

AGENDA



4:30 P.M.

CITY COUNCIL MEETING

TUESDAY, FEBRUARY 8, 2022

NOTES:

- Public Forum:
Comments are generally limited to 3 minutes.
- Consent Items:
Items listed under Consent Items have been distributed to Council Members in advance for study and will be enacted by one motion. Any member of the Council, staff or the public may remove an item from the Consent Items for discussion. For additional information on pulling a Consent Item, please contact the City Clerk's Office staff, preferably in advance of the Call to Order. Items removed from the Consent Items may be acted upon before proceeding to the next agenda item.
- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.

PROCEDURES:

- It is strongly encouraged that public input on agenda items be submitted by sending an email to the City Clerk at cityclerksdept@sedonaaz.gov in advance of the 4:30 p.m. Call To Order.
- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
 1. Name and
 2. City of Residence
- Limit comments to **3 MINUTES**.
- Submit written comments to the City Clerk.

DUE TO CONTINUED PRECAUTIONS RELATED TO COVID-19, SEATING FOR THE PUBLIC WITHIN THE COUNCIL CHAMBERS IS LIMITED. THOSE WISHING TO COMMENT ON SCHEDULED AGENDA ITEMS MAY BE ASKED TO WAIT OUTDOORS OR IN AN ALTERNATE LOCATION IF THERE IS NOT ADEQUATE SEATING IN COUNCIL CHAMBERS. **COMMENTS IN ADVANCE OF THE 4:30 P.M. CALL TO ORDER ARE STRONGLY ENCOURAGED BY SENDING AN EMAIL TO CITYCLERKSDEPT@SEDONAAZ.GOV AND WILL BE MADE PART OF THE OFFICIAL MEETING RECORD.** THE MEETING CAN BE VIEWED LIVE ON THE CITY'S WEBSITE AT WWW.SEDONAAZ.GOV OR ON CABLE CHANNEL 4.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE/ROLL CALL

2. CITY'S VISION/MOMENT OF ART

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- Minutes - January 25, 2022 City Council Regular Meeting.
- Minutes - January 26, 2022 City Council Special Meeting.
- AB 2773 Approval of Change Order No. 2 to the SR179 Sewer Main Upsize Phase II construction contract with Standard Construction Company, Inc. in an amount not-to-exceed \$374,508.72.
- AB 2775 Approval of an Intergovernmental Agreement (IGA) for Election Services with the Yavapai County Board of Supervisors and the Yavapai County Recorder.
- AB 2777 Approval of a Resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road Connection Project.

4. APPOINTMENTS - None.

5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER

6. PUBLIC FORUM (This is the time for the public to comment on matters not listed on the agenda. The City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)

7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.

8. REGULAR BUSINESS

- AB 2772 **Discussion/possible action** regarding the adoption of a Resolution approving the sale and execution and delivery of Excise Tax Revenue Obligations, Series 2022, in an amount not to exceed \$25 million; approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents; delegating authority to determine certain matters with respect to the foregoing and declaring an emergency.
- AB 2719 **Discussion/possible action** regarding the approval of a Resolution adopting new public participation procedures for the Sedona Community Plan update.
- AB 2740 **Discussion/possible direction** regarding an update on progress made on the Climate Action Plan.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.



Page 2, City Council Meeting Agenda Continued

- d. AB 2770 **Discussion/possible direction** regarding a citizen-initiated request for the City Council to support the establishment of a not-for-profit, volunteer membership organization to create a formal Sister Cities program in the Sedona community . 
- e. AB 2774 **Discussion/possible action** regarding a modification to hours and benefits for the Court Security Officer position. 
- f. AB 2769 **Discussion/possible direction** regarding local short-term rental regulation including recent short-term rental strategies considered by other cities and towns. 
- g. AB 2759 **Discussion/possible direction/action** regarding proposed State legislation, short-term rental legislation and State budget and their potential impact on the City of Sedona. 
- h. AB 2571 **Discussion/possible direction** regarding issues surrounding the COVID-19 pandemic and the City's response. 
- i. **Reports/discussion** regarding Council assignments.
- j. **Discussion/possible action** regarding future meeting/agenda items.

9. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action on executive session items.

10. ADJOURNMENT

Posted: 02/03/2022

By: DJ

JoAnne Cook, CMC, City Clerk

Note: Pursuant to A.R.S. § 38-431.02 notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with materials relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, January 25, 2022, 4:30 p.m. and
Wednesday, January 26, 2022, 5:00 p.m.

1. Call to Order/Pledge of Allegiance/Moment of Silence/Roll Call

Mayor Moriarty called the meeting to order at 4:30 p.m. on January 25, 2022.

Council Present: Mayor Sandy Moriarty, Vice Mayor Scott Jablow, Councilor Kathy Kinsella, Councilor Tom Lamkin, Councilor Holli Ploog, Councilor Jon Thompson, Councilor Jessica Williamson.

Staff Present: City Manager Karen Osburn, Deputy City Manager Joanne Keene, City Engineer/Assistant City Manager Andy Dickey, City Attorney Kurt Christianson, Director of Financial Services Cherie Wright, Associate Engineer Bob Welch, Associate Engineer Stephen Craver, Sustainability Coordinator Gabe Desmond, Transit Administrator Robert Weber, Assistant City Manager/Director of Public Works Andy Dickey, City Clerk JoAnne Cook.

