service provider, to add value to the community in securing the project. Additionally, GPEC will not e-track the project unless the community lead makes such a request to do so.
5. Provide accurate and timely information in response to specific requests by all prospects. When a client has narrowed sites to specific GPEC member communities, GPEC will make a good-faith effort to inform those affected EDDT members first. EDDT members agree to provide information solely on their own community when the information requested is site-specific (i.e., cost of land, taxes, development fees, utility availability and cost, zoning process timing, permit timing and local incentives). When site-specific information related to other GPEC communities is requested, EDDT members agree to (i) direct GPEC prospects back to GPEC or (ii) direct non-GPEC generated prospects to contact the affected communities directly, and as a courtesy, contact the affected communities.
6. Agree that regardless of the lead source, public locate announcements shall be coordinated among the company, GPEC member community, and GPEC to reflect inclusiveness and cooperation of all partners (subject to any confidentiality requirements).
7. GPEC and EDDTs will advocate for a robust operating budget for the state economic development agency, and champion sound statewide economic development programs and policies.
8. Discourage the proactive offering of local, municipal financial incentives for existing jobs to companies with current operations in another GPEC community.
9. Inform GPEC member community when a company visits or physical site visit within that community will occur. Economic Development Directors will be the primary point of contact for the company when community information is needed.
10. Agree that the consideration of a future community to GPEC's membership will be brought before

EDDT for discussion in advance of any board consideration. EDDT will make a recommendation on the addition of a new community to GPEC's President and CEO.

11. Formalize a process to convene GPEC and Economic Development Directors of GPEC member communities biannually, and cooperate in the exchange of information and ideas reflecting practices, procedures and policies relating to prospect handling and regional economic development.
12. Work collectively to maintain a high level of trust and integrity by and between GPEC and the Economic Development Directors of GPEC member communities, utilizing differing views as an opportunity to learn.
13. When conducting market intelligence initiative objective, GPEC staff will coordinate with EDDT to ensure coordination and communication.
14. When a Prospect Information Form (PIF) is issued by the state economic development agency GPEC will coordinate the region's response. All PIF submissions will be directed to GPEC's attention and GPEC will assemble the response and return to the state economic development agency.
15. It is understood GPEC will or may host annual executour(s) and/or other marketing familiarization tour(s) to promote the regional communities. GPEC will make every attempt to provide as much interaction time between the executour guests and EDDTs. It is understood EDDTs will inform GPEC of any upcoming executour(s) and/or other marketing familiarization tours scheduled by their office.
16. Partners agree to enter into a mediation process if there is evidence that this Protocol has not been observed in a material respect or a professional conflict arises that cannot be settled. This mediation process will be convened by the EDDT Chair, who may, at his/her discretion, consult or involve GPEC's President and CEO in addition to others with topical expertise central to the conflict.



Greater Phoenix
ECONOMIC COUNCIL

COMMUNITY BENEFITS REPORT

INVESTING IN GPEC

SURPRISE

This report summarizes the significant benefits and return on investment GPEC delivers to the City of Surprise and this region.

REVENUE RETURN

12:1

SURPRISE INVESTMENT

Funding Request for FY19: \$60,471
(AZ Office of Economic Opportunity 2017 Population)

Previous Funding for FY18: \$56,362
(AZ Office of Economic Opportunity 2016 Population)

RETURN ON INVESTMENT (5-YR TREND)

\$12

of direct revenue¹ for every \$1 invested.

\$17

of total revenue² for every \$1 invested.

\$45.0M

in new consumer spending³ generated by new Surprise jobs and employed Surprise residents. An addition of \$32.5 million created by multiplier effects results in total consumer spending of \$77.5 million.

\$3.29M

in new Surprise direct revenues³ (boosted to \$4.57 million when including related multiplier effects of \$1.28 million).

REGIONAL RESULTS SUMMARY

	FY 18	FY 17	5 YEAR TOTAL
Payroll Generated (in millions of dollars)	\$390.7	\$377.1	\$1,693.2
Jobs	6,756	8,130	33,282
High-wage Jobs	3,343	3,190	14,236
Average Salary	\$55,182	\$46,386	\$50,874
Qualified Prospects	261	267	1,260
Assisted Locates	39	42	188
Capital Investment (in millions of dollars)	\$1,068.7	\$1,471.7	\$4,089.2

RESULTS THROUGH REGIONAL SUCCESS

The City of Surprise benefits from site location projects and GPEC activities that occur across the region. Economic development projects create value by generating public and private revenues.

Commute patterns and retail studies show that employees of 'locates' live and spend their incomes in all Greater Phoenix communities. Thus, when a company selects a Greater Phoenix location, all communities benefit with increased tax revenues. GPEC-assisted locates have created 682 jobs region-wide for Surprise residents over the past 5 years.

682 jobs

¹Includes property, sales and utility taxes, as well as state-shared and other local revenues.

²Includes direct revenues plus those generated by related supplier and consumer jobs.

³Estimates are from the Greater Phoenix Consensus Impact Model. In 1999, GPEC and our members developed the region's first-ever consensus-based revenue and economic impact model. Based on nationally accepted multiplier data provided by IMPLAN, the model is customized to calculate economic and revenue benefits for GPEC's members and the State of Arizona.

COMMUNITY LEADERSHIP

Leadership is critical to ensuring the success of your community, GPEC and the region's economic vitality.

ENGAGEMENT OPPORTUNITY

Surprise INVOLVEMENT

GPEC Board of Directors

Chet Keizer,
Kevin Eichner

Economic Development Directors Team (EDDT)

Jeanine Jerkovic,
Mike Hoover,
Kendra Pettis,
Suzanne Boyles

ABOUT GPEC NEXT

Operating as a more comprehensive and innovative practice, GPEC Next pursues opportunities with greatest potential for the region through deeper collaboration with our stakeholders, communities and partners. By integrating international attraction and an emerging technologies focus with GPEC's core domestic competency, we will satisfy the market's needs for a stronger, better, proactive regional economic development organization. GPEC Next will achieve a thorough understanding of our competitiveness, realize a streamlined, direct-selling approach to competitor and global markets, and make dynamic improvements to the region's business climate.

ABOUT GPEC

The Greater Phoenix Economic Council (GPEC) is a performance-driven, public-private partnership. GPEC partners with the City of Surprise, Maricopa County, 21 other communities and around 160 private-sector investors to promote the region's competitive position and attract quality jobs that enable strategic economic growth and provide increased tax revenue for Surprise.

RETURNING VALUE

GPEC has assisted 188 locales in Greater Phoenix in the last five years, including 5 in Surprise, creating 413 jobs and \$96.3 million in capital investment.

FY18

39

assisted locales

FY17

42

assisted locales

FY16

43

assisted locales

FY15

32

assisted locales

FY14

32

assisted locales

STRATEGIC COLLABORATION

Surprise advances GPEC's mission of attracting quality companies to the region by:

- Responding to prospect requests for proposals.
- Participating in prospect community visits.
- Hosting ExecuTours, tailored events for high-level decision-makers.
- Prospecting at trade shows, conferences and sales missions to expand the project pipeline.

COMPETITIVE INTELLIGENCE

GPEC offers Surprise access to the following unique tools and expertise:

- Comprehensive demographic, labor, targeted industry information and marketing assistance.
- CoStar real estate database.
- MetroComp operating cost-comparison software for 50 markets.
- Community Building Consortium.
- Greater Phoenix Consensus Impact Model analysis.



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CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Lindsey Duncan and Holly Osborn, Finance
Submitting Department:	Finance Dept	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action levying a certain sum of money for FY2019 to be assessed against the valuation of property for primary and secondary tax purposes; Resolution # 2018-101.

Motion:

I move to approve Resolution # 2018-101 (In accordance with A.R.S. Section 42-17107(A)(4), this motion must be by roll call vote).

Background:

On June 5, 2018, the Mayor and City Council held a public hearing on the proposed levy of property taxes, and a roll call vote was held concerning the intention of passage of the primary property tax levy. At that time, the City Council identified \$0.7591 per \$100 of assessed valuation as the proposed primary property tax rate and \$0.42 per \$100 of assessed valuation as the proposed secondary property tax rate . This hearing was published and advertised in accordance with state law. Adoption of Resolution # 2018-101 will set the primary and secondary tax levies.

Objective Analysis:

This is the final step in the adoption process.

Policy Compliant:

This item is consistent with City and Council policies.

Financial Impact:

For FY2019, a primary property tax rate of \$0.7591 per \$100 of assessed value will be levied upon property, both real and personal, within the City and will generate a total of \$7,879,900 and a secondary property tax rate of \$0.42 per \$100 of assessed value will be levied upon property, both real and personal, within the City and will generate a total of \$4,359,900

Budget Impact:

Adoption of primary property tax levies will allow for the collection of these revenues, which are an integral part of the adopted fiscal year 2019 budget. The proposed primary property tax rate is \$0.7591 per \$100 of assessed value and will generate approximately \$7,879,900 and the proposed secondary property tax rate is \$0.42 per \$100 of assessed value and will generate approximately \$4,359,900.

FTE Impact:

The number of full time equivalents (FTE) is not impacted by this item.

ATTACHMENTS:

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- ☐ [Presentation](#)
 - ☐ [Resolution 2018-101](#)
-



Primary and Secondary Property Tax Levy

City Council Meeting

June 19, 2018

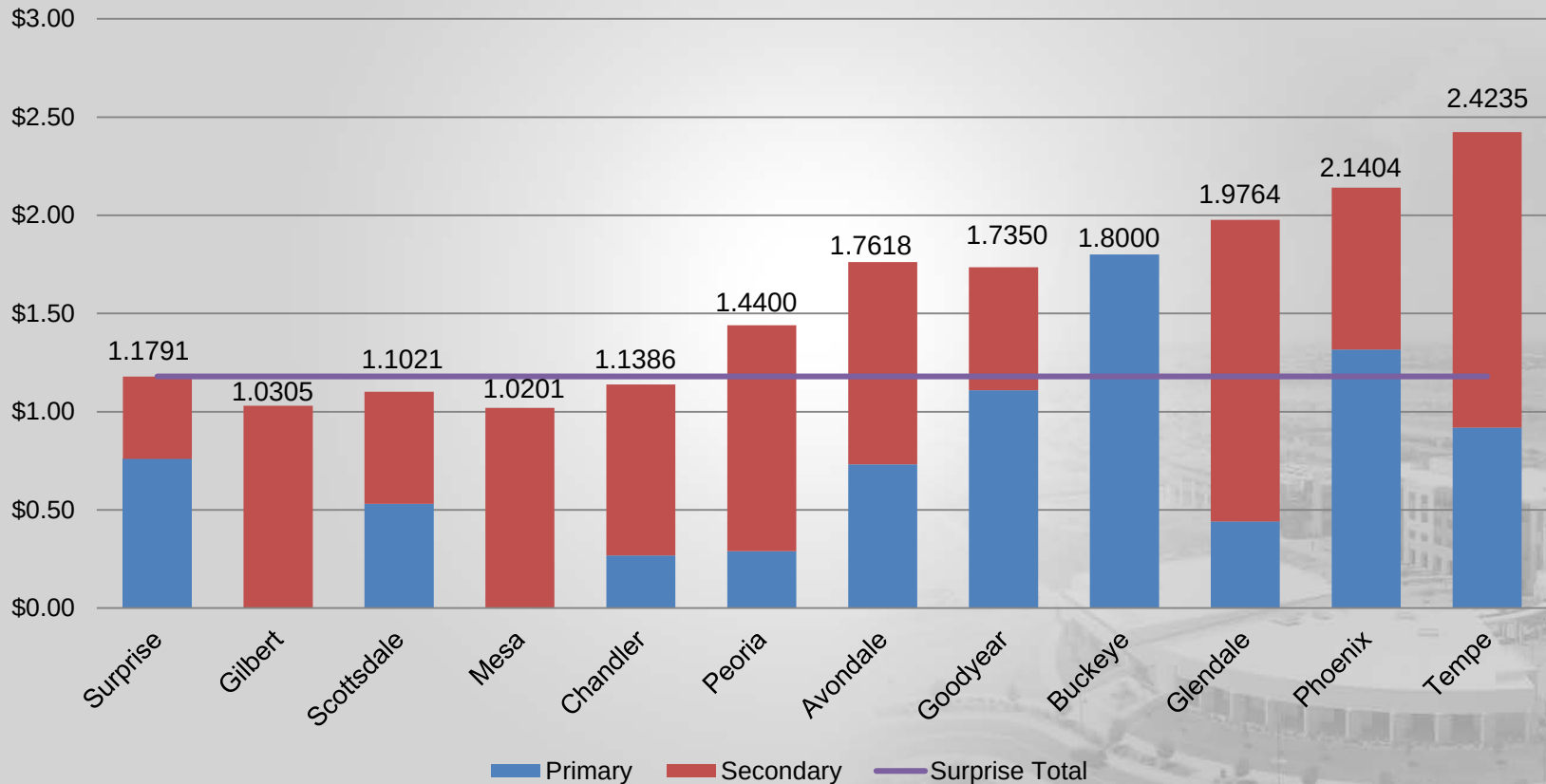
FY2019 Primary Property Tax

	Levy Rate	Levy Amount	\$ Increase	% Increase
FY2018	\$0.7591	\$7,431,400	-	-
Proposed FY2019	\$0.7591	\$7,879,900	\$448,500	6.0%
		<i>New Construction</i>	137,100	1.8%
		<i>Appreciation of Existing</i>	311,400	4.2%

FY2019 Secondary Property Tax

	Levy Rate	Levy Amount	Principal	Interest
Proposed FY2019	\$0.42	\$4,359,900	\$2.6M	\$1.8M

Property Tax Rate Comparison





SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

RESOLUTION # 2018-101

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA LEVYING \$0.7591 PER ONE HUNDRED DOLLARS (\$100.00) OF ASSESSED VALUATION OF PROPERTY WITHIN THE CITY TO BE COLLECTED AS PRIMARY TAXES AND LEVYING \$0.42 PER ONE HUNDRED DOLLARS (\$100.00) OF ASSESSED VALUATION OF PROPERTY WITHIN THE CITY TO BE COLLECTED AS SECONDARY TAXES FOR FISCAL YEAR 2019.

WHEREAS, the City Council is required by Arizona Revised Statutes § 42-17253 to adopt an annual tax levy based upon the rate to be assessed per each one hundred dollars (\$100.00) of assessed valuation of property within the City;

WHEREAS, the primary and secondary tax levy for Fiscal Year 2019 beginning July 1, 2018 must be adopted by resolution prior to the third Monday in August, and not less than fourteen days after adoption of the municipal budget;

WHEREAS, the municipal budget of the City of Surprise was adopted at a special meeting of the City Council held on June 5, 2018, at least fourteen days prior to the adoption of this Resolution; and

WHEREAS, the City has computed tax rates at \$0.7591 per one hundred dollars (\$100.00) of assessed valuation to be levied and collected as primary taxes and \$0.42 per one hundred dollars (\$100.00) of assessed valuation to be levied and collected as secondary taxes.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. That there is hereby levied, as a primary property tax, \$0.7591 per each one hundred dollars (\$100.00) of the assessed value of all property, both real and personal, within the corporate limits of the City, except such property as may be by law exempt from taxation, a primary property tax rate sufficient to raise the sum of seven million, eight hundred seventy-nine thousand, nine hundred dollars (\$7,879,900.00) for the fiscal year ending on June 30, 2019.

Section 2. That there is hereby levied, as a secondary property tax, \$0.42 per each one hundred dollars (\$100.00) of the assessed value of all property, both real and personal, within the corporate limits of the City, except such property as may be by law exempt from taxation, a secondary property tax rate sufficient to raise the sum of four million, three hundred fifty-nine thousand, nine hundred dollars (\$4,359,900.00) for the fiscal year ending on June 30, 2019.

Section 3. Any failure by the Maricopa County officials to properly return the delinquent tax list, irregularity in assessments or omissions in the same, or any irregularity in any proceedings shall not invalidate such proceedings nor invalidate any title conveyed by any tax deed, any sale or proceeding pursuant thereto, the validity of the assessment or levy of taxes, nor the judgment of sale by which the collection of taxes may be enforced. All actions by officers de facto shall be valid as if performed by officers de jure.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date:	June 19, 2018	Contact Person:	Lindsey Duncan/Holly Osborn, Finance
Submitting Department:	Finance Dept	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action setting forth the FY2019 levy of property tax rates for Street Light Improvement Districts (SLID) within the City; Resolution # 2018-102.

Motion:

I move to approve Resolution # 2018-102 (In accordance with A.R.S. Section 42-17107(A)(4), this motion must be by roll call vote).

Background:

On June 5, 2018, the Mayor and City Council held a public hearing on the proposed FY2019 SLID tax levy. Per Arizona Revised Statute 42-17107, a public hearing was held to receive public comment on the proposed SLID tax levies for fiscal year 2019. This hearing was published and advertised in accordance with State law. Adoption of Resolution # 2018-102 will set said SLID property tax levies.

Objective Analysis:

The Street Light Improvement Districts are established to levy a property tax within specific geographic areas to pay for costs of providing street lighting. These costs would otherwise be paid for through other operating sources.

Policy Compliant:

This item is consistent with City and Council policy as well as Arizona Revised Statutes.

Financial Impact:

For FY2019, a property tax will be levied upon the assessed valuation of property for Street Light Improvement Districts (SLID) at an amount up to the maximum rate of \$1.20 per \$100 of assessed value for each SLID. The levies will generate \$2,722,800 of revenue in total. The funds will be used to pay for electricity, maintenance, and administration fees associated with each SLID.

Budget Impact:

The proposed SLID tax levies are included as a part of the FY2019 Final Budget which was approved by Council on June 5, 2018.

FTE Impact:

No FTE impact will occur with this item.

ATTACHMENTS:

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 - ☐ [Presentation](#)
-

RESOLUTION 2018-102

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, SETTING FORTH THE LEVY OF PROPERTY TAX RATES FOR STREET LIGHTING IMPROVEMENT DISTRICTS.

WHEREAS, the provisions of Arizona Revised Statutes Section 48-616 require the governing body to levy taxes upon all property in municipal street lighting improvement districts necessary to pay the annual expenses of said districts;

WHEREAS, the City Council is required by Arizona Revised Statutes Section 42-17103 et seq. to hold a public hearing on or before the fourteenth day before the day on which it levies taxes, and the City council held such hearing on June 5, 2018; and

WHEREAS, the City has computed tax rates for Street Lighting Improvement Districts up to the maximum rate of \$1.20 for each one hundred dollars (\$100.00) of assessed valuation, as set forth on *Exhibit A* attached hereto.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. For each Street Lighting Improvement District as set forth in *Exhibit A*, attached and incorporated herein, there is hereby levied an amount not to exceed the maximum rate of \$1.20 on each one hundred dollars (\$100.00) of assessed valuation, to be collected as provided by law and for the purpose provided by law.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

EXHIBIT "A"

Street Light Improvement Districts

Expense Estimates and Levy Rates

Fiscal Year 2019



Street Light Improvement Districts Expense Estimates and Levy Rates Fiscal Year 2019

County Number / City District Name by Assessment Type		Net Assessed Value ¹	Estimated Expenses	Levy Amount	Levy Rate ²
Ad Valorem					
23667	Asante Parcel 1.16	40,442	1,100	400	0.9891
23641	Asante Phase 1	4,464,241	48,000	50,400	1.1290
23183	Ashton Ranch I	2,691,287	13,000	13,100	0.4868
23238	Ashton Ranch II	3,123,954	14,600	14,600	0.4674
23355	Ashton Ranch III	2,870,596	16,200	16,100	0.5609
23358	Ashton Ranch IV	2,830,902	11,800	11,800	0.4168
23698	Autoshow East 1 #126 (Coulter Nissan)	844,407	700	200	0.0237
TBD	Autoshow East 3 #132 (Toyota)	0	700	0	0.0000
23682	Autoshow NW #114 SLID	2,729,105	2,100	2,000	0.0733
23830	Autoshow West 1 #150	1,504,008	1,400	1,200	0.0798
23836	Autoshow West 2 #152	1,141,505	1,600	3,500	0.3066
23854	Bell Point II North #156	55,725	0	0	0.0000
23855	Bell Point II South #157	103,905	0	0	0.0000
23468	Bell Pointe I	4,747,541	22,400	22,400	0.4718
23193	Bell West Ranch	1,947,553	7,700	7,700	0.3954
23323	Bell West Ranch 1A	2,578,839	10,700	10,600	0.4110
23351	Bell West Ranch 1B	1,590,290	7,300	7,100	0.4465
23424	Bell West Ranch II	2,797,534	10,100	10,200	0.3646
23461	Bell West Ranch III	2,579,981	10,100	10,100	0.3915
23660	Cactus Ward LDS NONTAX	0	0	0	0.0000
23194	Canyon Ridge West	9,957,356	12,600	12,600	0.1265
23537	City @ Surprise Ph 1	2,422,808	7,900	7,900	0.3261
23125	Continental at Kingswood Parke	4,297,255	12,000	11,500	0.2676
23456	Cotton Gin	3,135,584	15,200	15,500	0.4943
23330	Countryside	8,237,544	32,100	32,300	0.3921
23590	Desert Oasis Lancer 5 A5B14A	3,055,219	28,800	28,600	0.9361
23450	Desert Oasis No. 1	5,802,044	19,700	19,700	0.3395
23700	Desert Oasis Pcl 13A	412,929	7,300	4,900	1.1866
23706	Desert Oasis Pcl 14C	1,991,207	8,200	8,200	0.4118
23258	Greenway Parc #1	3,312,682	18,900	19,000	0.5736
23329	Greenway Parc #2	2,902,090	15,700	15,500	0.5341
23268	Greenway Parc #3	768,806	5,900	5,800	0.7544
23525	Greer Ranch North Ph1	7,162,960	34,500	34,400	0.4802
23555	Greer Ranch North PH2	5,830,082	14,600	17,100	0.2933
23460	Greer Ranch South	11,519,270	42,900	41,900	0.3637
23644	Johnson Townhomes	474,215	1,200	1,300	0.2741
23469	Kenly Farms	3,402,699	11,600	11,700	0.3438
13980	Kingswood Parke	10,219,870	35,800	35,000	0.3425
23319	Legacy Parc	6,168,289	24,500	23,300	0.3777
23356	Legacy Parc G,H,I	2,635,471	14,700	14,600	0.5540
23419	Legacy Parc Parcels e, f, & j	3,105,258	10,400	10,400	0.3349
23449	Litchfield Manor	14,073,154	52,200	51,000	0.3624
23457	Marley Park I, p 1-4	6,507,312	28,000	28,200	0.4334
23521	Marley Park Ph 1, P 5, 6	4,339,152	17,000	17,100	0.3941
23512	Marley Park Ph 1, P 7, 8	3,397,206	10,800	10,800	0.3179
23566	Marley Park Ph 2, 9,11,12	3,828,128	14,300	14,400	0.3762
23135	Mountain Vista	7,523,777	19,200	19,400	0.2578
23191	Mountain Vista II	7,151,857	11,700	11,600	0.1622



Street Light Improvement Districts Expense Estimates and Levy Rates Fiscal Year 2019

County Number / City District Name by Assessment Type		Net Assessed Value ¹	Estimated Expenses	Levy Amount	Levy Rate ²
Ad Valorem					
23239	Mountain Vista III	5,183,231	17,800	17,900	0.3453
23267	Northwest Ranch #1	4,095,311	8,500	8,400	0.2051
23335	Northwest Ranch II	5,302,694	24,100	23,900	0.4507
23409	Orchards 1,2,3,4,5	7,796,793	29,000	29,200	0.3745
23686	Paradise #117 NONTAX	126	0	0	0.0000
23417	Parke Row	789,299	3,000	3,200	0.4054
23661	Quick Trip # 410	272,874	800	0	0.0000
23390	Rancho Gabriella - Phase I	8,962,048	28,200	28,100	0.3135
23401	Rancho Gabriella 2,3,4A-B	19,425,330	58,600	58,500	0.3012
23487	Rancho Gabriella Ph 2 pcl 11	1,115,726	3,600	3,500	0.3137
23536	Rancho Gabriella PH 3 pcl 17	1,248,423	3,700	3,700	0.2964
23336	Roseview Units 1-6	8,469,500	36,100	35,900	0.4239
23333	Roseview Units 5, 5a, 7, 8	5,226,593	19,300	19,300	0.3693
23542	Royal Ranch Unit 2, P7	1,992,302	6,700	0	0.0000
23524	Royal Ranch Unit 2, pcl 8	1,304,490	6,200	6,500	0.4983
23506	Royal Ranch Unit II, pcl 5,6,9	6,456,943	19,700	43,400	0.6721
23673	Santa Fe Ave #111	638,628	1,300	1,400	0.2192
23591	Sarah Ann Ranch	15,641,669	59,200	59,200	0.3785
23455	Sierra Montana Parcel 12	1,365,883	8,300	8,400	0.6150
23668	Sierra Montana Parcel 14	2,233,280	10,300	10,400	0.4657
23581	Sierra Montana Parcel 7	1,201,888	3,600	3,400	0.2829
23811	Sierra Montana Phase 1 Parcel G #141	520,214	4,400	3,600	0.6920
23448	Sierra Montana Phase II	12,763,209	38,500	38,200	0.2993
23510	Sierra Verde Parcel 4	1,403,700	3,400	3,400	0.2422
23467	Sierra Verde Ph I	8,391,902	37,300	37,500	0.4469
23458	Summerfield @ Litchfields	1,277,263	5,100	5,100	0.3993
23110	Sun City Grand (DW)	42,961,800	279,400	282,300	0.6571
23174	Sun City Grand II	116,367,622	483,800	489,600	0.4207
23184	Sun City Grand III	5,895,788	32,200	32,500	0.5512
23338	Sun City Grand IV	83,167,220	159,400	159,500	0.1918
23414	Surprise Farms 1A	12,398,145	40,600	40,300	0.3250
23444	Surprise Farms 1B	13,885,978	59,900	59,600	0.4292
23498	Surprise Farms Ph 2	11,135,176	44,500	44,900	0.4032
23517	Surprise Farms Ph 3	8,568,829	36,900	36,900	0.4306
23582	Surprise Farms PH 4, Par 1-6	10,041,351	31,700	31,800	0.3167
23654	Surprise Farms Phase 5	5,390,550	14,300	14,200	0.2634
23683	Surprise Medical Plaza SLID	1,248,382	3,400	3,500	0.2804
23645	Surprise Pointe CommI Subdivision	11,177,408	12,700	12,800	0.1145
23653	Surprise Valley Station (Trader Joe's)	822,091	1,100	1,200	0.1460
23563	Sycamore Estates Par 13	4,025,892	24,900	24,700	0.6135
23841	Sycamore Farms Parcel 12 Ph2 #138	323,522	7,500	3,800	1.1746
23405	Tash/Western Meadows	3,269,120	14,200	14,300	0.4374
23470	Veramonte	4,963,813	25,300	25,200	0.5077
23663	Westfield Commons	1,677,700	0	0	0.0000
23124	WestPoint Towne Center	16,787,968	69,700	69,500	0.4140
Total Ad Valorem			2,485,400	2,503,800	



Street Light Improvement Districts Expense Estimates and Levy Rates Fiscal Year 2019

County Number / City District Name by Assessment Type		# of Taxable Parcels ¹	Estimated Expenses	Levy Amount	Levy Rate ²
Equal Apportionment					
23838	Austin Ranch Parcel 1	440	27,500	6,000	13.63
23834	Austin Ranch West Parcel 4 #139	148	0	0	0.00
23708	Autoshow East 2 #127 (L Miller Dodge)	1	800	0	0.00
23670	Commerce Park East #109 SLID	58	3,900	4,000	67.79
23671	Coyote Lakes #95 SLID	761	35,600	36,000	47.30
23662	Crescent Crown #82	2	2,100	2,100	1,050.00
23819	Desert Oasis Parcel 11	71	4,000	2,900	40.84
23829	Desert Oasis Parcel 13B #151	116	0	0	0.00
23842	Desert Oasis Parcel L10 Sanverno	106	0	0	0.00
23676	Kingswood Parke #105 SLID	47	1,700	1,600	34.04
23809	Mariposa Acres #135	2	0	0	0.00
23666	Marley Park Parcel 12	156	12,800	14,500	92.94
23810	Marley Park Ph 4, #140	3	3,100	6,000	2,000.00
23790	Marley Park Phase 3	594	20,000	26,700	44.94
23665	Marley Park Plaza #91	9	1,300	1,300	144.44
23702	OTS Commercial B #123	4	2,100	2,200	550.00
23693	OTS Market Street #121 NONTAX	0	0	0	0.00
23674	Parkview Place #112	8	2,400	2,300	287.50
23434	Royal Ranch Unit I	545	20,800	20,900	38.34
23418	Sierra Montana Phase 1a	1,453	73,500	56,100	38.60
23692	Skyway Business Park #92	61	16,400	14,800	241.17
23669	Stadium Village Small A #107	9	7,300	7,300	811.11
23672	Stonebrook #103	164	4,800	4,800	29.26
23659	Surprse Farm Chrch 84 NONTAX	0	0	0	0.00
23808	Sycamore Farms Parcel 12 North #146	162	3,200	8,900	54.93
23694	Westgate #122	1	700	600	600.00
23807	Zanjero Trails PH 2 #133	343	0	0	0.00
Total Equal Apportionment			244,000	219,000	
Grand Total			2,729,400	2,722,800	

¹ Net Assessed Value based on Maricopa County Assessor's Office 2018 February State Abstract report.

² Levy rate per \$100 of assessed value for Ad Valorem assessments. Dollar levy per parcel for Equal Apportionment assessments.



Street Light Improvement District Property Tax

City Council Meeting

June 19, 2018

FY2019 SLID Property Tax

- Special districts that levy property tax to pay for costs associated with street lighting within the district
- Total levy amount of \$2,722,800
- 122 districts throughout the City
 - 108 active with expenses
 - 104 with levy amount for FY2019



SURPRISE

ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

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Council Meeting Date:	June 19, 2018	Contact Person:	Lindsey Duncan, Finance Director
Submitting Department:	Finance	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action approving the sale and execution and delivery of Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, evidencing proportionate interests of the holders thereof in a Series 2018 Purchase Agreement; Approving the form and authorizing the execution and delivery of such Series 2018 Purchase Agreement and other necessary agreements for such sale; Delegating authority to determine certain matters and terms with respect to the foregoing; Authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by the resolution and declaring an emergency. Resolution # 2018-99.

Motion:

I move to approve Resolution # 2018-99.

Background:

This item is for the refinancing of the Series 2007, Municipal Property Corporation obligations and the issuance of new obligations to facilitate the acquisition of the Circle City Water Company as approved by the electorate of the City during the May 15, 2018 special election. The refinancing and the new issuance debt will be City of Surprise Sr. Lien Combined Utility Revenue obligations. The members of the Council are required to approve Resolution 2018-99 to move forward with the proposed financing. The Preliminary Official Statement, Purchase Agreement, Obligation Indenture, Escrow Trust Agreement, and Obligation Purchase Contract are provided for consideration and review. Particular attention should be paid to the Preliminary Official Statement.

Objective Analysis:

This acquisition of the Circle City Water Company is consistent with the authorization of the electorate of the City of Surprise from the May 15, 2018 election. The obligation funds will be used for the acquisition of the Circle City Water Company and to refinance the Series 2007 Municipal Property Corporation obligations.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

This series of obligations will be issued for an amount not to exceed \$39,000,000. The intent with the sale of the obligations is to have annual principal and interest payments related to the series of \$3,240,000 that will be payable proportionately from the Water and Sewer Funds. Further, through the refunding of the Series 2007, Municipal Property Corporation obligations the City will reduce the obligations of the Sewer Fund by \$8,245,000.

Budget Impact:

The obligations will be secured by the net revenues (gross revenues less operations and maintenance expenses) of the Water, Sewer and Stormwater systems of the City. The water debt is expected to be repaid from the sale of water portfolio assets and sewer debt will be repaid through development impact fees in accordance with the repayment schedule established for the obligations. Principal and interest payments will be made over the course of the next 18 years. The first interest payment will be due January 1, 2019.

FTE Impact:

There is no impact to FTEs.

ATTACHMENTS:

Click to download

- ☐ [Preliminary Official Statement](#)
 - ☐ [Purchase Agreement](#)
 - ☐ [Obligation Indenture](#)
 - ☐ [Escrow Trust Agreement](#)
 - ☐ [Obligation Purchas Contract](#)
 - ☐ [Resolution #2018-99 Final Version](#)
-

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2018

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 installment payment made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by Holders of the 2018 Obligations (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 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 federal alternative minimum tax, including the federal alternative minimum tax on corporations for taxable years beginning before January 1, 2018, and certain other federal tax consequences of ownership of the 2018 Obligations.

\$37,855,000*
SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement,
Dated as of July 1, 2018*

Dated: Date of Initial Delivery

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

The \$37,855,000* principal amount of Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018 (the “2018 Obligations”) are being executed and delivered pursuant to a Series 2018 Obligation Indenture, to be dated as of July 1, 2018*, between the City of Surprise, Arizona (the “City”), and ZB, National Association, dba Zions Bank, as trustee (the “Trustee”). Interest with respect to the 2018 Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2019*. The 2018 Obligations will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of \$5,000 of principal represented by the 2018 Obligations due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the 2018 Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the 2018 Obligations. See Appendix H - “BOOK-ENTRY-ONLY SYSTEM.”

The 2018 Obligations are being executed and delivered for the purpose of (i) financing the costs of the New Project (as defined herein), (ii) refunding the Bonds Being Refunded (as defined herein) that financed the Existing Project (as defined herein) and (iii) paying costs incurred in connection with the execution and delivery of the 2018 Obligations. See “THE NEW PROJECT,” “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The 2018 Obligations will be subject to redemption prior to maturity as described herein. See “THE 2018 OBLIGATIONS - Redemption Provisions.”

The 2018 Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to the Series 2018 Purchase Agreement, to be dated as of July 1, 2018* (the “Purchase Agreement”), between the City and the Trustee in its separate capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and premium, if any, and interest on any Additional Obligations (as defined herein), will be payable solely from the Pledged Revenues (as defined herein) derived by the City from the operation of the City’s water, wastewater and stormwater management systems. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS” herein. The 2018 Obligations will not be general obligations of the City and will not constitute an indebtedness of the City when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional or statutory provisions, a charge against the general credit limitations imposed by constitutional or statutory provisions or against the general credit or taxing power of the City nor a liability of the City for payment of the 2018 Obligations other than from the sources described herein.

PLEASE BE ADVISED THAT INVESTMENT IN THE 2018 OBLIGATIONS INVOLVES A SIGNIFICANT DEGREE OF RISK AND IS SPECULATIVE IN NATURE AS DESCRIBED UNDER THE HEADING “RISK FACTORS” AND ELSEWHERE HEREIN. THE “RISK FACTORS” SECTION OF THIS OFFICIAL STATEMENT SHOULD BE REVIEWED PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE 2018 OBLIGATIONS.

The 2018 Obligations are offered when, as and if executed and delivered by the Trustee and received by the underwriter identified below (the “Underwriter”), subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the 2018 Obligations and tax-exemption. Certain legal matters will be passed upon for the Underwriter by its counsel, Gust Rosenfeld P.L.C. It is expected that the 2018 Obligations will be available for delivery through the facilities of DTC on or about July __, 2018*.

This cover page contains only a brief description of the 2018 Obligations and the security therefor. It is not intended to be a summary of material information with respect to the 2018 Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

RBC CAPITAL MARKETS

* Preliminary, subject to change.

\$37,855,000*
SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement,
Dated as of July 1, 2018*

MATURITY SCHEDULE*

<u>Principal Payment Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (a) ()</u>
2019	\$1,470,000			
2020	1,410,000			
2021	1,475,000			
2022	1,550,000			
2023	1,630,000			
2024	1,710,000			
2025	1,795,000			
2026	1,885,000			
2027	1,980,000			
2028	2,085,000			
2029	2,185,000			
2030	2,290,000			
2031	2,410,000			
2032	2,530,000			
2033	2,655,000			
2034	2,790,000			
2035	2,930,000			
2036	3,075,000			

* Preliminary, subject to change.

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CITY OF SURPRISE, ARIZONA

Incorporated 1960

MAYOR AND CITY COUNCIL

Sharon Wolcott, *Mayor*
Ken Remley, *Vice Mayor*
Patrick Duffy, *Councilmember*
Skip Hall, *Councilmember*
Nancy Hayden, *Councilmember*
Todd Tande, *Councilmember*
Roland Winters Jr. *Councilmember*

CITY ADMINISTRATIVE OFFICERS

Bob Wingenroth, *City Manager*
Michael Frazier, *Assistant City Manager*
Nicole Lance, *Assistant City Manager*
Lindsey Duncan, *Finance Director*
Andrea Davis, *Assistant Finance Director*
Terry Lowe, *Water Resource Management Director*
Robert Wingo, *City Attorney*
Sherry Aguilar, *City Clerk*

FINANCIAL ADVISOR

Wedbush Securities Inc.
Phoenix, Arizona

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

ZB, National Association, dba Zions Bank
Phoenix, Arizona

ESCROW TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, does not constitute an offering of any security other than the original offering of the 2018 Obligations identified on the cover page hereof. No person has been authorized by City of Surprise, Arizona (the “City”), Wedbush Securities Inc. (the “Financial Advisor”), or RBC Capital Markets, LLC (the “Underwriter”) to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by any of the foregoing.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future. 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 hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

None of the City, the Financial Advisor, the Underwriter, Special 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 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 in accordance with 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 OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The sale and execution and delivery of the 2018 Obligations have not been registered under the federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the sale and execution and delivery of the 2018 Obligations been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained herein in Appendix H – “BOOK-ENTRY-ONLY SYSTEM” has been furnished by The Depository Trust Company and no representation has been made by the City or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

The City has undertaken to provide continuing disclosure with respect to the 2018 Obligations as required by Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING SECONDARY MARKET DISCLOSURE” and Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

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Appendix C - CITY OF SURPRISE, ARIZONA, FINANCIAL INFORMATION

Appendix D - FORM OF OPINION OF SPECIAL COUNSEL

Appendix E - AUDITED FINANCIAL STATEMENTS OF THE CITY OF SURPRISE, ARIZONA FOR THE FISCAL
YEAR ENDED JUNE 30, 2017

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Appendix G - FORM OF CONTINUING DISCLOSURE UNDERTAKING

Appendix H - BOOK-ENTRY-ONLY SYSTEM

OFFICIAL STATEMENT

\$37,855,000*

**SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement,
Dated as of July 1, 2018***

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the \$37,855,000* principal amount of Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018 (the “2018 Obligations”), evidencing proportionate interests of the registered owners of each 2018 Obligation (the “Holders”), in certain installment payments (the “Purchase Payments” and collectively, the “Purchase Price”) to be paid by the City of Surprise, Arizona (the “City”), pursuant to a Series 2018 Purchase Agreement, to be dated as of July 1, 2018* (the “Purchase Agreement”), between ZB, National Association, dba Zions Bank (the “Trustee”), in its separate capacity as seller, and the City. The 2018 Obligations will be executed and delivered pursuant to a Series 2018 Obligation Indenture, to be dated as of July 1, 2018* (the “Indenture”), between the City and the Trustee in its separate capacity as trustee thereunder.

The offering of the 2018 Obligations is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2018 Obligations. Accordingly, prospective purchasers of the 2018 Obligations should read this entire Official Statement before making their investment decision.

All financial and other information presented in this Official Statement with respect to the City has been provided by representatives of the City from its records, except for information expressly attributed to other sources. The presentation of financial and other information, including tables of receipts from System (as defined herein) revenues and other sources, is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

References to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

For definitions of certain capitalized terms used in this Official Statement and not otherwise defined, as well as for certain provisions of the Purchase Agreement and the Indenture, see Appendix F – “2018 OBLIGATIONS DOCUMENTS SUMMARIES.”

THE 2018 OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the 2018 Obligations pursuant to the provisions of the Indenture and a resolution adopted by the Mayor and Council of the City on June 19, 2018 (the “Resolution”).

The 2018 Obligations are being executed and delivered for the purpose of (i) financing the costs of the New Project (as defined herein), (ii) refunding the Bonds Being Refunded (as defined herein), that were issued to finance the costs of a wastewater project in and for the City (the “Existing Project” and, together with the New Project, the “Projects”), and (iii) paying costs incurred in connection with the execution and delivery of the 2018 Obligations. See “THE NEW PROJECT,” “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

General Provisions

The 2018 Obligations will be dated the date of initial delivery thereof and will be issued in the form of fully registered obligations in amounts of \$5,000 of principal due on a maturity date or any integral multiple thereof. As described herein in Appendix H – “BOOK-ENTRY-ONLY SYSTEM,” the 2018 Obligations will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. So long as DTC, or its nominee, is the registered owner of all of the 2018 Obligations, all payments on the 2018 Obligations will be made directly to DTC for payment to the owners as described herein in Appendix H – “BOOK-ENTRY-ONLY SYSTEM.”

The 2018 Obligations will bear interest from their dated date, payable semiannually on January 1 and July 1 of each year, commencing January 1, 2019*. The 2018 Obligations will bear interest at the rates and will mature on the 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 2018 Obligations will be paid by the Trustee to the owners thereof (initially Cede & Co., as nominee of DTC) as shown on the registration books maintained by the Trustee, at the close of business on the fifteenth day of the month preceding each Obligation Payment Date (the “Record Date”). So long as the 2018 Obligations are in DTC’s book-entry-only system, and thereafter at the written request and expense of the owners of \$1,000,000 or more in aggregate principal amount of 2018 Obligations delivered to the Trustee prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.

Redemption Provisions*

The 2018 Obligations maturing before or on July 1, 2028, are not subject to redemption prior to maturity. The 2018 Obligations maturing on or after July 1, 2029, are subject to redemption, in whole or in part on any date on or after July 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the principal amount of each 2018 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Notice of and Procedure for Redemption

Notice of any redemption will be sent by first-class mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holder of each 2018 Obligation, initially DTC, to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee or at such other address as may be furnished by such Holders to the Trustee.

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of such 2018 Obligations called for redemption will become due and payable and that, from and after such date, the 2018 Obligations being redeemed will cease to accrue interest; provided, that no notice of redemption shall be sent unless (i) the Trustee has on deposit funds to effect such redemption or (ii) such redemption notice states that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of the 2018 Obligations being redeemed on the redemption date.

SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS

General

For the amounts payable pursuant to the Purchase Agreement (including the Purchase Price), the Trustee, in its separate capacity as seller, will sell and convey to the City, and the City will purchase from the Trustee, in its separate capacity as seller, the Projects and any leasehold interests in the real property related to the Projects with the proceeds of the 2018 Obligations.

The 2018 Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the 2018 Obligations. During the term of the Purchase Agreement, the Purchase Payments

* Preliminary, subject to change.

will be required to be made regardless of damage to the Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the water, wastewater and stormwater management systems of the City (collectively, the “System”). The obligations of the City to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the 2018 Obligations in any portion of the Projects or the System. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the Projects or any portion of the System. For a description of events of default and remedies under the Purchase Agreement, see Appendix F – “2018 OBLIGATIONS DOCUMENTS SUMMARIES – The Purchase Agreement – Purchase Events of Default” and “– Remedies on Default by City.” For information concerning the System, see Appendix A – “CITY OF SURPRISE, ARIZONA, THE SYSTEM.”

Source of Purchase Payments

The obligation of the City to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a first lien on, pledge of, and security interest in the Pledged Revenues. “Pledged Revenues” are Revenues (including any unrestricted fund balances of the System) remaining after deducting Operating Expenses subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. “Revenues” are all income, moneys and receipts derived by the City from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) all development impact fees, (ii) any amounts received that the City is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (iii) the proceeds of the 2018 Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any 2018 Obligations or Additional Obligations, or (iv) any non-cash capital contributions received by the City for the use and operation of the System. “Operating Expenses,” when used with regard to the 2018 Obligations and Additional Obligations, are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including depreciation or loss on disposal or transfer of assets, (ii) principal and interest requirements on the 2018 Obligations and Additional Obligations, (iii) payments required to be made by the City for deposit into a debt service reserve account with respect to the 2018 Obligations or Additional Obligations, and (iv) any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”) with respect to the 2018 Obligations and Additional Obligations.

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

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the 2018 Obligations and the Additional Obligations, according to their terms and to make other payments specified. None of the 2018 Obligations or any of the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the issuance or incurrence of the 2018 Obligations or any of the Additional Obligations in series or the delivery of the 2018 Obligations or any of the Additional Obligations prior to the delivery of the 2018 Obligations or any other of the Additional Obligations of that series or regardless of the time or times the 2018 Obligations or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The 2018 Obligations and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefor.

Neither the 2018 Obligations nor the obligations of the City pursuant to the Purchase Agreement constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof for constitutional or statutory purposes. The 2018 Obligations do not obligate the City to levy or pledge any form of ad valorem or other taxes. The 2018 Obligations are a limited obligation of the City secured solely by Pledged Revenues and otherwise as provided in the Resolution and the Purchase Agreement.

Contingent Debt Service Reserve Account

The Indenture establishes the Debt Service Reserve Account within the Obligation Fund for the benefit of the 2018 Obligations, but not Additional Obligations that may be subsequently issued. The Purchase Agreement provides that no deposit needs to be made to the Debt Service Reserve Account unless after any Fiscal Year the Pledged Revenues are less

than 175 percent of the Parity Lien Test Debt Service. “Parity Lien Test Debt Service” is the highest aggregate Principal Requirement and Interest Requirement of all 2018 Obligations and Additional Obligations then Outstanding, including the Additional Obligations to be issued, to fall due and payable in the current or any future Bond Year. On the July 15 following the Fiscal Year of the City in which the Pledged Revenues are less than 175 percent of the Parity Lien Test Debt Service, and each January 15 and July 15 thereafter, the City will deposit into the Debt Service Reserve Account an amount equal to one-tenth (1/10) of the amount required to fund and maintain the Debt Service Reserve Account in an amount equal to the Reserve Requirement until such time as the amount on deposit in the Debt Service Reserve Account equals the Reserve Requirement. Also, on the fifteenth day of each month, commencing on the first day of the month following a payment made on the 2018 Obligations from the Debt Service Reserve Account, the City will deposit an amount equal to one-twelfth (1/12) of the amount which, when added to the balance then in the Debt Service Reserve Account, equals the Reserve Requirement. The Indenture permits the City to substitute a surety bond for any cash on deposit in the Debt Service Reserve Account at any time and vice versa. The Indenture provides that under certain circumstances, the amounts in the Debt Service Reserve Account may be released and used by the City for any lawful purpose. See Appendix F – “2018 OBLIGATIONS DOCUMENTS SUMMARIES – The Indenture – Flow of Funds Into the Obligation Fund” and “ – Flow of Funds Out of the Obligation Fund.”

Repair and Replacement Fund

The Purchase Agreement establishes the Repair and Replacement Fund. Amounts in the Repair and Replacement Fund will be used for making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense. The amount required to fund the Repair and Replacement Fund is equal to two percent of the value of the net tangible assets of the System at the end of the preceding fiscal year (the “Repair and Replacement Fund Funding Requirement”). On February 1, 2019 and on each February 1 thereafter, there shall be deposited an amount equal to the Repair and Replacement Fund Funding Requirement to the Repair and Replacement Fund; provided that at such time or times as there is on deposit in the Repair and Replacement Fund an amount at least equal to the Repair and Replacement Fund Funding Requirement as shown in the City’s most recent audited financial statements, no amounts need to be deposited to the Repair and Replacement Fund. See Appendix F – “2018 OBLIGATIONS DOCUMENTS SUMMARIES – The Purchase Agreement – Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund.”

Rate Covenant

The City has covenanted and agreed in the Purchase Agreement to establish and maintain rates, fees, and charges for all services supplied by the System to provide Pledged Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) Pledged Revenues in each Fiscal Year equal to at least 125 percent of the Principal Requirement and the Interest Requirement on all 2018 Obligations and Additional Obligations then Outstanding for the corresponding Bond Year (treating any Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and treating any 2018 Obligations and Additional Obligations then Outstanding subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility, due and owing in such Fiscal Year.

Additional Obligations; No Prior Obligations

Pursuant to the provisions of the Purchase Agreement, the City may, in the future, incur Additional Obligations if there is not any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 125 percent of the Parity Lien Test Debt Service including such Additional Obligations to be issued and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

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

THE NEW PROJECT

A portion of the proceeds of the 2018 Obligations, along with contributed System funds, will be used to pay the costs to acquire all or a portion of the plant and/or property of Circle City Water Company (the “New Project”). The New Project is located in the northern part of the City’s planning and future water service areas. The New Project will increase the City’s allocation of Central Arizona Project (“CAP”) water by more than 38 percent. CAP water is currently the only renewable surface water supply available to the City. See Appendix A – “CITY OF SURPRISE, ARIZONA, THE SYSTEM.”

PLAN OF REFUNDING

A portion of the proceeds of the 2018 Obligations, together with other legally available funds of the City, will be placed in a trust fund with Wells Fargo Bank, National Association, as escrow trustee under an Escrow Trust Agreement, to be dated as of July 1, 2018* (the “Escrow Trust Agreement”), and will be used to acquire certain obligations of, or guaranteed as to principal and interest by, the United States of America (“Government Obligations”), in amounts sufficient, without reinvestment, to pay, when due, the principal and redemption price of and interest on the below-described obligations of the City of Surprise Municipal Property Corporation (the “Bonds Being Refunded”), which are being refunded as follows:

Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007

Maturity Date (April 1)	Principal Amount Outstanding	Amount Being Refunded	Redemption Date	Redemption Price	CUSIP No. (a)
2022	\$14,500,000	\$8,770,000	10/1/2018	100.00%	86888YAC5
2032	25,000,000	25,000,000	10/1/2018	100.00	86888YAD3
		<u>\$33,770,000</u>			

(a) See footnote (a) on inside front cover page.

See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein. Upon delivery of the 2018 Obligations and such deposit of the proceeds, the Bonds Being Refunded will no longer be outstanding under the indenture pursuant to which they were issued.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the City, on or before the settlement date of the 2018 Obligations, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants (“AICPA”), the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Bonds Being Refunded and (b) the mathematical computations of yield used by Special Counsel to support its opinion that interest on the 2018 Obligations will be excluded from gross income for federal income tax purposes.

Grant Thornton LLP relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Grant Thornton LLP has relied on any information provided to it by the City’s retained advisors, consultants or legal counsel. Grant Thornton LLP was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2018 Obligations, together with other funds of the City, will be applied as follows:

Sources of Funds:

Principal Amount of 2018 Obligations	\$
Net Original Issue Premium/(Discount)	
Debt Service Reserve Fund Transfer	
Other City Contributions	_____
Total Sources	\$ _____

Uses of Funds:

Deposit to Improvements Fund	\$
Deposit to Escrow Trustee	
Payment of Costs of Issuance (a)	_____
Total Uses	\$ _____

(a) Costs related to the execution and delivery of the 2018 Obligations, including Underwriter's compensation.

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ESTIMATED DEBT SERVICE REQUIREMENTS AND ESTIMATED DEBT SERVICE COVERAGE*

The following schedule illustrates the estimated debt service requirements of the 2018 Obligations and the estimated debt service coverage ratio for such total annual debt service requirements provided by the Pledged Revenues for fiscal year 2017.

City of Surprise, Arizona Schedule of Annual Senior Lien Utility Revenue Obligation Estimated Debt Service Requirements and Estimated Debt Service Coverage* (a)

Fiscal Year	Pledged Revenues (b)	The 2018 Obligations		Total Debt Service Requirements	Estimated Debt Service Coverage (d)
		Principal	Interest (c)		
2017	\$13,485,037				
2018					
2019		\$1,470,000	\$1,761,353	\$3,231,353	
2020		1,410,000	1,819,250	3,229,250	
2021		1,475,000	1,748,750	3,223,750	
2022		1,550,000	1,675,000	3,225,000	
2023		1,630,000	1,597,500	3,227,500	
2024		1,710,000	1,516,000	3,226,000	
2025		1,795,000	1,430,500	3,225,500	
2026		1,885,000	1,340,750	3,225,750	
2027		1,980,000	1,246,500	3,226,500	
2028		2,085,000	1,147,500	3,232,500	4.17x
2029		2,185,000	1,043,250	3,228,250	
2030		2,290,000	934,000	3,224,000	
2031		2,410,000	819,500	3,229,500	
2032		2,530,000	699,000	3,229,000	
2033		2,655,000	572,500	3,227,500	
2034		2,790,000	439,750	3,229,750	
2035		2,930,000	300,250	3,230,250	
2036		3,075,000	153,750	3,228,750	
		<u>\$37,855,000</u>		<u>\$58,100,103</u>	

(a) Prepared by the Financial Advisor (as defined herein).

(b) Represents Pledged Revenues for fiscal year 2017. See Appendix A – “CITY OF SURPRISE, ARIZONA – THE SYSTEM – COMBINED STATEMENT OF OPERATIONS” herein.

(c) Interest is estimated. The first interest payment on the 2018 Obligations will be due January 1, 2019*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the final maturity, or prior redemption, of the 2018 Obligations.

(d) Estimated debt service coverage is computed using Pledged Revenues for fiscal year 2017 divided by the maximum annual debt service on the 2018 Obligations.

* Preliminary, subject to change.

RISK FACTORS

Investment in the 2018 Obligations involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the 2018 Obligations for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the 2018 Obligations. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The obligation of the City under the Purchase Agreement will not constitute a debt or a pledge of the full faith and credit of the City, the State or any other political subdivision thereof. The City will not pledge any form of ad valorem property taxes to the payment of the 2018 Obligations. The 2018 Obligations will be special, limited obligations of the City, secured only by Purchase Payments which are to be paid from, and secured by a pledge of, the Pledged Revenues. No security interest will be held by the Trustee for the benefit of the owners of the 2018 Obligations in any portion of the System. Remedies available to the Trustee upon a failure of the City to make Purchase Payments when due will be generally limited to specific performance against the City to payment from the Pledged Revenues.

No assurance can be made that the Pledged Revenues, estimated or otherwise, will be realized by the City in amounts sufficient to pay Purchase Payments. In addition, the realization of future Pledged Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water, wastewater and stormwater management services to its customers, and the ability of the City to meet its covenant to fix, prescribe, and collect rates and charges for the System in amounts sufficient to timely pay Purchase Payments. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS – Rate Covenant.” Additional obligations may be incurred in the future that are secured, on a parity with the 2018 Obligations, by the Pledged Revenues. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS – Additional Obligations; No Prior Obligations.”

No Funded Debt Service Reserve Account

The City will not make an initial deposit to the Debt Service Reserve Account. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS – Contingent Debt Service Reserve Account.” In addition, the Indenture provides that, under certain circumstances, amounts in the Debt Service Reserve Account may be released and used by the City for any lawful purpose.

System Expenses and Future Rates

Increases in expenses could require a significant increase in rates or charges in order to pay for projects and to pay the debt service on any 2018 Obligations, including, without limitation, Purchase Payments securing the 2018 Obligations. Also, any such rate increases could increase the likelihood of nonpayment by purchasers of water, wastewater and stormwater management services from the City and could also decrease demand from such purchasers and may impact the City’s ability to make Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the 2018 Obligations.

System Demand

There can be no assurance that the local demand for the services provided by the System will be maintained at levels described in this Official Statement. Because of the potential for changes in demographics within the boundaries of the City, it is possible for the demand for water, wastewater and stormwater management services to decline over the term of the 2018 Obligations. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in customers or usage. This could reduce the City’s ability to make Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the 2018 Obligations as and when due.

Water Supply and Drought Conditions

The ability of the System to operate effectively can be affected by the water supply available to the City, which is situated in a desert environment. If the water supply decreases significantly, whether by operation or mandatory supply restrictions, prohibitively high water costs or otherwise, System sales may diminish and Pledged Revenues available to pay Purchase

Payments may be adversely affected. The City has planned and managed reserve supplies to account for normal occurrences of drought conditions.

The Colorado River System has experienced over-allocation and extensive drought conditions for 18 years, resulting in Lake Mead dropping to historically low reservoir levels. As reservoir levels in Lake Mead drop, different tiers of water supply reductions affect the State, Nevada and Mexico. The water level elevation is approximately 1,083 feet as of May 15, 2018. A tier 1 reduction occurs when the water level falls below 1,075 feet; a tier 2 reduction occurs when water levels fall below 1,050 feet, and a tier 3 reduction occurs when water levels fall below 1,025 feet. The City's water supply that comes from the Colorado River System will remain at 100% until water levels fall below tier 3, which would result in a reduction of the City's total water portfolio. See Appendix A – "CITY OF SURPRISE, ARIZONA – THE SYSTEM."

Security of the System

To ensure water quality and delivery service are maintained, the City continually plans and prepares for emergency situations such as fire, power failure, or possible terrorist activities. There can be no assurance that any existing or additional safety and security measures will prove adequate in the event of an emergency situation affecting the System, or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the System could require the City to increase expenditures for repairs to the System significantly enough to adversely impact the City's ability to make Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the 2018 Obligations.

Factors Adversely Affecting Development

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

In areas of substantial growth, such as the City, public and or political attitudes toward growth are subject to shifts from support for growth to opposition to growth. Although growth cannot be prevented, no assurance can be given that the City Council as now constituted or a future City Council will not delay or defer action required for continued growth. Such action by the City Council as now constituted or a future City Council could have a material adverse impact on future development impact fee ("DIF") collections. See Appendix A – "CITY OF SURPRISE, ARIZONA, THE SYSTEM – DEVELOPMENT AGREEMENTS."

Limitations on Remedies

Any remedies available to the owners of the 2018 Obligations upon the occurrence of an Indenture Event of Default or a Purchase Event of Default (both as defined in Appendix F – "2018 OBLIGATIONS DOCUMENTS SUMMARIES") will be in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the owners of the 2018 Obligations, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, receivership, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2018 Obligations to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The opinion to be delivered by Special Counsel, concurrently with the execution and delivery of the 2018 Obligations, that the 2018 Obligations constitute valid and binding limited obligations of the City and the Indenture constitutes a valid and binding obligation of the City will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and

delivery of the 2018 Obligations will be similarly qualified. See Appendix D – “FORM OF OPINION OF SPECIAL COUNSEL.”

If the City fails to comply with its covenants under the Purchase Agreement to pay the Purchase Payments, there can be no assurance of the availability, or timeliness, of remedies adequate to protect the interests of the holders of the 2018 Obligations.

Statutory and Regulatory Compliance; Future Legislation

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

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

No assurance can be given that the cost of compliance with such laws, regulations, and orders would not adversely affect the ability of the System to generate Pledged Revenues sufficient to pay the debt service on any 2018 Obligations or Additional Obligations, including, without limitation, the Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the 2018 Obligations.

Limited Secondary Market for the 2018 Obligations

There can be no guarantee that there will ever be a secondary market for purchase or sale of the 2018 Obligations or, if a secondary market exists, that the 2018 Obligations can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Loss of Tax Exemption on the 2018 Obligations

As discussed under heading “TAX EXEMPTION,” interest on the 2018 Obligations could become included in gross income for purposes of federal income taxation, retroactive to the date the 2018 Obligations were executed and delivered, as a result of future acts or omissions of the City in violation of its covenants in the Indenture and the Purchase Agreement.

Economic, Political, Social, and Environmental Conditions

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

LITIGATION

To the knowledge of appropriate representatives of the City, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin, the execution or delivery of the Purchase Agreement, the Indenture or the 2018 Obligations, or the pledge and/or collection of Pledged Revenues to pay the Purchase Payments

corresponding to the payment of principal of, and interest on, the 2018 Obligations; contesting or questioning the proceedings and authority under which the Purchase Agreement, the Indenture or the 2018 Obligations have been authorized and are to be sold, executed or delivered, or the validity of the 2018 Obligations.

The City is party to various lawsuits and other claims incidental to the ordinary course of its operations. The City's management believes, based on the advice of the City Attorney, that the resolution of such matters will not have a materially adverse effect on the City's financial position or the financings of the System or the Pledged Revenues. Certificates of appropriate representatives of the City to that effect will be delivered at the time of the original delivery of the 2018 Obligations.

TAX EXEMPTION

The Code includes requirements which the City must continue to meet after the execution and delivery of the 2018 Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Holders of the 2018 Obligations (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 2018 Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion 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. Federal legislation enacted in 2017 eliminates the federal alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisors regarding the federal alternative minimum tax implications of owning the 2018 Obligations. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the 2018 Obligations. Prospective purchasers of the 2018 Obligations 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 2018 Obligations. Prospective purchasers of 2018 Obligations should be aware that the ownership of 2018 Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the 2018 Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year 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 2018 Obligations. Prospective purchasers of the 2018 Obligations 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 2018 Obligations (“Discount Obligations”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2018 Obligations, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

Certain of the 2018 Obligations (“Premium Obligations”) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Obligation, the owner’s tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation.

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

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the 2018 Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the 2018 Obligations. Prospective purchasers of the 2018 Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the 2018 Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the 2018 Obligations, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the 2018 Obligations and proceeds from the sale of the 2018 Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the 2018 Obligations. This withholding generally applies if the owner of the 2018 Obligations (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2018 Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the 2018 Obligations and with regard to the tax-exempt status of the interest portion of the 2018 Obligations 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 2018 Obligations, will be delivered to the Underwriter (as defined herein) at the time of original delivery of the 2018 Obligations.

The proposed text of the legal opinion is set forth as Appendix D – “FORM OF OPINION OF SPECIAL COUNSEL.” The legal opinion to be delivered may vary from the text of Appendix D 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 2018 Obligations subsequent to the original delivery of the 2018 Obligations.

Certain legal matters will be passed upon for the Underwriter by Gust Rosenfeld P.L.C., as counsel to the Underwriter. See “RELATIONSHIPS AMONG PARTIES.”

RATING

Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “__” to the Bonds. Such rating will reflect only the view of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at 55 Water Street, 38th Floor, New York, New York 10041-0003. Such rating is not a recommendation to buy, sell or hold the 2018 Obligations and there is no assurance that such rating will continue for any given period of time and may be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The City has covenanted in its continuing disclosure undertaking with respect to the Bonds that it will file, among other things, notice of any formal change in any such rating relating to the Bonds. See “CONTINUING SECONDARY MARKET DISCLOSURE” and Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

RELATIONSHIPS AMONG PARTIES

Special Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings of the City and has acted or is acting as bond or special counsel with respect to other obligations underwritten by the Underwriter and may do so in the future.

Counsel to the Underwriter has acted as bond counsel or special counsel in other transactions underwritten by the Underwriter and may do so in the future.

As noted above, Gust Rosenfeld P.L.C. is acting as counsel to the Underwriter. Gust Rosenfeld P.L.C. also presently represents the City with regard to certain ongoing general municipal law matters unrelated to the execution and delivery of the 2018 Obligations. The City and the Underwriter have agreed that Gust Rosenfeld P.L.C. may represent each of them simultaneously in connection with the execution and delivery of the 2018 Obligations and the unrelated general municipal law matters, and have consented to and approved such representations.

The Underwriter and the Financial Advisor have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”), has agreed to purchase the 2018 Obligations, subject to certain conditions, at a purchase price of \$_____. If the 2018 Obligations are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$_____. The Underwriter will be obligated to accept delivery and pay for all of the 2018 Obligations if any are delivered. The Underwriter may offer and sell the 2018 Obligations to certain dealers (including dealers depositing 2018 Obligations into unit investment trusts) and others at prices lower than the public offering prices reflected on the inside front cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

FINANCIAL ADVISOR

Wedbush Securities Inc. (the “Financial Advisor”), has been engaged by the City for the purpose of advising the City as to certain debt service structuring matters specific to the 2018 Obligations and on certain matters relative to the City’s overall debt financing program. The Financial Advisor’s fee for services rendered with respect to the sale of the 2018 Obligations is contingent upon the execution and delivery of the 2018 Obligations. The Financial Advisor has assisted in the assembly and preparation of this Official Statement at the direction and on behalf of the City. No person is entitled to rely on the Financial Advisor’s participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

CONTINUING SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of holders of the 2018 Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2019 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”). The Annual Reports and the Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system as described in Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices is set forth in Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

These covenants have been made in order to assist the Underwriter of the 2018 Obligations in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). Pursuant to Arizona law, the ability of the City to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and disseminating the Annual Reports and the Notices to the MSRB. 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 2018 Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2018 Obligations and their market price.

FINANCIAL STATEMENTS

The financial statements of the City for the Fiscal Year ended June 30, 2017, which are included as Appendix E to this Official Statement, have been audited by CliftonLarsonAllen LLP, as stated in its opinion which appears in Appendix E. 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.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement, the Purchase Agreement and the Indenture may be obtained from Wedbush Securities Inc., 14851 North Scottsdale Road, Suite 201, Scottsdale, Arizona 85254 (telephone 480-778-8595).

CONCLUDING STATEMENT

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

other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the 2018 Obligations.

CITY OF SURPRISE, ARIZONA

By: _____
Mayor

**CITY OF SURPRISE, ARIZONA
THE SYSTEM****General**

The City's Water Resource Management Department is responsible for the City's water, wastewater, and stormwater management systems. The City provides: water treatment, storage, and delivery services, and distribution networks (the "Water System"); wastewater collection, treatment plants, and recharge facilities (the "Wastewater System"); and, stormwater management (the "Stormwater System" and, along with the Water System and the Wastewater System, the "System").

The City's planning area is 302 square miles broken up into six special planning areas ("SPAs") in accordance with the City's General Plan. Further information regarding the City's General Plan can be found at <https://www.surpriseaz.gov/3062/General-Plan-2035>. Currently the City's incorporated land area is 108 square miles. See the map of the City's planning area and SPAs at the end of this Appendix.

System Finances

The City charges for System services, which consist of rates and fees for residential and commercial connection to the System. Charges for System services pay all costs associated with the System's operations.

For fiscal years 2015 through and including 2019 the City's water rates increase annually by 8.25 percent while wastewater rates were unchanged for that period. The City's System utility rate reports can be found at <https://www.surpriseaz.gov/1503/Utility-Billing-Rates>.

In 2014 the City completed an external rate study for City-provided water and wastewater services. The study recommended a multi-year rate increase for the Water System and did not recommend an increase for the Wastewater System. On March 4, 2014 the Mayor and City Council approved an annual 8.25 percent rate increase for the Water System for fiscal years 2015 through and including 2019. In fiscal year 2018 the City began an internal rate study that encompasses fiscal years 2020 through 2025. This study recommends one-time fees for all services and will go before Mayor and City Council for approval in November 2018. Any changes to rates and/or fees will become effective January 1, 2019.

In February 2016 the City completed an external study for the establishment of a stormwater utility. On March 15, 2016, the Mayor and Council approved establishment of the stormwater utility and declared their intent to establish stormwater rates. On May 17, 2016, the Council approved the Stormwater System rates, which became effective November 1, 2016, for fiscal years 2017 through and including 2021.

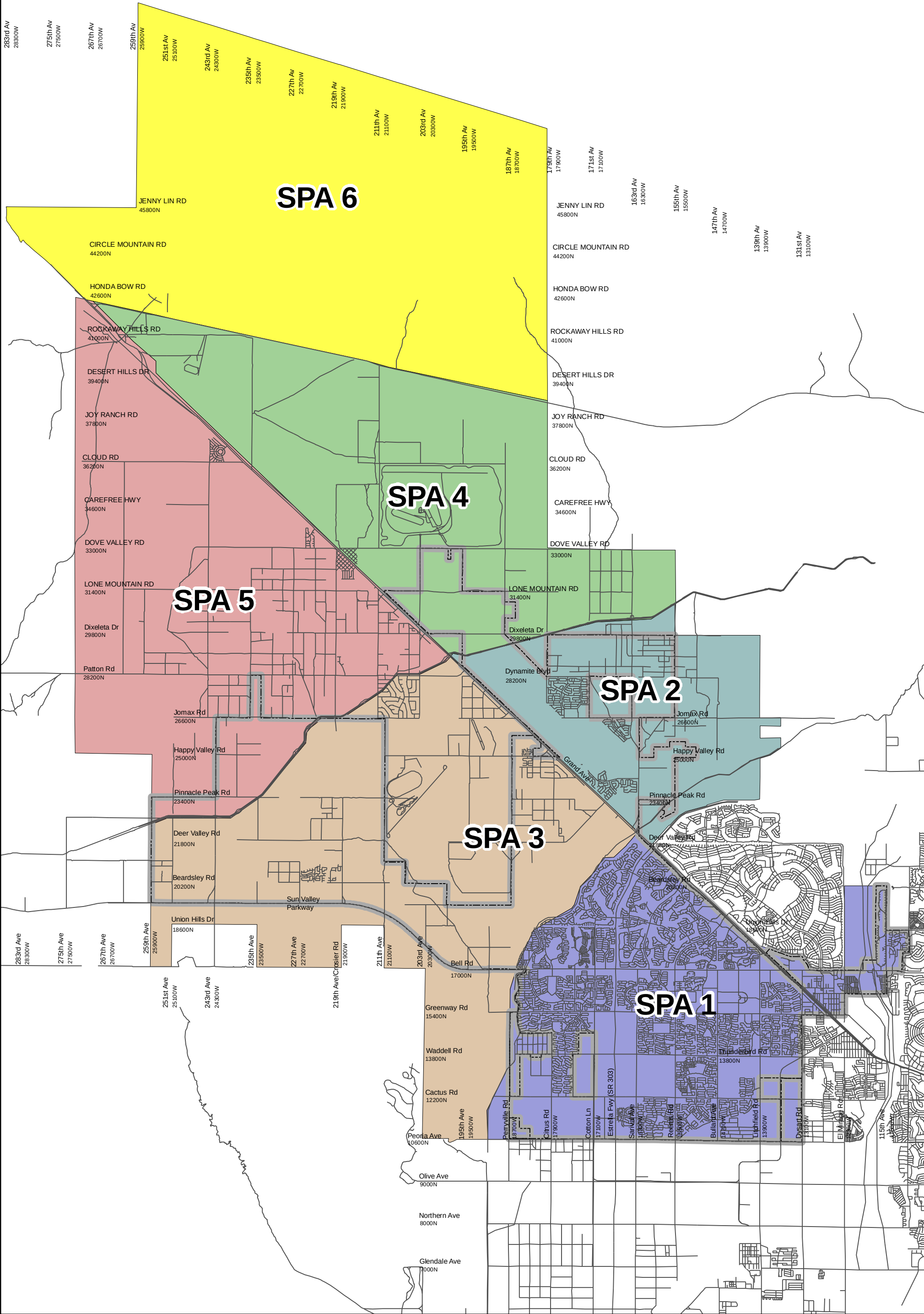
THE WATER SYSTEM

The City's water planning area consists of approximately 245 square miles, of which approximately 63 square miles are within the City's existing corporate limits. The Water System currently provides water service to approximately 15,500 customers within 21 square miles. In addition to the Water System, there are six private water companies which provide water service to approximately 35,000 customers within the City's corporate limits.

The City employs eighteen full time employees for the maintenance and operation of the Water System, consisting of five water supply facilities ("WSFs") and sixteen wells within SPA1 and SPA2. The Water System produces approximately 6.8 million gallons of potable water per day ("MGD") and has 12.8 million gallons of storage. Within the next two years, a WSF and well will be added to the Water System in SPA2. Within the next 5 years, a second WSF and two wells will be added to the Water System in SPA3. The majority of these Water System additions are expected to be constructed by developers and, by agreement, dedicated to the City. See "DEVELOPMENT AGREEMENTS" in this Appendix

The City's Integrated Water Master Plan (the "IWMP"), updated every five years, provides guidance to the City to ensure an adequate water supply. The IWMP addresses water supply management during periods of normal and reduced water supply and provides an action plan for ensuring the delivery of water to its customers. The City can enhance its water supply as necessary through guidelines that include: the acquisition of renewable water rights to add to existing water recharge conveyance infrastructure; developing City-owned recharge capacity for renewable water; applying to the State for a drought pumping exemption, if necessary; utilizing other groundwater savings facilities for renewable water recharge;

Special Planning Area Map



purchasing extinguishment and long-term storage credits, if available, if CAP supplies are reduced; and, increasing supplies by utilizing existing emergency connections with other partners.

Water Supplies

The Arizona Department of Water Resources (the “ADWR”) established the Assured Water Supply (the “AWS”) program to address the problem of limited groundwater supplies in Arizona. The AWS is based on demonstration of a 100-year water supply considering current and committed demand, as well as growth predictions. To meet the AWS criteria, municipalities must demonstrate the legal, continuous, and physical availability of water as well as the financial capability to construct water delivery, storage, and treatment facilities.

In 2010 the City received its re-designation proving AWS of 16,717 acre-feet (“AF”) through the year 2110. The City must certify this availability every 10 years. At the end of 2020, the City will seek recertification for another 100-year period ending 2120.

In 2017 the City’s water demand was approximately 8,300 AF.

The City’s water supply at December 31, 2017 consists of the following:

<u>Water Supply Source</u>	<u>Supply (AF)</u>
Long-Term Storage Credits	41,663
Extinguishment Credits	37,314
Central Arizona Project	10,249
Reclaimed Water	5,403
Groundwater	1,032

Long-Term Storage Credits. Annual and long-term storage credits are accrued by recharging renewable supplies (CAP and reclaimed water), which can be used to offset groundwater pumping. Unused credits of recharged renewable supplies become long-term storage credits (“LTSCs”) and are available for use to offset future groundwater pumping. In 2017, the City accrued 9,372 acre-feet (AF) worth of LTSCs.

Extinguishment Credits. Extinguishment credits (“ECs”) are generated when grandfathered groundwater rights, associated with agricultural lands, are extinguished as part of land being developed for other uses. The City amassed the majority of its ECs when agricultural lands in the City were developed into non-agricultural uses. The City can continue to acquire ECs as long as agricultural land exists within the City’s water service area or it can purchase ECs from others who possess those credits. The City receives credit towards its designated AWS requirements through the pledge of ECs.

Central Arizona Project. The CAP was authorized by Congress in 1968 through the Colorado River Basin Project Act (the “Act”). The Central Arizona Water Conservation District (the “CAWCD”) is a multi-county water conservation district encompassing Maricopa, Pima, and Pinal Counties in the State. The CAWCD began operating the CAP in 1983. The CAP is designed to deliver approximately 1.5 million AF (“MAF”) of Colorado River water to central and southern Arizona. The major features of CAP include a 336-mile aqueduct system, the New Waddell and Modified Roosevelt Dams, and the Navajo Power Project. The estimated annual water supply available for delivery from CAP in normal water years is 1.415 MAF. A total of 555,801 AF has been contracted by municipal and industrial (“M&I”) entities, 462,801 AF are committed to Native American Communities, and 22,521 AF are under contract for agricultural purposes.

The City has a contract with the CAWCD for 10,249 AF of M&I priority CAP water annually.

On November 7, 2017, the Mayor and Council called for a special election that was held on May 15, 2018. The resulting approval by the City’s voters authorized the acquisition of all or a portion of the plant and property of the Circle City Water Company. A portion of the proceeds of the 2018 Obligations will be applied to such acquisition. Such acquisition will grow the City’s water supply through the CAP by 38 percent or 3,932 AF. This acquisition will also result in approximately 170 new connections to the Water System.

Reclaimed Water. The City treats wastewater to produce a reclaimed water supply that is either delivered directly to customers or recharged to provide storage credits to offset groundwater withdrawals. In 2017, the City recharged 6,890 AF and sold 1,302 AF.

The City's adopted Reclaimed Water policy identifies the priority uses of the reclaimed water produced. The first priority of the reclaimed water is for groundwater recharge.

Groundwater. The ADWR's AWS standard requires that for a groundwater resource to be considered physically available over a 100-year pumping period, it must not cause the water table to drop 1,000 feet beneath the surface. The City's legal availability of groundwater is limited by Arizona's 1980 Groundwater Management Act (the "GMA"), which includes the volume of groundwater in the City's AWS Groundwater Allowance Account.

The City stores CAP water in CAP facilities, in the Maricopa Water District Groundwater Saving Facility, and in the New Magma Groundwater Savings Facility. The City can also claim four percent of the annual water delivered to its customer as incidental recharge.

Groundwater use that cannot be offset by annual credits or long-term storage credits incurs a replenishment obligation through the City's membership in the Central Arizona Groundwater Replenishment District (the "CAGRDR"). CAGRDR acts as a replenishment contractor for water providers located in CAP's tri-county area of Maricopa, Pinal, and Pima Counties.

Drought Preparation

The City maintains a City Council-approved Community Water Systems Drought Contingency Plan which identifies water demand reduction responses that the City will implement in the case of long-term surface water supply interruptions. The purpose of this Plan is to protect the City's water supplies. The Plan identifies the drought triggers that would indicate drought conditions, drought response stages, and demand reduction strategies to ensure adequate water service to meet demand. To date, the City has not issued any water drought alerts.

Water Quality

Water quality is the physical, chemical, and biological characteristics of water with respect to its suitability for potable uses, non-potable uses, and recharging the aquifer. Although the City's groundwater meets most parameters required by the National Primary Drinking Water Regulations ("NPDWRs"), some treatment is necessary to meet these standards as well as those set by the State. The City utilizes State-certified compliance laboratories to ensure the City's water supply meets rigorous State and federal water quality regulations. Samples are collected and tested to ensure quality, safety, and compliance. Water quality reports for all City water providers can be found at: <https://www.surpriseaz.gov/1689/Drinking-Water-Quality-Reports>.

Water System Rates, Fees, and Charges

The Water System rates, fees, and charges outlined in the following pages became effective July 1, 2017. Water System customers are charged a monthly base fee and a consumption fee.

Monthly Base Water Fees. Residential and non-residential customers are charged the same base fee for water service, depending on the size of the meter.

TABLE 1
MONTHLY BASE WATER FEES

Meter Size (Inches)	Base Fee
5/8	\$26.62
3/4	26.62
1	34.61
1-1/2	87.86
2	141.09
3	284.85
4	452.56
6	878.62
8	1,419.12

Water Consumption Charges. Customers are charged for water usage and the rate is dependent upon whether the water is for potable or non-potable use.

TABLE 2
WATER CONSUMPTION CHARGES

<u>Potable</u>	<u>Per Gallon</u>
0 - 10,000	\$2.19
10,001 - 20,000	4.32
Over 20,000	5.03
<u>Non-Potable</u>	
0 - 10,000	\$1.75
10,001 - 20,000	1.75
Over 20,000	1.75

The City's ten largest Water System customers, based on fees and charges paid, are listed below.