2. City's Vision

The City's Vision video was played.

3. Consent Items

- a. **Minutes - January 4, 5 & 6, 2022 City Council Special Meeting - Council Retreat.**
- b. **Minutes - January 11, 2022 City Council Special Meeting - Executive Session.**
- c. **AB 2766 Approval of a Real Estate Purchase and Sale Agreement with the Loftus Family to purchase the right-of-way property and easements at 711 Forest Road (APN 401-38-003F) for the Forest Road Extension Project.**

Motion: Councilor Williamson moved to approve the consent agenda items. Seconded by Councilor Ploog. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.

4. Appointments – None.

5. Summary of Current Events by Mayor/Councilors/City Manager

Councilor Lamkin said the winners of today's spelling bee, held at West Sedona Elementary, will be announced in the paper. Councilor Ploog said the Sedona Arts Center is hosting the Celebrate Sedona Event outdoors next Wednesday, February 2nd from 4:00-6:00 p.m., she advised the Art Center is celebrating African American heritage. The event will have an African American band performing and an exhibit that explores African American artists, everyone is welcome. Councilor Williamson advised the quilt exhibit is showing at the Sedona Library and encouraged all to attend. Mayor Moriarty announced

there is a new art exhibit at City Hall and encouraged all to be watching for the upcoming reception.

6. Public Forum

Opened Public Forum at 4:38 p.m.

Patricia Ann Miller, Village of Oak Creek, expressed concerns about chemical spraying, geoengineering, and shots. She said big tech and Bill Gates are destroying the land and urged Council to act.

Closed Public Forum at 4:41 p.m.

Re-opened Public Forum at 4:43 p.m.

Terence Cook, Sedona, spoke against political signs in the Right of Way and urged Council to have staff consider creating sign free zones.

Closed Public Forum at 4:46 p.m.

7. Proclamations, Recognitions, and Awards – None.

8. Regular Business

- a. AB 2750 Presentation/discussion with Yavapai College Verde Valley Dean Dr. Tina Redd regarding an update on activities and plans for the Verde Valley campuses and local programming.**

Presentation by Yavapai College Verde Valley Dean Dr. Tina Redd and Yavapai College Vice President for Academic Affairs Dr. Diane Ryan. Yavapai College Verde Valley Associate Dean Heather Mulcaire and Yavapai College Sedona Center Associate Dean Linda Shook were available for questions.

Questions and comments from Council.

Presentation and discussion only. No action taken.

- b. AB 2767 Discussion/possible action regarding an Underground Utility Easement for Arizona Public Service (APS) to allow the construction of Electric Vehicle Supply Equipment (EVSE) at Sunset Park.**

Presentation by Gabe Desmond. Arizona Public Service Northwest Division Manager Mackenzie Rogers was available for questions.

Questions and comments from Council.

Motion: Councilor Thompson moved to approve the APS underground utility easement to allow the construction of electric vehicle chargers at Sunset Park. Seconded by Councilor Ploog. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.

Break at 6:11 p.m. Reconvened at 6:33 p.m.

- c. AB 2378 Discussion/possible direction regarding the Sedona In Motion transportation program and approval of a Resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road Connection Project.**

Introduction by Andy Dickey. Presentation by Robert Weber, Andy Dickey, Gabe Desmond, Robert Welch, and Stephen Craver. Arizona Public Service Northwest Division Manager Mackenzie Rogers was available for questions.

Questions and comments from Council.

Proposed Microtransit Fare Structure -

By majority consensus, Council directed staff to increase the day pass fare to \$6.00 and the discounted fare to \$3.00; to remove the monthly pass fare option and allow staff to set a fare for a discounted bundle for 10 days; to offer a discount for AZ residents with valid ACCCHS card or Medicaid eligible; and, to add a discounted fare for children ages five and under, and to bring back to Council for consideration.

SIM-3A Uptown Sedona Parking Garage -

Three Options Evaluated:

- Option A – 86 Solar Panels
- Option B – 438 Solar Panels (Staff Recommendation)
- Option C – 570 Solar Panels

By majority consensus, Council directed staff to move forward with staff's recommendation, Option B – 438 Solar Panels.

Break at 10:21 p.m. Reconvened at 10:30 p.m.

SIM-5C Los Abrigados/Brewer Connection –

Questions and comments from Council.

Remaining items will be further discussed at a later date. Approval of a Resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road Connection Project will be added to the consent agenda items for the February 8, 2022 meeting.

The meeting will reconvene on Wednesday, January 26, 2022 at 5:00 p.m. at the Courtyard by Marriott, 4105 W. State Route 89-A, Sedona, Az.

Meeting recessed at 11:08 p.m. Meeting reconvened on January 26th at 5:00 p.m. with all Council present.

Staff Present: City Manager Karen Osburn, Deputy City Manager Joanne Keene, City Engineer/Assistant City Manager Andy Dickey, City Attorney Kurt Christianson, Director of Financial Services Cherie Wright, Assistant City Manager/Director of Public Works Andy Dickey, Assistant to the City Manager Megan McRae, Deputy City Clerk Cherise Fullbright, City Clerk JoAnne Cook.

d. AB 2768 Discussion/possible direction regarding the Budget & Finance Overview including Revenue Projections.

Presentation by Cherie Wright and Karen Osburn.

Comments and questions from Council.

Presentation and discussion only. No action taken.