TABLE 3
SCHEDULE OF THE 10 LARGEST WATER SYSTEM CUSTOMERS

<u>Water System Customer</u>	<u>2017 Water System Fees/Charges</u>	<u>Percentage of 2017 Water System Fees/Charges</u>
City of Surprise	\$341,131	2.50%
Rancho Gabriela Residential Community Association	253,060	1.85
Dysart Unified School District No. 89	234,940	1.72
Desert Oasis Residential Community Association	181,799	1.33
Royal Ranch Residential Community Association	117,680	0.86
Mountain Gate Residential Community Association	109,396	0.80
Mountain Vista Ranch Residential Community Association	81,086	0.59
The Villas Apartments	76,883	0.56
Stadium Village Apartments	75,407	0.55
Roseview Residential Community Association	73,055	0.53
Total	<u>\$1,544,437</u>	<u>11.30%</u>

Source: The City's Finance Department.

Water Customer History. Although the largest Water System customers are governments, apartment complexes and homeowners' associations, residential customers represent the largest share of total water usage for the City. The City's five-year Water System customer usage history are outlined in the table below.

TABLE 4
WATER CUSTOMER HISTORY INFORMATION
(Consumption in Thousand Gallons)

Water Connection Classification	Fiscal Year									
	2017		2016		2015		2014		2013	
	Accounts	Consumption	Accounts	Consumption	Accounts	Consumption	Accounts	Consumption	Accounts	Consumption
Commercial/Industrial	516	1,062,758	471	700,889	445	744,664	488	670,131	488	692,960
Government	74	107,368	79	96,669	62	103,269	70	94,930	71	93,371
Residential	14,897	1,647,258	14,459	1,576,689	14,214	1,549,734	14,198	1,536,222	14,039	1,537,783
Construction Water	12	7,858								
Totals	15,499	2,825,242	15,009	2,374,247	14,721	2,397,667	14,756	2,301,283	14,598	2,324,114

Source: The City's Finance Department.

THE WASTEWATER SYSTEM

The Wastewater System planning area consists of approximately 298 square miles, of which approximately 100 square miles are within the City's existing corporate limits. The Wastewater System currently provides service to approximately 48,200 customers within 49 square miles. There is one private wastewater company operating facility within the City's corporate limits.

The City employs thirty-two full time employees for the maintenance and operation of the Wastewater System, consisting of the wastewater collection systems, two lift stations, and two Water Reclamation Facilities ("WRFs") within SPA1 and SPA2. The Wastewater System treats approximately 8.5 MGD. An additional WRF in SPA3, currently not in use, was constructed by land developers and is anticipated to be operational within the next five years. This plant was constructed in advance of future demand and is in a suspended state. The other three SPA's WRFs are identified but not yet designed.

The effluent reuse portion of the Wastewater System includes a percolation basin, recharge wells, and low and high-pressure reuse distribution systems to major irrigation customers.

Wastewater System Capacity

The Wastewater System's capacity is as follows:

TABLE 5
WASTEWATER SYSTEM CAPACITY
(in Million Gallons Daily)

Water Reclamation Facility	Wastewater Treatment Capacity	Current Average Daily Flows Treated
SPA 1	16.3	8.3
SPA 2	2.0	0.2

The SPA1 WRF consists of five separate aerobic digestion treatment plants constructed over 13 years, beginning in 1996. The present treatment capacity of the SPA1 WRF is permitted at 16.3 MGD average daily flow, with a hydraulic peak hourly flow of 40.75 MGD. The SPA1 WRF currently receives approximately 8.3 MGD average daily flow, with a hydraulic peak hourly flow of 20.75 MGD. At the present time, for operational efficiencies and cost saving benefits, Plant 1 and Plant 2, totaling 3.5 MGD of average daily capacity, have been placed in suspension. As demand increases, these

facilities will be brought back online to treat the increased flows. In addition, the City is analyzing the existing treatment capacities of Plant 4 and Plant 5 in an effort to raise their permit limits, thus increasing the overall capacity of the SPA1 WRF.

Pretreatment Program

The Wastewater System is vulnerable to the discharge of toxic or harmful pollutants from residential, commercial, and industrial users. The objectives of the City's pretreatment program are to: facilitate the control of pollutant discharges into the collection system; prevent collection system reduction issues and blockages; protect the treatment facilities from upsets; and maintain high effluent and biosolids quality.

Recharge Facilities

The City utilizes recharge basin and vadose zone injection wells located at WRF sites to recharge treated effluent into the groundwater table as a form of banking LTSCs. The City recharges approximately 6.6 MGD of effluent. In addition, the City delivers effluent to a small number of retail customers for use as landscape irrigation on open spaces.

Wastewater System Rates, Fees, and Charges

Monthly Base Wastewater Charges. Residential customers are charged a monthly base fee and non-residential customers charges are based on a variable charge per 1,000 gallons of usage.

**TABLE 6
WASTEWATER RATES, FEES, AND CHARGES**

Customers By Class	Monthly Base Charge	Fee Per 1,000 gal.
Residential - Single-Family	\$24.78	
Residential - Multi-Family (per unit)	21.77	
RV Resort (per unit/space)	12.47	
Commercial (Business Type)	2.63	
Sewer Service Agreement*	3.36	
Residential Aggregated Account Billing Discount	5.00%	
Volumetric Commercial (Business Type)		
Bakeries		\$6.24
Bars With Dining		4.98
Bars Without Dining		3.23
Carwash		2.68
Garage and Service Stations		3.39
Hospitals, Convalescent, and Assisted Living		3.12
Laundromats		2.90
Medical Offices		3.12
Professional Office		2.74
Restaurants		6.24
Schools, Parks, and Recreation		2.79
Other		3.01

* Fees charged to customers in the Cortessa and White Tank Foothills developments located outside of the City's corporate limits.

The City's ten largest Wastewater System customers, based on fees, and charges paid, are listed below.

TABLE 7
SCHEDULE OF THE 10 LARGEST WASTEWATER SYSTEM CUSTOMERS

Wastewater System Customers	2017 Wastewater Fees/Charges	Percentage of 2017 Wastewater System Fees/Charges
Happy Trails Mobile Home Park Community Association	\$232,308	1.35%
Dysart Unified School District No. 89	141,387	0.82
Sunflower RV Resort	127,942	0.75
Sun Village Community Association	93,293	0.54
Stadium Village Apartments	66,529	0.39
Harmony at Surprise Apartments	59,654	0.35
City of Surprise	56,872	0.33
Surprise Park Place Condominiums	50,751	0.30
The Villas Apartments	50,370	0.29
La Solana Condos	49,618	0.29
Total	<u>\$928,725</u>	<u>5.41%</u>

Source: The City's Finance Department.

Wastewater Customer History. Residential customers represent more than 98% of the Wastewater System customer base. The City's five-year wastewater customer account history is outlined in the table below.

TABLE 8
WASTEWATER SYSTEM CUSTOMERS BY CLASS

Customers by Class	Fiscal Year				
	2017	2016	2015	2014	2013
Residential	47,483	46,616	44,279	45,324	45,145
Commercial / Industrial	713	657	644	660	657
Total	<u>48,196</u>	<u>47,273</u>	<u>44,923</u>	<u>45,984</u>	<u>45,802</u>

Source: The City's Finance Department.

STORMWATER SYSTEM

The City created the Stormwater System in response to growing federal, State, and local regulations.

The Stormwater System conveys stormwater runoff through streets, drains, pipes, and open channels directly into water ways or retention basins. The purpose of the Stormwater System is to manage stormwater runoff flows to a natural historic pattern and is not treated at any of the WRFs.

The Stormwater System gives the City the ability to provide a dependable, predictable, legally defensible, and equitable funding source dedicated to stormwater management.

As required by ADEQ, the City has prepared a Stormwater Management Program ("SWMP"). The SWMP outlines policies and procedures to reduce, to the maximum extent practicable, pollutant discharge from the Stormwater System.

The overall goal is to ensure that discharge from the City does not damage surface water quality, since untreated stormwater runoff adds contaminants to lakes, washes, and rivers.

The City’s SWMP addresses the following control measures:

- Public outreach and education, public involvement/participation,
- Illicit discharge detection and elimination,
- Construction site stormwater runoff control,
- Post-construction stormwater management in new development and redevelopment, and
- Pollution prevention/good housekeeping for municipal operations.

Rates, Fees, and Charges

All rates, fees, and charges outlined in the following pages became effective November 1, 2016. The Storm Wastewater System rate study is available at <https://www.surpriseaz.gov/3581/Stormwater-Utility>.

Monthly Base Wastewater Charges. Residential customers are charged a monthly fee per equivalent dwelling unit (“EDU”). Non-residential customers pay the same rate based on the number of EDUs comprising the property’s impervious surface area (1 EDU = 3,420 sq. ft.).

**TABLE 9
STORMWATER RATES, FEES, AND CHARGES**

<u>Customers By Class</u>	<u>Monthly Base Charge Per EDU</u>
Residential - Single-Family	\$2.00
Non-residential	2.00

Residential customers EDUs represent more than 60% of the Stormwater System EDUs. In fiscal year 2017, 46,857 EDUs were residential, and 30,375 EDUs were non-residential.

DEVELOPMENT AGREEMENTS

The City has experienced tremendous growth in past decades and has entered into development agreements with developers for infrastructure related to commercial and residential development. Certain developers are reimbursed for conveyed System infrastructure with development impact fees (“DIFs”). Total Water System infrastructure value conveyed to date is \$31.5 million and after developer reimbursements, leaves an unreimbursed balance of approximately \$17.4 million. Total Wastewater System infrastructure conveyed but not yet reimbursed is \$14 million. In addition, the City has development agreements for System infrastructure that is not yet conveyed.

Development Impact Fees

To ensure new growth pays its proportionate share of infrastructure costs, DIFs are collected by the City to evenly and fairly distribute the burden of facility capacity to serve new development. These one-time charges are assessed to new development to recover the proportional cost of facilities benefiting new development based on specific calculations using standardized assessment schedules. Each development project pays a proportionate share of the cost of new infrastructure or necessary public services needed to support the new development. The City expects to pay the growth-related portion of the 2018 Obligations from DIFs, provided, however, the City is under no obligation to make any payments from such sources and DIFs are not included in the Pledged Revenues.

Arizona Revised Statutes (ARS) §9-463.05 provides a framework for cities and towns to assess, collect, and administer development impact fees. In 2011, statutory revisions were made by the approval of Senate Bill (SB) 1525 which significantly changed the requirements for development impact fees. As required by law, the City updated its DIFs. The updated DIF schedule was approved by the Mayor and Council and became effective in 2014. The law also requires that

DIF updates be performed every 5 years. The City is currently under contract with an outside consultant, Duncan and Associates, to update its infrastructure improvement plan and DIF schedule, with any changes anticipated to become effective August 1, 2019.

COMBINED STATEMENT OF OPERATIONS

Below is the table of Combined Statement of Operations for the System for the previous five fiscal years and projections for the current fiscal year.

TABLE 10 (a)
COMBINED STATEMENT OF OPERATIONS

	Projected	Audited				
	2018 (b)	2017	2016	2015	2014	2013
Revenues:						
Charges for Services	\$34,200,000	\$32,238,237	\$28,244,651	\$26,655,661	\$25,975,457	\$25,952,083
Other revenue	114,000	221,040	63,743	51,354	58,926	607
Miscellaneous	4,375,000 (c)	211,488	329,857	251,538	267,750	173,008
Total Revenues	38,689,000	32,670,765	28,638,251	26,958,553	26,302,133	26,125,698
Operating Expenses:						
Costs of sales and services	17,100,000	16,422,762	16,847,642	15,378,686	14,872,807	13,599,405
Indirect costs	2,737,200	2,762,966	3,030,013	2,796,420	2,796,420	2,802,900
Total Operating Expenses	19,837,200	19,185,728	19,877,655	18,175,106	17,669,227	16,402,305
Net Revenues Available for Debt Service	\$18,851,800	\$13,485,037	\$8,760,596	\$8,783,447	\$8,632,906	\$9,723,393

- (a) Except as otherwise described herein, revenues include all income, moneys, and receipts derived by the City from the ownership, use, and operation of the System. Such revenues include operating revenues, and other miscellaneous revenues including interest. Operating expenses are the reasonable and necessary cost of system operation, maintenance, and repair.
- (b) The City's projected fiscal year 2018 results are estimated based on actual results through April 30, 2018 and projections through June 30, 2018. Such amounts are "forward-looking statements" which may not be realized and must be considered with an abundance of caution. Actual results may vary from the projected amounts.
- (c) Includes the sale of certain recharge credits in December 2017.

Source: The City's Finance Department.

**CITY OF SURPRISE, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

General

The City is located in the northwestern portion of Maricopa County, Arizona (the “County”), and is about 20 miles northwest of Phoenix, Arizona. Founded in 1938 and incorporated in 1960, today the City comprises 108 square miles.

The following table illustrates respective population statistics for the City, the County, and the State:

POPULATION STATISTICS

<u>Year</u>	<u>Surprise</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2017 Estimate (a)	134,085	4,307,033	7,016,270
2016 Estimate (a)	132,677	4,242,997	6,931,071
2015 Estimate (a)	125,621	4,167,946	6,828,065
2010 Census	117,517	3,817,117	6,392,017
2000 Census	30,848	3,072,149	5,130,632

(a) Estimate as of July 1 of each year.

Source: U.S. Census Bureau.

Municipal Government and Organization

The City operates under a council-manager form of government. Under this system the City Council determines City policy, passes ordinances, and approves a balanced budget each year.

The City Manager is responsible for carrying out the City Council-created policies and directing the day-to-day operations of City government. The City Manager reports directly to the City Council and is subject to City Council performance reviews. The City Manager is responsible for drafting a balanced budget for City Council review and approval each year.

The City Manager is assisted by two Assistant City Managers (the “ACMs”) who report directly to the City Manager. The ACMs supervise the output and budgets of the various City departments, assuring high quality work facilitating inter-departmental cooperation on important issues.

The City is made up of 18 departments and more than 900 employees.

Economy

Historically, the economy of the City has been agriculturally based. However, due to the residential growth of the City, employment opportunities in the construction and services industries have increased. The following table illustrates unemployment averages for the City, the County, the State, and the United States:

UNEMPLOYMENT AVERAGES

Year	City of Surprise	Maricopa County	State of Arizona	United States
2017	4.5%	4.2%	4.9%	4.4%
2016	4.3	4.6	5.5	4.9
2015	5.0	5.2	6.1	5.3
2014	5.4	5.9	6.9	5.4
2013	9.8	7.1	8.5	7.8

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Department of Economic Security, Bureau of Information and Research Analysis, Labor Force Statistical Unit.

Employers

A list of significant employers located within the City is set forth in the following table.

Employer	Business/Service	Approximate Number of Employees
Dysart Unified School District No. 89	Education	1,680
City of Surprise	Government	1,060
Wal-Mart	Retail Sales	720
Fry's Food Store	Grocery Sales	520
Maricopa County	Government	210
Home Depot	Retail Sales	210
Kohl's Department Store	Retail Sales	190
Safeway Food Store	Grocery Sales	170
Sun City Grand Community Assoc.	Real Estate	160
Surprise Charter Schools	Education	160

Source: Maricopa Association of Governments, as of June 30, 2017.

Construction

The following table summarizes single family home permit history for the City:

SINGLE FAMILY HOME PERMITS ISSUED City of Surprise, Arizona

<u>Fiscal Year</u>	<u>Total</u>
2017	600
2016	486
2015	479
2014	388
2013	556

Source: The City. The date on which the permit is issued is not to be construed as the date of construction.

Commerce

The City is currently home to numerous retail establishments which also accommodate the needs of the City's growing population. Total City transaction privilege (sales) tax collections are an indicator of overall economic growth within the City and reflect the flow of cash from businesses operating in the City. The following table illustrates the recent histories of transaction privilege (sales) tax collections for the City:

CITY TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS City of Surprise, Arizona

<u>Fiscal Year</u>	<u>Total</u>
2017	\$49,416,383
2016	46,807,817
2015	42,111,177
2014	39,685,844
2013	37,836,088

Source: The City.

Transportation

The urban freeway system has given the City increased accessibility to other parts of the metro area with the Loop 101 connecting to Interstate 17 and northeast Phoenix, then running west toward the City and south to Interstate 10. In addition, U.S. Highway 60 runs diagonally through the City, and Loop 303 extends south to Interstate 10 and east to Interstate 17. A regional transportation plan has been developed to continue improvement on transportation in the region into the future.

The regional transportation plan includes the proposed Interstate 11 ("I-11") Corridor that will link the Arizona/Mexico border to northern Nevada and eventually to Canada. The purpose of I-11 is to provide a high-priority, access-controlled transportation corridor to ease congestion and travel time and potentially connect regional economic activities. An environmental impact study is currently underway by the Arizona Department of Transportation for the potential routes linking Nogales to Wickenburg, Arizona.

The Burlington Northern Santa Fe rail line also runs through the City paralleling Grand Avenue (U.S. Highway 60). General aviation services are available at the nearby Glendale Municipal Airport. The Glendale Municipal Airport has an FAA Tower, a terminal, fixed base operators including jet fuel, and offers private and charter flights. The City is also only about 35 minutes from Phoenix Sky Harbor International Airport, which has connections to every major market in the United States.

Education

The Dysart Unified School District No. 89 has 11 elementary schools and two high schools that serve the City. There are also three charter schools that serve the City.

The City is also served by numerous community colleges within the Maricopa County Community College District and one university. Estrella Mountain offers day and evening classes to over 7,300 students in the West Valley and has established a satellite campus in the City to better serve residents in the area. Estrella Mountain offers certificate and degree programs in Business and Personal Computers, Business Technology in the Office, Hospitality and Hotel Management, and Organizational Leadership. Transfer programs are available in Communication, English, Mathematics, and Sociology.

Glendale Community College offers day and evening classes to over 32,000 students. The College offers many degree and certificate program in Justice Studies, Applied Science, Art History, Athletics, Automotive Technology, Biology, Computer Information Systems, Business Technology for the Office, Chemistry, Child and Family Studies, Computer Science, Electronics and Semiconductor Manufacturing Technology, English, Engineering Science, Geology, Journalism, Mathematics, Psychology, and Video Production. Glendale Community College is also the location of the GM Training Center, which was formed in 1985 through a partnership with General Motors. This Training Center offers training and retraining to GM dealership technicians in the latest repair and service procedures. The Center also provides an associate's degree program for new dealership technicians through partnerships with General Motors, Ford, Chrysler, Toyota, and Nissan.

Rio Salado College has a learning center located in the City. Arizona State University's west campus has established a Life Long Learning Center in the City. The City is also within a short distance of Arizona State University's West campus and the campus of Thunderbird – The Garvin School of International Management, both in Glendale.

Ottawa University ("OUAZ") residential campus opened in Surprise in 2017 with an enrollment of undergraduate and graduate students of 434, a nearly 50% increase over the original projections of 300 students for the 2017/18 academic year. The 35-acre OUAZ campus is within the Surprise City Center and offers liberal arts, sciences, business, and education curriculums.

APPENDIX C

CITY OF SURPRISE, ARIZONA FINANCIAL INFORMATION

Current Statistics (for fiscal year 2018) City of Surprise, Arizona

Total General Obligation Bonded Debt Outstanding	\$37,730,000	(a)
Total Pledged Revenue Obligations Debt Outstanding	31,180,000	(b)
Total Senior Lien Utility System Revenue Obligations to be Outstanding	37,855,000	* (c)
Total Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds to be Outstanding	None	(d)
Net Full Cash Assessed Value	\$ 1,189,525,613	
Net Limited Assessed Property Value	978,036,420	
Estimated Net Full Cash Value	10,636,826,750	

The City's preliminary fiscal year 2019 Net Limited Assessed Property Value is estimated at \$1,038,070,507. The City's preliminary fiscal year 2019 Net Full Cash Assessed Value is estimated at \$1,305,885,025. The City's preliminary fiscal year 2019 estimated Net Full Cash Value is estimated at \$11,719,752,898. The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 20, 2018.

* Preliminary, subject to change.

- (a) See "General Obligation Bonded Debt Outstanding" in this Appendix.
- (b) See "Pledged Revenue Obligations Debt Outstanding" in this Appendix.
- (c) Includes the 2018 Obligations. See "Senior Lien Utility System Revenue Obligations Debt to be Outstanding" in this Appendix.
- (d) Net of the Bonds Being Refunded. See "Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds to be Outstanding" in this Appendix.

Source: *Abstract of the Assessment Roll*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, the Treasurer of the County and the Assessor of the County.

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STATEMENTS OF INDEBTEDNESS
City of Surprise, Arizona

**General Obligation
Bonded Debt Outstanding**

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2018	Various Public Improvements	\$37,730,000	7/1/19-7/1/38	\$37,730,000
Total General Obligation Debt Outstanding				<u>\$37,730,000</u>

Pledged Revenue Obligations Debt Outstanding

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2015	Stadium Improvements and Refunding	\$36,665,000	7/1/16-7/1/30	\$31,180,000
Total Pledged Revenue Obligations Debt Outstanding				<u>\$31,180,000</u>

Senior Lien Utility System Revenue Obligations Debt to be Outstanding

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2018	Water Company Acquisition and Refunding	\$38,535,000	7/1/19-7/1/36	\$38,535,000 *
Total Senior Lien Utility System Obligations Debt to be Outstanding				<u>\$38,535,000 *</u>

* Preliminary, subject to change.

**Municipal Property Corporation Wastewater Development Impact Fee
and Subordinate Lien Wastewater Utility Revenue Bonds to be Outstanding**

<u>Issue Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2018	Wastewater Improvements	\$50,675,000	7/1/14-7/1/32	\$33,770,000
Less: The Bonds Being Refunded				(33,770,000)
Total Senior Lien Utility System Obligations Debt to be Outstanding				<u>\$0</u>

Other Indebtedness

The City has other obligations which are payable from various City funds, including purchase obligations, lease obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 9 of the City's Audited Financial Statements for the fiscal year ended June 30, 2017, contained in APPENDIX C of this Official Statement.

PENSION BENEFITS

Retirement Benefits

The City contributes to the retirement plans (the “Plans”) described in Note 8 – RETIREMENT PLANS in Appendix E – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF SURPRISE, ARIZONA FOR THE FISCAL YEAR ENDED JUNE 30, 2017.” See Note 8 – RETIREMENT PLANS in Appendix E – “AUDITED FINANCIAL STATEMENTS OF THE CITY OF SURPRISE, ARIZONA FOR THE FISCAL YEAR ENDED JUNE 30, 2017,” for a description of the Plans, the benefits provided by the Plans, the contributions to the Plans, the pension liability associated with the Plans, the pension expense associated with the Plans, the deferred outflows/inflows of resources related to the Plans, and certain other pertinent information with respect to the Plans.

Other Post-Employment Benefits

Pursuant to Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* (“GASB 45”), 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 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, requires the reporting of such costs as a financial statement liability.

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

APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

ZB, National Association, dba Zions Bank
Phoenix, Arizona

Re: Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by City of Surprise, Arizona, Pursuant to a Series 2018 Purchase Agreement, Dated as of July 1, 2018*

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations (the “*Obligations*”) in the aggregate principal amount of \$37,855,000* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance and refinance the costs of certain improvements to the water, wastewater and stormwater management systems (collectively, the “*System*”) serving City of Surprise, Arizona (the “*City*”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such documents and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Obligations. Reference is made to certifications of, and opinions of counsel to, parties with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Obligations are being executed and delivered pursuant to the Series 2018 Obligation Indenture, dated as of July 1, 2018* (the “*Indenture*”), by and between the City and ZB, National Association, dba Zions Bank, in its capacity as trustee (the “*Trustee*”). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the City pursuant to the Series 2018 Purchase Agreement, dated as of July 1, 2018* (the “*Purchase Agreement*”), by and between the Trustee, in its separate capacity as seller (the “*Seller*”), and the City, as purchaser, pursuant to which the City has agreed to make certain installment purchase payments to the Trustee. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the City pursuant to the Purchase Agreement. The City and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

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

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

* Preliminary, subject to change.

principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

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

3. The portion of each installment purchase payment made by the City pursuant to the Purchase Agreement, denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Obligations (the “*Interest Portion*”), is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the “*Code*”), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals. For corporations, tax legislation enacted in 2017 eliminated the federal alternative minimum tax for taxable years beginning after December 31, 2017; no opinion is being provided with respect to the federal alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018. The Interest Portion is also exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. (We express no opinion regarding other federal or State tax consequences resulting from the ownership of, receipt or accrual of interest on or the disposition of the Obligations.)

In rendering the opinion expressed in the third numbered paragraph hereof, we have assumed continuing compliance with certain tax covenants provided in connection with the original execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes. The failure of the City to meet certain requirements of the Code with respect to the matters described in the third numbered paragraph hereof may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of initial execution and delivery of the Obligations. The City has covenanted 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 penultimate sentence of 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.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**AUDITED FINANCIAL STATEMENTS
OF THE CITY OF SURPRISE, ARIZONA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following are the audited financial statements of the City for the Fiscal Year ended June 30, 2017. The City has not requested CliftonLarsonAllen LLP to perform any review of the City's audited financial statements subsequent to June 30, 2017. These are the most recent audited financial statements available to the City and may not represent the current financial position of the City.

2018 OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with “SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS” herein. These summaries are a brief description of certain provisions of the Indenture and the Purchase Agreement and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the entire Indenture and Purchase Agreement, copies of which are available as set forth in this Official Statement under the heading “ADDITIONAL INFORMATION.”

Definitions

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

“Additional Obligation Documents” means any contract (including a resolution of the Council) or agreement of the City constituting or authorizing Additional Obligations.

“Additional Obligations” means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the City subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share pro rata in payments to be made by the City from the Pledged Revenues, without priority one over the other or over the Purchase Agreement, and (ii) for the purpose of making extensions, renewals, improvements or replacements to the System or to refund any 2018 Obligations or Additional Obligations.

“Assumed Interest Rate” means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

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

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

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

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Consultant” means a firm of utility consultants experienced in the financing and operation of utility systems and having a recognized reputation for such work.

“Credit Facility” means a bank, financial institution, insurance company or indemnity company that is engaged by or on behalf of the City to perform one or more of the following tasks: (a) enhance the credit of the City securing the Additional Obligations by assuring that principal of and interest on such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) provide liquidity for Additional Obligations (or any interests therein) by undertaking to cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Additional Obligation Documents.

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

“Defeasance Obligations” means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasures”), (3) evidences of ownership of proportionate interest in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aa” by S&P and Moody’s, respectively, or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

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

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

“Fitch” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“Holder” means the registered owner of any 2018 Obligation.

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

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

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

“Interest Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

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

“Obligation Payment Date” means each January 1 and July 1, commencing, January 1, 2019*, so long as any 2018 Obligations are Outstanding.

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

“Outstanding” means when used with reference to the 2018 Obligations, as of any date of determination, all 2018 Obligations theretofore executed and delivered except:

- (i) 2018 Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) 2018 Obligations that are deemed paid and no longer Outstanding as provided in the Indenture;

* Preliminary, subject to change.

(iii) 2018 Obligations in lieu of which other 2018 Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to 2018 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such 2018 Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under the Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of 2018 Obligations, 2018 Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with any of them.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of all Outstanding 2018 Obligations and Additional Obligations to fall due and payable in the current or any future Bond Year.

“Paying Agent” means the banks or trust companies and their successors designated as the paying agencies or places of payment for the 2018 Obligations. The Trustee is designated as the initial Paying Agent for the 2018 Obligations.

“Permitted Investments” means, to the extent the use of which is not otherwise prohibited by applicable law:

1.
 - A. Cash;
 - B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));
 - C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;
 - D. Resolution Funding Corp. (“REFCORP”) but only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
 - E. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P but if, however, the issue is only rated by S&P (i.e., there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition and
 - F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - (i) U.S. Export-Import Bank (Eximbank)
-Direct obligations or fully guaranteed certificates of beneficial ownership,
 - (ii) Farmers Home Administration (FmHA),
 - (iii) Federal Financing Bank,
 - (iv) General Services Administration
-Participation Certificates,
 - (v) U.S. Maritime Administration
-Guaranteed Title XI financing and
 - (vi) U.S. Department of Housing and Urban Development (HUD)
-Project Notes
-Local Authority Bonds
-New Communities Debentures – U.S. government
guaranteed debentures

-U.S. Public Housing Notes and Bonds – U.S. government
guaranteed public housing notes and bonds;

2. Federal Housing Administration debentures;
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
 - Participation Certificates (excluded are 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)
 - Senior debt obligations
 - B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA or “Fannie Mae”)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)
 - E. Financing Corporation (FICO)
 - Debt obligations
 - F. Resolution Funding Corp. (REFCORP)
 - Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P or the highest rating category of Moody’s or are fully insured by the Federal Deposit Insurance Corporation (FDIC).
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks that have capital and surplus of at least \$5 million.
6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.
7. Money market mutual funds rated “AAM” or “AAM-G” or higher by S&P or having a rating in the highest investment category granted thereby from Moody’s.
8. “State Obligations”, which means:
 - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;

E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the City or the Trustee, within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103 percent or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa2" by Moody's; provided that, by the terms of the investment agreement:

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2018 Obligations;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

E. the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

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

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

"Principal Installment" means, for any particular date, the aggregate of the principal amount of 2018 Obligations that are due on such date.

"Principal Requirement" means (i) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the 2018 Obligations maturing during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to such Additional Obligations. In computing the Principal Requirement for such Additional Obligations, an amount of such Additional Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Additional Obligations maturing on the scheduled maturity date. In the case of Additional Obligations supported by a Credit Facility, the Principal Requirement for such Additional Obligations shall be determined in accordance with the principal retirement schedule specified in the Additional Obligation Documents authorizing the incurrence of such Additional Obligations rather than any amortization schedule set forth in such Credit Facility unless payments under such Additional Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

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

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

"Qualified Reserve Fund Instrument" means a letter or line of credit, insurance policy or surety bond that meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the 2018 Obligations may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the claims paying ability of the issuer thereof shall be rated "AA" or "Aa2" by S&P or Moody's, respectively.

(ii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the 2018 Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the 2018 Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

If the expiration date of the letter of credit shall not be extended, the City may deposit in the Debt Service Reserve Account an amount sufficient to cause cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in either (i) or (ii) above.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (ii) shall be subject to receipt of an opinion of counsel of an attorney or firm of attorneys of nationally recognized standing in the related field as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel of such attorney or firm of attorneys to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the 2018 Obligations (or any other account party under the letter of credit).

(iii) The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the 2018 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AA" or a Moody's "Aa2" or (D) the rating of the issuer of the letter of credit falls below a S&P "AA," the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AA" or a Moody's "Aa2" or (C) the rating of the issuer of the letter of credit falls below a S&P "AA", the City shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should

have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (b) the rating of the issuer of the letter of credit falls below “A” or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the City shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing year in equal monthly installments or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the City to the issuer of the Qualified Reserve Fund Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, *e.g.*, rate covenant or Additional Obligations test.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each Obligation Payment Date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on the Qualified Reserve Fund Instrument.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the City obtains, and provides to the Trustee, a Special Counsel’s Opinion to the effect that such action will not cause the interest on any 2018 Obligations to become includible in gross income for purposes of federal income taxes.

“Repair and Replacement Fund” means the fund of that name created pursuant to Section 5.1(b) of the Purchase Agreement.

“Repair and Replacement Fund Funding Requirement” means an amount equal to two percent of the net tangible assets of the System at the end of the preceding Fiscal Year.

“Reserve Requirement” means, at the time of the deposit to the Debt Service Reserve Account then required, the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the 2018 Obligations; provided, however, that such amount shall not exceed the least of (a) ten percent (10%) of the net proceeds of the 2018 Obligations at the time of original delivery, (b) the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the 2018 Obligations at the time of original delivery or (c) one hundred twenty-five percent (125%) of the average annual debt service at the time of original delivery.

“S&P” means Standard & Poor’s Financial Services LLC, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

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

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

“State” means the State of Arizona.

“Variable Rate Obligations” means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

The Purchase Agreement

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Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds to purchase the Projects, the 2018 Obligations shall be executed and delivered under the Indenture.

Section 2.2. Improvements Fund.

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

- (i) to the extent not paid by the Trustee from the Costs of Issuance Fund established under the Indenture, costs of issuance;
- (ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, improvement and construction of the New Project, and all real and personal property deemed necessary in connection with the New Project and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;
- (iii) reimbursement of capital expenditures relating to the New Project advanced prior to the execution and delivery of the Series 2018 Obligations; and
- (iv) payment of the portion of the Purchase Price representing interest on the Series 2018 Obligations during the acquisition, construction and improvement of the New Project.

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

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.4 and 2.5 of the Purchase Agreement, the City may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

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

Section 2.3. Refinancing. Amounts held by the Trustee pursuant to Section 5.2(i) of the Indenture were applied to pay and discharge the lease purchase agreement that financed the Existing Project.

* * * * *

Section 3.3. Amounts Payable After Execution and Delivery of 2018 Obligations. After providing for any amounts due pursuant to Section 2.5(c) of the Purchase Agreement, on the tenth day of each month, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement (or, if sufficient amounts are not available therefrom, amounts withdrawn from the Debt Service Reserve Account or the Repair and Replacement Fund) shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, during the preceding month in the account to which such payment is to be deposited:

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

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

(iii) Commencing February 1, 2019 and on each February 1 thereafter, there shall be deposited an amount equal to the Repair and Replacement Fund Funding Requirement to the Repair and Replacement Fund; provided that at such time or times as there is on deposit in the Repair and Replacement Fund an amount at least equal to the Repair and Replacement Fund Funding Requirement as shown in the City's most recent audited financial statements, no amounts need to be deposited to the Repair and Replacement Fund.

(iv) Commencing on the July 15 following the Fiscal Year of the City in which the Pledged Revenues are less than 175 percent of the Parity Lien Test Debt Service, and each January 15 and July 15 thereafter, an amount equal to one-tenth (1/10) of the amount required to fund and maintain the Debt Service Reserve Account in an amount equal to the Reserve Requirement until such time as the amount on deposit in the Debt Service Reserve Account shall equal the Reserve Requirement and (2) on the fifteenth (15th) day of each month, commencing on the first (1st) day of the month following a payment made on the Series 2018 Obligations from the Debt Service Reserve Account, an amount equal to one-twelfth (1/12) of the amount which, when added to the balance then in the Debt Service Reserve Account, shall be equal to the Reserve Requirement.

In the event the City should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the City, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of 2018 Obligations, from the date said payment was to be made to the date of payment by the City until paid. The Purchase Agreement shall be deemed and construed to be a "net purchase agreement," and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

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Section 4.1. Limitation of Source of City Payments.

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

(b) All amounts to be paid by the City pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the Council, from paying such amounts from other moneys of the City. Under no circumstances shall amounts paid under the Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the City under the Purchase Agreement shall never constitute a general obligation of the City or a pledge of ad valorem property taxes by the City.

(c) The City pledges, and shall raise and apply, the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the City under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Additional Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing

contained in this Section shall be construed as limiting any authority granted elsewhere in the Purchase Agreement to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

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

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

(b) The City shall create the Repair and Replacement Fund in its custody and shall deposit \$_____,000 thereto on the date of original execution and delivery of the 2018 Obligations. Amounts in the Repair and Replacement Fund shall be used for making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense. Amounts in the Repair and Replacement Fund shall also be used as provided in Section 3.3 of the Purchase Agreement. Notwithstanding anything in the Purchase Agreement or in the Indenture to the contrary, if, after any Fiscal Year, the amounts in the Repair and Replacement Fund exceed the Repair and Replacement Fund Funding Requirement, such amounts in excess of the Repair and Replacement Fund Funding Requirement held in the Repair and Replacement Fund may be released and used by the City for any lawful purpose.

Section 5.2. Insurance. The City shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the 2018 Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received or if not so used shall be placed in the Repair and Replacement Fund in addition to all other moneys required to be deposited in the Repair and Replacement Fund. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City annually reviews and reports to the City in writing that any such program is adequate and actuarially sound.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The City shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the 2018 Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a m in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the 2018 Obligations. In addition, the City may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged

Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 125 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of 2018 Obligations then Outstanding. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(c) The City may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the Finance Director and the Seller (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the 2018 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the 2018 Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 125 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the 2018 Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the System.

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

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

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

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

* * * * *

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

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

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

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

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

Section 7.2. Remedies on Default by City. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, however under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

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Section 8.12. Certain Statutory Notices.

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

The Indenture

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

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

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

C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the 2018 Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All 2018 Obligations Equally and Ratably Secured; 2018 Obligations Not General Obligations of the City. All of the 2018 Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the 2018 Obligations, so that all 2018 Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture and shall all be equally and ratably secured by the Indenture. The 2018 Obligations shall be payable solely out of the

revenues and other security pledged by the Indenture and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

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

- (i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited into the Interest Account.)
- (ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement as well as the total of any amounts received for any redemption of 2018 Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Principal Account.)
- (iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(iv) of the Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instruments contained therein equals the Reserve Requirement.

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

- (i) Amounts in the Interest Account shall be used to pay interest on the 2018 Obligations as it becomes due.
- (ii) Amounts in the Principal Account shall be used to retire 2018 Obligations by payment at their scheduled maturity date, mandatory redemption date or optional redemption date.
- (iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the Series 2018 Obligations in the event that no other money of the City is available therefor or for the retirement (including by defeasance pursuant to Section 10.2 of the Indenture) of all of the Series 2018 Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument.
- (B) Notwithstanding anything in the Indenture or in the Purchase Agreement to the contrary, if, after the City has been required to make deposits to the Debt Service Reserve Account pursuant to Section 3.3(iv) of the Purchase Agreement, the Pledged Revenues for two consecutive Fiscal Years equal or exceed 175 percent of the Parity Lien Test Debt Service for such Fiscal Years, any moneys and/or Qualified Reserve Fund Instrument held in the Debt Service Reserve Account may be released and (except as otherwise limited by the terms of any Qualified Reserve Fund Instrument) used by the City for any lawful purpose, and the City's obligation to maintain the Reserve Requirement in the Debt Service Reserve Account shall terminate, subject to Section 3.3(iv) of the Purchase Agreement for funding the Debt Service Reserve Account if the circumstances described in Section 3.3(iv) of the Purchase Agreement occur.

Section 5.6. Investment of Moneys Held by Trustee.

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

made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall invest moneys in investments described in clause 2 of the definition of Defeasance Obligations.

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

* * * * *

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

(a) If payment of any installment of interest on any 2018 Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any 2018 Obligation is not made in full when the same becomes due and payable;

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

(d) If the City defaults in the due and punctual performance of any other covenants, conditions, agreements or provisions on its part to be performed as provided in the Indenture or in the 2018 Obligations and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee, the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the 2018 Obligations then Outstanding; or

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

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Indenture and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the 2018 Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Indenture and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the Indenture or for damages for the breach of the Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2018 Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of 2018 Obligations not making such request.

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

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

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

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the 2018 Obligations); and

Second: To the payment of the unpaid Principal Installments that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the 2018 Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid 2018 Obligation until such 2018 Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the 2018 Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * * * *

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any 2018 Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Indenture except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Indenture upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of 2018 Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture; and

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

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

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of 2018 Obligations then Outstanding.

(b) No one or more Holders of 2018 Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Holders of all 2018 Obligations Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2018 Obligation (i) to receive payment of the principal of or premium, if any, or interest on such 2018 Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any 2018 Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under

applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of 2018 Obligations.

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any 2018 Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

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

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

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

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

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

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

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

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

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

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

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding 2018 Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture and

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

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

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

* * * * *

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

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the 2018 Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the 2018 Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the 2018 Obligations then Outstanding under the Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

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

(d) If the Holders of a majority of the principal amount of 2018 Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

* * * * *

Section 8.8. Trustee's Fees and Expenses.

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

directors, agents and employees, to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of the trust or its duties under the Indenture.

* * * * *

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

- (i) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel delivered to the Trustee, not materially adversely affect the interests of the Holders;
- (ii) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (iii) To secure additional revenues or provide additional security or reserves for payment of the 2018 Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions therefor;
- (iv) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;
- (v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;
- (vi) To permit 2018 Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any 2018 Obligations to become includible in gross income for purposes of federal income taxes;
- (vii) To preserve the exclusion of the interest on the 2018 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to the 2018 Obligations) the interest on which is likewise exempt from federal and State income taxes; and
- (viii) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the City.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Indenture referred to in Section 9.1 of the Indenture and subject to the terms and provisions and limitations contained in the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the 2018 Obligations then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, nothing in this Section or Section 9.1 of the Indenture shall permit or be construed as permitting a supplement to the Indenture that would:

- (i) extend the stated maturity of or time for paying interest on any 2018 Obligation or reduce the principal amount of or rate of interest payable on any 2018 Obligation without the consent of the Holder of such 2018 Obligation;
- (ii) prefer or give a priority to any 2018 Obligation over any other 2018 Obligation without the consent of the Holder of such 2018 Obligation;
- (iii) reduce the principal amount of 2018 Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all 2018 Obligations then Outstanding;

(iv) increase the principal amount of 2018 Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d) of the Indenture, without the consent of the Holders of all 2018 Obligations then Outstanding; or

(v) reduce the redemption price of any 2018 Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Indenture without the consent of the Holder of such 2018 Obligation.

(b) If at any time the City requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of 2018 Obligations then Outstanding at their addresses as they appear on the registration books for the 2018 Obligations. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(iv) of the Purchase Agreement; (iv) to preserve the exclusion of the interest on the 2018 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the 2018 Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement.

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

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms, provisions and limitations contained in the Indenture and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of 2018 Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all 2018 Obligations then Outstanding.

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the 2018 Obligations in accordance with their terms and as provided in the Indenture and in the Purchase Agreement is made, or is provided for in accordance with Article 10 of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all

property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the 2018 Obligations, to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

(b) The City may at any time surrender to the Trustee for cancellation any 2018 Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such 2018 Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the 2018 Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. Amounts in the Debt Service Reserve Account may be included as part of such deposit only if all of the Series 2018 Obligations are to be defeased. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such 2018 Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such 2018 Obligations solely for the purpose of paying the principal or redemption price of and interest on such 2018 Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such 2018 Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of 2018 Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a 2018 Obligation so provided for.

(d) 2018 Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Indenture. The obligation in respect of such 2018 Obligations shall nevertheless continue but the Holders of those 2018 Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such 2018 Obligations.

(e) No 2018 Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such 2018 Obligation is made, the interest payable on any 2018 Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any 2018 Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

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

* * * * *

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$37,855,000*
**SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement,
Dated as of July 1, 2018***

**CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12**

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Surprise, Arizona (the “*City*”), in connection with the sale and execution and delivery of \$37,855,000* principal amount of Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by City of Surprise, Arizona, Pursuant to a Series 2018 Purchase Agreement, Dated as of July 1, 2018* (the “*Obligations*”), executed and delivered pursuant to the Series 2018 Obligation Indenture, dated as of July 1, 2018*, by and between the City and ZB, National Association, dba Zions Bank, as trustee.

In connection with the Obligations, the City covenants and agrees as follows:

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

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

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

“*Audited Financial Statements*” means the general purpose 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.

* Preliminary, subject to change.

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

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

“Listed Event” means any of the events with respect to the Obligations set forth in Exhibit II.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations at the City pursuant to Sections 4, 5, 6 and 7 hereof.

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

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 Underwriter in complying with the requirements of the Rule.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Obligations is _____. The Final Official Statement relating to the Obligations is dated _____, 2018.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that the MSRB receives the information on the date specified.

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

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

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for events 2, 7, 10, 13 and 14, listed in Exhibit II, the City will provide such notice if it determines that such event would be material under applicable federal securities laws.

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

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any 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 an Event of Default on the Obligations. The sole remedy under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the City by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

- (a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;
- (b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interests of the beneficial owners of the Obligations, as determined by an independent counsel or other entity unaffiliated with the City.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA.

9. Termination of Undertaking. The Undertaking of the City shall be terminated hereunder when the City no longer has liability for any obligation relating to repayment of the Obligations or the Rule no longer applies to the Obligations. The City shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

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

12. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

14. Assignment. The City shall not transfer its obligations in connection to the Obligations unless the transferee agrees to assume all obligation of the City under this Undertaking or to execute an Undertaking under the Rule.

[Signature page follows.]

Dated: [Closing Date]

CITY OF SURPRISE, ARIZONA

By:.....
Mayor

ATTEST:

.....
City Clerk

APPROVED AS TO FORM:

.....
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means quantitative financial information and operating data concerning the operations of the City of the type set forth in the Official Statement in Appendix A in the tables entitled _____ but only, in each case, as it relates to the most recently completed Fiscal Year of the City.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2019. 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 generally accepted accounting principles (“GAAP”), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the City.

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

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Obligations;
7. Modifications to rights of holders of the Obligations, if material;
8. Obligation calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Obligations, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the City;

Note: For the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CITY, THE FINANCIAL ADVISOR, SPECIAL COUNSEL, 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 2018 Obligations. The 2018 Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2018 Obligations, 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2018 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Obligations on DTC's records. The ownership interest of each actual purchaser of each 2018 Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2018 Obligations, except in the event that use of the book-entry system for the 2018 Obligations is discontinued.

To facilitate subsequent transfers, all 2018 Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2018 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of 2018 Obligations may wish to ascertain that the nominee holding the 2018 Obligations

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2018 Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2018 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2018 Obligations 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 Direct or Indirect 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 Direct or Indirect 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 2018 Obligations 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, 2018 Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2018 Obligation 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 2018 OBLIGATIONS UNDER THE INDENTURE; (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 2018 OBLIGATIONS; (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 2018 OBLIGATIONS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2018 OBLIGATIONS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2018 Obligations, as nominee of DTC, references herein to "Holder", "Owner" or registered owners of the 2018 Obligations (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2018 Obligations.

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.

WEDBUSH

DRAFT
04/16/18
05/01/18
05/14/18
05/16/18
06/06/18

SERIES 2018 PURCHASE AGREEMENT

by and between

ZB, NATIONAL ASSOCIATION, DBA ZIONS BANK,
as Seller

and

CITY OF SURPRISE, ARIZONA,
as Purchaser

Dated as of July 1, 2018

The rights of ZB, National Association, dba Zions Bank, in its separate capacity as seller hereunder, have been assigned to ZB, National Association, dba Zions Bank, in its separate capacity as trustee under a Series 2018 Obligation Indenture, dated as of July 1, 2018

(This Table of Contents is for informational purposes only and is not to be considered a part of this Purchase Agreement)

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Exhibit — Form of Bill of Sale

SERIES 2018 PURCHASE AGREEMENT

This SERIES 2018 PURCHASE AGREEMENT, dated as of July 1, 2018 (this “*Purchase Agreement*”), by and between ZB, NATIONAL ASSOCIATION, DBA ZIONS BANK, a national banking association, authorized to exercise trust powers in the State of Arizona, as trustee but in its separate capacity as seller (the “*Seller*”), and CITY OF SURPRISE, ARIZONA, a municipal corporation of the State of Arizona, as purchaser (the “*City*”),

WITNESSETH:

WHEREAS, pursuant to Resolution No. 2018-_____ adopted by the Mayor and Council of the City (the “*Council*”) on June 19, 2018, it was found and determined to be advantageous and in the public interest that the Series 2018 Obligations (as defined herein) be sold and executed and delivered; and

WHEREAS, pursuant to this Purchase Agreement, the City has agreed to purchase the Projects (as defined herein) from the Seller;

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

The words and terms used herein shall have the respective meanings assigned to them in the hereinafter defined Indenture. In addition, the following words and terms as used herein shall have the meaning indicated, unless the context or use requires a different meaning or intent. All accounting terms not otherwise so defined shall have the meanings assigned to them in accordance with generally accepted accounting principles.

“*Additional Obligation Documents*” means any contract (including a resolution of the Council) or agreement of the City constituting or authorizing Additional Obligations.

“*Additional Obligations*” means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the City subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share *pro rata* in payments to be made by the City from the Pledged Revenues, without priority one over the other or over this Purchase Agreement, and (ii) for the purpose of making extensions, renewals, improvements or replacements to the System or to refund the Series 2018 Obligations or Additional Obligations.

“*Assumed Interest Rate*” means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the

Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

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

“*City Lease*” means the First Utility System City Lease, dated as of May 1, 2007, from City of Surprise Municipal Property Corporation.

“*Consultant*” means a firm of utility consultants experienced in the financing and operation of utility systems and having a recognized reputation for such work.

“*Credit Facility*” means a bank, financial institution, insurance company or indemnity company that is engaged by or on behalf of the City to perform one or more of the following tasks: (a) enhancing credit of the City securing the Series 2018 Obligations or Additional Obligations by assuring that principal of and interest on the Series 2018 Obligations or such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) providing liquidity for Additional Obligations (or any interests therein) by undertaking to cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Additional Obligation Documents.

“*Existing Project*” means that certain wastewater project which was the subject of the City Lease.

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

“*Indenture*” means the Series 2018 Obligation Indenture, dated as of July 1, 2018, by and between the Trustee and the City, as supplemented from time to time.

“*Interest Requirement*” means (i) with respect to this Purchase Agreement, as of any date of calculation, the interest amount on this Purchase Agreement due during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“*New Project*” means the value added to the System by the acquisition of all or a portion of the plant and/or property of Circle City Water Company.

“*Operating Expenses*” means the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including particularly, but not by way of limitation, depreciation or loss on disposal or transfer of assets; (ii) the Principal Requirement and the Interest Requirement on the Series 2018 Obligations and any Additional Obligations; (iii) payments required to be made by the City pursuant to Section 3.3(v) hereof or similar

provisions with respect to any documents authorizing Additional Obligations for deposit into the Debt Service Reserve Account or a debt service reserve account with respect to Additional Obligations; and (iv) the Rebate Requirement determined pursuant to Section 2.5 hereof and any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Code with respect to any Additional Obligations.

“Outstanding” when used with reference to Additional Obligations, shall have the meaning assigned to such term in the corresponding, applicable Additional Obligation Documents, which shall be as similar as possible to such definition in the Indenture.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of all Outstanding Series 2018 Obligations and Additional Obligations to fall due and payable in the current or any future Bond Year.

“Pledged Revenues” means Revenues (including any unrestricted fund balances of the System) remaining after deducting the Operating Expenses. For the purposes of the computation required by Sections 4.4, 5.3(b) and 5.3(c), additional amounts will be added to, or subtracted from, the Pledged Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Additional Obligations described in Section 4.4 are to be expended for the acquisition of utility properties, then the Revenues that would have been derived from the operation of such acquired utility properties during the entire immediately preceding Fiscal Year, as estimated by a Consultant, will be added; (ii) if during such preceding Fiscal Year the City has acquired or sold existing utility properties, then the revenues that would have been derived from the operation of such utility properties during such Fiscal Year had such utility properties been acquired and operating or sold and not operating throughout such Fiscal Year, as estimated by a Consultant, will be added or subtracted, respectively; and (iii) if during such preceding Fiscal Year the City has increased rates, fees and charges with respect to the System, then the increased amount that would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by a Consultant, will be added.

“Principal Requirement” means (i) with respect to this Purchase Agreement, as of any date of calculation, the principal amount of the Series 2018 Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to the Additional Obligations. In computing the Principal Requirement for such Additional Obligations, an amount of such Additional Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Additional Obligations maturing on the scheduled maturity date. In the case of Additional Obligations supported by a Credit Facility, the Principal Requirement for such Additional Obligations shall be determined in accordance with the principal retirement schedule specified in the Additional Obligation Documents authorizing the incurrence of such Additional Obligations, rather than any amortization schedule set forth in such Credit Facility unless payments under such Additional Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

“Projects” means, together, the New Project and the Existing Project.

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

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

“Rating Category” means one of the general rating categories of a Rating Agency without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

“Regulations” means 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.

“Repair and Replacement Fund” means the fund of that name created pursuant to Section 5.1(b).

“Repair and Replacement Fund Funding Requirement” means an amount equal to two percent of the value of the net tangible assets of the System at the end of the preceding Fiscal Year.

“Revenues” means and includes all income, moneys and receipts derived by the City from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) all development impact fees, (ii) any amounts received that the City is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (iii) the proceeds of the Series 2018 Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Series 2018 Obligations or Additional Obligations, or (iv) any non-cash capital contributions received by the City for the use and operation of the System.

“Series 2018 Obligations” means the City of Surprise, Arizona Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018.

“Series 2018 Undertaking” means the Series 2018 Continuing Disclosure Undertaking, dated July ___, 2018, from the City.

“System” means the complete works of the entire combined water production and distribution, wastewater collection and treatment and stormwater management systems of the City including all such properties of every nature hereafter owned by the City and all acquisitions, improvements and extensions added thereto by the City, including all real and personal property of every nature comprising part of, or used or useful in connection with, such system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

“Tax Certificate” means the Certificate Relating To Federal Tax Matters, dated July ___, 2018, delivered by the City with respect to the Series 2018 Obligations.

“*Variable Rate Obligations*” means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; references to an “Article” or a “Section” are to those of this Purchase Agreement; the terms “hereof,” “hereby,” “herein,” “hereto,” “hereunder” and similar terms refer to this Purchase Agreement; and the term “hereafter” means after, and the term “heretofore” means before, the date of this Purchase Agreement. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise. The captions and headings in this Purchase Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

ARTICLE II

EXECUTION AND DELIVERY OF SERIES 2018 OBLIGATIONS; APPLICATION OF PROCEEDS; IMPROVEMENTS FUND; FEDERAL LAW COVENANTS

Section 2.1 Agreement to Cause Execution and Delivery of Series 2018 Obligations; Application of Proceeds

. In order to provide funds to purchase the Projects, the Series 2018 Obligations shall be executed and delivered pursuant to the Indenture.

Section 2.2 Improvements Fund

(a) The City shall establish and maintain a separate fund known as the “*Improvements Fund*,” that shall be funded from amounts transferred to the City by the Trustee pursuant to Section 5.2 of the Indenture. Moneys in the Improvements Fund shall be disbursed by the City for the following purposes and for no other purposes:

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

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

(iii) reimbursement of capital expenditures relating to the New Project advanced prior to the execution and delivery of the Series 2018 Obligations and

(iv) payment of the portion of the Purchase Price representing interest on the Series 2018 Obligations during the acquisition, construction and improvement of the New Project.

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

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.4 and 2.5, the City may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

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

Section 2.3 Refinancing

. Amounts transferred by the Trustee pursuant to Section 5.2(i) of the Indenture were applied to pay and discharge the City Lease that financed the Existing Project.

Section 2.4 General Federal Tax Covenants

(a) As provided in further detail in the Tax Certificate, the City shall not make or direct the making of any investment or other use of the proceeds of any of the Series 2018 Obligations or the Projects that would cause such Series 2018 Obligations to be “arbitrage bonds” as that term is defined in section 148 of the Code or “private activity bonds” as that term is defined in section 141 of the Code and shall comply with the requirements of such sections of the Code and the related Regulations throughout the term of the Series 2018 Obligations. Particularly, the City shall be the owner of the Projects for federal income tax purposes. The City shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Projects. Also, the payment of principal and interest with respect to the Series

2018 Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Series 2018 Obligations, or amounts treated as proceeds of the Series 2018 Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Series 2018 Obligations are being executed and delivered, (ii) may be so used in making investments of a *bona fide* debt service fund or (iii) may be invested in obligations issued by the United States Treasury.) In consideration of the purchase and acceptance of the Series 2018 Obligations by the Holders thereof from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, as amended, the City covenants, and the appropriate officials of the City are hereby directed, to take all action required by the Code to preserve such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(b) The City shall comply with the procedures and covenants contained in any arbitrage rebate provision (initially, Section 2.5) or separate agreement executed in connection with the issuance of the Series 2018 Obligations for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Obligations.

(c) (i) The City shall take all necessary and desirable steps to comply with the requirements hereunder in order to ensure that interest on the Series 2018 Obligations 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 City receives a Special Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2018 Obligations, or (B) compliance with some other requirement will meet the requirements of the Code. In the event the City receives such a Special Counsel's Opinion, this Purchase Agreement shall be amended to conform to the requirements set forth in such opinion.

(ii) If for any reason any requirement hereunder is not complied with, the City shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under Regulations section 1.148-3(h).

(d) Written procedures have been established for the City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the City will comply.

Section 2.5 Arbitrage Rebate Covenants

(a) Terms used in subsection (b) and not otherwise defined in Article I or in subsection (b) shall have the meanings given to them in the Code and the Regulations.

(b) For purposes of this Section, the following terms shall have the following meanings:

“*Bond Year*” shall have the meaning provided above, except that for purposes of this Section the first Bond Year shall begin on the date of issue of the Series 2018 Obligations and shall end on July 1, 2019, and the last Bond Year shall end on the date of retirement of the last Series 2018 Obligations.

“*Bond Yield*” is as indicated in the Tax Certificate and means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Series 2018 Obligations as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Series 2018 Obligations and using semiannual compounding on the basis of a 360-day year. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3).

“*Gross Proceeds*” means:

(i) any amounts actually or constructively received by the City from the sale of the Series 2018 Obligations;

(ii) transferred proceeds of the Series 2018 Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii) and

(iv) replacement proceeds of the Series 2018 Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Series 2018 Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2018 Obligations in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Indenture.

“Investment Property” means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

“Issue Price” is as indicated in the Tax Certificate and shall be determined as provided in Regulations section 1.148-1(b).

“Nonpurpose Investment” means any Investment Property acquired with Gross Proceeds, and that is not acquired to carry out the governmental purposes of the Series 2018 Obligations.

“Payment” means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

“Rebate Requirement” means 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” means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

(c) Within 60 days after the end of each Bond Year, unless an exemption from the requirement to do so is provided by the Code and the Regulations, the City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(i) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount that, when added to the future value of all previous rebate payments with respect to the Series 2018 Obligations (determined as of such Computation Date), is equal to at least 90 percent 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 Series 2018 Obligations (determined as of the last day of such Bond Year) and

(ii) not later than 60 days after the retirement of the last Series 2018 Obligation, an amount equal to 100 percent of the Rebate Requirement (determined as of the date of retirement of the last Series 2018 Obligation).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201 (or at such other address then specified by the Internal Revenue Service), 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:

(i) 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.

(ii) 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.

(iii) 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:

(i) the yield on reasonably comparable direct obligations of the United States and

(ii) 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:

(i) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City or any other person (whether or not in connection with the Series 2018 Obligations), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Series 2018 Obligations.

(ii) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(iii) 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 Series 2018 Obligations (e.g., a lead underwriter within 15 days of the issue date of the Series 2018 Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City uses an agent to conduct the bidding, the agent may not bid.

(iv) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(v) 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.

(vi) 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).

(vii) 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.

(viii) The City retains until three years after the last Outstanding Series 2018 Obligation is retired, (A) a copy of the guaranteed investment contract, (B) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (vii) above, (C) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (D) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) Such experts and consultants shall be employed 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 Series 2018 Obligations.

Section 2.6 Continuing Disclosure Undertaking

. The City shall comply with and carry out all of the provisions of the Series 2018 Undertaking. Notwithstanding any other provision of this Purchase Agreement, failure of the City to comply with the Series 2018 Undertaking shall not be considered a Purchase Event of Default, an Indenture Event of Default or other event of default; however, the Trustee (at the request of the registered Holders of at least 25 percent aggregate principal amount in Outstanding Series 2018 Obligations and receipt of indemnity to its satisfaction) shall take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

ARTICLE III

AGREEMENT OF SALE; PURCHASE PRICE

Section 3.1 Agreement of Sale

. The Trustee hereby sells and conveys to the City, without warranty, and the City hereby buys and accepts from the Trustee, the New Project. In order to refinance the costs of the Existing Project which have not been paid to date, the City hereby sells and conveys the leasehold it has in the real property which was leased to finance the Existing Project to the Trustee, without warranty, for the sum of \$10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Purchase Price), the Trustee in turn hereby sells and conveys back to the City, without warranty, and the City hereby purchases from the Trustee, such interests in the Existing Project. (The City acknowledges that the right of the Trustee to sell the Existing Project arises out of the deposit for the benefit of the City with the Escrow Trustee and that the City is receiving good and valuable consideration from the sales relating to the New Project and the Existing Project.) In order to evidence such sales and conveyances, the Seller has executed and delivered to the City a bill of sale in substantially the form of the Exhibit attached hereto and incorporated herein by reference.

Section 3.2 Possession of and Title to Projects; Authority of Seller to Pledge Its Interests

(a) The City shall be entitled to possession of, and full and unencumbered title to, the Projects, without suit, trouble or hindrance from the Seller. The Projects shall be made a part of the System and shall be used in accordance with all applicable laws.

(b) The Seller may mortgage, hypothecate or pledge all or any part of the interest of the Seller in this Purchase Agreement as security for the Series 2018 Obligations.

Section 3.3 Amounts Payable After Execution and Delivery of Series 2018 Obligations

. After providing for any amounts due pursuant to Section 2.5(c), the Pledged Revenues received pursuant to Section 4.1 (or, if sufficient amounts are not available therefrom, amounts withdrawn from the Debt Service Reserve Account or the Repair and Replacement Fund) shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, in the account to which such payment is to be deposited:

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

(ii) The payments on the dates and in the amounts set forth in the Schedule attached hereto and incorporated herein by reference for deposit to the Interest Account and/or the Principal Account, as applicable.

(iii) Commencing February 1, 2019, and on each February 1 thereafter, an amount equal to the amount required to fund and maintain the Repair and Replacement Fund in an amount equal to the Repair and Replacement Fund Funding Requirement for deposit to the Repair and Replacement Fund; provided that at such time or times as there is on deposit in the Repair and Replacement Fund an amount at least equal to the Repair and Replacement Fund Funding Requirement, as shown in the most recent audited financial statements of the City, no amounts need to be deposited to the Repair and Replacement Fund.

(iv) Commencing on the July 15 following the Fiscal Year of the City in which the Pledged Revenues are less than 175 percent of the Parity Lien Test Debt Service, and each January 15 and July 15 thereafter, an amount equal to one-tenth (1/10) of the amount required to fund and maintain the Debt Service Reserve Account in an amount equal to the Reserve Requirement until such time as the amount on deposit in the Debt Service Reserve Account shall equal the Reserve Requirement and (2) on the fifteenth (15th) day of each month, commencing on the first (1st) day of the month following a payment made on the Series 2018 Obligations from the Debt Service Reserve Account, an amount equal to one-twelfth (1/12) of the amount which, when added to the balance then in the Debt Service Reserve Account, shall be equal to the Reserve Requirement.

In the event the City should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the City, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Series 2018 Obligations, from the date said payment was to be made to the date of payment by the City until paid. This Purchase Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of this Purchase Agreement.

Section 3.4 Obligations of City Hereunder Unconditional

. The obligations of the City to make the payments required in Section 3.3 and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, regardless of the continued existence of the Projects or their physical condition. The City (a) shall not diminish, suspend or discontinue any payments provided for in Section 3.3, (b) shall perform and observe all of its other agreements contained in this Purchase Agreement and (c) shall not terminate this Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, loss, theft or destruction of or damage to the Projects, or any part thereof, frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Purchase Agreement. Nothing contained in this Section shall be construed to release the Seller from the performance of any of the agreements on its part herein contained, and in the event the Seller shall fail to perform any such agreement on its part,

the City may institute such action against the Seller as the City may deem necessary to compel performance or recover its damages for non-performance so long as such action shall not violate or impair the effectiveness of the agreements on the part of the City contained in the next two preceding sentences. The City may, however, at its own cost and expense and in its own name or in the name of the Seller, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its rights of ownership, possession and use hereunder, and in such event the Seller hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Seller in any such action or proceeding if the City shall so request.

Section 3.5 Termination of Payment of Purchase Price; Excess Payments

(a) Subject to Article VI, upon full payment or provision for payment of the Purchase Price and provided that the City has performed all the covenants and agreements required by the City to be performed hereunder, this Purchase Agreement shall cease and expire. Upon the expiration of this Purchase Agreement, the Seller shall cause the Trustee under the Indenture to release any interest that the Trustee may have in the Projects or Pledged Revenues from the lien of the Indenture.

(b) In the event of prepayment of the Purchase Price in full or provision for the payment thereof in full such that the Indenture shall be discharged by its terms as a result of such prepayment and payment of any fees and charges due and owing to the Trustee, all amounts then on deposit in the Improvements Fund (except for amounts retained by the City for payment of costs of the Projects not yet due and payable in accordance with Section 2.2(c)) and the Obligation Fund shall be credited toward the amounts then required to be so prepaid at the direction of the City Representative. Upon the payment thereof in accordance with the Indenture such that the Indenture shall be discharged by its terms, any money remaining which is not otherwise required to be applied to the payment of debt service on the Series 2018 Obligations or to the payment of any other amounts due under the Indenture shall be paid over to the City.

Section 3.6 Prepayment of Purchase Price Generally

The City shall be permitted to prepay all or a part of the Purchase Price composed of the principal and interest components thereof to the extent and in the manner permitted by the Indenture for the redemption of the Series 2018 Obligations. If such prepayment is made in compliance with the terms of the Indenture, the Seller shall cause the Trustee under the Indenture to accept such prepayment to the extent required to provide for a permitted redemption or provision for payment of such Series 2018 Obligations as shall be directed by the County. No other prepayment of the Purchase Price shall be permitted.

Section 3.7 Effect of Partial Payment or Prepayment

Upon any partial payment or prepayment of the Purchase Price resulting in a redemption of Series 2018 Obligations, each installment of interest which shall thereafter be payable as a part of the Purchase Price shall be reduced, taking into account the interest rate or rates on the Series 2018 Obligations remaining outstanding after the redemption of Series 2018

Obligations from the proceeds of such partial payment or prepayment so that the interest remaining payable as a part of the Purchase Price shall be sufficient to pay the interest on such outstanding Series 2018 Obligations when due.

ARTICLE IV
SOURCE OF PURCHASE PRICE; RATE COVENANT;
PARITY OBLIGATIONS

Section 4.1 Limitation of Source of City Payments

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

(b) All amounts to be paid by the City pursuant to Section 3.3 (or under any other section of this Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the Council, from paying such amounts from other moneys of the City. Under no circumstances shall amounts paid under this Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the City hereunder shall never constitute a general obligation of the City or a pledge of *ad valorem* property taxes by the City.

(c) The City hereby pledges, and shall raise and apply, the Pledged Revenues in such amounts and in such manner as required herein to make the payments required to be made by the City under this Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Additional Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere herein to incur this Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged hereunder or under the Indenture. After the application of the Pledged Revenues for the purposes herein, they may be used for any lawful purpose.

Section 4.2 Rate Covenant

The City shall continuously control, operate and maintain the System in an efficient and economical manner and on a revenue-producing basis and shall establish and maintain rates, fees and other charges for all services supplied by the System to provide the Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) the Pledged Revenues in each Fiscal Year equal to at least 125 percent of the Principal Requirement and the Interest Requirement on all Outstanding Series 2018 Obligations and Outstanding Additional Obligations for the corresponding Bond Year (treating the Variable

Interest Rate Obligations as bearing interest at the Assumed Interest Rate and Outstanding Additional Obligations subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) an amount of Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year. Such rates, fees and other charges shall not be reduced unless the Obligation Fund and the Repair and Replacement Fund are in their total minimum amounts.

Section 4.3 Prior Lien Obligations

. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under this Purchase Agreement.

Section 4.4 Additional Obligations Generally

. Additional Obligations may be incurred if there shall not be any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 125 percent of the Parity Lien Test Debt Service including such Additional Obligations and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

ARTICLE V COVENANTS REGARDING THE SYSTEM, MAINTENANCE, INVESTMENTS AND TAXES

Section 5.1 Utilities; Maintenance of the System in Good Condition; Repair and Replacement Fund

(a) All maintenance and repair of the Projects and utilities therefor shall be the responsibility of the City. (In exchange for the payment of the amounts due hereunder, the Seller shall provide nothing more than the Projects.) The City shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

(b) The City shall create the Repair and Replacement Fund in its custody and shall deposit \$7,975,820 thereto on the date of original execution and delivery of the Series 2018 Obligations. Amounts in the Repair and Replacement Fund shall be used for making extraordinary repairs or replacements to the System which are necessary to keep the System in operating condition and for the making of which provision has not been made in the annual budget and money is not available as an Operating Expense. Amounts in the Repair and

Replacement Fund shall also be used as provided in Section 3.3. Notwithstanding anything herein or in the Indenture to the contrary, if, after any Fiscal Year, amounts in the Repair and Replacement Fund exceed the Repair and Replacement Fund Funding Requirement, such amounts in excess of the Repair and Replacement Fund Funding Requirement held in the Repair and Replacement Fund may be released and used by the City for any lawful purpose.

Section 5.2 Insurance

. The City shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Series 2018 Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is hereby pledged by the City as security for the payment of this Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received or if not so used shall be placed in the Repair and Replacement Fund in addition to all other moneys required to be deposited in the Repair and Replacement Fund. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) an independent insurance or actuarial consultant appointed by the City annually reviews and reports to the City in writing that any such program is adequate and actuarially sound.

Section 5.3 No Sale; Lease or Encumbrance Exceptions

.
(a) The City shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the Series 2018 Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the Series 2018 Obligations. In addition, the City may sell to any other municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in the opinion of the Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 125 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate

including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Series 2018 Obligations theretofore Outstanding. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(c) The City may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the City's obligations hereunder; provided that there shall be first filed with the Finance Director (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Series 2018 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Series 2018 Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the City hereunder have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 125 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency. The proceeds of the disposition of such property shall be placed in the Repair and Replacement Fund in addition to all other amounts required in the current Fiscal Year.

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the Series 2018 Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the System.

Section 5.4 Books, Records and Accounts

. The City shall cause to be kept proper books, records and accounts of the System in accordance with standard accounting practices and procedures customarily used for systems of similar nature.

Section 5.5 Satisfaction of Liens

. The City shall, from time to time, duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials or supplies that if unpaid might by law become a lien or charge upon the System or the revenues or any part thereof or that might impair the security of the Series 2018 Obligations, except when the City in good faith contests its liability to pay the same.

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

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

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

Section 5.7 No Competing System

The City shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing system in the City.

Section 5.8 Taxes

All taxes of any type or nature charged to the Seller by reason of this Purchase Agreement or affecting the Projects or affecting the amount available to the Seller from payments received hereunder for the payment of the Series 2018 Obligations (including charges assessed or levied by any governmental agency, district or corporation having power to levy taxes) shall upon receipt of invoices therefor be paid by the City. Upon written request of the City, the Seller shall take whatever steps are necessary to contest the amount of tax, or to recover any tax paid if the City believes such tax or assessment to be improper or invalid. The City shall reimburse the Seller for any and all costs, including reasonable attorneys' fees, thus incurred by the Seller.

**ARTICLE VI
INDEMNIFICATION**

To the extent permitted by law, the City hereby indemnifies and holds the Seller, its directors, officers, agents, attorneys and employees, harmless for, from and against any and all claims, expenses, liens, judgments, liability or loss whatsoever, including reasonable legal fees and expenses, relating to or in any way arising out of (a) this Purchase Agreement, the Indenture, financing statements, supplements, amendments or additions thereto or the enforcement of any of the terms thereof; (b) the Series 2018 Obligations; (c) any official statement or disclosure

documents, either preliminary or final, pertaining to such Series 2018 Obligations; (d) the sale and execution and delivery of the Series 2018 Obligations or the transactions contemplated in any of the aforementioned acts, agreements or documents; or (e) the acquisition, purchase, ownership, lease, possession, rental, use, operation, sale or disposition of the Projects hereunder or in connection herewith (including, without limitation, expense, liability or loss relating to or in any way arising out of injury to persons, property or the environment, patent or invention rights or strict liability in tort). The right of the Seller to indemnification from the City shall not extend to claims, suits and actions successfully brought against the Seller for, or losses, liabilities or expenses incurred as a result of, the negligence, bad faith, willful misconduct or breach of trust of the Seller. To the extent that the City makes or provides for payment to the satisfaction of the Seller under the indemnity provisions hereof, the City shall be subrogated to the rights of the Seller with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that, except to the foregoing extent, the Seller shall have the right to determine such settlement. The City shall pay all amounts due hereunder promptly upon notice thereof from the Seller. In case any action, suit or proceeding is brought against the Seller, if any, by reason of any act or condition which requires indemnification by the City hereunder, the Seller shall notify the City promptly of such action, suit or proceeding, and the City may (and shall upon the request of the Seller), at the expense of the City, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended, by counsel designated by the City and approved by the Seller. If the Seller desires to participate in the defense of such action, suit or proceeding through its own counsel, it may do so at its own expense. The Seller, its directors, officers, agents, attorneys, and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in connection with the Projects. These indemnity provisions shall survive the satisfaction and expiration of this Purchase Agreement and the Indenture.

ARTICLE VII DEFAULT AND REMEDIES

Section 7.1 Purchase Events of Default

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

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

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

(c) The City shall fail to perform any other covenant herein for a period of 30 days after written notice specifying such default shall have been given to the City by the Seller or the Trustee, provided that if such failure is a type that cannot be remedied within such 30 day

period, it shall not be deemed a Purchase Event of Default so long as the City diligently tries to remedy the same; or

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

Section 7.2 Remedies on Default by City

. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, however, under no circumstances may amounts due hereunder be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments hereunder. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

Section 7.3 Default by Seller

. The Seller shall in no event be in default in the performance of any of its obligations hereunder unless and until the Seller shall have failed to perform such obligation within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Seller properly specifying how the Seller has failed to perform any such obligation. No default by the Seller shall relieve the City of its obligations to make the various payments herein required, so long as any of the Series 2018 Obligations remain Outstanding; however, the City may exercise any other remedy available at law or in equity to require the Seller to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to the Trustee under the Indenture.

ARTICLE VIII MISCELLANEOUS

Section 8.1 Arizona Law to Govern; Entire Agreement

(a) This Purchase Agreement shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

(b) This Purchase Agreement expresses the entire understanding and all agreements of the parties hereto with each other and neither party hereto has made or shall be

bound by any agreement or by representation to the other party with respect to the matters covered hereby which is not expressly set forth in this Purchase Agreement.

Section 8.2 Amendments for Securities and Exchange Commission, Blue Sky and Other Limited Purposes

. If it shall ever become necessary to make any amendment to this Purchase Agreement or to the Indenture in order to permit the qualification of an Indenture under the Trust Indenture Act of 1939 or the registration of the Series 2018 Obligations with the Securities and Exchange Commission or the sale of the Series 2018 Obligations in accordance with the “blue sky” laws of any state, the City and the Seller shall agree to such amendments to both this Purchase Agreement and the Indenture as may be necessary or advisable, based on an Opinion of Counsel, to permit such qualification, registration or sale.

Section 8.3 Assignment and Pledge of Seller’s Interest in Purchase Agreement

. The Seller assigns, mortgages, hypothecates and pledges to the Trustee all and every part of the right, privilege and interest of the Seller in this Purchase Agreement. The City consents to such assignment, mortgage hypothecation and pledge.

Section 8.4 Recordation and Filing of Instruments

. The City shall prepare all documents of every kind and description, make all filings and recordings and shall deliver all Opinions of Counsel to the Seller and to the Trustee required under any provision of the Indenture.

Section 8.5 Right of Seller and Trustee to Perform City’s Obligations Hereunder

. In the event that the City should fail for any reason to make any payment or perform any obligation hereunder, and such failure shall continue for a period of 30 days after written notice has been given to the City by the Seller or the Trustee specifying such failure and requesting that it be remedied, the Seller, or the Trustee on its behalf, may but shall not be required to make any such payment or to perform any such duty. The amount of such payment and all expenses reasonably incurred by the Seller, or the Trustee on its behalf, in making such payment and performing such duty shall be additional items payable hereunder and shall be paid by the City immediately upon invoices by the Seller or the Trustee with interest at the average rate of interest applicable to the Series 2018 Obligations from the date said payment was due or expenses incurred to the date of payment by the City.

Section 8.6 Notices; Mailing Addresses

. All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing addressed and mailed by registered or certified mail, delivered, or transmitted by telecopy, telex or other electronic transmission that produces written evidence of its delivery, to the party for which the same is intended, as follows:

To the Seller: ZB, National Association, dba Zions Bank
6001 North 24th Street, Building B
Phoenix, Arizona 85016
Attention: Corporate Trust Department

To the City: City of Surprise, Arizona
16000 North Civic Center Plaza
Surprise, Arizona 85374
Attention: Finance Director

To the Trustee: ZB, National Association, dba Zions Bank
6001 North 24th Street, Building B
Phoenix, Arizona 85016
Attention: Corporate Trust Department

or to such other address as such party may hereafter designate by notice in writing addressed and mailed or delivered to the other party hereto.

Section 8.7 Amendments Hereto

. This Purchase Agreement may only be amended with the express written consent of the Trustee and in accordance with the provisions of the Indenture.

Section 8.8 Severability

. If any term or provision of this Purchase Agreement or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Purchase Agreement or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Purchase Agreement shall be valid and be enforced to the fullest extent permitted by law.

Section 8.9 Counterparts

. This Purchase Agreement may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all together shall constitute but one Series 2018 Purchase Agreement, and it is also understood and agreed that separate counterparts of this Purchase Agreement may separately be executed by the Seller and the City, all with the same full force and effect as though the same counterpart had been executed by both the Seller and the City.

Section 8.10 Assignment by City

. Neither this Purchase Agreement nor any interest of the City herein may at any time after the date hereof, without the prior written consent of the Trustee, be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise. The City shall at all times remain liable for the performance of all of the covenants and conditions on its part to be performed, notwithstanding any such action.

Section 8.11 Interested Parties Herein

. Nothing in this Purchase Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee, the Paying Agent, if any, and the holders of the Series 2018 Obligations, any right, remedy or claim under or by reason of this Purchase Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Purchase Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Paying Agent, if any, and the holders of the Series 2018 Obligations.

Section 8.12 Certain Statutory Notices

(a) To the extent applicable by provision of law, the Seller acknowledges that this Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein and which provides that the City may within three (3) years after its execution cancel any contract (including this Purchase Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, the Seller 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 Seller of the foregoing shall be deemed a material breach of this Purchase Agreement and may result in the termination of the services of the Seller by the City. The City retains the legal right to randomly inspect the papers and records of the Seller to ensure that the Seller is complying with the above-mentioned warranty. The Seller shall keep such papers and records open for random inspection during normal business hours by the Seller. The Seller shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential. The City shall preserve the confidentiality of any information, records or papers the City views, accesses or otherwise obtains during any and every such random inspection, including, without limitation, such information.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Seller hereby certifies it is not currently engaged in, and for the duration of this Purchase 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 City determines that the Seller's certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 8.13 Holidays

. When any action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

[Signature page follows.]

IN WITNESS WHEREOF, the City and the Seller have caused their respective corporate names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

ZB, NATIONAL ASSOCIATION, DBA ZIONS
BANK, as the Seller

By.....