- e. **AB 2765 Discussion/possible action regarding proposed amendments to the Sedona City Council Rules of Procedures and Policies.**

Presentation by Kurt Christianson.

Comments and questions from Council.

Motion: Councilor Lamkin moved to approve the amendments to the City Council Rules of Procedure and Policies as modified on the screen in Exhibit A. Seconded by Vice Mayor Jablow. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.

- f. **AB 2759 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation and State budget and their potential impact on the City of Sedona.**

Presentation by Joanne Keene.

Comments and questions from Council.

By majority consensus, Council agreed to support the opposition of HB 2099; support the opposition of SB 1133; support the opposition of HB 2316; support SB 1275; support the opposition of SB 1198 and SB 1035; support HB 2321 and support HB 2625.

Joanne Keene will review HCR 2006, SB 1123 and SB 1009 and bring back to Council.

- g. **AB 2571 Discussion/possible direction regarding issues surrounding the COVID-19 pandemic and the City's response.**

No presentation was given.

- h. **Reports/discussion regarding Council assignments**

Vice Mayor Jablow advised the Airport Board is working on contracts to increase fuel farms and plan to use bonds to fund the expansion, and he said the Humane Society expressed their appreciation to the City for the road improvements.

- i. **Discussion/possible action regarding future meeting/agenda items – None.**

9. Executive Session

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. **To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).**
- b. **Return to open session. Discussion/possible action on executive session items.**

No Executive Session was held.

10. Adjournment

Mayor Moriarty adjourned the meeting at 6:50 p.m.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on January 25 & 26, 2022.

JoAnne Cook, CMC, City Clerk

Date

**Action Minutes
Special Meeting
Courtyard by Marriott, Sedona Meeting Room
4105 West State Route 89A, Sedona, Arizona
Wednesday, January 26, 2022, 2:00 p.m.**

1. Call to Order

Mayor Moriarty called the meeting to order at 2:08 p.m.

2. Roll Call

Roll Call: Mayor Sandy Moriarty, Vice Mayor Scott Jablow, Councilor Kathy Kinsella, Councilor Tom Lamkin, Councilor Holli Ploog, Councilor Jon Thompson, Councilor Jessica Williamson.

Staff in attendance (in person): City Manager Karen Osburn, Deputy City Manager Joanne Keene, City Attorney Kurt Christianson, Management Analyst Megan McRae, City Clerk JoAnne Cook, Deputy City Clerk Cherise Fullbright.

Staff in attendance (via Zoom): Records Clerk David Jakim, Public Relations Coordinator Ron Eland, Economic Development Director Molly Spangler.

3. Special Business

- a. AB 2760 Presentation/discussion/possible direction as part of the annual joint planning meeting between the City of Sedona and the Chamber of Commerce and Tourism Bureau in preparation for the development of the FY23 budget and work program.**

The following SCC&TB Board of Directors members were present: Al Comello, Julia Kaiser, Ed Rose, Mike Wise, Gary Glen, Beth DuPuree, Jennifer Perry, Cheryl Barron, Darla DeVille, and Lonnie Lillie.

Presentation by Karen Osburn, SCC&TB President/CEO Candace Carr Strauss, SCC&TB Director of Marketing Michelle Conway, SCC&TB Director of Finance Gary Stewart, and SCC&TB Board Members.

Questions and comments from Council.

Break at 3:48 p.m. Reconvened at 4:03 p.m.

Additional questions and comments from Council.

Presentation and discussion only. No direction given at this time.

- b. Discussion/possible action regarding future meeting/agenda items.**

4. Executive Session

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).**
- b. Return to open session. Discussion/possible action on executive session items.**

5. Adjournment

Mayor Moriarty adjourned the meeting at 4:55 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on January 26, 2022.

Cherise Fullbright, Deputy City Clerk

Date



**CITY COUNCIL
AGENDA BILL**

**AB 2773
February 8, 2022
Consent Items**

Agenda Item: 3c
Proposed Action & Subject: Approval of Change Order No. 2 to the SR179 Sewer Main Upsize Phase II construction contract with Standard Construction Company, Inc. in an amount not-to-exceed \$374,508.72.

Department	Wastewater
Time to Present	N/A
Total Time for Item	
Other Council Meetings	November 9, 2021 (AB 2475)
Exhibits	A. Change Order No. 2 B. Vicinity Map

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$ 374,508.72	
City Manager's Recommendation	Approve Change Order No. 2 to the SR179 Sewer Main Upsize Phase II construction contract with Standard Construction Company, Inc. in an amount not-to-exceed \$374,508.72.	Amount Budgeted	
		\$ 0	
		Account No. 59-5252-89-6850 (Description) WW SR179 Sewer Main Replacement \$699,950 available in 59-5252-89-6821 (Reservoir Liner Replacement)	
		Finance <input checked="" type="checkbox"/> Approval	

SUMMARY STATEMENT

Staff is requesting City Council approval of Change Order No. 2 to the Construction Contract for the SR179 Sewer Main Upsize Phase II project with Standard Construction Company, Inc. in the amount of \$374,508.72. The change order includes the addition of 82 linear feet of pipe replacement due to an unknown belly (sag) in the existing 12-inch sewer main west of the pedestrian bridge crossing Oak Creek (outside of original project limits).