Print Name:.....

Title:.....

CITY OF SURPRISE, ARIZONA, as purchaser

By.....

Mayor

ATTEST:

.....
Clerk

APPROVED AS TO FORM:

.....
City Attorney

ACKNOWLEDGEMENT AND ACCEPTANCE

ZB, National Association, dba Zions Bank, as trustee (the “*Trustee*”) under the Series 2018 Obligation Indenture, dated as of the date of this Purchase Agreement, between the City and the Trustee, has caused its corporate name to be signed to this Purchase Agreement by its duly authorized officer, all as of the day and year first above written, for purposes of acknowledging receipt of this Purchase Agreement and accepting the assignment and pledge of the Seller contained in Section 8.3.

ZB, NATIONAL ASSOCIATION, DBA ZIONS
BANK, as Trustee

By.....
Print Name:.....
Title:.....

EXHIBIT
FORM OF BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

That ZB, National Association, dba Zions Bank, a national banking association, authorized to exercise trust powers in the State of Arizona (the “*Seller*”), for good and valuable consideration received by the Seller from the City of Surprise, Arizona (the “*City*”), receipt of which is hereby acknowledged, does by these presents grant, bargain, sell and convey to the City, its successors and assigns, the Projects as defined in the Series 2018 Purchase Agreement, dated as of July 1, 2018, by and between the Seller and the City, to have and to hold the property as sold to the City and its successors and assigns forever.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed this _____ day of July, 2018.

ZB, NATIONAL ASSOCIATION, DBA ZIONS
BANK

By.....

Print Name:.....

Title:.....

SCHEDULE

PAYMENT SCHEDULE

[illegible]

DRAFT
04/16/18
05/01/18
05/14/18
06/06/18

SERIES 2018 OBLIGATION INDENTURE

by and between

CITY OF SURPRISE, ARIZONA,

and

ZB, NATIONAL ASSOCIATION, DBA ZIONS BANK,
as Trustee

Dated as of July 1, 2018

relating to

\$____,000

Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid
by the City of Surprise, Arizona, Pursuant to a
Series 2018 Purchase Agreement,
Dated as of July 1, 2018

**(This Table of Contents is for informational purposes only
and is not to be considered a part of the Series 2018 Obligation Indenture)**

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EXHIBIT – Form of Series 2018 Obligation

SERIES 2018 OBLIGATION INDENTURE

This SERIES 2018 OBLIGATION INDENTURE, made and entered into as of the 1st day of July, 2018 (this "*Indenture*"), by and between CITY OF SURPRISE, ARIZONA, a municipal corporation of the State of Arizona (the "*City*"), and ZB, NATIONAL ASSOCIATION, DBA ZIONS BANK, a national banking association, authorized to exercise trust powers in the State of Arizona, as trustee, and any successor to its duties hereunder (the "*Trustee*"),

WITNESSETH:

WHEREAS, the Trustee, in its separate capacity as seller (the "*Seller*"), and the City, as purchaser, have entered into a Series 2018 Purchase Agreement, dated as of July 1, 2018 (the "*Purchase Agreement*"), pursuant to which the execution and delivery of certain Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price to be Paid by The City of Surprise, Arizona, Pursuant to a Series 2018 Purchase Agreement, dated as of July 1, 2018 (the "*Series 2018 Obligations*"), to purchase the Projects (as defined in the Purchase Agreement) has been provided; and

WHEREAS, for the purpose of obtaining the moneys to finance the acquisition of the New Project and to refinance the lease purchase which financed the costs of the Existing Project, rights pursuant to the Purchase Agreement have been assigned and transferred to the Trustee for purposes hereof, and in consideration of such assignment and the execution hereof, the Trustee shall execute and deliver the Series 2018 Obligations, each evidencing a proportionate interest in certain rights pursuant to the Purchase Agreement, including the right to receive payment of the Purchase Price (as defined in the Purchase Agreement);

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE FURTHER WITNESSETH: That in order to secure all of the Series 2018 Obligations executed and delivered pursuant hereto, the payment of principal and interest thereon, the rights of the Holders (as defined herein) of the Series 2018 Obligations and the performance and observance of the covenants and conditions contained herein and in the Series 2018 Obligations and the Purchase Agreement, the Trustee shall receive and hold as security for the Holders of the Series 2018 Obligations, and there shall be granted a security interest in and released, assigned, transferred, pledged, mortgaged, granted and conveyed unto the Trustee or any successor to its duties hereunder, the following described property:

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

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

C. Any and all other real or personal property of any kind from time to time after execution hereof by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Series 2018 Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD all said properties assigned, mortgaged, hypothecated and pledged and conveyed by the Seller, including all additional property that by the terms hereof has or may become subject to the encumbrance hereof, unto the Trustee and its successors in trust and its assigns forever, subject, however, to the rights reserved hereunder,

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Series 2018 Obligations executed and delivered and Outstanding (as defined herein) hereunder, without preference, priority or distinction as to lien or otherwise of any of the Series 2018 Obligations over any other or others of the Series 2018 Obligations to the end that each Holder of the Series 2018 Obligations has the same rights, privileges and lien under and by virtue hereof; and conditioned, however, that if all liabilities, obligations and sums at any time secured hereby shall be well and truly paid, or caused to be paid fully and promptly when due, and all of the covenants, warranties and agreements contained herein shall promptly, faithfully and strictly be kept, performed and observed, then and in such event, this Indenture shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth.

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions

. Unless the context otherwise requires, the following words and phrases shall have the following meanings:

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

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

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“*Costs of Issuance Fund*” means the fund of that name created pursuant to Section 5.5.

“*Debt Service Reserve Account*” means the account of the Obligation Fund of that name created pursuant to Section 5.1.

“*Defeasance Obligations*” means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America (“*Treasuries*”), (3) evidences of ownership of proportionate interest in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aa” by S&P and Moody’s, respectively, or (5) securities eligible for “AAA” defeasance under then-existing criteria of S&P or any combination thereof.

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

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Escrow Trust Agreement*” means the Escrow Trust Agreement, dated as of July 1, 2018, by and between the City and the Escrow Trustee.

“*Escrow Trustee*” means Wells Fargo Bank, National Association, in its capacity as escrow trustee pursuant to the Escrow Trust Agreement.

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

“*Fitch*” shall mean Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “*Fitch*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

“*Holder*” means the registered owner of any Series 2018 Obligation.

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

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

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

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, *“Moody’s”* shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

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

“Obligation Payment Date” means each January 1 and July 1, commencing January 1, 2019, so long as any Series 2018 Obligations are Outstanding.

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

“Outstanding” when used with reference to the Series 2018 Obligations, means, as of any date of determination, all Series 2018 Obligations theretofore executed and delivered except:

- (i) Series 2018 Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

- (ii) Series 2018 Obligations that are deemed paid and no longer Outstanding as provided herein;

- (iii) Series 2018 Obligations in lieu of which other Series 2018 Obligations have been executed and delivered pursuant to the provisions hereof relating to Series 2018 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Series 2018 Obligation is held by a bona fide purchaser; and

- (iv) For purposes of any consent or other action to be taken hereunder or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Series 2018 Obligations, Series 2018 Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with, any of them.

“Paying Agent” means the banks or trust companies and their successors designated as the paying agencies or places of payment for the Series 2018 Obligations. The Trustee is designated as Paying Agent for the Series 2018 Obligations.

“Permitted Investments” means, to the extent the use of which is not otherwise prohibited by applicable law:

- 1.A. Cash;
 - B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));
 - C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;
 - D. Resolution Funding Corp. (“REFCORP”) but only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
 - E. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P but if, however, the issue is only rated by S&P (i.e., there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition and
 - F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - (i) *U.S. Export-Import Bank* (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership,
 - (ii) *Farmers Home Administration* (FmHA),
 - (iii) *Federal Financing Bank*,
 - (iv) *General Services Administration*
Participation Certificates,
 - (v) *U.S. Maritime Administration*
Guaranteed Title XI financing and
 - (vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;
2. Federal Housing Administration debentures;

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates (excluded are 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)
Senior debt obligations
- B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
- C. Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
- D. Federal National Mortgage Association (FNMA or “Fannie Mae”) Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)
- E. Financing Corporation (FICO) Debt obligations
- F. Resolution Funding Corp. (REFCORP) Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated ‘A-1’ or better by S&P or the highest rating category of Moody’s or are fully insured by the Federal Deposit Insurance Corporation (FDIC).

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks that have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated ‘A-1+’ by S&P and ‘Prime-1’ by Moody’s.

7. Money market mutual funds rated ‘AAm’ or ‘AAm-G’ or higher by S&P or having a rating in the highest investment category granted thereby from Moody’s.

8. “State Obligations”, which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated ‘A3’ by Moody’s and ‘A’ by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by S & P and “Aaa” by Moody’s meeting the following requirements:

- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- B. the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
- D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an

“A” rating in an “A” rated structured financing (with a market value approach);

- B. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;
- E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103 percent or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa2” by Moody’s; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Series 2018 Obligations;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

- C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Trustee;
- E. the investment agreement shall provide that if during its term:
 - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and
 - (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and
- F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- G. the investment agreement must provide that if during its term:

- (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and
- (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

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

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

"Principal Installment" means, for any particular date, the aggregate of the principal amount of Series 2018 Obligations that is due on such date.

"Qualified Reserve Fund Instrument" means a letter or line of credit, insurance policy or surety bond that meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Series 2018 Obligations may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the claims paying ability of the issuer thereof shall be rated at least "AA-" or "Aa3" by S&P or Moody's, respectively.

(ii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the Series 2018 Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the issuer thereof is rated at least "AA-" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Series 2018 Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

If the expiration date of the letter of credit shall not be extended, the City may deposit in the Debt Service Reserve Account an amount sufficient to cause cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in either (i) or (ii) above.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (ii) shall be subject to receipt of an opinion of counsel of an attorney or firm of attorneys of nationally recognized standing in the related field as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel of such attorney or firm of attorneys to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the 2018 Obligations (or any other account party under the letter of credit).

(iii) The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the Series 2018 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P

“AA-” or a Moody’s “Aa3” or (D) the rating of the issuer of the letter of credit falls below a S&P “AA-,” the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P “AA-” or a Moody’s “Aa3” or (C) the rating of the issuer of the letter of credit falls below a S&P “AA-”, the City shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (b) the rating of the issuer of the letter of credit falls below “A” or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the City shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing year in equal monthly installments or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the City to the issuer of the Qualified Reserve Fund Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, *e.g.*, Sections 4.2 and 4.4 of the Purchase Agreement.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each Obligation Payment Date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on the Qualified Reserve Fund Instrument.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the City obtains, and provides to the Trustee, a Special Counsel's Opinion to the effect that such action will not cause the interest on any Series 2018 Obligations to become includible in gross income for purposes of federal income taxes.

"Rating Agency" shall mean Fitch, Moody's or S&P, or any of them or their replacements as provided in the definition of each.

"Record Date" means (i) with respect to any Obligation Payment Date occurring on the first calendar day of any month, the 15th day of the calendar month next preceding that Obligation Payment Date (regardless of whether such 15th day is a Business Day) or (ii) such other date as may be designated pursuant to Section 2.2(c).

"Reserve Requirement" means, at the time of the deposit to the Debt Service Reserve Account then required, the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Series 2018 Obligations; provided, however, that such amount shall not exceed the least of (a) ten percent (10%) of the net proceeds of the Series 2018 Obligations at the time of original delivery, (b) the greatest amount to be paid in any subsequent Fiscal Year of the City with respect to the Series 2018 Obligations at the time of original delivery or (c) one hundred twenty-five percent (125%) of the average annual debt service at the time of original delivery.

"S&P" means Standard & Poor's Financial Services LLC, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, *"S&P"* shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

"Securities Depository" has the meaning provided in Section 2.8.

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

"Special Counsel's Opinion" means an opinion signed by Special Counsel.

"State" means the State of Arizona.

Section 1.2 Interpretation

(a) Any reference herein to the Board or any officer of the City 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) 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. References to “Articles” and “Sections” are to those in this Indenture, unless otherwise specified.

Section 1.3 All Series 2018 Obligations Equally and Ratably Secured; Series 2018 Obligations Not General Series 2018 Obligations of the City

. All of the Series 2018 Obligations executed and delivered hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Series 2018 Obligations, so that all Series 2018 Obligations at any time Outstanding hereunder shall have the same right, lien and preference hereunder and shall all be equally and ratably secured hereby. The Series 2018 Obligations shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

**ARTICLE II
AUTHORIZATION AND TERMS OF SERIES 2018 OBLIGATIONS**

Section 2.1 Authorization of Series 2018 Obligations

. The Trustee is hereby authorized and directed, upon receipt of a request in writing from the City Representative, to prepare, execute and deliver the Series 2018 Obligations to, or upon the direction of, RBC Capital Markets, LLC, as the underwriter of the Series 2018 Obligations, in the aggregate original principal amount of \$____,000.

Section 2.2 Form, Date and Payment Terms of Series 2018 Obligations

(a) The Series 2018 Obligations shall:

(i) Be dated the date of their initial execution and delivery, be executed and delivered in denominations of \$5,000 of principal each or any integral multiple thereof, and bear interest from the most recent Obligation Payment Date to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the date of their initial execution and delivery. Said interest shall represent the portion of each installment of the Purchase Price designated as interest and coming due during the six-month period (or portion thereof) preceding each Obligation Payment Date paid pursuant to Section 5.4(i); provided that the first installment shall be for interest from the date of initial execution and delivery of the Series 2018 Obligations to January 1, 2019. The proportionate share of the portion of each installment of the Purchase Price designated as interest with respect to any Series 2018 Obligation shall be computed by multiplying the portion of each installment of the Purchase Price designated as principal with respect to such Series 2018 Obligation by the rate of interest applicable to such Series 2018 Obligation (on the basis of a 360-day year of twelve 30-day months).

(ii) Mature on July 1 in the years and amounts and bear interest at rates per annum (calculated on the basis of a 360-day year of twelve 30-day months) as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
20__	\$_____,000	%	20__	\$_____,000	%
20__	_____,000		20__	_____,000	
20__	_____,000		20__	_____,000	
20__	_____,000		20__	_____,000	
20__	_____,000		20__	_____,000	

(b) The Series 2018 Obligations shall be executed and delivered only in fully registered form and shall be numbered or otherwise designated in a manner specified by the Trustee so as to distinguish each Series 2018 Obligation from every other Series 2018 Obligation.

(c) Interest on the Series 2018 Obligations shall be payable when due to the Holder in whose name such Series 2018 Obligation is registered at the close of business on the Record Date with respect to each Obligation Payment Date, irrespective of any transfer or exchange of such Series 2018 Obligation subsequent to such Record Date and prior to such Obligation Payment Date, unless there is a default in the payment of interest due on such Obligation Payment Date. In the event of any such default, such defaulted interest shall be payable to the Holder in whose name such Series 2018 Obligation is registered at the close of business on a special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee to the Holders of the Series 2018 Obligations not less than 15 days

preceding such special Record Date. Such notice shall be mailed to the Holders in whose name the Series 2018 Obligations are registered at the close of business on the fifth day preceding the date of mailing. If the Trustee registers the transfer of any Series 2018 Obligation subsequent to the mailing of such notice and on or before the special Record Date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee(s) along with the Series 2018 Obligation(s).

(d) Principal of and redemption premium, if any, and interest on the Series 2018 Obligations shall be payable when due in any coin or currency of the United States of America that is legal tender for the payment of public and private debts. Principal of and redemption premium, if any, on the Series 2018 Obligations shall be payable at the designated corporate trust office of the Trustee upon surrender of the Series 2018 Obligation on or after the maturity date. Payment of interest on the Series 2018 Obligations shall be made by check or draft mailed to the registered address of the Person entitled thereto; except that, upon the written direction of any Holder of not less than \$1,000,000 in aggregate principal amount of Series 2018 Obligations (which direction shall remain effective for so long as such Holder owns not less than \$1,000,000 in Series 2018 Obligations or until such Holder countermands such written direction in writing), the payment of interest on the Series 2018 Obligations owned by such Holder may be made by wire transfer of immediately available funds to an account located in a bank within the United States pursuant to wire transfer directions issued by such Holder.

(e) Any payment due on any Series 2018 Obligation that is not paid when due shall bear interest at a rate equal to the rate of interest borne on such Series 2018 Obligation, from the date such payment is due until the payment is made. Such interest shall be calculated based upon an assumption of a 360-day year of twelve 30-day months, with such interest compounded semiannually.

Section 2.3 Mutilated, Destroyed, Lost and Stolen Series 2018 Obligations

. If (a) any mutilated Series 2018 Obligation is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Series 2018 Obligation, and (b) there is delivered to the Trustee such security or indemnity as the Trustee may require to hold the Trustee harmless, then, in the absence of notice to the Trustee that such Series 2018 Obligation has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Trustee and of any security or indemnity obligation required by the Trustee, the Trustee shall execute and deliver, in exchange for such mutilated Series 2018 Obligation or in lieu of such destroyed, lost or stolen Series 2018 Obligation, a new Series 2018 Obligation of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Series 2018 Obligation has become, or will on or before the next Obligation Payment Date become, due and payable, the Trustee may, in its discretion, pay such Series 2018 Obligation when due instead of delivering a new Series 2018 Obligation.

Section 2.4 Execution of Series 2018 Obligations

. All Series 2018 Obligations shall be executed by and in the name of the Trustee by manual signature of an authorized representative of the Trustee. If any authorized

representative of the Trustee whose signature appears on any Series 2018 Obligation ceases to be such authorized representative before the date of initial execution and delivery of the Series 2018 Obligations, such signature shall nevertheless be effective.

Section 2.5 Registration, Transfer and Exchange of Series 2018 Obligations

(a) All Series 2018 Obligations executed and delivered hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Series 2018 Obligations.

(b) So long as any Series 2018 Obligations are Outstanding, the Trustee shall maintain at its offices books for the registration and transfer of Series 2018 Obligations and shall provide for the registration and transfer of any Series 2018 Obligation under such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering Series 2018 Obligations in accordance with the provisions hereof.

(c) Each Series 2018 Obligation shall be transferable only upon the registration books maintained by the Trustee, by the Holder 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 registered Holder or his duly authorized attorney. Upon surrender for transfer of any Series 2018 Obligation, the Trustee shall authenticate and deliver, in the name of the transferee, one or more new Series 2018 Obligations, of the same aggregate principal amount and maturity as the surrendered Series 2018 Obligation.

(d) Any Series 2018 Obligation, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the registered Holder or his attorney duly authorized in writing, may, at the option of the registered Holder thereof, be exchanged for Series 2018 Obligations of any other authorized denominations, with an equal aggregate principal amount and the same maturity.

(e) All Series 2018 Obligations surrendered in any exchange or transfer of Series 2018 Obligations shall forthwith be cancelled by the Trustee.

(f) In connection with any such exchange or transfer of Series 2018 Obligations the Holder 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.

Section 2.6 Persons Deemed Owners

The Person in whose name any Series 2018 Obligation shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of and premium, if any, and interest or any applicable premium on any Series 2018 Obligation shall be made only to or upon the written order of the registered Holder thereof (subject to

provisions in this Indenture regarding the Record Date). Such payment shall be valid and effectual to satisfy and discharge the liability upon such Series 2018 Obligation to the extent of the amount so paid.

Section 2.7 Non-Presentation of Series 2018 Obligations

. In the event any Series 2018 Obligation shall not be presented for payment when the principal thereof and premium, if any, becomes due, either at maturity or otherwise, if moneys sufficient to pay the principal of, premium, if any, and interest on, such Series 2018 Obligation shall have been deposited hereunder for such payment, all liability to the Holder thereof for the payment of such Series 2018 Obligation shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys as provided herein, without liability for interest thereon, for the benefit of the Holder of such Series 2018 Obligation, who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Series 2018 Obligation.

Section 2.8 Book-Entry

. The Trustee or the City may from time to time enter into, and discontinue, an agreement with a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended (the “Securities Depository”), which is the owner of the Series 2018 Obligations, to establish procedures with respect to the Series 2018 Obligations not inconsistent with the provisions of this Indenture; provided, that, notwithstanding any other provisions of this Indenture, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Series 2018 Obligation so long as the Series 2018 Obligations are subject to such agreement. With respect to Series 2018 Obligations registered in the name of a Securities Depository (or its nominee), the Trustee shall not have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Series 2018 Obligations. The City has entered into an agreement with DTC, and in and while such agreement is in effect, the procedures established therein shall apply to the Series 2018 Obligations notwithstanding any other provisions of this Indenture to the contrary. As long as DTC is the Securities Depository with respect to the Series 2018 Obligations, the Trustee shall be a “DTC Direct Participant.”

ARTICLE III REDEMPTION OF SERIES 2018 OBLIGATIONS

Section 3.1 Right to Redeem

. The Series 2018 Obligations shall be subject to redemption prior to maturity, in any order of maturity, as directed by the City, at such times, to the extent and in the manner provided herein.

Section 3.2 Redemption of Series 2018 Obligations.

(a) The Series 2018 Obligations maturing on July 1, 20__, and July 1, 20__, shall be redeemed on July 1 in the years and in the principal amounts set forth below, at a redemption price equal to the principal amount thereof, without premium, plus the interest accrued to the date of redemption:

Term Series 2018 Obligation Payable July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$_____,000
20__	_____,000
20__	_____,000

Term Series 2018 Obligation Payable July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$_____,000
20__	_____,000
20__	_____,000
20__	_____,000

(b) The Series 2018 Obligations maturing on or prior to July 1, 20__, are not subject to optional redemption prior to maturity. The Series 2018 Obligations maturing on and after July 1, 20__, are subject to redemption, in whole or in part on any date on or after July 1, 20__, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity (as provided in Section 3.3 below) by payment of the principal amount of each Series 2018 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Section 3.3 Selection of Series 2018 Obligations to be Redeemed

. If less than all of the Series 2018 Obligations of the same maturity are to be redeemed upon any redemption of Series 2018 Obligations hereunder, the Trustee shall select the Series 2018 Obligations to be redeemed by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each Series 2018 Obligation as representing that number of Series 2018 Obligations of the lowest authorized denomination as is obtained by dividing the original principal amount of each such Series 2018 Obligation by such minimum denomination.

Section 3.4 Partial Redemption of Series 2018 Obligations

. Upon the selection and notice of redemption and the surrender of any Series 2018 Obligation for redemption in part only, the Trustee shall execute and deliver to or upon the written order of the Holder thereof, at the expense of the City, a new Series 2018 Obligation(s) of authorized

denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2018 Obligation surrendered.

Section 3.5 Effect of Call for Redemption

. On the date designated for redemption by notice given as herein provided, the Series 2018 Obligations so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2018 Obligations on such date. If on the date fixed for redemption moneys or Defeasance Obligations sufficient for payment of the redemption price and accrued interest on such date are held by the Trustee as provided herein, interest on the Series 2018 Obligations so called for redemption shall cease to accrue, such Series 2018 Obligations 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 Series 2018 Obligations so called for redemption shall be deemed paid and no longer Outstanding.

Section 3.6 Notice of Redemption.

(a) Whenever redemption of Series 2018 Obligations is to be made, the Trustee shall give notice of the redemption of such Series 2018 Obligations, which notice shall specify the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2018 Obligations are to be redeemed, the numbers or other distinguishing marks of such Series 2018 Obligations so to be redeemed, including CUSIP numbers, and, in the case of Series 2018 Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2018 Obligation to be redeemed the redemption price thereof, as appropriate, of such Series 2018 Obligation or the specified portion thereof in the case of a Series 2018 Obligation to be redeemed in part only, together with interest accrued to the redemption date on such Series 2018 Obligations or portion thereof so to be redeemed and that, from and after such date, the Series 2018 Obligations being redeemed will cease to accrue interest. Notwithstanding the foregoing, no notice of redemption shall be sent unless (i) the Trustee has on deposit sufficient funds to effect such redemption or (ii) the redemption notice states that redemption is contingent upon receipt of such funds prior to the redemption date. Such redemption notices may state that no representation is made as to the correctness or accuracy of the CUSIP numbers printed therein or on the Series 2018 Obligations.

(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 redemption date, to all Holders of any Series 2018 Obligations or portions of Series 2018 Obligations that are to be redeemed at their last addresses appearing upon the registry books. Such notice shall be mailed a second time to any Holder of Series 2018 Obligations that have been called for redemption if such Holder has not presented such Series 2018 Obligations for payment of the redemption price within 60 days after the redemption date. Failure so to mail any such notice, or a defect in such notice, as to any Series 2018 Obligation shall not affect the validity of the proceedings for the redemption of any other Series 2018 Obligation, and failure to mail such second notice shall not affect the validity of the proceedings for the redemption of any Series 2018 Obligation.

ARTICLE IV FORM OF SERIES 2018 OBLIGATIONS

The Series 2018 Obligations shall be substantially in the form set forth in the *Exhibit* hereto with such omissions, insertions and variations as are consistent with the provisions hereof.

ARTICLE V REVENUES AND FUNDS

Section 5.1 Creation of Funds and Accounts

. The Trustee shall create the Costs of Issuance Fund and the Obligation Fund. The Obligation Fund shall contain the following accounts: (i) the Interest Account, (ii) the Principal Account and (iii) the Debt Service Reserve Account. Such funds and accounts shall be held in trust for the benefit of the Holders.

Section 5.2 Application of Series 2018 Obligation Proceeds

. The Trustee shall receive \$_____, being the proceeds of the sale of the Series 2018 Obligations (including [net] original issue premium, net of underwriter's discount), (i) \$_____ of which shall be held in a temporary fund and transferred on the Closing Date to the Escrow Trustee for the purposes of the Escrow Trust Agreement, (ii) \$_____ of which shall be transferred to the City for deposit to the Improvements Fund and (iii) the balance of which (\$_____) shall be deposited in the Costs of Issuance Fund and applied pursuant to Section 5.5.

Section 5.3 Flow of Funds Into the Obligation Fund

. The following payments to the Trustee shall be applied in the following manner:

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

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Series 2018 Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Principal Account.)

(iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(iv) of the Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instrument contained therein equals the Reserve Requirement.

Section 5.4 Flow of Funds Out of the Obligation Fund

. Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the Series 2018 Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire Series 2018 Obligations by payment on their scheduled maturity date, mandatory redemption date or optional redemption date.

(iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the Series 2018 Obligations in the event that no other money of the City is available therefor or for the retirement (including by defeasance pursuant to Section 10.2) of all of the Series 2018 Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument.

(B) Notwithstanding anything herein or in the Purchase Agreement to the contrary, if, after the City has been required to make deposits to the Debt Service Reserve Account pursuant to Section 3.3(iv) of the Purchase Agreement, the Pledged Revenues for two consecutive Fiscal Years equal or exceed 175 percent of the Parity Lien Test Debt Service for such Fiscal Years, any moneys and/or Qualified Reserve Fund Instrument held in the Debt Service Reserve Account may be released and (except as otherwise limited by the terms of any Qualified Reserve Fund Instrument) used by the City for any lawful purpose, and the City's obligation to maintain the Reserve Requirement in the Debt Service Reserve Account shall terminate, subject to Section 3.3(iv) of the Purchase Agreement for funding the Debt Service Reserve Account if the circumstances described in Section 3.3(iv) of the Purchase Agreement occur.

Section 5.5 Flow of Funds Out of Costs of Issuance Fund

. Moneys in the Costs of Issuance Fund shall be disbursed by the Trustee at the direction of the City for costs and expenses relating to the sale, credit enhancement and execution and delivery of the Series 2018 Obligations, including, but not limited to "out of pocket" expenses and charges, fees and disbursements of the financial advisor to the City, counsel, rating agencies, printing expenses and other expenses reasonably incurred by the City or the Trustee in connection therewith.

Section 5.6 Investment of Moneys Held by Trustee

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the City Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall invest moneys in investments described in paragraph 3 of the definition of Defeasance Obligations.

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

(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 City Representative.

(d) In computing the amount in any fund or account, Permitted Investments purchased as an investment of moneys therein shall be valued at market. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

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

(f) The City shall not knowingly use or direct or permit the use of any moneys of the City in its possession or control in any manner that would cause any Series 2018 Obligation to be an “arbitrage bond” within the meaning ascribed to such term in section 148 of the Code, or any successor section of the Code. The City shall comply with and take all actions required by any arbitrage or similar certificate and will continue to do so notwithstanding any satisfaction or discharge of this Indenture.

Section 5.7 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 5.8 Investment Income

. Except as otherwise provided herein, interest income and gain received, or loss realized, from investments or moneys in any fund or account shall be credited, or charged, as the case may be, to such respective fund or account.

ARTICLE VI CERTAIN COVENANTS

Section 6.1 Payment of Principal and Interest

. Subject to the limited liability and sources of payment specified herein, the Series 2018 Obligations shall be promptly paid in the amounts due at the place, on the dates and in the manner provided herein and in said Series 2018 Obligations according to the terms thereof. The amounts due on the Series 2018 Obligations are payable solely from moneys held or received by the Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Series 2018 Obligations shall be construed as assigning or pledging any other funds or assets of the City.

Section 6.2 Performance of Covenants

. Subject to the limited liability and sources of payment described herein and except to the extent assigned to the Trustee hereunder, the City shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in each and every Series 2018 Obligation executed, authenticated and delivered hereunder and in all proceedings of the City pertaining thereto.

Section 6.3 Instruments of Further Assurance

. The City shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, mortgaging, conveying, pledging, assigning and confirming unto the Trustee all interests, revenues and receipts pledged hereby to the payment of the principal of and premium, if any, and interest on the Series 2018 Obligations in the manner and to the extent contemplated herein.

Section 6.4 Rights under Series 2018 Purchase Agreement

. The Trustee may enforce all rights under the Purchase Agreement for and on behalf of the Holders, whether or not the City is then in default hereunder.

Section 6.5 Protection of Lien

. The City shall not make or create or agree to permit to be made or created any assignment or lien on a parity with or having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided in the Purchase Agreement. No obligation, the payment of which is secured by

property or revenues pledged hereunder, shall be executed and delivered by the City except in lieu of, or upon transfer of registration or exchange of, any Series 2018 Obligation except as provided in the Purchase Agreement.

ARTICLE VII DEFAULT AND REMEDIES

Section 7.1 Events of Default

. Each of the following is an “*Indenture Event of Default*”:

(a) If payment of any installment of interest on any Series 2018 Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any Series 2018 Obligation is not made in full when the same becomes due and payable;

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

(d) If the City defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided herein or in the Series 2018 Obligations and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee, unless within such 30 days the City shall commence and diligently pursue in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Series 2018 Obligations then Outstanding; or

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

Section 7.2 Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with Article VII hereof and Article VII of the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Series 2018 Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder and the Series 2018 Obligations by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited

to, an action for the recovery of any amounts due hereunder or for damages for the breach of this Indenture, and the Trustee may pursue any other remedy that the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to Article VII of the Purchase Agreement, subject to any limitations on such remedies set forth in such Article VII.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Series 2018 Obligations then Outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security hereunder by any acts that may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Series 2018 Obligations not making such request.

Section 7.3 No Acceleration

In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, other than because of optional redemption pursuant hereto and then only to the extent of the amount to be so redeemed and only pursuant to Article III hereof, any amounts due hereunder.

Section 7.4 Application of Revenues and Other Moneys After Default

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

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Series 2018 Obligations); and

Second: To the payment of the unpaid Principal Installments or redemption price of any Series 2018 Obligations that have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application

in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Series 2018 Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Series 2018 Obligation until such Series 2018 Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the Series 2018 Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

Section 7.5 Remedies Not Exclusive

. No remedy by the terms hereof conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 7.6 Remedies Vested in Trustee

. Any cause of action (including the right to file proof of claims) hereunder or under any of the Series 2018 Obligations may be enforced by the Trustee, without the possession of any of the Series 2018 Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Holders of the Series 2018 Obligations. Subject to the provisions of Section 7.4, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Series 2018 Obligations.

Section 7.7 Individual Holder Action Restricted

(a) No Holder of any Series 2018 Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers hereunder upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of Series 2018 Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted herein; and

(ii) Such Holders have offered the Trustee indemnity as provided in Section 8.2(v); and

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

(iv) During such 60 day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of Series 2018 Obligations then Outstanding.

(b) No one or more Holders of Series 2018 Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Series 2018 Obligations Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Series 2018 Obligation (i) to receive payment of the principal of or premium, if any, or interest on such Series 2018 Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Series 2018 Obligation may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Series 2018 Obligations.

Section 7.8 Termination of Proceedings

. In case any proceeding taken on account of an Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then the City, the Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights and powers of the Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 7.9 Waiver of Event of Default

(a) No delay or omission of the Trustee or of any Holder of the Series 2018 Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

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

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

Section 7.10 Notice of Default

(a) Within 30 days after (i) the occurrence of an Indenture Event of Default under Section 7.1(a) or (b) of which the Trustee is deemed to have notice, or (ii) receipt by the Trustee of actual knowledge or written notice of an Indenture Event of Default under Section 7.1(c), (d) or (e), the Trustee shall, unless such Indenture Event of Default has been cured, give written notice thereof by first class mail to each Holder of a Series 2018 Obligation then Outstanding, provided that, except in the case of a default in the payment of Principal Installments or the redemption price of or interest on any of the Series 2018 Obligations, 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 Holders.

(b) The Trustee shall immediately notify the City of (i) the occurrence of an Indenture Event of Default under Section 7.1(a) or (b) and (ii) when the Trustee has received actual knowledge or written notice of an Indenture Event of Default under Section 7.1(c), (d) or (e).

Section 7.11 Limitation of Liability

(a) Except for the payment of amounts pursuant to the Purchase Agreement when due and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Holders with respect to this Indenture or the terms, execution, delivery or transfer of the Series 2018 Obligations, or the distribution of applicable portions of the Purchase Price to the Holders by the Trustee.

(b) The City shall not have any obligation or liability to any of the other parties or to the Holders with respect to the performance by the Trustee of any duty imposed upon it under this Indenture; nor shall the Trustee have any obligation or liability to any of the other parties or to the Holders with respect to the performance by the City of any duty imposed upon it under this Indenture.

Section 7.12 Limitations on Remedies

It is the purpose and intention of this Article to provide rights and remedies to the Trustee and Holders that may be lawfully granted, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Holders shall be entitled, as above set forth,

to every other right and remedy provided in this Indenture and, to the extent consistent with the provisions of this Indenture, by law.

ARTICLE VIII THE TRUSTEE

Section 8.1 Certain Duties and Responsibilities

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

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

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

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

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

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

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence or willful misconduct by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any 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 Holders of the Outstanding Series 2018 Obligations 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, under this Indenture and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the City for all reasonable costs, expenses, attorneys' and other fees, and 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 Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2 Certain Rights of Trustee

. Except as otherwise provided in Section 8.1:

(i) 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, obligation, 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.

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

(iii) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to 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 the City Representative.

(iv) 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 in good faith and in reliance thereon.

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture unless such Holders 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.

(vi) 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, obligation, 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.

(vii) The Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers hereunder or performing any duties hereunder 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.

(viii) The Trustee shall not be responsible for the recording or filing of any documents relating to the Purchase Agreement or this Indenture.

Section 8.3 Employment of Experts

. The Trustee is 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, and shall be reimbursed by the City for all reasonable expenses and charges in so doing.

Section 8.4 Enforcement of Performance by Others

. Except as provided in Section 8.1 or otherwise specifically provided herein, it shall not be the duty of the Trustee to see that any duties and obligations herein imposed upon the City are performed.

Section 8.5 Right to Deal in Series 2018 Obligations and Take Other Actions

. The Trustee may in good faith buy, sell or hold and deal in any Series 2018 Obligations with like effect as if it were not such Trustee and may commence or join in any action that a Holder 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 or of the Purchase Agreement is to be construed to limit or restrict the right of the Trustee to engage in such business with the City or any Holder. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required hereby and by the Purchase Agreement, 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 8.6 Removal and Resignation of Trustee

(a) The Trustee may resign with 30 days' written notice to the City from the trusts created hereby by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Series 2018 Obligations at the close of business fifteen days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Series 2018 Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the Series 2018 Obligations then Outstanding under this Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

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

(d) If the Holders of a majority of the principal amount of Series 2018 Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

(e) Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$200,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(f) Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City 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.

(g) Each successor Trustee, not later than ten days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a Series 2018 Obligation.

(h) 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 shall be the successor to such Trustee without the execution or filing of any paper or any further act, provided such company shall be eligible as a successor Trustee under this Indenture.

Section 8.7 Proof of Claim

The Trustee shall have the right and power to take actions in the name and place of the City or the Holders 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 Holders.

Section 8.8 Trustee's Fees and Expenses

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it hereunder; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust or its duties hereunder. The Trustee's right to indemnity shall not extend to claims, suits and actions successfully brought against the Trustee for, or losses, liabilities or expenses incurred as a result of the Trustee's own negligence, bad faith, willful misconduct or breach of trust. In the event any action or proceeding is instituted or pending against the Trustee by reason of or in connection with the acceptance or administration of this trust or the Trustee's duties hereunder, the City may, at its election, assume the defense of any such action or proceeding with counsel satisfactory to the Trustee. If any such action or proceeding includes any claims alleging the Trustee's own negligence, bad faith, willful misconduct or breach of trust, the Trustee shall

reimburse the City its expenses (including reasonable attorneys' fees), if any, of assuming the defense of such action or proceeding if it is determined by a final judgment of a court of competent jurisdiction that the Trustee is not entitled to be indemnified as authorized in this Section. Any settlement of any such action or proceeding shall not, of itself, create a presumption as to the merits of any claims alleging the Trustee's own negligence, bad faith, willful misconduct or breach of trust. The Trustee's rights to compensation, reimbursement and indemnity while serving as Trustee hereunder shall survive resignation or removal of the Trustee or discharge of the Series 2018 Obligation Indenture.

(b) Any provision hereof to the contrary notwithstanding, if the City fails, within 30 days of receiving an itemized invoice and back-up documentation, 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, the Trustee may reimburse itself from any surplus moneys on hand in any fund or account created pursuant hereto.

Section 8.9 Destruction of Series 2018 Obligations

. Upon payment of or surrender to the Trustee for cancellation of any Series 2018 Obligation, the Trustee shall destroy such Series 2018 Obligation.

Section 8.10 Reports

. The Trustee shall quarterly, or at such other intervals as the Trustee and the City shall from time to time agree upon (but in no event more frequently than monthly), prepare and submit to the City reports covering all moneys received and all payments, expenditures and investments made as the Trustee hereunder since the last previous such report. The Trustee's records shall be kept in accordance with corporate trust industry standards and shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours.

Section 8.11 Separate or Co-Trustee

(a) At any time or times, solely for the purpose of meeting any legal requirements of any jurisdiction other than Arizona, the City and the Trustee shall have power to appoint, and, upon the request of the Trustee or of the Holders of at least a majority in principal amount of Series 2018 Obligations then Outstanding and the City 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 Indenture Event of Default has occurred and is continuing, reasonably acceptable to the City, 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 City and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

(b) If the City shall not have joined in such appointment within 30 days after the receipt by it of a request so to do, or in case an Indenture Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

(c) The City 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 Existing Project, rights, powers and duties intended to be vested in such co-trustee or separate trustee.

(d) 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 Series 2018 Obligations 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, under 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 City, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Indenture 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. Upon the request of the Trustee, the City 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.

(vi) No Trustee or any Paying Agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent

hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(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.

(e) Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he 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 signed by the Trustee and any co-trustee or separate trustee, 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.

(f) In case any co-trustee or separate trustee shall dissolve, cease to exist, 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 8.12 Recitals and Representations

(a) The recitals, statements and representations contained herein, or in any Series 2018 Obligation (excluding the Trustee's authentication on the Series 2018 Obligations 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.

(b) The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Series 2018 Obligations, 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 document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. Except as to defaults described in Sections 7.1(a) and (b) of which the Trustee is deemed to have notice, 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 Indenture Event of Default from any Holder.

(c) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure or sales material prepared or distributed in connection with the execution and delivery of the Series 2018 Obligations.

ARTICLE IX SUPPLEMENTS TO INDENTURE AND AMENDMENTS TO PURCHASE AGREEMENT

Section 9.1 Supplements Not Requiring Consent of Holders

The City acting through the City Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to this Indenture for one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder provided such action shall, in the opinion of counsel delivered to the Trustee under Section 9.3(a), not materially adversely affect the interests of the Holders;

(ii) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(iii) To secure additional revenues or provide additional security or reserves for payment of the Series 2018 Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions therefor;

(iv) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of Section 8.6 and Section 8.11;

(vi) To permit Series 2018 Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Series 2018 Obligations to become includible in gross income for purposes of federal income taxes;

(vii) To preserve the exclusion of the interest on the Series 2018 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to

the Series 2018 Obligations authorized hereby) the interest on which is likewise exempt from federal and State income taxes and

(viii) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to this Indenture by agreement of the Trustee and the City.

Section 9.2 Supplements Requiring Consent of Holders

(a) Other than supplements referred to in Section 9.1 and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in principal amount of the Series 2018 Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the City and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular respect, any of the terms or provisions contained herein; provided, however, nothing in this Section or Section 9.1 shall permit or be construed as permitting a supplement that would:

(i) extend the stated maturity of or time for paying interest on any Series 2018 Obligation or reduce the principal amount of or rate of interest payable on any Series 2018 Obligation without the consent of the Holder of such Series 2018 Obligation;

(ii) prefer or give a priority to any Series 2018 Obligation over any other Series 2018 Obligation without the consent of the Holder of such Series 2018 Obligation;

(iii) reduce the principal amount of Series 2018 Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Series 2018 Obligations then Outstanding;

(iv) increase the principal amount of Series 2018 Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d), without the consent of the Holders of all Series 2018 Obligations then Outstanding; or

(v) reduce the redemption price of any Series 2018 Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 without the consent of the Holders of such Series 2018 Obligation.

(b) If at any time the City requests the Trustee to enter into a Supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically

indemnified by the City with respect to expenses with respect to such Supplement, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Series 2018 Obligations then Outstanding at their addresses as they appear on the registration books herein provided for, by the means provided in Article XII. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

(c) If within such period as shall be prescribed by the City, following the mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the principal amount or number of Series 2018 Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee and the City may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Series 2018 Obligation, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Series 2018 Obligation giving such consent and upon any subsequent Holder of such Series 2018 Obligation and of any Series 2018 Obligation executed and delivered in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Series 2018 Obligation giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the execution by the Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Series 2018 Obligations shall have filed their consents to the Supplement, the Trustee shall make and file with the City a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required amount or number of the Series 2018 Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Series 2018 Obligation shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing the same or from taking any action pursuant to the provisions thereof.

(f) S&P and Moody's, if maintaining a rating on the Series 2018 Obligations, shall be provided a copy of any proposed supplement or any amendment to the Purchase Agreement at least 15 days prior to the execution of such Supplement or amendment.

Section 9.3 Execution and Effect of Supplements

(a) In executing any Supplement permitted by this Article, the Trustee and the City shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Trustee may but shall not be obligated to enter into any such Supplement that affects the Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of a Series 2018 Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Series 2018 Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the Trustee shall, bear a notation in a form approved by the Trustee as to any matter provided for in such Supplement. If the Trustee shall so determine, upon receipt of Special Counsel's Opinion, new Series 2018 Obligations so modified as to conform, in the opinion of the Trustee, to any such Supplement may be executed and delivered by the Trustee in exchange for and upon surrender of Series 2018 Obligations then Outstanding.

Section 9.4 Amendments to Purchase Agreement Not Requiring Consent of Holders.

The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions thereof; (ii) to cure any ambiguity or formal defect or omission therein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of counsel delivered to the Trustee under this Section, not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(iv) of the Purchase Agreement; and (iv) to preserve the exclusion of the interest on the Series 2018 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the Series 2018 Obligations authorized hereby) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein, which in the opinion of the Trustee will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under this Indenture and under the Purchase Agreement.

Section 9.5 Amendments to Purchase Agreement Requiring Consent of Holders

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 hereof and subject to the terms, provisions and limitations contained in this Article and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only upon the consent of not less than a majority in principal amount of Series 2018 Obligations then Outstanding, given as provided in this Section; provided, however, no such amendment, change or modification may affect the obligation of the City to make payments under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Series 2018 Obligations then Outstanding.

(b) If at any time the City shall request the consent of the Trustee to any such amendment, change or modification to the Purchase Agreement, the Trustee shall, upon being satisfactorily indemnified by the City with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Series 2018 Obligations specified in subsection (a) within the time and in the manner provided by Section 9.2 with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Section 9.2 and Section 9.3 with respect to Supplements hereto.

ARTICLE X
SATISFACTION AND DISCHARGE

Section 10.1 Discharge

(a) If payment of all principal of and premium, if any, and interest on all of the Series 2018 Obligations in accordance with their terms and as provided herein and in Section 3.7 of the Purchase Agreement is made, or is provided for in accordance with this Article, and if all other sums, if any, payable hereunder shall be paid, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Trustee shall transfer all property held by it hereunder, other

than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Series 2018 Obligations and to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

(b) The City may at any time surrender to the Trustee for cancellation any Series 2018 Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such Series 2018 Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2 Providing for Payment of Series 2018 Obligations

(a) Payment of all or any part of the Series 2018 Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. Amounts in the Debt Service Reserve Account may be included as part of such deposit only if all of the Series 2018 Obligations are to be defeased. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such Series 2018 Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or the Depository Trustee irrevocably in trust for the Holders of such Series 2018 Obligations solely for the purpose of paying the principal or redemption price of and interest on such Series 2018 Obligations as the same shall mature, come due or become payable upon redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable to the Trustee or Depository Trustee as to the dates upon which any such Series 2018 Obligations are to be redeemed prior to their respective dates.

(b) Notwithstanding the foregoing, no deposit under subsection (a) above shall be deemed a payment of such Series 2018 Obligation as aforesaid until the earlier of: (i) proper notice of redemption of such Series 2018 Obligation shall have been given in accordance with the provisions of Section 3.6 hereof or, in the event said Series 2018 Obligation is not to be redeemed within the next succeeding sixty (60) days, until the City shall have given the Trustee irrevocable instructions in form satisfactory to the Trustee, to notify, as soon as practicable, the Holder of such Series 2018 Obligation in accordance with Section 3.6 hereof, that the deposit required by subsection (a) above has been made with the Trustee and that said Series 2018 Obligation is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption price, if any, on said Series 2018 Obligation, plus interest thereon to the due date or redemption date thereof or (ii) the maturity of such Series 2018 Obligation.

(c) If payment of Series 2018 Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of a Series 2018 Obligation so provided for.

(d) Series 2018 Obligations, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding hereunder or secured hereby. The obligation in respect of such Series 2018 Obligations shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or the Depository Trustee to provide for the payment of such Series 2018 Obligations.

(e) No Series 2018 Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such Series 2018 Obligation is made, the interest payable on any Series 2018 Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Series 2018 Obligations.

Section 10.3 Payment of Series 2018 Obligations After Discharge

Notwithstanding the discharge of the lien hereof as in this Article provided, the Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Series 2018 Obligations and the registration, transfer, exchange and replacement of Series 2018 Obligations as provided herein. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the principal of or premium, if any, or interest on any Series 2018 Obligation remaining unclaimed for two years after the same shall become due and payable at maturity by declaration as provided herein, shall then be paid to the City and the Holders of any Series 2018 Obligations not theretofore presented for payment shall thereafter be entitled to look only to the City for payment thereof and all liability of the Trustee or any Paying Agent with respect to such moneys shall thereupon cease. The obligations of the Trustee under this Section shall be subject, however, to the requirements of any applicable law regarding the disposition of unclaimed property.

ARTICLE XI MISCELLANEOUS

Section 11.1 Evidence of Acts of Holders

(a) Any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Series 2018 Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive

in favor of the Trustee and the City, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the Person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Series 2018 Obligations shall be proved by the register of such Series 2018 Obligations.

(b) Nothing in this Section shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(c) Any action taken or suffered by the Trustee pursuant to any provision hereof, upon the request or with the assent of any Person who at the time is the Holder of any Series 2018 Obligation, shall be conclusive and binding upon all future Holders of the same Series 2018 Obligation.

Section 11.2 Limitation of Rights

. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Series 2018 Obligations is intended or shall be construed to give to any Person other than the parties hereto, the City and the Holders of the Series 2018 Obligations any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained.

Section 11.3 Severability

. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Series 2018 Obligations executed and delivered pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 11.4 Holidays

. When the date on which principal of or interest or premium on any Series 2018 Obligation is due and payable is not a Business Day, payment may be made on Series 2018 Obligations presented at such place of payment on the next Business Day with effect as though payment were made on the due date, and, if such payment is made, no additional interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 11.5 Governing Law

. This Indenture and the Series 2018 Obligations are contracts made under the laws of the State and shall be governed and construed in accordance with such laws.

Section 11.6 Notices

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Trustee, addressed to it at 6001 North 24th Street, Building B, Phoenix, Arizona 85016, Attention: Corporate Trust Services;

(ii) If to the registered Holder of a Series 2018 Obligation, addressed to such Holder at the address shown on the registration books kept pursuant hereto;

(iii) If to the City, addressed to it at 16000 North Civic Center Plaza, Surprise, Arizona 85374, Attention: Finance Director;

(iv) If to S&P, addressed to it at 55 Water Street, New York, New York 10041; and

(v) If to Fitch, addressed to it at One State Street Plaza, New York, New York 10004.

(b) The parties listed above may from time to time by notice in writing to the others designate a different address or addresses for notices hereunder.

Section 11.7 Counterparts

. This Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute one instrument.

Section 11.8 Waiver of Personal Liability

. No director, officer, agent, financial advisor, counsel or employee of the City shall be individually or personally liable for the payment of the principal amount or redemption price of or interest on the Series 2018 Obligations; but nothing herein contained shall relieve any such director, officer, agent, financial advisor, counsel or employee from the performance of any official duty provided by law.

Section 11.9 Binding Effect

. This instrument shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns subject to the limitations contained herein. Except as provided herein, the trust under this Indenture shall not be assigned to any other person, corporation, partnership or trustee unless the Trustee is required by law to divest, or does divest, itself of its trust department or unless the Trustee shall sell or assign substantially all of its corporate trust business in which event the trust hereunder shall be continued by the Trustee's successor in interest.

Section 11.10 Certain Statutory Notices

(a) To the extent applicable by provision of law, the Trustee acknowledges that this Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein and which provides that the City may within three (3) years after its execution cancel any contract (including this Indenture) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The Trustee shall take all such actions as possible to avoid violation of such statute.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the E-verify requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Indenture and may result in the termination of the services of the Trustee by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the City. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(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 Indenture 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 City determines that the Trustee's certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 11.11 Facsimile Instructions

. The Trustee shall accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture 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, (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 and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 11.12 Force Majeure

. 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 like 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.

* * *

[Signature page follows.]

IN WITNESS WHEREOF, the City has caused these presents to be signed in the name and on its behalf by its duly authorized officer and, to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

ZB, NATIONAL ASSOCIATION, DBA ZIONS
BANK, as Trustee

By.....
Print Name:.....
Title:.....

CITY OF SURPRISE, ARIZONA

By.....
Mayor

ATTEST:

.....
Clerk

APPROVED AS TO FORM:

.....
City Attorney

EXHIBIT

FORM OF SERIES 2018 OBLIGATION

[Insert Legend of Securities Depository As Appropriate]

**SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATION, SERIES 2018
EVIDENCING A PROPORTIONATE INTEREST OF THE HOLDER HEREOF
IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID
BY THE CITY OF SURPRISE, ARIZONA, PURSUANT TO A
SERIES 2018 PURCHASE AGREEMENT,
DATED AS OF JULY 1, 2018
AS ASSIGNED TO
....., AS TRUSTEE**

No:

Denomination:

INTEREST
RATE:

.....%

MATURITY
DATE:

July 1,

DATED:

July __, 2018

CUSIP:

_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The registered owner identified above, or registered assigns, as the registered owner of this Senior Lien Utility System Revenue and Revenue Refunding Obligation, Series 2018 (this "*obligation*"), is the owner of an undivided proportionate interest in the right to receive certain installments of the "Purchase Price" pursuant to that certain Series 2018 Purchase Agreement, dated as of July 1, 2018 (the "*Purchase Agreement*"), by and between, a national banking association, authorized to exercise trust powers in the State of Arizona, in its separate capacity as seller (the "*Seller*"), and the City of Surprise, Arizona, a municipal corporation of the State of Arizona, as purchaser (the "*City*"), which installments and certain other rights and interests under the Purchase Agreement have been assigned to., in its separate capacity as trustee (together with any successor thereto, the "*Trustee*"), pursuant to that certain Series 2018 Obligation Indenture, dated as of July 1, 2018 (the "*Indenture*"), by and between the City and the Trustee.

The registered owner of this obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the maturity date set forth above, the principal amount set forth above, representing a portion of the installments of the Purchase Price denominated as principal coming due on the Maturity Date set forth above, and to receive on January 1, 2019, and semiannually on July 1 and January 1 of each year thereafter until payment in full of said portion of principal, the registered owner's proportionate share of the installments of the Purchase Price

denominated as interest coming due during the six month period (or portion thereof) immediately preceding each of such dates; provided that the first installment shall be for interest from the date of initial execution and delivery to January 1, 2019. Said proportionate share of the portion of such installments designated as interest is the result of the multiplication of the aforesaid portion of such installments designated as principal by the rate per annum set forth above.

The proportionate share of the portion of the installments of the Purchase Price denominated as interest is payable when due to the person in whose name this obligation is registered at the close of business on the 15th day of the calendar month next preceding such interest payment date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this obligation is registered at the close of business on a special record date to be fixed for the payment of defaulted interest. Such defaulted interest shall be payable to the person in whose name such obligation is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the holders of the obligations not less than 15 days preceding such special record date. Such notice shall be mailed to the holder in whose name this obligation is registered at the close of business on the fifth day preceding the date of mailing. If the Trustee registers the transfer on any obligation subsequent to the mailing of such notice and on or before the special record date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee along with the obligation or obligations. (Any payment due hereon that shall not be paid when due shall bear interest at the rate of interest, compounded semiannually, set forth above from the date such payment is due until the payment is made.)

Principal of and premium, if any, and interest on this obligation are payable in lawful money of the United States of America that on the date of payment thereof is legal tender for the payment of public and private debts. Payments of interest will be made by check mailed by the Trustee as paying agent to the registered address of the person entitled thereto; *provided, however,* that the Indenture provides that upon certain circumstances the payments of interest on this obligation may, at the direction of the person in whose name this obligation is registered, be made by wire transfer of immediately available funds. The proportionate share of the portion of the installments of the Purchase Price denominated as principal and any premium payable upon redemption, if any, when due, shall be paid upon surrender of this obligation at the designated corporate trust office of the Trustee.

This obligation is one of a series, limited in aggregate original principal amount of \$____,000 (the "*Series 2018 Obligations*"), which have been executed and delivered under the Indenture and are limited, special revenue obligations, payable solely from the sources (particularly the Purchase Agreement) and in the manner described in the Indenture, in order to acquire certain property comprising the water, wastewater and stormwater utility systems of the City. The payments to be made by the City pursuant to the Purchase Agreement are to be in an amount sufficient to make the payments due on the Series 2018 Obligations, and payments by the City under the Purchase Agreement are to be made from, and secured by a pledge of, certain revenues, proceeds and receipts to be derived by the City from such system. Under the restrictions set out in the Purchase Agreement, additional parity obligations may be incurred by the City payable from such revenues. (No senior obligations may be incurred by the City payable from such revenues.) For a more complete statement of the provisions made to secure

payment of the Series 2018 Obligations, the revenues from and conditions under which this obligation is payable, statements of the terms under which the Purchase Agreement may be modified and the general covenants and provisions pursuant to which this obligation is issued, reference is made to the Indenture.

This obligation shall not constitute a debt of the City, the State of Arizona or any political subdivision thereof within the meaning of any provision of the Constitution or laws of the State of Arizona and shall not constitute or give rise to a pecuniary liability of the City, the State of Arizona or any other political subdivision thereof or a charge against the general credit or taxing powers of any of them. This obligation and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Purchase Agreement, and no holder hereof shall have the right to compel any exercise of the taxing power of the City to pay this obligation or the interest hereon.

Counterparts or copies of the Indenture and the other documents referred to herein are on file at the designated office of the Trustee, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Trustee, the City, and the registered owners of the Series 2018 Obligations under such documents, to all of which the registered owner hereof, by acceptance of this obligation, assents.

The Series 2018 Obligations maturing on July 1, 20__, and July 1, 20__, shall be redeemed on July 1 in the years and in the principal amounts set forth below, at a redemption price equal to the principal amount thereof, without premium, plus the interest accrued to the date of redemption:

Term Series 2018 Obligation Payable July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$____,000
20__	____,000
20__	____,000

Term Series 2018 Obligation Payable July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$____,000
20__	____,000
20__	____,000
20__	____,000

The Series 2018 Obligations maturing on or prior to July 1, 20__, are not subject to optional redemption prior to maturity. The Series 2018 Obligations maturing on and after July 1, 20__, are subject to redemption, in whole or in part on any date on or after July 1, 20__, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity (as provided in the Indenture)

by payment of the principal amount of each Series 2018 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Notice of redemption shall be mailed not less than 30 days nor more than 60 days prior to the date set for redemption to each registered owner of a Series 2018 Obligation to be so redeemed 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 Series 2018 Obligation shall not affect the validity of the proceedings for the redemption of any other Series 2018 Obligation. On the specified redemption date all Series 2018 Obligations called for redemption shall cease to bear interest and shall no longer be secured by the Series 2018 Obligation Indenture provided funds for redemption are on deposit at the place of payment at that time.

The registered owner of this obligation shall have no right to enforce the provisions of the Indenture or to institute an action to enforce the covenants thereof, or to take any action with respect to a default hereof, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

The Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Certain amendments, modifications or changes that would affect the rights of registered owners of Series 2018 Obligations may be made only with the consent of a majority of the registered owners of the Series 2018 Obligations then outstanding under the Indenture, as provided in the Indenture. Any such consent by the registered owner of this obligation shall be conclusive and binding upon such registered owner and all subsequent registered owners. However, as to certain other amendments that will not materially adversely affect the interests of the registered owners, no consent of any owner shall be required.

The Series 2018 Obligations are and shall be executed and delivered only in fully registered form. Subject to the limitations provided for in the Indenture, this obligation may be exchanged for a like aggregate principal amount payable at maturity of Series 2018 Obligations of the same maturity in authorized denominations.

The Series 2018 Obligations are transferable by the registered owner thereof in person or by his attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided for in the Indenture and upon surrender and cancellation of this obligation. Upon such transfer a new Series 2018 Obligation or Series 2018 Obligations of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be executed and delivered to the transferee in exchange.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture in connection with any exchange or transfer.

The Trustee and any paying agent may treat the registered owner of this obligation as the absolute owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

As used herein, the term “owner” means the person who at the time of nonpayment of a Series 2018 Obligation is entitled under the terms of such Series 2018 Obligation to payment thereof.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the execution and delivery of this obligation have existed, have happened and have been performed in due form, time and manner as required by law.

IN TESTIMONY WHEREOF, this obligation has been executed and delivered by the Trustee, acting pursuant to the Indenture.

Date:.....

....., as Trustee

By.....
Authorized Representative

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of the within obligation, 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 --
(Cust.)

TEN ENT -- as tenants by the entireties Custodian for Under Uniform
(Minor)

JT TEN -- as joint tenants with right of survivorship and not as tenants in common Gifts/Transfers to Minors Act of
(State)

Additional abbreviations may also be used, though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned 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 obligation and all rights thereunder, and irrevocably constitutes and appoints attorney to transfer the within obligation 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).

.....
Notice: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within obligation in every particular without alteration or enlargement or any change whatsoever.

(END OF FORM OF SERIES 2018 OBLIGATION)

ESCROW TRUST AGREEMENT

by and between

CITY OF SURPRISE, ARIZONA,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Trustee

Dated as of July 1, 2018

ESCROW TRUST AGREEMENT

Funded: July ___, 2018

THIS ESCROW TRUST AGREEMENT, dated as of July 1, 2018 (this "Agreement"), by and between the CITY OF SURPRISE, ARIZONA (the "City"), a municipal corporation incorporated and existing pursuant to the laws of the State of Arizona, for the benefit of the CITY OF SURPRISE MUNICIPAL PROPERTY CORPORATION (the "Corporation"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America with the authority to exercise trust powers under the laws of the State of Arizona, as escrow trustee (the "Escrow Trustee"),

WITNESSETH:

WHEREAS, the Mayor and Council of the City authorized this Agreement with the Escrow Trustee with respect to the safekeeping and handling of the moneys and securities to be held in trust for the payment of the Corporation's Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds, Series 2007 (the "Bonds Being Refunded") and as further described in the report of Grant Thornton, LLP with respect to the refunding of the Bonds Being Refunded (the "Report");

NOW, THEREFORE, in consideration of the mutual provisions and covenants, conditions and agreements contained herein, the City and the Escrow Trustee agree as follows:

Section 1. On July ___, 2018 (the "Delivery Date"), there was deposited (i) cash in the amount of \$_____ (the "Initial Cash Deposit") and (ii) cash in the amount of \$_____ (comprised of \$_____ transferred by the City to the Escrow Trustee and \$_____ transferred by the trustee for the hereinafter defined Refunding Obligations to the Escrow Trustee) to be used to acquire the securities described in the Report (the "Securities"), all of which are and shall be only obligations issued or guaranteed by the United States of America which are not callable (or additional funds which were funds of the City sufficient to permit the Escrow Trustee to purchase the Securities on the Delivery Date), to be held by the Escrow Trustee in a special and separate trust fund, designated as the "City of Surprise, Arizona (2018) Trust Fund" (the "Trust Fund"). As determined in the Report, the principal amount of the Securities, together with the scheduled interest thereon and the Initial Cash Deposit, are sufficient to assure that the amounts available in the Trust Fund will be sufficient to pay when due the interest on and the principal of the Bonds Being Refunded as the same mature or are redeemed.

Section 2. (A) The Escrow Trustee shall, at all times, hold the Initial Cash Deposit and the Securities in the Trust Fund for the benefit of the Corporation and of the registered owners of the Bonds Being Refunded and shall maintain the Trust Fund wholly segregated from other funds and securities on deposit with the Escrow Trustee, shall never commingle the Initial Cash Deposit and the Securities with other funds or securities of the Escrow Trustee and shall never at any time use, loan or borrow the same in any way so that sufficient funds shall be available to pay the interest requirements of the Bonds Being Refunded

as the same accrue and become due and payable from time to time and to pay the principal of and interest on the Bonds Being Refunded as the same shall become due and payable on the date the Bonds Being Refunded are to be paid or redeemed as set forth in the schedules in the Report (the "Payment Schedules").

(B) The Escrow Trustee shall reinvest cash balances held in the Trust Fund, only upon receipt of written direction from the City, and to the extent not required for the payment of the principal of and redemption premium and interest on the Bonds Being Refunded as set forth in the Payment Schedules, in United States Treasury Certificates of Indebtedness, State and Local Government Series ("SLGS"), at a zero percent (0.0%) interest rate, maturing on the next succeeding semiannual debt service payment date for the Bonds Being Refunded (the "Restricted Reinvestment Obligations"), provided that amounts which may not be so invested shall be held in cash and shall not be invested. The Initial Cash Deposit shall be held in the Trust Fund in cash and shall not be invested. Such investments shall be made only to the extent permitted by, and shall be made in accordance with, the applicable statutes, rules and regulations governing such investments issued by the Bureau of Fiscal Service. Such rules and regulations currently require that a subscription for purchase of the investment be submitted at least fifteen (15) (or, for subscriptions of less than \$10,000,000, five (5)) but no more than sixty (60) days prior to the date of investment. If the Department of the Treasury (or the Bureau of Public Debt) of the United States suspends the sale of SLGS causing the Escrow Trustee to be unable to purchase SLGS, then the Escrow Trustee shall reinvest cash balances held in the Trust Fund at the written direction of the City. The Escrow Trustee shall hold balances not so invested in accordance with Section 4 hereof.

(C) The Escrow Trustee may sell or redeem the Securities in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Fund in connection with such sale or redemption in other non-callable obligations issued or guaranteed by the United States of America (the "Substitute Securities") only upon receipt of written instructions from the Manager of the City to do so and receipt by the parties hereto and the City (1) an opinion in form and substance satisfactory to them from a nationally recognized bond counsel selected by the City to the effect that such action will not affect adversely the status of the interest on the Bonds Being Refunded for federal income tax purposes and will not affect adversely the right of the City to issue obligations the interest on which is excludable from gross income for federal income tax purposes and (2) a report from a nationally recognized accountant or firm of accountants selected by the City verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on the Substitute Securities to be credited to the Trust Fund, to pay when due the interest on the Bonds Being Refunded and the principal and premiums on the Bonds Being Refunded as set forth in the Payment Schedules as they become due at maturity or upon prior redemption. Upon any such sale or redemption of investments and reinvestment, any amounts not needed in the Trust Fund to provide for payments on the Bonds Being Refunded, as shown by such accountant's report, may be withdrawn from the Trust Fund at the direction of the City and applied for the benefit of the City in accordance with applicable law.

(D) If on the Delivery Date the Escrow Trustee did not receive any of the Securities (the “Failed Escrow Securities”), the Escrow Trustee may have accepted, as temporary substitutes, cash or, at the same purchase price, other obligations issued or guaranteed by the United States (the “Temporary Escrow Securities”) the payments on which are scheduled to provide, as determined by an independent certified public accountant selected by the City, along with such cash, at least the same amounts of moneys on or before the same dates as the Failed Escrow Securities for which they were substituted. (The Escrow Trustee relied upon a report of a firm of certified public accountants that the condition in the preceding sentence was satisfied.) If the Temporary Escrow Securities were delivered, thereafter, upon delivery to the Escrow Trustee of the Failed Escrow Securities together with any amounts paid thereon subsequent to the Delivery Date, the Escrow Trustee shall return an amount of such cash and the Temporary Escrow Securities, and any amount paid, thereon subsequent to the Delivery Date, corresponding to the Failed Escrow Securities which the Temporary Escrow Securities replaced.

Section 3. The debt service on the Bonds Being Refunded shall be paid from the following sources in the order listed below:

(1) The Initial Cash Deposit.

(2) Cash receipts from the Securities, the Restricted Reinvestment Obligations, the Alternate Securities, the Substitute Securities or the Temporary Escrow Securities.

Amounts available from such sources shall be applied consistently with the Payment Schedules.

Section 4. Any moneys credited to the Trust Fund which are not invested in the Securities, the Restricted Reinvestment Obligations, the Alternate Securities, the Substitute Securities or the Temporary Escrow Securities as provided herein shall be held as a demand deposit and shall be secured in the same manner as deposits of public moneys.

Section 5. (A) The Escrow Trustee shall make timely payments from the Trust Fund to Wells Fargo Bank, National Association, as trustee with respect to the Bonds Being Refunded (the “Indenture Trustee”) in the amounts and on the dates necessary to permit the payment when due of the principal and interest with respect to the Bonds Being Refunded as the same become due and payable as set forth in the Payment Schedules. The final redemption date of the Bonds Being Refunded is October 1, 2018.

(B) Notice of the refunding of the Bonds Being Refunded shall be provided by the Indenture Trustee as required by the First Utility System Trust Indenture, dated as of May 1, 2007 (the “Trust Indenture”), from the Corporation to the Indenture Trustee and to The Depository Trust Company, New York, New York (“DTC”), and through the Electronic Municipal Market Access system (“EMMA”), in substantially the form as attached as Exhibit A hereto. The obligation to provide such notices shall not be a duty or obligation of the Escrow Trustee.

(C) Notice of the redemption of the Bonds Being Refunded shall be provided by the Indenture Trustee as required by the Trust Indenture and to DTC and through

EMMA, with such additional information as is deemed appropriate. The obligation to provide such notices shall not be a duty or obligation of the Escrow Trustee.

Section 6. If at any time or times there are insufficient funds on hand in the Trust Fund for the payment of the principal of and interest on the Bonds Being Refunded as the same become due as set forth in the Payment Schedules, the Escrow Trustee shall promptly notify the City of such deficiency by telephone and by registered first class mail, postage prepaid.

Section 7. On or before each February 15 and August 15 during the term of this Agreement, the Escrow Trustee shall submit to the City a report covering all moneys the Escrow Trustee has received and all payments the Escrow Trustee has made under the provisions hereof during the six-month period ending on the preceding February 1 or August 1. Each such report also shall list all moneys on deposit with the Escrow Trustee as of the date of the report.

Section 8. (A) The Escrow Trustee shall receive the sum of \$_____ upon the date of establishment of the Trust Fund and shall be further compensated pursuant to its fee schedule attached as the Exhibit hereto.

(B) The Escrow Trustee hereby waives and releases any claim which it otherwise would have, as a lien or otherwise, against the Trust Fund for any payment and shall seek such amounts from the City only for the payment of fees of the Escrow Trustee for all other services in connection with services of the Escrow Trustee hereunder.

Section 9. When all amounts payable with respect to the Bonds Being Refunded have become due as set forth in the Payment Schedules and the Escrow Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day succeeding the date the last of the Bonds Being Refunded is paid, the Escrow Trustee shall transfer to the City all moneys and investments credited to the Trust Fund and not transferred to the Indenture Trustee for the amounts payable on the Bonds Being Refunded.

Section 10. The registered owners of the Bonds Being Refunded have a beneficial interest in the Trust Fund, and the City's Senior Lien Utility System Revenue and Revenue Refunding Obligations, Series 2018, dated July __, 2018 (the "Refunding Obligations"), have been delivered to and accepted by the registered owners thereof in reliance upon the irrevocable character of the Trust Fund. This Agreement shall not be revoked and shall not be amended in any manner which may adversely affect the rights herein sought to be protected until the provisions of this Agreement have been fully carried out.

Section 11. (A) The Escrow Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or nonperformance by the City of any of its obligations or to protect any of the rights of the City under any of the proceedings with respect to the Bonds Being Refunded or the Refunding Obligations. The Escrow Trustee shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing except for its negligence or its willful misconduct in the performance of any obligation imposed upon it under the terms of this Agreement. The Escrow Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof.

(B) If the Escrow Trustee renders any service hereunder not provided for in this Agreement, or the Escrow Trustee is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Escrow Trustee shall be compensated reasonably by the City for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees occasioned thereby, unless such claim, liability, loss, damages, fine, penalty, and expense shall have been finally adjudicated to have resulted from the willful misconduct or negligence of the Escrow Trustee.

(C) The Escrow Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder. The Escrow Trustee may consult with counsel, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Escrow Trustee hereunder in good faith and in reliance thereon. The Escrow Trustee shall be protected in acting and relying upon any notice, order, requisition, request, consent, certificate, order, opinion, affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Escrow Trustee shall not be required to risk or expend its own funds before taking any action under this Agreement.

Section 12. The City shall have the right to audit the books, records and accounts of the Escrow Trustee insofar as they pertain to the Trust Fund.

Section 13. (A) Except as otherwise provided herein, neither this Agreement nor the Trust Fund may be assigned by the Escrow Trustee without the prior written consent of the City unless the Escrow Trustee is required by law to divest itself of its interest in its corporate trust department or unless the Escrow Trustee sells or otherwise assigns all or substantially all of its corporate trust business, in which event the Trust Fund shall be continued by the successor in interest of the Escrow Trustee.

(B) Notwithstanding the foregoing subsection, any trust company or national banking association into which the Escrow Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its municipal corporate trust business as a whole shall be the successor of the Escrow Trustee with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 14. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains any ambiguity which may be construed as either

valid or invalid, the valid construction shall be adopted. In construing this Agreement, it should be noted that the Bonds Being Refunded and the Refunding Obligations are intended to be obligations the interest on which is excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the provisions hereof should be construed to permit that result.

Section 15. (A) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee 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. No basis exists for the City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(B) To the extent applicable under Section 41-440, Arizona Revised Statutes, the Escrow Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Escrow Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Escrow Trustee. The City retains the legal right to randomly inspect the papers and records of the Escrow Trustee to ensure that the Escrow Trustee is complying with the above-mentioned warranty. The Escrow Trustee shall keep such papers and records open for random inspection during normal business hours by the Escrow Trustee. The Escrow Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(C) Pursuant to Section 35-393 et. seq., Arizona Revised Statutes, the Escrow Trustee hereby certifies it is not currently engaged in, and for the duration of the 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 City determines that the Escrow Trustee’s certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 16. Notice shall be sufficient hereunder, if it is contained in a writing sent to the City at c/o City of Surprise, Arizona, 16000 North Civic Center Plaza, Surprise, Arizona 85374, Attention: Finance Director, and to the Escrow Trustee at 333 S. Grand Ave., Floor 5, Los Angeles, California 90071, Attention: Corporate Trust Services, or any other address which may be designated from time to time by any party in writing delivered to the City or the Escrow Trustee, as applicable.

Section 17. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject

matter hereof, and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Agreement.

Section 18. This Agreement may be executed in several counterparts, each of which shall be an original, all of which together shall constitute but one instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CITY OF SURPRISE, ARIZONA, an Arizona
municipal corporation

By.....
Mayor

ATTEST:

.....
Clerk

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as the Escrow Trustee

By.....
Authorized Officer

ACKNOWLEDGED BY:

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as the Indenture Trustee

By.....
Authorized Representative

[Signature page to Escrow Trust Agreement]

EXHIBIT A

NOTICE OF REFUNDING
OF
CITY OF SURPRISE MUNICIPAL PROPERTY CORPORATION
WASTEWATER DEVELOPMENT IMPACT FEE AND SUBORDINATE LIEN
WASTEWATER UTILITY REVENUE BONDS, SERIES 2007,
DATED AS OF MAY 1, 2007, AND DELIVERED ON MAY 15, 2007,
MATURING ON APRIL 1, 2022, AND APRIL 1, 2032
ESCROW FUNDED: JULY ___, 2018

Notice is hereby given that the above-described Bonds have been refunded in advance of their stated maturity dates by the establishment of an irrevocable trust with Wells Fargo Bank, National Association, as escrow trustee. Moneys which have been deposited in the irrevocable trust will provide funds in amounts sufficient to pay all principal of and interest on the Bonds as the same become due or are to be redeemed prior to their respective maturities.

Such bonds will be paid on October 1, 2018, at a price equal to the principal amount thereof, plus interest accrued to the date of redemption.

Date: July, 2018

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Indenture Trustee

EXHIBIT B

FEE SCHEDULE

§ _____
**SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement, Dated as of July 1, 2018**

OBLIGATION PURCHASE CONTRACT

July __, 2018

Mayor and City Council
City of Surprise, Arizona
16000 N. Civic Center Plaza
Surprise, Arizona 85734

Ladies and Gentlemen:

The undersigned, RBC Capital Markets, LLC, acting on its own behalf (the "Underwriter"), offers to enter into this Obligation Purchase Contract (this "Contract") with the Mayor and City Council of the City of Surprise, Arizona (the "City") which, upon the City's written acceptance of this offer, will be binding upon the City and upon the Underwriter. This offer is made subject to the City's written acceptance hereof on or before 11:59 p.m., MST time, on July __, 2018, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the City. The acceptance is made by the City 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 Contract shall have the same meanings set forth in the Indenture (as defined herein) or in the Official Statement (as defined herein).

The captioned obligations (the "Obligations") shall be executed and delivered pursuant to the Series 2018 Obligation Indenture, to be dated as of July 1, 2018 (the "Indenture"), between the City and ZB, National Association, dba Zions Bank, as trustee (in such capacity, the "Trustee"), and Resolution No. ____, passed, adopted and approved by the Mayor and City Council of the City on June 19, 2018 (the "Authorizing Resolution"). The Obligations will evidence proportionate interests of the holders thereof in installment payments of the purchase price to be paid by the City pursuant to a Series 2018 Purchase Agreement, to be dated as of July 1, 2018 (the "Purchase Agreement"), between ZB, National Association, dba Zions Bank, in its capacity as seller, and the City, as purchaser. The City's obligation to make installment payments pursuant to the Purchase Agreement shall be payable solely from and secured by a pledge of, a first lien on, and a security interest in, the Pledged Revenues which are derived from the operation of the water, wastewater and stormwater management systems of the City (the "System"), and

on a parity to the pledge thereof and lien thereon for the Additional Obligations hereafter issued on a parity therewith.

The Obligations are being executed and delivered for the purpose of (i) financing the costs of the New Project, (ii) refunding the Bonds Being Refunded that financed the Existing Project and (iii) paying costs incurred in connection with the execution and delivery of the Obligations.

The Obligations will be offered by means of the Preliminary Official Statement of the City, dated June __, 2018, relating to the Obligations (including the front cover page, inside front cover page and all appendices thereto, the "Preliminary Official Statement") and the final Official Statement of the City, dated the date of this Contract, relating to the Obligations (including the front cover page, inside front cover page and all appendices thereto, the "Official Statement"). The City will enter into and deliver a written undertaking (the "Continuing Disclosure Undertaking") to provide, or cause to be provided, ongoing disclosure for the benefit of the owners of the Obligations as described in the Continuing Disclosure Undertaking for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Disclosure Rule"). In order to refund the Bonds Being Refunded, an Escrow Trust Agreement, dated as of July 1, 2018 (the "Escrow Trust Agreement"), shall be executed and delivered by the City and Wells Fargo Bank, National Association, as escrow trustee ("Escrow Trustee"). The City will execute and deliver the Tax Agreement (as defined herein).

This Contract, the Indenture, the Purchase Agreement, the Escrow Trust Agreement and the Continuing Disclosure Undertaking are referred to as the "City Documents."

1. Purchase and Sale of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Obligations. Inasmuch as this purchase and sale represents a negotiated transaction, the City acknowledges and agrees that: (i) the transaction contemplated by this Contract is an arm's length, commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriter is acting solely in its capacity as underwriter for its own account and the Underwriter has financial and other interests that differ from those of the City; (iv) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Contract; and (v) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The principal amount of the Obligations to be executed and delivered, the dated date of the Obligations, the maturities and redemption provisions of the Obligations and the interest rates per annum and resulting prices or yields of the Obligations are set forth in Schedule I hereto.

(b) The aggregate purchase price of the Obligations shall be \$ _____ (the "Purchase Price") which represents an aggregate principal amount of the Obligations of

\$_____.00, plus [net] original issue premium of \$_____, and less the Underwriter's discount of \$_____.00. The Underwriter shall also be reimbursed for its expenses as provided in Section 9 herein.