Background:

- Council approved the Construction Contract with Standard Construction Company, Inc. for \$873,336 at its November 9, 2021 meeting.
- The scope of work for the SR179 Sewer Main Upsize Phase II project includes replacing 375 feet of 8-inch sewer main with 12-inch sewer main along SR179 and

replacing approximately 155 feet of deteriorated 12-inch sewer line located adjacent to SR179, under the pedestrian bridge crossing Oak Creek.

- Change Order No. 1 was approved at the staff level to allow slip-lining of the portion under the pedestrian bridge. Slip-lining is a non-invasive form of pipe restoration and is more cost effective than traditional trenching, removal, and replacement. In addition to slip-lining, the change order provided credits for utilizing pipe from Phase I, alternate traffic control operations, and an increase for depth of sewer excavation that was unknown at time of bid. The net cost for Change Order No. 1 was \$35,925.70.

Approaches to Construction

- Construction began in January 2022. The construction contract allows 60 days for construction.
- Sewer bypass operations are, and will continue to be, used to avoid interruption to sewer services. When in use, the bypass system is monitored 24-7 and will have redundancy to ensure that a catastrophic failure of the bypass system does not occur.
- Connection of service lines will be done overnight, during non-business hours to avoid interruption.
- The City has contracted with BetaPR for public relations and communication to nearby residents, coordination with impacted businesses, and regular updates to the general public.

Traffic Control and Construction Scheduling

- A combination of daytime and overnight work is occurring to maximize progress, minimize major traffic interruptions, and to meet requirements of the ADOT encroachment permit.
- During daytime work, the northbound travel lane width is slightly reduced, and work is done outside of the travel lanes. During nighttime work, the northbound travel lane is closed, and pilot car operations are employed to allow alternating traffic in both directions, using the southbound lane, between Ranger Road and Highland Road.

Change Order No. 2 Details

- Change Order No. 2 includes the repair of approximately 82 feet of existing 12-inch sewer main west of the pedestrian bridge. The sewer main was found to have a large belly during investigations for slip-lining feasibility.
- The repair is imperative because the belly could eventually impede flow and lead to blockages and/or sewage overflows.
- Due to the location of the belly, work must be conducted at night. Equipment needed to complete the repair will need to be staged in the right-of-way. This will also reduce impacts to adjacent businesses at Tlaquepaque North. The location of the repair is shown in Exhibit B – Vicinity Map.
- The work is anticipated to take 30 days to complete, however a portion of the work can be done simultaneously with the original scope of work. Therefore, the change order will add 14 calendar days to the original contract time.
- Total cost of Change Order No. 2 is \$374,508.72, which includes a 20% contingency for unknown conditions. The contingency will only be used if needed and will require City approval prior to utilizing.

- A summary of contract amounts is presented in the table below:

Change Order	Value in Dollars	Value in Days	Cumulative CCO Dollars	New Contract Value	New Contract Days
0				\$873,336.00	60
1	\$35,925.70	0	\$35,925.70	\$909,261.70	60
2	\$374,508.72	14	\$410,434.42	\$1,283,770.42	74

- Staff proposes using funding from other wastewater capital projects as outlined below:

	Budget	Anticipated FY22 Costs	Difference
SR179 Sewer Main Upsize Ph. 2	\$900,150.00	\$1,310,584.42	-\$410,434.42
*Total project budget; including design, construction & contingencies			

	Budget	Anticipated FY22 Costs	Savings
Reservoir Liner Replacement	\$699,950.00	\$0.00	\$699,950.00

The reservoir liner replacement project has been postponed until FY25 and will be reappropriated as part of the FY25 budget.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

This project is consistent with Goal 1.1 of the 2020 Municipal Sustainability Plan to prepare for an adapt to climate change by ensuring City assets, infrastructure and services are resilient.

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Council could elect not to approve Change Order No. 2; however, this action would have the effect of either further delaying, or preventing, the repair from moving forward resulting in potential clogging and increasing the likelihood of sewage overflows. Sewage overflows would have a notable effect on the environment, cause an increase in operational costs and allocation of resources for site cleanup and decontamination, prompt permit violation notice(s) and correction directive(s) from ADEQ, and lead to negative public opinion.

MOTION

I move to: approve Change Order No. 2 to the SR179 Sewer Main Upsize Phase II Project with Standard Construction Company, Inc. for the SR179 Sewer Main Upsize – Phase II Project in an amount not-to-exceed \$374,508.72 subject to approval of the written change order by the City Attorney’s Office.



City of Sedona Wastewater Department

Mail: 102 Roadrunner Drive Sedona, AZ 86336

Site: 7500 W. SR 89A Sedona, AZ 86336

(928) 204-2234 Fax: (928) 204-7137

**Wastewater Department
Change Order**

This change order is not effective unless signed by the City Manager of the City of Sedona or his properly designated representative. Section 47 of the Contract General Conditions shall apply.