2. **Public Offering.** The Underwriter agrees to make a bona fide public offering of all of the Obligations at prices not to exceed the public offering prices or yields not less than the yields set forth on the inside front cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) and others at prices lower than, or yields higher than, the public offering prices or yields stated on the inside front cover page of the Official Statement. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time.

3. **Establishment of Issue Price.**

(a) The Underwriter agrees to assist the City in establishing the issue price of the Obligations and shall execute and deliver to the City at Closing (as defined herein) an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, 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 Obligations. As applicable, all actions to be taken by the City under this Section to establish the issue price of the Obligations may be taken on behalf of the City by the City's municipal advisor and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) Except as otherwise set forth in Schedule I hereto, the Issuer will treat the first price at which 10% of each maturity of the Obligations (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Contract, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Obligations. If at that time the 10% test has not been satisfied as to any maturity of the Obligations, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Obligations of that maturity to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until the 10% test has been satisfied as to the Obligations of that maturity or until all Obligations of that maturity have been sold to the public.

(c) The Underwriter confirms that it has offered the Obligations to the public on or before the date of this Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I hereto, except as otherwise set forth therein. Schedule I hereto also sets forth, as of the date of this Contract, the maturities, if any, of the Obligations 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 Obligations, the Underwriter will neither offer nor sell unsold Obligations 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:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City when it has sold 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement relating to the initial sale of the Obligations 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 to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on in the event a selling group has been created in connection with the initial sale of the Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group 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 retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Obligations.

(e) The Underwriter acknowledges that sales of any Obligations to any person that is a related party to an underwriter 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 Obligations 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 Obligations to the public (including a member of a selling group or a party to

a retail distribution agreement participating in the initial sale of the Obligations to the public);

(3) a purchaser of any of the Obligations is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 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), (B) 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 (C) 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 Contract by all parties.

4. **The Official Statement.**

(a) The Preliminary Official Statement has been prepared by the City for use by the Underwriter in connection with the public offering, sale and distribution of the Obligations by the Underwriter. The City hereby deems the Preliminary Official Statement final as of its date, except for the omission of such information which is dependent upon the final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of the Disclosure Rule.

(b) The City represents that appropriate officials of the City have reviewed and approved the information in the Official Statement and that the Mayor and City Council of the City have 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 Obligations. The City consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Obligations. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the City's acceptance of this Contract (but, in any event, not later than within seven business days after the City's acceptance of this Contract 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 Disclosure Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The City hereby confirms that it does not object to the distribution of the Official Statement in electronic form.

(c) If, after the date of this Contract 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 Disclosure Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Disclosure Rule) for the Obligations and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the

"end of the underwriting period" for the Obligations), the City becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the City will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the City or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish, at the City's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(d) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the City can assume that the "end of the underwriting period" for purposes of the Disclosure Rule is the date of the Closing described in Section 5(a) hereof.

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

(a) The City is a municipal corporation and political subdivision of the State of Arizona (the "State") duly created, organized and existing under the laws of the State and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority (i) to enter into, execute and deliver, as applicable, the City Documents and the Tax Agreement, (ii) to cause the Trustee to sell, execute and deliver the Obligations to the Underwriter as provided herein, (iii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, (iv) to operate the System and (v) to approve, execute and authorize the use and distribution, as applicable, of the Preliminary Official Statement and the Official Statement; and the City has complied, and will at the Closing be in compliance in all respects, with all applicable provisions of law and the terms of the City Documents and the Tax Agreement 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 execution of the City Documents and the Tax Agreement and the sale, execution and delivery of the Obligations, (ii) the approval, execution and delivery of, and the performance by the City of the obligations on its part, contained in the Obligations and the City Documents and (iii) the consummation by it of all other transactions contemplated by the Preliminary Official Statement, 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 Preliminary 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 Continuing Disclosure Undertaking, subject to annual appropriations, and in the case of the Purchase Agreement, subject to the indemnification provisions thereof being subject to limitation under applicable securities laws; the Purchase Agreement, when executed and delivered and paid for, in accordance with the Indenture and this Contract, will constitute legal, valid and binding obligations of the City entitled to the benefits of the Indenture and enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the execution and delivery of the Obligations as aforesaid, the Indenture will provide, for the benefit of the owners, from time to time, of the Obligations, the legally valid and binding pledge of and lien it purports to create as set forth in the Indenture;

(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, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject; and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the City under any of the foregoing; and the execution and delivery of the Obligations and the City Documents and the adoption of the Authorizing Resolution and and compliance with the provisions on the City's part contained therein, will not conflict materially with or constitute a material breach of or default under any material constitutional provision, statute, administrative rule or regulation, judgment, decree, loan agreement, indenture, 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 to be pledged to secure the Purchase Agreement and the Obligations or under the terms of any such law, rule, regulation or instrument, except as provided by the Purchase Agreement and the Indenture;

(e) All authorizations, approvals, licenses, permits, consents, orders and other matters 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 Obligations 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 Obligations;

(f) The officers and officials of the City executing the Official Statement and the City Documents and the officers and officials of the City listed on the certificate of the City to be delivered on the date of Closing have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the City;

(g) Other than conforming date changes, the Obligations conform to the descriptions thereof contained in the Preliminary Official Statement under the caption "THE 2018 OBLIGATIONS," and the proceeds of the sale of the Obligations will be applied generally as described in the Preliminary Official Statement under the caption "SOURCES AND USES OF FUNDS;"

(h) 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 overtly 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 Obligations, the operation of the System, or the collection and pledge of the Pledged Revenues promised for the payment of principal of and interest on the Obligations pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the execution and delivery of the Obligations or the execution and delivery of the City Documents, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents;

(i) The City has not granted a lien on, made a pledge of or agreed to apply the Pledged Revenues and other monies payable pursuant to the Purchase Agreement, except as provided in the Purchase Agreement or as described in the Official Statement;

(j) As of the date thereof, the Preliminary Official Statement did not, and as of the date hereof does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) At the time of the City's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (c) of Section 4 of this Contract) at all times subsequent thereto during the period up to and including the date of Closing, 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;

(l) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 4 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official

Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(m) The City will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Indenture and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Obligations;

(n) 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 (1) qualify the Obligations for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (2) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(o) The financial statements of the City, 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; 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 or the System that is not described in the Official Statement; and the City is not a party to any litigation or other proceeding pending or threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City;

(p) The audited financial statements of the City contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the City as of the dates and for the periods therein set forth; the City has no reason to believe that such audited financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; since June 30 of the last fiscal year presented in the audited financial statements of the City, the City has not incurred any material liabilities, direct or contingent, that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business;

(q) The statements and information contained in Appendices A, B and C of the Official Statement fairly and accurately summarize the matters purported to be summarized therein;

(r) Prior to the Closing, and to the extent not otherwise prohibited from agreeing to do so pursuant to applicable law, 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 will secure the Obligations without the prior approval of the Underwriter;

(s) Any certificate, signed by any official of the City authorized to do so in connection with the transactions contemplated by this Contract, shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein;

(t) Except as otherwise disclosed in the Official Statement, the City is currently in material compliance with each and every continuing disclosure undertaking which the City has entered into pursuant to paragraph (b)(5) of the Disclosure Rule during the previous five (5) years; and

(u) The City has fully submitted the information required with respect to the previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and will file the information relating to the Obligations required to be submitted to the Arizona Department of Administration pursuant thereto within sixty (60) days of the date of Closing.

6. **Closing.**

(a) At 8:00 a.m. MST time, on _____, 2018, or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter (the "Closing"), the City will, subject to the terms and conditions hereof, cause the Trustee to deliver the Obligations to or on behalf of the Underwriter in the aggregate principal amount of each maturity duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 of this Contract by a certified or bank cashier's check or checks or wire transfer payable in immediately available funds to the order of the City. Payment for the Obligations as aforesaid shall be made at the offices of Special Counsel or such other place as shall have been mutually agreed upon by the City and the Underwriter.

(b) Delivery of the Obligations shall be made to The Depository Trust Company, New York, New York. The Obligations shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Obligation for each maturity of the Obligations, registered in the name of Cede & Co., all as provided in the Indenture, 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 Contract in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Contract to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the City of its obligations to be

performed hereunder and under such documents and instruments, at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the City of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The City shall have performed and complied with all covenants, agreements and conditions required by this Contract to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the City Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter, and (ii) all actions of the City required to be taken by the City shall be performed in order for Special Counsel and Counsel for the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the City relating to the Obligations and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the City Documents and the Tax Agreement shall have been duly executed and delivered by the City, and the Trustee shall have duly executed and delivered the Obligations;

(f) Prior to or on the date of Closing, no "event of default" shall have occurred or be existing under this Contract 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 this Contract;

(g) 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 or the System from that set forth in the Official Statement that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(h) The City shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(i) 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 Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(j) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the City by the Mayor, or such other officials 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 Tax Agreement with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The approving opinion of Special Counsel with respect to the Obligations, in substantially the form attached to the Official Statement, and a reliance letter addressed to the Underwriter;

(4) A supplemental opinion of Special Counsel addressed to the Underwriter, substantially to the effect that:

(i) the Obligations are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Authorizing Resolution, the Indenture or the Escrow Trust Agreement under the Trust Indenture Act;

(ii) the statements and information contained in the Official Statement in the tax caption on the cover thereof, under the captions "THE 2018 OBLIGATIONS," "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2018 OBLIGATIONS," "THE NEW PROJECT," "PLAN OF REFUNDING," "LITIGATION," "TAX EXEMPTION," "CONTINUING SECONDARY MARKET DISCLOSURE" (other than information relating to the City's compliance with prior undertakings, as to which no opinion need be expressed) and "RELATIONSHIPS AMONG PARTIES" (solely as it relates to Special Counsel) therein and Appendices D, F, and G fairly and accurately summarized the matters purported to be summarized therein; and

(iii) there is no legal requirement to record, re-record, file or re-file any instrument in order to create, perfect, protect and maintain the enforceability of any pledge, lien or security interest granted or assigned by the Indenture;

(5) An opinion, dated the date of the Closing and addressed to the Underwriter, of Counsel for the Underwriter; to the effect that:

(i) the Obligations are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act and the Authorizing Resolution, the Indenture and the Escrow Trust Agreement need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement, as Counsel for the Underwriter, and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for (i) any financial, forecast, technical and statistical statements and data included in the Official Statement or (ii) the information in Appendices D, F or G (or any other information about The Depository Trust Company, New York, New York, therein), in each case as to which no view need be expressed);

(6) An opinion of Counsel to the City or supplemental opinion of Special Counsel or both, addressed to the Underwriter, to the effect that:

(i) The City is a municipal corporation and political subdivision, duly created, organized and existing under the laws of the State, and has full legal right, power and authority (A) to enter into, execute and deliver the City Documents and the Tax Agreement, (B) to sell and cause the Trustee to execute and deliver the Obligations to the Underwriter as provided herein, and (C) 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 be in compliance in all material respects, with the terms of the City Documents as they pertain to such transactions;

(ii) 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 (A) the adoption of the Authorizing Resolution and the execution and delivery of the City Documents and the Tax Agreement and the sale, execution and delivery of the Obligations, (B) the approval, execution and delivery of, and the performance by the City of the obligations on its part, contained in the Obligations and the City Documents, and (C) the consummation by it of all other transactions contemplated by the Official Statement and the City Documents;

(iii) The City Documents have been duly authorized, executed and delivered by the City and constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights and, in the case of the Continuing Disclosure Undertaking, subject to annual appropriations and, in the case of the Purchase Agreement, subject to the indemnification provisions thereof being subject to limitation under applicable securities laws;

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

(v) 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 Obligations have been obtained;

(vi) 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 overtly threatened affecting the corporate 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 Obligations or the collection and pledge of the Pledged Revenues securing the payment of principal of and interest on the Obligations pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Obligations, the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the execution and delivery of the Obligations, the adoption of the Authorizing Resolution or the execution and delivery of the City Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents; and

(vii) The adoption of the Authorizing Resolution and the execution and delivery of the City Documents and compliance by the City with the provisions hereof and thereof, under the circumstances contemplated herein and therein, will not conflict with or constitute on the part of the City a material breach of or a default under any agreement or instrument to which the City is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the City is subject;

(7) A certificate, dated the date of Closing, of the appropriate officers of the City to the effect that to the best of their knowledge (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) no litigation or proceeding or tax challenge against it is pending or overtly threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the directors or officers 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 Obligations or the City Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting, pledging or paying Pledged Revenues to make installment payments under the Purchase Agreement, (iii) the Authorizing Resolution authorizing the execution, delivery and/or performance of the Official Statement, the Obligations, the City Documents and the Tax Agreement has been duly adopted by the City, is in full force and effect and has not been modified, amended or repealed, (iv) 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 material respect as of the time of 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 date 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, and (v) the City is in compliance with the financial requirements included in the City Documents, and, other than contained in the City Documents, there are no incurrence test coverage requirements applicable to the Obligations;

(8) A certificate of the City in form and substance satisfactory to Special Counsel and Counsel for the Underwriter (the "Tax Agreement") setting forth the reasonable expectations of the individual executing such certificate on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(9) A certificate of the Trustee to the effect that (i) the Obligations have been duly executed and delivered by an authorized officer of the Trustee; (ii) the Indenture and the Purchase Agreement have been duly executed and delivered by an authorized officer of the Trustee; and (iii) the resolutions of the Trustee authorizing the execution and delivery and/or performance of the Indenture by the Trustee have been duly adopted by the Trustee are in full force and effect and have not been modified, amended or repealed;

(10) A certificate of the Escrow Trustee to the effect that (i) the Escrow Trust Agreement has been duly executed and delivered by an authorized officer of the Escrow Trustee; (ii) the resolutions of the Escrow Trustee authorizing the execution and delivery and/or performance of the Escrow Trust Agreement by the Escrow Trustee have been duly adopted by the Escrow Trustee are in full force and effect and have not been modified, amended or repealed; and (iii) the monies or obligations sufficient to effectuate the refunding of the Bonds Being Refunded have been received and that such monies or obligations have been deposited in accordance with the Escrow Trust Agreement;

(11) The filing copy of Report of Bond and Security Issuance Pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, of the Arizona Department of Administration;

(12) A copy of the filing copy of the Information Return Form 8038-G for the Obligations required by Section 149(e) of the Code;

(13) Any other certificates and opinions required by the Authorizing Resolution and the Indenture for the execution and delivery thereunder of the Obligations;

(14) Evidence satisfactory to the Underwriter that the Obligations have received a rating of "___" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and that such rating is in effect as of the date of the Closing;

(15) A copy of a special report prepared by Grant Thornton LLP, a firm of independent certified public accountants, addressed to the City, Special Counsel and the Underwriter, verifying the arithmetical computations of the adequacy of the maturing principal

and interest on the obligations and uninvested cash on hand under the Escrow Trust Agreement to pay, when due, the principal of and interest on the Bonds Being Refunded and the yields on the Obligations and amounts held under the Escrow Trust Agreement, which shall be sufficient, in the judgment of Special Counsel, to evidence that the Bonds Being Refunded are, as of the date of Closing, no longer "Outstanding" within the meaning of the documents and indenture governing the Bonds Being Refunded;

(16) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Counsel for the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Contract, this Contract shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder except that the respective obligations of the City to 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 Obligations if, between the date of this Contract and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Arizona Legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to (i) impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Obligations as described in the Official Statement, or (ii) other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Authorizing Resolution, the Indenture or the Escrow Trust Agreement are not exempt from qualification under or other requirements of the Trust Indenture Act, or that the offering, or sale or execution and delivery of obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of any 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 Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income securities (or interest thereon), or the validity or enforceability of the pledge of the Pledged Revenues to pay principal of and interest on the Obligations;

(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 light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Contract 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 Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the City's obligations;

(l) United States Treasury Certificates of Indebtedness, Notes or Bonds State and Local Government Series or acceptable open market securities shall be unavailable for purchase and/or delivery in the amounts, maturities and prices or yields required pursuant to the Escrow Trust Agreement; or

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

9. **Expenses.**

(a) The Underwriter shall be under no obligation to pay, and the City shall pay, but solely from the proceeds of the sale of the Obligations, any expenses incident to the performance of the City's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations, the Preliminary Official Statement and the Official Statement, (ii) the fees and disbursements of Special Counsel, Counsel to the City, Counsel for the Underwriter and the Trustee, (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the City; and (iv) the fees associated with obtaining or receiving the rating and any and all credit enhancement fees or premiums. 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 Contract. The City acknowledges that, in addition to the underwriting compensation included herein, it has reviewed and approved all of the costs of issuance being financed as a part of the Obligation transaction and such costs will only be paid by the Trustee upon specific approval of the City.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations and (ii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Contract 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 Contract, or if for any reason the City shall be unable to perform its obligations under this Contract, the City will reimburse the Underwriter for all out-of-pocket expenses reasonably incurred by the Underwriter in connection with this Contract or the offering contemplated hereunder from funds legally available to it for such purpose.

10. **Notices.** Any notice or other communication to be given to the City under this Contract may be given by delivering the same in writing to:

City of Surprise, Arizona
16000 N. Civic Center Plaza
Surprise, Arizona 85734
Attention: Finance Director

and any notice or other communication to be given to the Underwriter under this Contract may be given by delivering the same in writing to:

RBC Capital Markets, LLC
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
Attention: Mr. Kurt Freund, Managing Director

11. **Parties in Interest.** This Contract as heretofore specified shall constitute the entire agreement between the City and the Underwriter 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 Contract may not be assigned by the City. All of the City's representations, warranties and agreements contained in this Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Contract; and (iii) any termination of this Contract.

12. **Effectiveness.** This Contract shall become effective upon the acceptance hereof by the City and shall be valid and enforceable at the time of such acceptance.

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

14. **Severability.** If any provision of this Contract 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 Contract invalid, inoperative or unenforceable to any extent whatever.

15. **Business Day.** For purposes of this Contract, "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 Contract as a matter of convenience of reference only and it is agreed that such section headings are not a part of this Contract and will not be used in the interpretation of any provisions of this Contract.

17. **Counterparts.** This Contract 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. **Cancellation of Contract.** As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the State, its political subdivisions (including the City) or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This section is not intended to expand or enlarge the rights of the City hereunder except as required by such Section 38-511. Each of the parties hereto hereby certifies that it is not presently aware of any violation of Section 38-511 which would adversely affect the enforceability of this Contract and covenants that it shall take no action which would result in a violation of such Section 38-511.

[Signature page to follow]

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Underwriter. This Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this Contract shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC,
Underwriter

By: _____
Name: Kurt Freund
Title: Managing Director

ACCEPTED at _____ o'clock __.m. MST this
____ day of March, 2018.

CITY OF SURPRISE, ARIZONA

By: _____
Its: Finance Director

SCHEDULE I

\$(PAR)
SENIOR LIEN UTILITY SYSTEM REVENUE AND
REVENUE REFUNDING OBLIGATIONS, SERIES 2018
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
CITY OF SURPRISE, ARIZONA,
Pursuant to a Series 2018 Purchase Agreement, Dated as of July 1, 2018

MATURITY SCHEDULE

Dated: Date of Initial Delivery

The Obligations mature on July 1 in the years and amounts and bear interest at the rates per annum and will be sold to produce the yields shown below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
20__	\$ __,000	__%	__%
20__	__,000	__	__
20__	__,000	__	__
20__	__,000	__	*
20__	__,000	__	*
20__	__,000	__	*
20__	__,000	__	*
20__	__,000	__	*

*Yield calculated to July 1, 20__, the first optional redemption date.

Prior Redemption

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

Mandatory Redemption

The Obligations maturing on July 1, 20__, will be redeemed from funds of the Issuer prior to the applicable maturity on the following redemption dates and in the following (sinking fund) amounts, upon payment of the applicable redemption price which consists of the principal amount of the Obligations so redeemed, without premium, plus accrued interest, if any, on the Obligations so redeemed from the most recent Interest Payment Date to the applicable redemption date:

Redemption Date <u>(July 1)</u>	Principal <u>Amount</u>
------------------------------------	----------------------------

Obligations Maturing in 20__

*

* Maturity

RESOLUTION NO. 2018-99

RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, (1) PROVIDING FOR THE SALE AND EXECUTION AND DELIVERY PURSUANT TO A SERIES 2018 OBLIGATION INDENTURE OF SENIOR LIEN UTILITY SYSTEM REVENUE AND/OR REVENUE REFUNDING OBLIGATIONS, IN ONE OR MORE SERIES, EVIDENCING PROPORTIONATE INTERESTS OF THE HOLDERS THEREOF IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID BY THE CITY OF SURPRISE, ARIZONA, PURSUANT TO A SERIES 2018 PURCHASE AGREEMENT; (2) AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY WITH RESPECT THERETO OF AGREEMENTS NECESSARY OR APPROPRIATE AS PART OF FINANCING AND/OR REFINANCING OF PART OF THE WATER, WASTEWATER AND STORMWATER SYSTEMS OF THE CITY AND PAYING RELATED FINANCING COSTS; (3) DELEGATING TO THE MAYOR OF THE CITY AND THE FINANCE DIRECTOR OF THE CITY AND HER DESIGNEE CERTAIN AUTHORITY WITH RESPECT TO THE PURPOSES HEREOF; (4) APPROVING A FORM AND AUTHORIZING THE EXECUTION AND DELIVERY AND DISTRIBUTION OF AN OFFICIAL STATEMENT WITH RESPECT TO SUCH OBLIGATIONS; (5) AUTHORIZING THE EXECUTION AND DELIVERY OF AN OBLIGATION PURCHASE CONTRACT, AN ESCROW TRUST AGREEMENT AND A CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO SUCH OBLIGATIONS; (6) AUTHORIZING THE FINANCE DIRECTOR OR HER DESIGNEE TO EXPEND ALL NECESSARY FUNDS THEREFOR AND (7) DECLARING AN EMERGENCY

WHEREAS, the Mayor and Council (the "Council") of the City of Surprise, Arizona (the "City"), have determined, after satisfaction of all conditions precedent, to finance the acquisition of all or a portion of the plant and/or property of Circle City Water Company (the "New Project"), such acquisition having been authorized by the vote of the qualified electors voting at a special election held in and for the City on May 15, 2018; and

WHEREAS, the Council has also determined, after satisfaction of all conditions precedent, to refinance the First Utility System City Lease, dated as of May 1, 2007 (the "City Lease"), from City of Surprise Municipal Property Corporation, previously incurred by the City with respect to financing certain property (the "Existing Projects" and, together with the New Project, the "Projects") for the wastewater collection and treatment system of the City; and

WHEREAS, it is necessary and in the best interests of the City that obligations in one or more series be incurred and sold and the proceeds thereof used to finance the acquisition of the New Project and to refinance the lease purchase of the Existing Projects; and

WHEREAS, therefore, the Council has determined to cause the execution and delivery of a Series 2018 Purchase Agreement, to be dated as of the first day of the month of the dated date

of the hereinafter described Series 2018 Obligations (the “Series 2018 Purchase Agreement”), in substantially the form presented at the meeting at which this Resolution was adopted, by which the City will agree to purchase the Projects; and

WHEREAS, the acquisition of the New Project and the remaining leasehold of the Existing Projects will be financed through the sale and execution and delivery of certain proportionate interests in one or more series (collectively, the “Series 2018 Obligations”) in the Series 2018 Purchase Agreement pursuant to, and secured by, a Series 2018 Obligation Indenture, to be dated as of the date of the Series 2018 Purchase Agreement (the “Series 2018 Obligation Indenture”), from the City to ZB, National Association, dba Zions Bank, as trustee (the “Trustee”), in substantially the form presented at the meeting at which this Resolution was adopted; and

WHEREAS, the Series 2018 Obligations will be sold to RBC Capital Markets, LLC, as underwriter (the “Underwriter”), as provided in an Obligation Purchase Contract, to be dated the date of the sale of the Series 2018 Obligations (the “Purchase Contract”), between the City and the Underwriter, in substantially the form presented at the meeting at which this Resolution was adopted; and

WHEREAS, the City will enter into an Escrow Trust Agreement, to be dated as of the date of the Series 2018 Purchase Agreement (the “Escrow Trust Agreement”), with Wells Fargo Bank, National Association (the “Escrow Trustee”), in substantially the form presented at the meeting at which this Resolution was adopted, for the establishment of an escrow for the refinancing of the Existing Projects; and

WHEREAS, the City will execute and deliver a Continuing Disclosure Undertaking, to be dated the date of the Series 2018 Obligations (the “Undertaking”), with respect to the Series 2018 Obligations, in substantially the form included as an appendix to the herein described Preliminary Official Statement; and

WHEREAS, the City has the requisite power and authority to execute and deliver the Series 2018 Purchase Agreement and to cause the sale and execution and delivery of the Series 2018 Obligations, and all acts, conditions and things required by the Constitution and laws of the State of Arizona and the requirements of the City to happen, exist and be performed precedent to and as a condition to the adoption of this Resolution have happened, exist and have been performed in the time and manner required to make the Series 2018 Purchase Agreement a valid and binding limited, special obligation of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, THAT:

Section 1. (a) For the purpose of providing funds to finance the acquisition of the New Project and to refinance the lease purchase of the Projects on the earliest possible prepayment date therefor and the related costs of the sale and execution and delivery of the Series 2018 Obligations, the Series 2018 Obligations shall be sold and executed and delivered. The Series 2018 Obligations shall be in one or more series, shall be dated the date of their initial authentication and delivery, shall be issued in such form and denominations, shall be payable as

to interest and principal on such dates, shall be executed in such manner and shall have such other provisions, including, without limitation, provisions with respect to redemption prior to maturity, as set forth in the form of the Series 2018 Obligation Indenture, with such additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Trustee executing and delivering the same on behalf of the Trustee, the execution and delivery thereof to constitute conclusive evidence of their approval and of such additions, deletions or modifications. The series name and designation of each series of the Series 2018 Obligations, the aggregate principal amount of each series of the Series 2018 Obligations, the period over which each series of the Series 2018 Obligations shall mature, the provisions for redemption in advance of each series of the Series 2018 Obligations, the date on and price at which each series of the Series 2018 Obligations shall be sold (including provisions for any discount or premium) and the rates of interest each series of the Series 2018 Obligations shall bear shall, so long as the net present value savings after paying all costs of refinancing the lease purchase of the Existing Projects is not less than ten percent (10%) of the principal amount of the bonds associated with the City Lease to be refunded, as well as whether it is timely to finance the New Project, shall be determined by the Mayor (or, in the absence thereof, the Vice Mayor), the Finance Director of the City or the designees of either of them (collectively, the "Authorized Representatives") to which such authority is hereby delegated.

(b) The Authorized Representatives are hereby authorized to execute, and the Clerk is hereby authorized to attest and deliver, respectively, the Series 2018 Purchase Agreement, the Series 2018 Obligation Indenture, the Purchase Contract, the Escrow Trust Agreement and the Undertaking which are hereby approved, with such additions, deletions and modifications as shall be approved by those officers executing and delivering the same on behalf of the City, the execution and delivery thereof to constitute conclusive evidence of their approval, and of such additions, deletions and modifications.

(c) The Trustee (including in its capacity as Seller pursuant to the Series 2018 Purchase Agreement) is hereby requested to execute and deliver the Series 2018 Obligations, the Series 2018 Purchase Agreement and the Series 2018 Obligation Indenture to accomplish the purposes hereof. The Escrow Trustee is hereby requested to executed and deliver the Escrow Trust Agreement to accomplish the purposes hereof.

(d) The Authorized Representatives are hereby authorized to cause the sale and execution and delivery of the Series 2018 Obligations and are hereby delegated the authority to complete any information missing in, or necessary for the consummation of the transactions contemplated by, the Series 2018 Purchase Agreement, the Series 2018 Obligation Indenture, the Purchase Contract, the Escrow Trust Agreement and the Undertaking. The Authorized Representatives are authorized to select, and execute and deliver contracts with, appropriate professionals (including special counsel) to provide various professional services with respect to the sale and execution and delivery of the Series 2018 Obligations as well as to provide for such other matters (including credit enhancement providers if deemed advantageous by them) as are necessary in order to accomplish the purposes of this Resolution. The Authorized Representatives are hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such credit enhancement, including those making provision for the repayment of amounts advanced for credit enhancement

thereunder. The fees, costs and expenses with respect to the foregoing shall be paid from proceeds of the sale of the Series 2018 Obligations or any other legally available moneys. The Finance Director or her designee are hereby authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Series 2018 Obligations.

Section 2. So long as the terms for the Series 2018 Obligations are within the parameters established by this Resolution, the proposal of the Underwriter pursuant to the Purchase Contract shall be accepted. Such acceptance shall be evidenced by the execution and delivery of the Purchase Contract. The Series 2018 Obligations shall be prepared and executed and delivered following the adoption of this Resolution and shall thereupon be delivered upon payment therefor to the Underwriter in accordance with the terms of the Purchase Contract.

Section 3. The covenants and agreements contained in the Series 2018 Purchase Agreement as to the pledge of and the lien on the “Pledged Revenues” and the restriction on the issuance of further parity obligations secured by the Pledged Revenues are approved and confirmed.

Section 4. The preparation, distribution and use by the Underwriter of a Preliminary Official Statement, to be dated the date of the publication thereof (the “Preliminary Official Statement”), relating to the Series 2018 Obligations in substantially the form presented to the Council at the meeting at which this Resolution was adopted is in all respects hereby ratified, approved and confirmed, and the Authorized Representatives are 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 a particular date for purposes of the Rule. The Authorized Representatives are authorized and directed to approve, on behalf of the Council, and to execute and approve the preparation and delivery to, and use by, the Underwriter of, a final Official Statement in substantially the form of the Preliminary Official Statement, modified to reflect matters related to the sale of the Series 2018 Obligations, for distribution and use in connection with the offering and sale of the Series 2018 Obligations. The execution and delivery of such final Official Statement by the Mayor or, in the absence thereof, Vice Mayor of the City shall be conclusively deemed to evidence the approval of the status, form and contents thereof by the Council.

Section 5. If any section, paragraph, clause or phrase of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this Resolution. All orders, resolutions and ordinances 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, resolution or ordinance or any part thereof.

Section 6. All actions of the officers, employees and agents of the City including the Council that conform to the purposes and intent of this Resolution and which further the actions contemplated by this Resolution, whether taken before or after adoption of this Resolution, 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 Resolution.

Section 7. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety, particularly to immediately sell the Series 2018 Obligations to secure the best, available economic terms therefor, and an emergency is hereby declared to exist, and this Resolution will be in full force and effect from and after its passage by the Mayor and Council of the City and it is hereby excepted from the referendum provisions of the Constitution and laws of the State of Arizona. After any of the Series 2018 Obligations are delivered by the Trustee to the Underwriter and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Series 2018 Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

[Remainder of page left blank intentionally.]

PASSED, ADOPTED, and APPROVED this 19th day of June, 2018.

.....
Mayor, City of Surprise, Arizona

ATTEST:

.....
Clerk, City of Surprise, Arizona

APPROVED AS TO FORM:

.....
City Attorney, City of Surprise, Arizona

CERTIFICATION

I hereby certify that the foregoing Resolution No. 2018-_____ was duly passed and adopted by the Mayor and Council of the City of Surprise, Arizona, at a regular meeting held on the 19th day of June, 2018, and the vote was ayes and nays.

.....
Clerk, City of Surprise, Arizona



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date: June 19, 2018
Submitting Department: Finance
Staff Recommendations: None

Contact Person: Lindsey Duncan, Finance Dept.
District: Citywide

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Consideration and action pertaining to approval of an amendment to the FY18 Capital and Operating List of Items over \$50,000; amending the FY18 budget by reallocating appropriations of \$342,000 from Grants Fund Contingency to Services in the Election 2017 Debt Service Fund; and GO Bond update; Resolution # 2018-71.

Motion:

I move to approve Resolution # 2018-71.

Background:

The Series 2018 General Obligation bonds have been issued and with the issuance of the bonds are associated issuance costs that the City is responsible for paying. This budget amendment transfers budget authority from the Grants Contingency to the Election 2017 Debt Service Fund to cover these expenses. In addition, an update will be provided on the status of the projects.

Objective Analysis:

These expenses are necessary and required expense of issuing bonded debt. The issuance of the debt is compliant with voter approval received in the November 7, 2017 election and allows for the continued growth and development of the City of Surprise through the construction of public safety facilities, traffic mitigation projects, and pavement preservation.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

The bond issuance costs are a one time expense totaling \$342,000.

Budget Impact:

This budget amendment will transfer \$342,000 from the Grants Fund Contingency to the Election 2017

Debt Service Fund Services category for the debt issuance expenses.

FTE Impact:

This item has no impact on FTE.

ATTACHMENTS:

Click to download

☐ [Resolution # 2018-71](#)

☐ [GO Bond Update](#)

RESOLUTION # 2018-71

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2018 BUDGET BY REALLOCATING APPROPRIATIONS OF \$342,000 FROM GRANTS CONTINGENCY TO SERVICES IN THE ELECTION 2017 DEBT SERVICE FUND FOR BOND ISSUANCE COSTS.

WHEREAS, the FY2018 budget was adopted included funding in contingency for the potential approval of the November 7, 2017 election and associated projects and bond issuance;

WHEREAS, the costs of issuing the series 2018 general obligation bonds associated with November 7, 2017 are now known;

WHEREAS, the FY2018 budget was adopted by Council Resolution #2017-64 on June 6, 2017;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2017 through June 30, 2018.

APPROVED AND ADOPTED this ____ day of _____, 2018.

Sharon R. Wolcott, Mayor

Attest:

Approved as to form:

Sherry Aguilar, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2018-71
Exhibit A

1. Appropriation - The allocations below represent a reallocation of appropriations in the amount of \$342,000 from Contingency within the Grants Fund to Services within the Election 2017 Debt Service Fund to establish a budget for the costs of issuance for the Series 2018 General Obligation Bonds. These allocations do not represent an actual transfer of funds, but only a transfer of spending authority.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants Fund	General Operations	Contingency	E	7,524,200	(342,000)	7,182,200
Election 2017 Debt Service Fund	General Operations	Services	E	-	342,000	342,000
				7,524,200	-	7,524,200



BOND PRESENTATION UPDATE

FINANCE DEPARTMENT

June 19, 2018

Bond Issuance

- April 18th sold first of two bond issuances
\$40.2M in bonds
- Bond Yield 2.97%
 - \$1.7M less interest expense than projected
 - Tax levy \$0.42 per \$100 of assessed property valuation, estimated at \$0.46

Debt Service Schedule

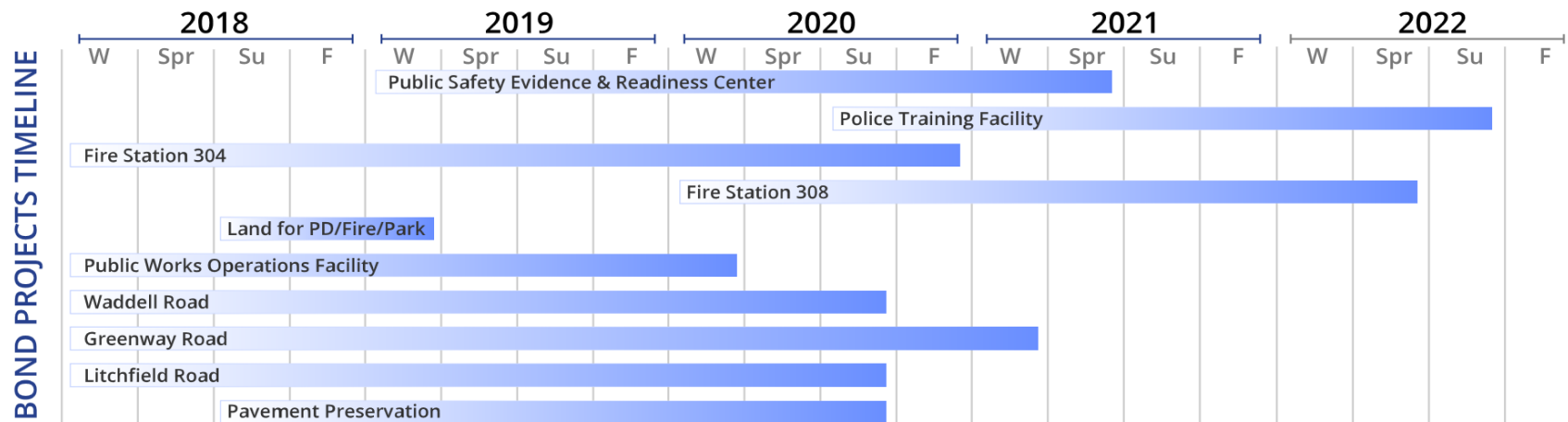
- First payment due July 1, 2019
- Annual debt service \$4.28M
- Included in the FY2019 Budget
 - Secondary property tax levy \$0.42 per \$100 of assessed property

The background of the slide is an abstract composition of various colored geometric shapes, including triangles and polygons, in shades of blue, green, yellow, orange, and red. Overlaid on these shapes are several white, five-pointed stars of varying sizes, some of which are semi-transparent, creating a layered effect.

PROJECT UPDATE

BOND PROGRAM TIMELINE

- **Schedule Constraints** (logistical, financial, operational)
- **First Batch Updates**



PUBLIC WORKS OPERATIONS FACILITY

- Weitz Construction selected as Design-Builder
- Design Rendering October 2018
- Ground breaking November 2018
- Dirt removal operation

FIRE STATIONS 304 & 308

- Perlman Architects selected for design
- Schematic design and site plan September 2018 for FS 304
- CMAR contractor FS 304 procurement August
- Fire Station 308 design to begin early 2020

WADDELL ROAD (SR303-REEMS RD)

- Point Engineers selected as designer
- Design is expected to be complete in May 2019
- Construction bid is expected to be advertised in June 2019.
- This project will provide three lanes of traffic in each direction from SR303 to Reems Road.

LITCHFIELD ROAD (WADDELL RD-PEORIA AVE)

- Premier Engineering selected as the designer
- Design is expected to be complete in May 2019
- Construction bid is expected to be advertised in June 2019.
- Two additional lanes and two signals.

GREENWAY RD (COTTON LN-SARIVAL AVE)

- WSP has been selected as the designer
- Design complete in June 2019
- Construction start June 2020
- Significant Utility Relocations from June 19' to June 20'

PAVEMENT PRESERVATION

- Roadway & ADA Improvements to be completed FY19:
 - Reems Road/Bell Road Intersection
 - Reems Road from Bell Road to Grand Avenue
 - Cactus Road from Bullard Avenue to Reems Road
 - Greenway Road from Bullard Avenue to Reems Road
 - Waddell Road/Litchfield Road Intersection
 - Waddell Road from Dysart Road to Litchfield Road
 - Waddell Road from Bullard Avenue to Reems Road
 - Reems Road /Cactus Road Intersection
 - Reems Road from Cactus Road to Waddell Road
 - Dysart Road from Greenway Road to Bell Road

Upcoming Projects

- Police Evidence and Public Safety Readiness Center- Select Design Build Team in Dec. 2018
- Police Training- June 2020 designer selection
- Land for Park, Police Substation and Fire Station- Ongoing coordination with Landowners/Developers

Tonight's Action

- Budget Amendment – GO Bond cost of issuance
- Items over \$50,000



QUESTIONS OR COMMENTS?

Thank You



CITY OF SURPRISE
Regular City Council Meeting

June 19, 2018 @ 6:00:00 PM

+ [Back](#) [Print](#)

Council Meeting Date: June 19, 2018
Submitting Department: Finance Dept
Staff Recommendations: None

Contact Person: Lindsey Duncan, Finance Director
District: 1

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Presentation and discussion pertaining to the FY2018 Financial Status Report through March 2018.