THIS CHANGE ORDER CONSTITUTES FULL, FINAL AND COMPLETE COMPENSATION TO THE CONTRACTOR FOR ALL COSTS, EXPENSES, OVERHEAD, PROFIT, AND ANY DAMAGES OF EVERY KIND THAT THE CONTRACTOR MAY INCUR IN CONNECTION WITH THE WORK DESCRIBED IN THIS CHANGE ORDER, INCLUDING ANY IMPACT ON THE DESCRIBED WORK OR ON ANY OTHER WORK UNDER THE CONTRACT, ANY CHANGES IN THE SEQUENCES OF ANY WORK, ANY DELAY TO ANY WORK, ANY DISRUPTION OF ANY WORK, ANY RESCHEDULING OF ANY WORK, AND ANY OTHER EFFECT ON ANY OF THE WORK UNDER THIS CONTRACT. BY THE EXECUTION OF THIS CHANGE ORDER, THE CONTRACTOR ACCEPTS THE CONTRACT PRICE CHANGE AND THE CONTRACT COMPLETION DATE CHANGE, IF ANY, AND EXPRESSLY WAIVES ANY CLAIMS FOR ANY ADDITIONAL COMPENSATION, DAMAGES OR TIME EXTENSIONS, IN CONNECTION WITH THE DESCRIBED WORK.

CHANGE ORDER NUMBER: 2 **DATE:** 2/8/2022
PROJECT: SR179 Sewer Main Upsize Phase II
CONTRACTOR NAME: Standard Construction Company, Inc.
REASON FOR CHANGE: Repair 82 foot belly in 12-inch main west of pedestrian bridge

Plan Sheet #'s affected by this change: _____

Specification Sections upon which Change Order is based: GC-47

Change requested by (check one): x City _____ Contractor _____ Both

Contract time adjustment: 14 Calendar Days

This contract change order

 x increases the maximum estimated contract compensation per Article 6 contract adjustment as follows:

 decreases the maximum estimated contract compensation per Article 6 contract adjustment as follows:

\$229,385.46	+ \$76,604.54	+ \$68,518.72	+ \$0.00	= \$374,508.72
Method A	+ Method B	+ Method C	+ Method D	= Total Cost Adjustment

Contract Compensation:		Contract Time:	
Original Contract Amount	\$873,336.00	Original Contract Time (days)	60
This Change Order	\$374,508.72	This Change Order (days)	14
All Previous Change Orders	\$35,925.70	All Previous Change Orders (days)	0
Total Maximum Compensation	\$1,283,770.42	Total Maximum Contract Time (days)	74

**CONTRACTOR
ACCEPTANCE**

BY: _____

DATE: _____

**CITY OF SEDONA - WASTEWATER DEPARTMENT
APPROVED**

BY: _____

DATE: _____

**CITY OF SEDONA - CITY MANAGER
APPROVAL**

BY: _____

DATE: _____

Attach a more complete description of the change and supporting documentation to this form.

SR179 Sewer Main Upsize Phase II
CONTRACT CHANGE ORDER 2
 Repair 82 foot belly in 12-inch main west of pedestrian bridge

Contract Change Order 2

ITEM NO.	DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	EXTENSION
1	Method A Changes	LS	1	229385.46	\$229,385.46
2	Method B Changes	LS	1	\$76,604.54	\$76,604.54
3	Method C Changes	LS	1	\$6,100.60	\$6,100.60
4	20% Contingency	LS	1	\$62,418.12	\$62,418.12
				TOTAL	\$374,508.72

Detailed Description

This change order is to replace 82 linear feet of 12-inch sewer main that was found to have a belly.

STANDARD CONSTRUCTION COMPANY, INC.
(Change Order Breakdown)

Project: SR-179 Sewer Upsize - Phase 2
 Owner: City of Sedona
 Engineer: Sunrise Engineering

PROPOSED CHANGE #1:
 Add Quantities to Existing to Bid Items to Address DIP in 12" Pipe by Tlaqupaque

COST IMPACTS:

- Increase - Bid Item 2 - SAWCUT & REMOVE EXISTING PAVEMENT
- Increase - Bid Item 4 - REMOVE EXISTING CURB & GUTTER
- Increase - Bid Item 5 - REMOVE & REPLACE LANDSCAPE IN KIND
- Increase - Bid Item 6 - REMOVE EXISTING SIDEWALK
- Increase - Bid Item 7 - REMOVE EXISTING MANHOLE
- Increase - Bid Item 8 - REMOVE EXISTING 12" SANITARY SEWER PIPE FROM EXISITING 18" CASING (BRIDGE)
- Increase - Bid Item 10 - VERTICAL CURB & GUTTER (TYPE A) PER MAG STD DETAL 220-1 WITH 3" OF ADOT CLASS II ABC
- Increase - Bid Item 11 -CONCRETE SIDEWALK PER ADOT STD DETAIL C-05.20. COLOR TO BE SEDONA RED
- Increase - Bid Item 15c - INSTALL 12" SANITARY SEWER PIPE (C900 PVC). TRENCH & BACKFILL PER MAG STD SPEC 601 & PER DETAIL 4, SHEET DT2. TRACER WIRE PER DETAIL 3, SHEET DT2 - TLAQUEPAQUE BELLY
- Increase - Bid Item 16 - CONNECT EXISTING SERVICE TAP TO PROPOSED SEWER PIPE PER MAG STD DETAIL 440-1, TYPE A
- Increase - Bid Item 20 - TEMPORARY PAVING: 3" AC ON 6" ABC TEMPORARY PAVEMENT SECTION
- Increase - Bid Item 23A - SEWER BYPASS PER SPECIAL CONDITIONS 11 AND TECHNICAL SPECIFICATIONS 02553
- Increase - Bid Item 24 - SWPPP
- Increase - Bid Item 26 - ADOT PERMITTING
- Increase - Bid Item 27 - TRAFFIC CONTROL
- Increase - Bid Item 28 - DEMOBILIZATION
- Add - Bid Item 33 - SURVEY SPECIAL
- Add - Bid Item 34 - CONTINGENCY FOR EXTRA WORK TO BE BILLED AT EXISTING UNIT PRICES IF NEEDED

CALCULATION:

Bid Item	Description	Qty	U/M	\$/Unit	UM	Subtotal	Method	Comment
2	SAW CUT & REMOVE EXISTING PAVEMENT	11.1	SY	\$35.00	\$/SY	\$ 388.50	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
4	REMOVE EXISTING CURB & GUTTER	80	LF	\$15.00	\$/LF	\$ 1,200.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
5	REMOVE & REPLACE LANDSCAPING IN KIND	300	SF	\$55.00	\$/SF	\$ 16,500.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
6	REMOVE EXISTING SIDEWALK	600	SF	\$4.50	\$/SF	\$ 2,700.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
7	REMOVE EXISTING MANHOLE	1	EA	\$4,250.00	\$/EA	\$ 4,250.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
8	REMOVE EXISTING 12" SANITARY SEWER PIPE FROM EXISITING 18" CASING (BRIDGE)	82	LF	\$25.00	\$/LF	\$ 2,050.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
10	VERTICAL CURB & GUTTER (TYPE A) PER MAG STD DETAIL 220-1 WITH 3" OF ADOT CLASS II ABC	80	LF	\$60.00	\$/LF	\$ 4,800.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
11	CONCRETE SIDEWALK PER ADOT STD DETAIL C-05.20. COLOR TO BE SEDONA RED	600	SF	\$14.50	\$/SF	\$ 8,700.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
15	INSTALL 12" SANITARY SEWER PIPE (C900 PVC). TRENCH & BACKFILL PER MAG STD SPEC 601 & PER DETAIL 4, SHEET DT2. TRACER WIRE PER DETAIL 3, SHEET DT2	82	LF	\$840.00	\$/LF	\$ 68,880.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
16	CONNECT EXISTING SERVICE TAP TO PROPOSED SEWER PIPE PER MAG STD DETAIL 440-1, TYPE A	2	EA	\$1,900.00	\$/EA	\$ 3,800.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
20	TEMPORARY PAVING: 3" AC ON 6" ABC TEMPORARY PAVEMENT SECTION	100	SF	\$35.00	\$/SF	\$ 3,500.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
23	SEWER BYPASS PER SPECIAL CONDITIONS 11 AND TECHNICAL SPECIFICATION 02553	0.5	LS	\$115,000.00	\$/LS	\$ 57,500.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
24	SWPPP	0.5	LS	\$5,000.00	\$/LS	\$ 2,500.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
26	ADOT PERMITTING	0.5	LS	\$4,500.00	\$/LS	\$ 2,250.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
27	TRAFFIC CONTROL - Pilot Car Set-up	0.5	LS	\$80,000.00	\$/LS	\$ 40,000.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
28	DEMOBILIZATION	0.1	LS	\$7,500.00	\$/LS	\$ 750.00	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
METHOD C	EXTENDED SURVEY	1	LS	\$6,100.60	\$/LS	\$ 6,100.60	C	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
METHOD B	EXTENDED BY-PASS LENGTH BEYOND ORIGINAL CONTRACT	5	DAY	\$3,007.82	\$/DAY	\$ 15,039.10	B	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK

15C	ADDITIONAL DEPTH OF PIPE BEYOND ORIGINAL CONTRACT	82	LF	\$158.28	\$/LF	\$ 12,978.96	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
15A	CREDIT CITY SUPPLIED PIPE	82	LF	-\$41.00	\$/LF	\$ (3,362.00)	A	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
18B	EXTENDED TRAFFIC PILOT CAR SETUP OUTSIDE ORIGINAL BID ITEM	16	DAY	\$3,847.84	\$/DAY	\$ 61,565.44	B	per Article 47 CHANGE ORDERS FOR CHANGED OR EXTRA WORK
						\$ 312,090.60	Cost of Change	
						\$ 62,418.12	ALLOWANCE FOR CONTINGENCY (20 %), IF NEEDED	
						\$ 374,508.72	PROPOSED CHANGE ORDER AMOUNT WITH 20% CONTINGENCY	

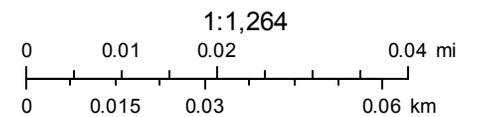
SUMMARY OF PROPOSED CHANGES:	
COST IMPACTS:	
Amount	Description
\$ 312,090.60	Add Qauntities to Existing to Bid Items to Address DIP in 12" Pipe by Tlaqupaque
\$ 312,090.60	Total Change to Contract
\$ 229,385.46	Method A
\$ 76,604.54	Method B
\$ 6,100.60	Method C

EXHIBIT B - VICINITY MAP



January 27, 2022

-  OAK CREEK
-  COUNTY LINE
-  Street Centerline





**CITY COUNCIL
AGENDA BILL**

**AB 2775
February 8, 2022
Consent Items**

Agenda Item: 3d
Proposed Action & Subject: Approval of an Intergovernmental Agreement (IGA) for Election services with the Yavapai County Board of Supervisors and the Yavapai County Recorder.