Motion:

Discussion only, there is no action.

Background:

This update will review the financial activity through the month of March 2018.

Objective Analysis:

The comparison of the actual financial activity to the plan laid out in the budget helps the City to determine the current financial position. This will allow for better short and long term financial planning as the current fiscal year is underway and the planning for the next budget begins.

Policy Compliant:

This item is compliant with City and Council Policy.

Financial Impact:

The attached presentation provides an update of the year to date revenue and expenditures for the general fund.

Budget Impact:

This item does not amend the current fiscal year budget. There will be discussion of the city's financial performance to-date.

FTE Impact:

This item does not change the full time equivalent position count.

ATTACHMENTS:

Click to download

- ☐ [Sales and Use Tax Report Mar 2018](#)
 - ☐ [FY18 Grant Expenditure Report](#)
 - ☐ [March Status Report Presentation](#)
-



Sales and Use Tax
Fiscal Year to Date as of March 2018

General Fund	2016 Actual	2017 Actual	2018 Actual	Actual 2018 to 2017 \$ Variance	% Variance	2018 Budget	Actual to Budget 2018 \$ Variance	% Variance
Retail	10,080,588	11,716,622	12,467,719	751,097	6%	11,611,081	856,639	7%
Vehicles	3,956,279	4,872,733	5,637,483	764,750	16%	5,168,441	469,043	9%
Communications/Utilities	4,300,242	3,662,242	3,800,797	138,555	4%	3,629,240	171,557	5%
Contracting	1,250,000	1,250,000	1,250,000	0	0%	1,250,000	0	0%
Restaurant/Bar	4,473,352	5,197,965	5,722,933	524,967	10%	5,151,125	571,808	11%
Real Estate/Rental & Leasing	3,223,015	3,340,104	3,623,770	283,666	8%	3,310,072	313,698	9%
Arts/Entertainment	590,798	426,540	418,394	(8,146)	-2%	422,692	(4,298)	-1%
Hotel/Motel	435,564	425,185	448,268	23,083	5%	421,362	26,906	6%
Transient Lodging	118,382	129,515	131,393	1,878	1%	124,672	6,721	5%
Auditing	144,536	3,750	1,075	(2,675)	-71%	0	1,075	0%
Use Tax	672,560	709,894	832,866	122,973	17%	703,469	129,398	18%
Other Tax Activity	877,820	251,772	180,376	(71,397)	-28%	249,548	(69,173)	-28%
Total General Fund	30,123,138	31,986,322	34,515,074	2,528,752	8%	32,041,701	2,473,373	8%
Percentage of change from prior period		6%	8%					
Transportation Improvement Fund (1.5% tax rate)	2,462,580	2,216,280	2,565,902	349,622	16%	1,496,506	1,069,396	71%
Percentage of change from prior period		-10%	16%					
General Capital Fund (2.2% tax rate)	2,361,784	2,000,544	2,513,323	512,779	26%	1,095,163	1,418,160	129%
Percentage of change from prior period		-15%	26%					
Tourism Fund - Bed Tax (3.52% tax rate)	346,587	455,892	462,504	6,612	1%	438,849	23,655	5%
Percentage of change from prior period		32%	1%					
Total All Funds	35,294,089	36,659,038	40,056,804	3,397,765	9%	35,072,219	4,984,585	14%

FY2017 amounts for General Fund categories, excluding contracting and transient lodging, were updated to include ADOR's implementation of location based and business code reporting.

General Fund

Retail (2.2% tax rate) - tax collections from large and small retail stores, discount department stores, warehouse clubs, and supercenters.

Vehicles (2.2% tax rate) - tax collections from vehicle sales.

Communication/Utilities (2.2% tax rate) - tax collections from businesses that provide telecommunications (landlines and cellular), electricity, gas, and water services.

Contracting (2.2% of the 3.7% contracting tax rate is dedicated to the General Fund) - tax collections from businesses engaging in contracting activity, (e.g., landscaping, painting, flooring installation, siding, roofing, concrete, plumbing, heating, framing, drywall, infrastructure, masonry, finish carpentry). The first \$1.25 million received in revenues from the 2.2% transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.

Restaurant and Bar (3.2% tax rate) - tax collections from restaurants, bars and caterers.

Real Estate, Rental & Leasing (2.2% tax rate) - tax collections from rental income of commercial and residential real property, and personal property rentals (e.g., rentals of formal wear, DVD's, home health equipment, recreational goods, electronics, appliances).

Arts and Entertainment (2.2% tax rate) - tax collections from businesses that charge admission for exhibition, amusement, or entertainment, (e.g., gym memberships, golf courses, athletic and dance instruction, movie theatres).

Hotel/Motel (2.2% tax rate) - tax collections from the activity of renting lodging space for any length of time and other activities provided at the hotel/motel.

Transient Lodging (1% of the 4.52% transient lodging tax rate is dedicated to the General Fund) - tax collections from the activity of charging for lodging and/or lodging space furnished to any transient for less than thirty consecutive days, and is in addition to the hotel/motel tax rate of 2.2%.

Auditing - payments from tax audits conducted by in house and contract auditors.

Use Tax (2.2% tax rate) - tax collections from goods and products that are used or stored in the City where sales tax was not paid when purchased.

Other Tax Activity (2.2% tax rate) - tax collections from business license fees, advertising, feed at wholesale, job printing, manufactured buildings, old business codes, and maintenance, repair, replacement or alteration projects (MRRA).

Dedicated Funds

Transportation Improvement (1.5% of the 3.7% contracting tax rate is dedicated to the Transportation Improvement Fund)

The transportation improvement fund is established to provide for the collection and expenditure of the dedicated 1.5% local construction transaction tax adopted by the Mayor and Council through ordinance 05-13. This tax is dedicated for the improvement of existing roadway corridors and the related costs of the construction of new roadways.

General Capital (2.2% of the 3.7% contracting tax rate)

The first \$1.25 million received in revenues from the 2.2% transaction privilege tax on construction will be retained in the General Fund. Any additional amount will be recorded in the General Capital Fund and will be used to fund the Capital Improvement Plan.

Tourism (3.52% of the 4.52% transient lodging tax rate is dedicated to the Tourism Fund)

Ordinance No. 2015-10 increased the tax rate to 4.52% with 3.52% recorded in the Tourism Fund. Mayor and City Council has designated that 75% will be allocated to Sports Tourism Facility Development/Facility Improvement and 25% will be allocated to Special Events/Marketing/Studies.



Transaction Privilege Tax Report

Hotel Motel

Tax Collected	Reported to State	Reported to City	FY2014	FY2015	FY2016	*FY2017	FY2018	5 YR Average FY2014 - FY2018
Jul	Aug	Sep	\$ 19,645	\$ 17,682	\$ 16,928	\$ 21,297	\$ 31,513	\$ 21,413
Aug	Sep	Oct	\$ 19,858	\$ 24,363	\$ 24,829	\$ 23,264	\$ 26,213	\$ 23,705
Sep	Oct	Nov	\$ 25,992	\$ 30,945	\$ 31,473	\$ 35,342	\$ 38,405	\$ 32,431
Oct	Nov	Dec	\$ 18,586	\$ 52,349	\$ 59,506	\$ 58,393	\$ 55,171	\$ 48,801
Nov	Dec	Jan	\$ 61,772	\$ 41,435	\$ 44,780	\$ 46,760	\$ 48,603	\$ 48,670
Dec	Jan	Feb	\$ 43,701	\$ 43,753	\$ 49,646	\$ 36,930	\$ 43,340	\$ 43,474
Jan	Feb	Mar	\$ 43,414	\$ 23,111	\$ 50,389	\$ 33,947	\$ 53,287	\$ 40,829
Feb	Mar	Apr	\$ 51,074	\$ 85,180	\$ 67,284	\$ 77,765	\$ 73,472	\$ 70,955
Mar	Apr	May	\$ 70,001	\$ 80,525	\$ 90,729	\$ 91,488	\$ 78,265	\$ 82,202
Apr	May	Jun	\$ 34,916	\$ 32,169	\$ 39,894	\$ 44,009		\$ 37,747
May	Jun	Jul	\$ 25,429	\$ 28,916	\$ 26,763	\$ 29,185		\$ 27,573
Jun	Jul	Aug	\$ 19,937	\$ 20,246	\$ 22,958	\$ 23,917		\$ 21,765
TOTAL			\$ 434,326	\$ 480,674	\$ 525,179	\$ 522,296	\$ 448,268	\$ 499,566

*Hotel and Motel amounts for FY2017 were updated to include AZ Dept. of Revenue's implementation of location based and business code reporting

Transient Lodging

Tax Collected	Reported to State	Reported to City	FY2014	¹ FY2015	FY2016	FY2017	FY2018	5 YR Average FY2014 - FY2018
Jul	Aug	Sep	\$ 15,995	\$ 11,744	\$ 31,002	\$ 35,321	\$ 50,396	\$ 28,892
Aug	Sep	Oct	\$ 12,937	\$ 16,747	\$ 9,222	\$ 24,356	\$ 37,041	\$ 20,061
Sep	Oct	Nov	\$ 14,652	\$ 17,452	\$ 18,222	\$ 38,396	\$ 44,062	\$ 26,557
Oct	Nov	Dec	\$ 14,316	\$ 25,420	\$ 29,903	\$ 71,136	\$ 52,360	\$ 38,627
Nov	Dec	Jan	\$ 20,966	\$ 24,210	\$ 42,957	\$ 56,159	\$ 55,496	\$ 39,958
Dec	Jan	Feb	\$ 30,681	\$ 23,112	\$ 52,789	\$ 43,260	\$ 51,399	\$ 40,248
Jan	Feb	Mar	\$ 25,482	\$ 55,130	\$ 63,003	\$ 67,301	\$ 78,493	\$ 57,882
Feb	Mar	Apr	\$ 35,185	\$ 53,564	\$ 86,084	\$ 98,560	\$ 104,735	\$ 75,626
Mar	Apr	May	\$ 58,376	\$ 65,790	\$ 131,787	\$ 150,918	\$ 119,914	\$ 105,357
Apr	May	Jun	\$ 27,544	\$ 22,092	\$ 55,825	\$ 69,245		\$ 43,676
May	Jun	Jul	\$ 21,952	\$ 24,125	\$ 35,250	\$ 47,870		\$ 32,299
Jun	Jul	Aug	\$ 15,877	\$ 21,607	\$ 41,187	\$ 36,092		\$ 28,691
TOTAL			\$ 293,964	\$ 360,993	\$ 597,231	\$ 738,613	\$ 593,897	\$ 537,873

¹Transient Lodging tax rate increased from 2.52% to 4.52% effective 11/01/2015, Ordinance No. 2015-10 (3.52% of the 4.52% is recorded to the Tourism Fund)



Transaction Privilege Tax Report

Restaurant and Bar

Tax Collected	Reported to State	Reported to City	FY2014	FY2015	FY2016	*FY2017	FY2018	5 YR Average FY2014 - FY2018
Jul	Aug	Sep	\$ 346,076	\$ 370,435	\$ 402,510	\$ 502,873	\$ 517,688	\$ 427,917
Aug	Sep	Oct	\$ 371,486	\$ 393,533	\$ 430,056	\$ 482,560	\$ 551,570	\$ 445,841
Sep	Oct	Nov	\$ 364,346	\$ 433,656	\$ 434,876	\$ 496,508	\$ 588,019	\$ 463,481
Oct	Nov	Dec	\$ 402,986	\$ 410,955	\$ 481,198	\$ 531,487	\$ 595,474	\$ 484,420
Nov	Dec	Jan	\$ 423,043	\$ 473,106	\$ 487,777	\$ 545,694	\$ 600,545	\$ 506,033
Dec	Jan	Feb	\$ 438,338	\$ 469,465	\$ 522,687	\$ 602,045	\$ 651,071	\$ 536,721
Jan	Feb	Mar	\$ 436,637	\$ 460,847	\$ 491,380	\$ 621,598	\$ 676,521	\$ 537,397
Feb	Mar	Apr	\$ 490,692	\$ 532,431	\$ 547,841	\$ 614,354	\$ 681,549	\$ 573,373
Mar	Apr	May	\$ 614,719	\$ 607,926	\$ 675,027	\$ 800,846	\$ 860,495	\$ 711,803
Apr	May	Jun	\$ 466,620	\$ 506,791	\$ 545,300	\$ 650,128		\$ 542,210
May	Jun	Jul	\$ 463,010	\$ 510,135	\$ 481,777	\$ 597,185		\$ 513,027
Jun	Jul	Aug	\$ 444,832	\$ 431,220	\$ 436,037	\$ 540,675		\$ 463,191
TOTAL			\$ 5,262,786	\$ 5,600,500	\$ 5,936,467	\$ 6,985,953	\$ 5,722,933	\$ 6,205,413

*Restaurant and Bar amounts for FY2017 were updated to include AZ Dept. of Revenue's implementation of location based and business code reporting

FY 18 Grant Expenditure Detail
for July 1, 2017 through March 31, 2018

Dept	Project	Project Title	Budget	Expended
City Attorney	G13040	FY 17 Prosecutor's Office VOCA	8,900	8,900
City Attorney	G13060	FFY 17 Prosecutor's Office VOCA 2	4,900	4,900
City Attorney	G13070	FFY 18 Pros Office VOCA	75,000	48,500
City Attorney	G13080	FY 18 VRP	2,800	0
SPD	G31110	DEA Task Force FY 17	3,400	3,400
SPD	G31120	Police Department VOCA FY 17	16,200	16,200
SPD	G31140	FY 17 GOHS DUI Task Force	8,300	8,300
SPD	G31150	FY 17 GOHS Know Your Limit	1,500	1,500
SPD	G31180	FFY 16 CBRNE Sustainment 160823-01	21,700	21,700
SPD	G31210	Police Department UASI Reall 150822-02	200	200
SPD	G31220	FFY17 PD CBRNE Sustainment UASI	60,000	7,200
SPD	G31240	FFY18 DEA Task Force	36,000	16,800
SPD	G31250	FFY 18 PD VOCA	88,700	52,300
SPD	G31260	FFY 18 GOHS DUI Task Force OT	20,000	1,200
SPD	G31270	FFY 18 GOHS Know Your Limit Ed Prog	9,700	7,700
SPD	G31280	FFY18 STEP Enforce-Related Equip	35,000	0
SPD	G31300	FY 17 GOHS STEP OT	10,000	10,000
SPD	G31310	FY18 GOHS STEP Enforcement	20,200	3,000
SPD	G31320	FFY18 Ped & Bike Safety Enforcement	20,300	2,500
SPD	G31330	FFY18 Ped & Bike Enforce & Training	8,800	4,500
SPD	G31340	FFY18 GOHS Occupant Protection Enforce	15,500	6,100
SPD	G31350	FFY18 GOHS DUI Abatement	20,000	20,000
SPD	G31360	JLEO Task Force OT	5,000	2,200
FMD	G34090	FFY 16 Fire CBRNE Sustain 160822-01	7,100	7,100
FMD	G34100	SAFER Grant EMY-2015-FH-00791	468,000	292,000
FMD	G34120	FFY 18 GOHS DUI Mock Crash	7,500	300
FMD	G34130	FFY 18 GOHS Occupant Protection	8,500	8,400
FMD	G34180	FFY 18 FD AZDOHS CERT Sustainment	9,900	0
FMD	G34190	FFY 18 AZDOHS CBRNE Sustainment	60,000	43,400
FMD	G34210	Firehouse Subs Grant for Fire	15,500	15,500
FMD	G34230	Gila River Indian Community Grant	6,000	5,900
CD	G42010	FY 17 SRTS Studies - Parkview & Ashton	58,500	9,000
CD	G42020	FY 17 SRTS Studies - Marley & Rancho	39,600	33,000
CD	G42030	FY 17 SRTS Crosswalk Safety	10,400	0
CD	G42040	FY 17 SRTS Walking/Biking Maps	94,300	41,100
CD	G42050	DOD - 2 AME-UP	459,300	358,200
CD	G42060	PIP Grant for Grant 42010	2,800	2,800
CD	G42070	PIP Grant for Grant G42020	2,800	2,800
CD	G42080	PIP Grant for Grant G42030	2,800	2,900
HSCV	G51170	FY 14-15 CDBG St Improv	1,700	1,700
HSCV	G51220	FY 16 CDBG Public Service	87,800	50,400
HSCV	G51230	FY 16 CDBG AZTC Improvements	380,300	148,300
HSCV	G51240	FY 2016 HOME	110,500	32,200
HSCV	G51260	2013 CDBG Emergency Repair	175,000	26,700
HSCV	G51290	2015 CDBG Utility Feasibility Study	120,000	50,700
HSCV	G51320	FY 14-15 HOME	140,400	120,900
HSCV	G51330	2015 HOME	8,600	4,500
HSCV	G51400	2017 CDBG Administration	120,200	81,600
HSCV	G51410	2017 CDBG Admin - advertising	7,500	6,900
HSCV	G51420	2017 CDBG Public Service	95,800	14,100
HSCV	G51480	TO Stabilizing Families in Need	60,000	36,900
HSCV	G51500	FY 18 AAA - Meals	38,300	32,600
HSCV	G51510	FY 18 AAA - Senior Center	11,700	9,400
HSCV	G51520	FY 18 CAP	87,500	62,100
HSCV	G51550	2017 CDBG Sr Ctr Improvement	20,000	4,400

\$3,210,400

\$1,752,900



SURPRISE
ARIZONA

FY2018 Financial Status Update

**City Council Meeting
June 19, 2018**

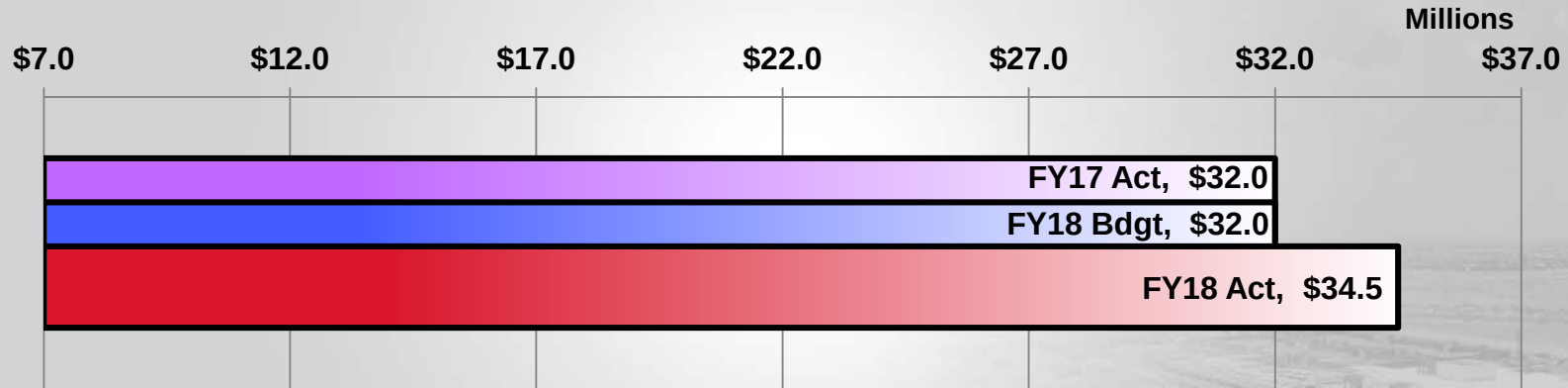
FY2018 General Fund Resources

Category	Budget Thru Mar	Actual Thru Mar*	\$ Variance	% Variance
Local Sales Tax	\$ 32.0	\$ 34.5	\$ 2.5	8%
Intergovernmental	24.9	26.3	1.4	6%
Charges for Services/Other	5.9	10.4	4.5	76%
Property Tax	5.1	5.2	0.1	2%
Franchise Fees	3.1	3.4	0.3	10%
Transfers In	4.7	4.7	-	0%
Total	\$ 75.7	\$ 84.5	\$ 8.8	12%

Amounts in millions

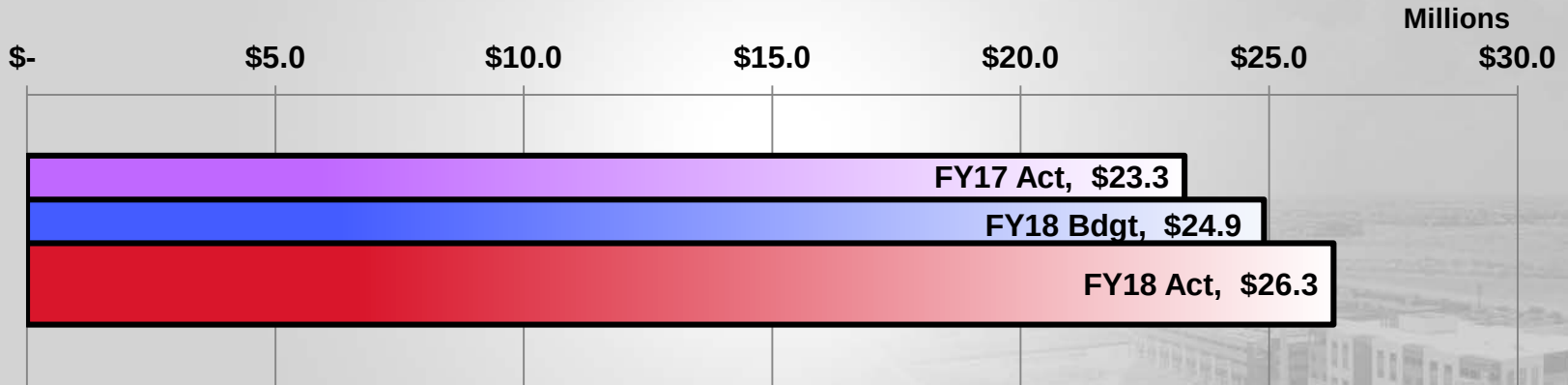
*Unaudited

Local Sales Tax



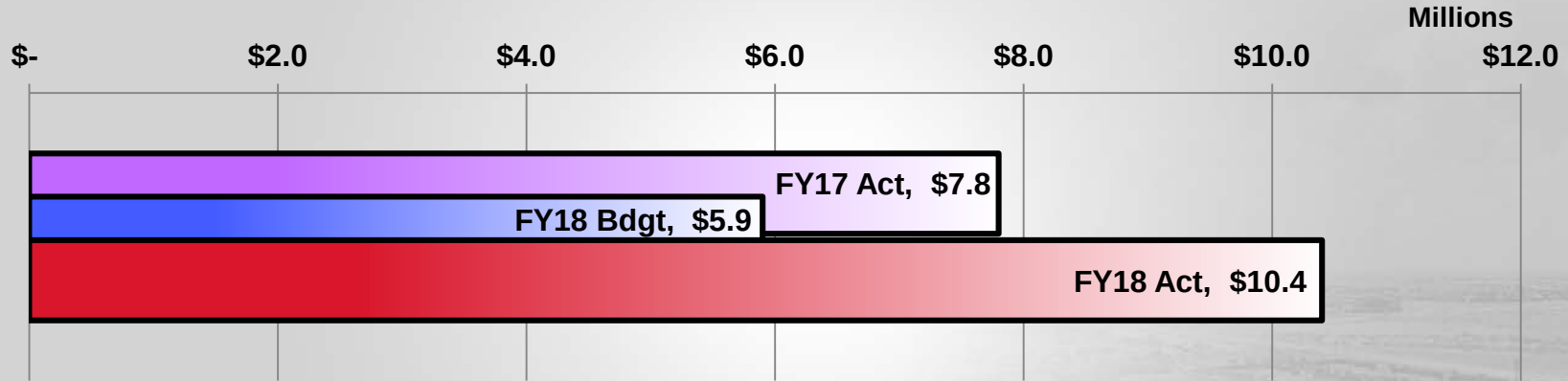
- Current actuals exceeded budget by \$2.5 M
- Development agreement reimbursements need to be considered.

Intergovernmental



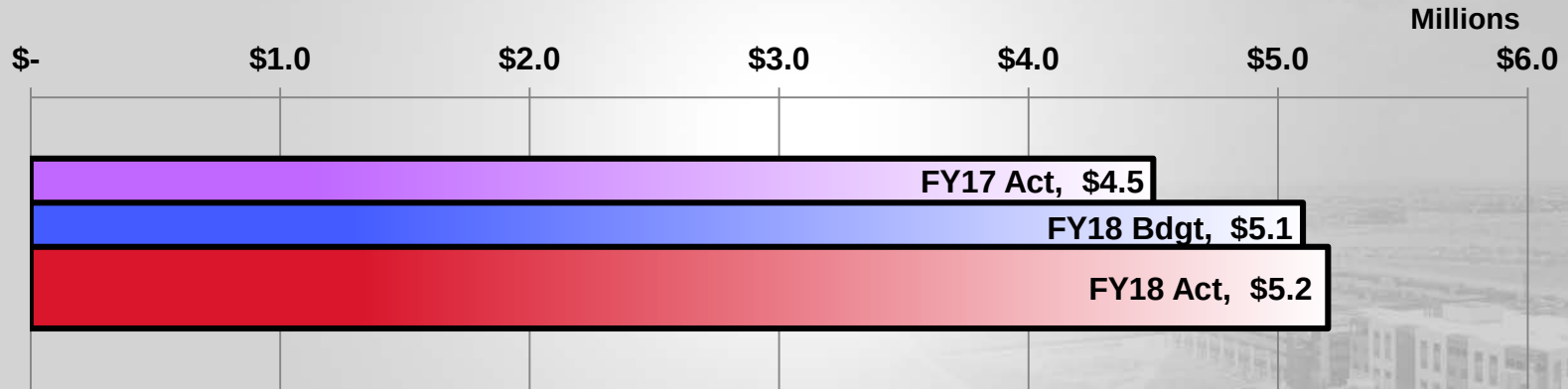
- Current actuals exceeded original budget by \$1.4 M
- Timing

Charges for Services/Other FY2018



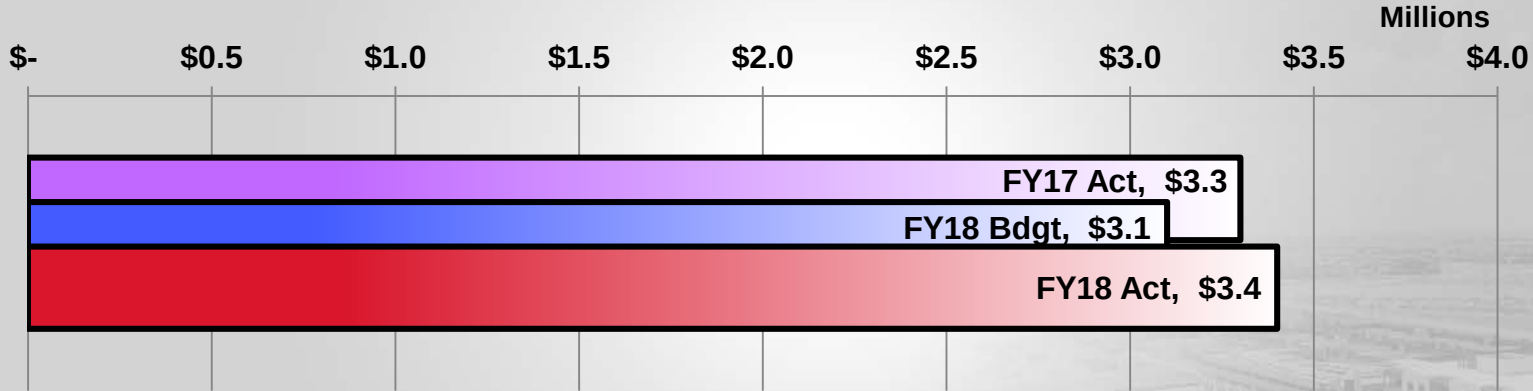
- Current actuals exceeded budget by \$4.5M
 - Development related planning, permitting, and inspection revenue is trending higher than budgeted

Property Tax FY2018



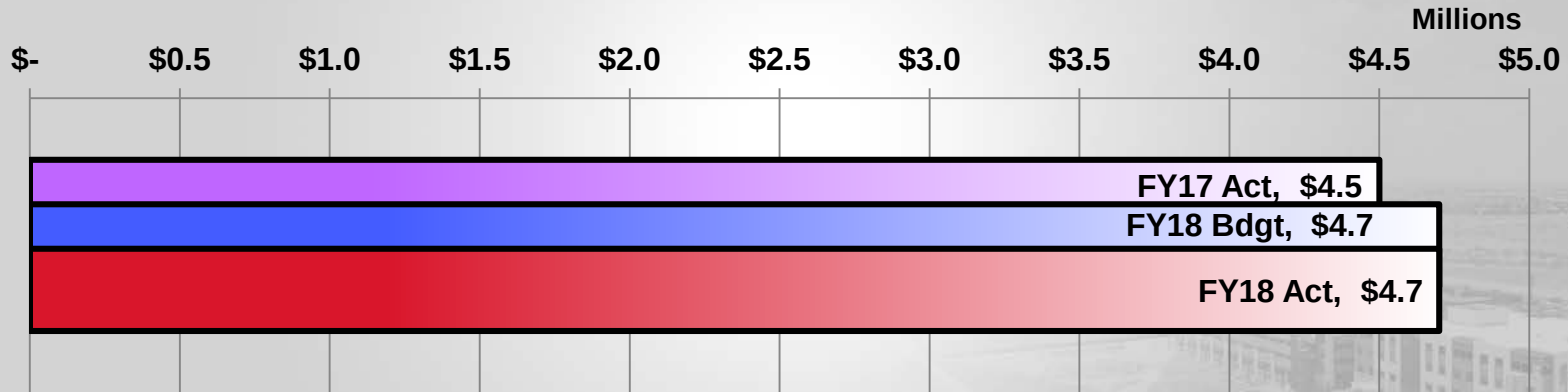
- Amount collected will equal amount of the levy.

Franchise Fees FY2018



- Current actuals are more than budget by \$0.3M

Transfers In FY2018



- Current actuals are equal to budget.

FY2018 General Fund Uses

Category	Budget Thru		Actuals Thru		\$	
	Mar		Mar*		Variance	% Variance
Personnel	\$	57.8	\$	55.5	\$ (2.3)	(4%)
Supplies		3.0		2.8	(0.2)	(7%)
Services		15.6		14.9	(0.7)	(4%)
Capital		0.1		-	(0.1)	(100%)
Contingency		-		-	-	-
Transfers Out		5.2		5.2	-	-
Total	\$	81.7	\$	78.4	\$ (3.3)	(4%)

Amounts in millions

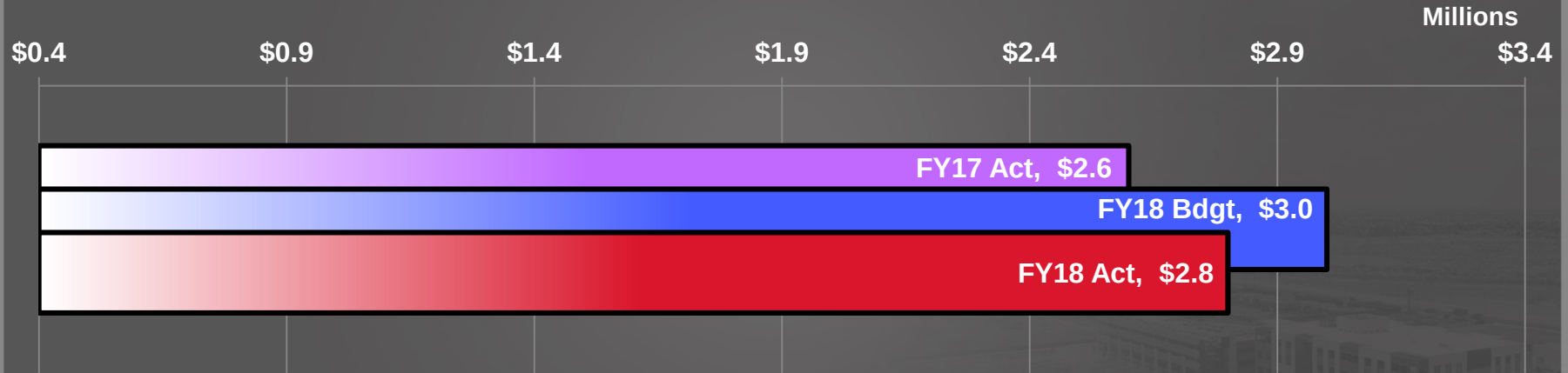
*Unaudited

Personnel FY2018



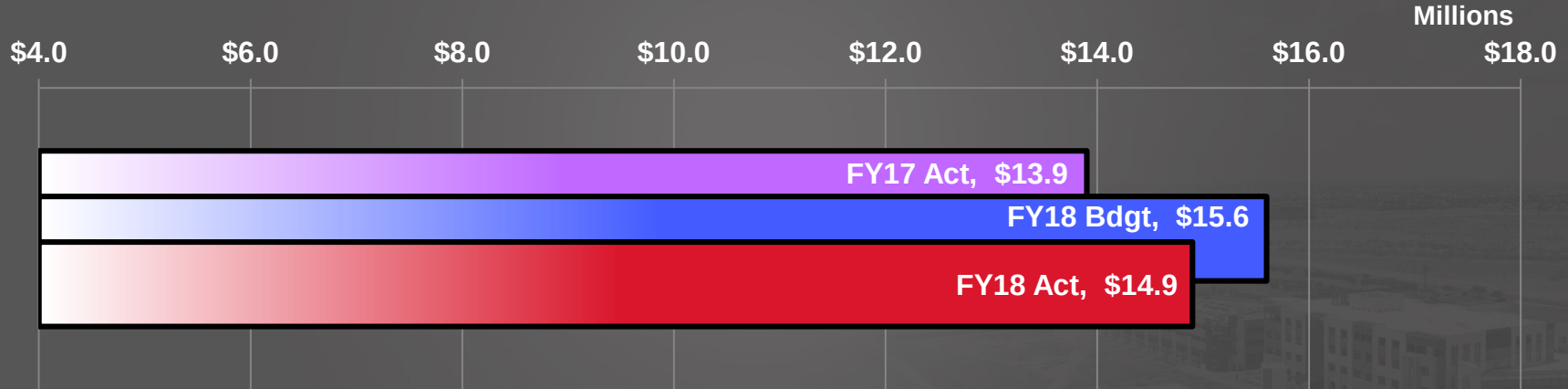
- FY18 Budget line reflects the PSPRS budget amendment.

Supplies FY2018



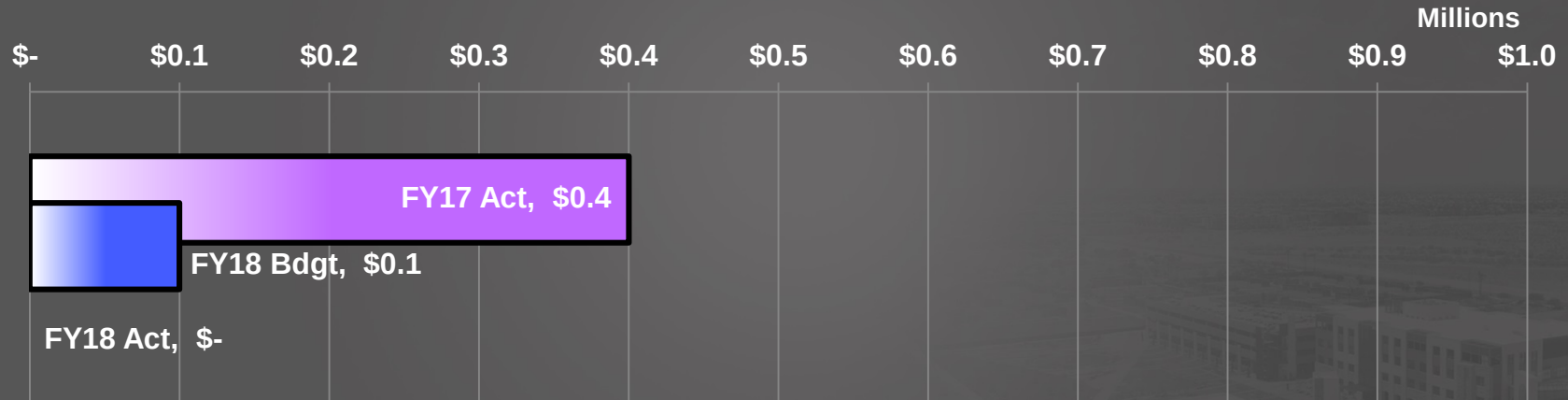
- Current actuals are below original by \$0.2M

Services FY2018

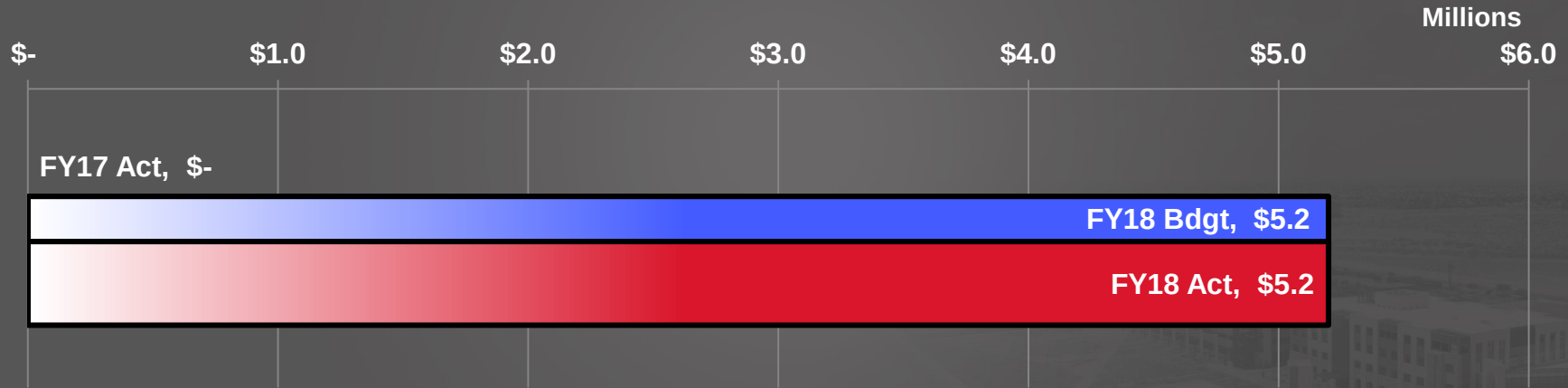


- Services are less than the budget amount by \$0.7M

Capital FY2018



Transfers Out FY2018



FY2018 Grant Expenditure Detail

Department	Total Budget	Total Expenditures
Community Development	\$670,500	\$449,800
City Attorney	91,600	62,300
Fire-Medical	582,500	372,600
Human Services/Community Vitality	1,465,300	683,400
Police	400,500	184,800
Total Expenditures	\$3,210,400	\$1,752,900

FY2017 vs. 2018 Grant Awards

Department	2017 Awards	2018 Awards
Community Development	\$402,500	\$0
City Attorney	94,700	*329,900
Fire-Medical	*873,400	107,900
Human Services/Community Vitality	926,200	626,200
Police	240,600	*648,800
Total Awards	\$2,537,400	\$1,722,800

* Includes multi-year award



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**QUESTIONS OR
COMMENTS?**

Thank You