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	None
Exhibits	A. Proposed Resolution with IGA as Attached Exhibit

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$ TBD	
City Manager's Recommendation	Approve the Intergovernmental Agreement for Election services with the Yavapai County Board of Supervisors and the Yavapai County Recorder.	Amount Budgeted	
		\$ 42,000 (estimated budget for FY23)	
		Account No. 10-6240-06-6405	
		(Description)	
		Finance <input checked="" type="checkbox"/>	
		Approval	

SUMMARY STATEMENT

Background: Yavapai County has submitted an Intergovernmental Agreement for Election Services. This is an agreement for the services they will provide to the City of Sedona for the August 2, 2022 Primary Election and the November 8, 2022 General Election, if necessary.

Sedona has historically had an IGA with Yavapai County and Coconino County for primary and general elections. The total budget projection for elections is \$42K and this includes costs related to the Home Rule pamphlet, etc.

Without this IGA the Clerk's Office would be taxed with the enormous burden of the following, and there is likely more responsibility and cost that is not listed below:

- locate a polling site facility,
- hire and train all poll workers,
- run the Primary Election and possible General Election independently ,
- create our own ballots for Primary and General Election,
- mailing sample ballots and incur cost of postage,
- supply our own drop boxes (purchase),
- report results of election, and

- tabulate the ballots ourselves, which involves purchasing tabulating machines, or trying to find a third-party vendor to research the purchase of tabulation machines or pay them to tabulate results.

The only service the County would provide is sending us their voter registration list.

Additionally, new to the IGA is Exhibit 2 #7 and #8. This language was added in the case legislation is passed that requires surveillance cameras to be placed to monitor ballot boxes. Both Leslie Hoffman and Lynn Constabile stated the County has received a grant to implement the placement of cameras across jurisdictions if legislation is passed and has a plan in place to contact jurisdictions asap regarding installation, etc. Cameras and installation costs would not be passed on to the jurisdictions.

Running an election without the support services offered in the IGA between the City and Yavapai County Board of Supervisors and the Yavapai County Recorder would entail substantially more coordination and resources, including hiring additional staff for the Clerk's Department. Currently, the Clerk's Department has limited experience, resources, and capacity to take on the full duties involved and pertaining to the of running elections.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): None - the City must enter into this IGA so that Yavapai County will provide election services to the City.

MOTION

I move to: approve Resolution 2022-____, authorizing an Intergovernmental Agreement for Election Services with the Yavapai County Board of Supervisors and the Yavapai County Recorder.

RESOLUTION NO. 2022-__

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SEDONA,
ARIZONA, APPROVING AN INTERGOVERNMENTAL AGREEMENT FOR
ELECTION SERVICES WITH THE YAVAPAI COUNTY BOARD OF SUPERVISORS
AND THE YAVAPAI COUNTY RECORDER.**

WHEREAS, the respective governmental entities the City of Sedona (the "City") and Yavapai County (the "County") desire to enter into an Intergovernmental Agreement (IGA) for Election Services attached as an exhibit to this Resolution; and

WHEREAS, execution of this IGA will allow the City and the County to work in cooperation on the August 2, 2022 Primary Election and November 8, 2022 General Election.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF SEDONA, ARIZONA, THAT;

The City of Sedona, through its Mayor and City Council, hereby approves the Intergovernmental Agreement (IGA) for Election Services with the Yavapai County Board of Supervisors and the Yavapai County Recorder and authorizes the Mayor to execute the IGA with approval of the City Attorney.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 8th day of February, 2022.

Sandra J. Moriarty, Mayor

ATTEST:

JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson, City Attorney

INTERGOVERNMENTAL AGREEMENT FOR ELECTION SERVICES

THIS INTERGOVERNMENTAL AGREEMENT FOR ELECTION SERVICES (this “Agreement”) is entered into by and between the YAVAPAI COUNTY BOARD OF SUPERVISORS and the YAVAPAI COUNTY RECORDER (collectively the “COUNTY”) and CITY OF SEDONA, (the “JURISDICTION”). The COUNTY and the JURISDICTION may each be referred to individually as a “Party” or “party” and collectively as the “Parties or “parties.”

WHEREAS, pursuant to A.R.S. §§11-952, 15-302(A)(7) and (A)(8), 16-205(C), 16-225, or 16-408(D), the governing body of any election district authorized to conduct an election may enter into an agreement with a County Board of Supervisors and County Recorder for election services with the contracted cost of such election to be a charge against the election district; and

WHEREAS, the COUNTY is willing to provide election services to election districts wishing to conduct vote-by-mail elections, but, with the exception of state primary and general elections, will not provide election services to districts wishing to conduct vote center elections unless a vote center election is expressly required by state or federal statute; and

WHEREAS, the JURISDICTION wishes to enter into an agreement with the COUNTY for the provision of elections services subject to the terms and conditions set forth herein,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- 1. Provision of Election Services.** The COUNTY hereby agrees to provide election services to the JURISDICTION for all consolidated election dates set forth by A.R.S. §16-204 during the effective term of this Agreement. This Agreement shall apply to all categories of elections including, but not limited to, primary, general, special, and recall elections. Services to be provided by the COUNTY, and those that remain the responsibility of the JURISDICTION, are set forth in the Elections Task Schedule attached to this Agreement as Exhibit 1.
- 2. Limitation on Eligible Elections.** It is understood and agreed that the services to be provided pursuant to this Agreement shall be provided exclusively for vote-by-mail elections with the exception of state primary and general elections and elections expressly required by state or federal statute to be conducted at vote centers. It shall be the responsibility of the JURISDICTION to establish the legal basis for a requirement that an election is required by state or federal statute to be conducted at vote centers. The COUNTY may, in its sole discretion, decline to provide services for any election that it concludes is not required to be conducted at vote centers. The COUNTY will not provide services for exclusively vote-by-mail elections during the state primary and general elections, or any special election called by the legislature, which requires vote centers.
- 3. Cancellation of certain elections.** As provided in A.R.S. §16-410, if the number of candidates is less than or equal to the number to be elected, the Yavapai County Board of Supervisors may cancel the election no earlier than one hundred five (105) days before the election and appoint the person(s) who filed the nominating petition/paper to fill the position(s). The COUNTY shall place all such races on a Yavapai County Board of Supervisors agenda for approval of cancellation unless written notice from the JURISDICTION is received by the County Officer in Charge of Elections on or before 120 days before the election.

4. Compensation.

- a. Fees.** The JURISDICTION shall compensate the COUNTY for election services provided pursuant to this Agreement in accordance with the fees set forth in the most current fiscal year Election/Voter Registration section of the Yavapai County Special Districts Fee Schedule (the “fee schedule”) posted online www.yavapaiaz.gov/sd. The fee schedule is for base services only. Any additional services required by the JURISDICTION will result in additional charges. Additional services include, but are not limited to, the following: court preparation, court appearances, supplemental mailings, recounts, or any service which will cause the COUNTY to incur increased costs or expenses. In the event that additional services are requested, the JURISDICTION should refer to unit and hourly pricing information as set forth on the fee schedule. The COUNTY reserves the right to adjust election service fees annually or otherwise at any time during the effective term of this Agreement notice of which will be posted on the COUNTY’s website. Revised fee schedules will supersede prior fee schedules and be incorporated into this Agreement at the time of revision.

- b. Late Fees.** Payment in full for all costs associated with the provision of services pursuant to this Agreement shall be made no later than 30 days following the date of the election. In the event that the required payment is not made by the due date deadline specified herein, the COUNTY shall impose a late charge of 2% of the unpaid balance for each 30-day period or portion thereof following the specified deadline for which any portion of the required payment, including unpaid late charges, remains unpaid.

- c. Termination.** Failure to make payments as required by this Section shall be deemed a material breach of this Agreement and shall be grounds for termination of this Agreement pursuant to Section 8 of this Agreement.

5. Discounts. The COUNTY has established a discounted fee rate for JURISDICTIONS that provide assistance such as providing meeting sites free of charge or rent, or other services for COUNTY-administered elections.

The JURISDICTION has elected to decline to receive discounted rates.

The JURISDICTION has elected to receive these discounted rates subject to the terms and conditions set forth herein and will provide the service indicated below.

- a. Services the JURISDICTION Will Provide.** The JURISDICTION and the COUNTY agree that the following two checked services will be provided by the JURISDICTION as consideration for the COUNTY’s provision of election services at the discounted rates as set forth in the Special Districts Fee Schedule posted online at www.yavapaiaz.gov/sd.

JURISDICTION
will provide
(check 2)

Services

- The JURISDICTION agrees to serve as a ballot drop-off site for any election that the COUNTY requests. In order to provide this service, it must be mutually agreed that the JURISDICTION currently has or could potentially have an outside ballot drop box on its property as supplied by the COUNTY. By checking this box, the JURISDICTION agrees to all duties as outlined in Exhibit 2.
- The JURISDICTION agrees to provide one vote center or training site at no charge for any statewide or countywide election cycle. Vote centers and training sites must be ADA compliant and are subject to review by the COUNTY.
- The JURISDICTION agrees to provide one poll worker for the Primary Election and one poll worker for the General Election. A poll worker must be a registered voter in Yavapai County and be able to perform any of the following duties: voter check-in, ballot distribution, voter assistance, equipment setup, and/or poll worker supervision. Such workers will be trusted employees of the JURISDICTION who are eligible to serve as poll workers. Poll workers will receive from the COUNTY the normal compensation for the position worked.
- The JURISDICTION agrees to provide either a second vote center or training site, or a second poll worker, as described above.

- b. Advance Notice.** The COUNTY hereby agrees to provide the JURISDICTION with at least 30 days notice of any election where the services agreed to above are required.
- c. Discounted Fee Rates; Adjustment of Fees.** The COUNTY hereby agrees to provide election services to the JURISDICTION at the discounted fee rate for all consolidated election dates during the effective term of this Agreement. This Agreement shall apply to all categories of elections including, but not limited to primaries, generals, special, and recall elections. The COUNTY reserves the right to adjust election service fees and discounts annually or otherwise at any time during the effective term of this Agreement notice of which will be posted on the COUNTY's website. Revised schedules will supersede prior schedules and be incorporated into the Election Services Agreement in effect at the time of revision. Failure by the JURISDICTION to provide the agreed-upon services selected under this Agreement shall result in the discounted fee rate being null and void.

6. Conduct of Elections. While the COUNTY will use its best efforts to provide election services pursuant to this Agreement in a capable and competent manner, it shall ultimately be the responsibility of the JURISDICTION to confirm that all legal requirements have been met and that all other activities related to a given election are carried out as required. Upon

request, the COUNTY will provide to the JURISDICTION, in advance, all forms, schedules, documents, and other information pertaining to each election conducted pursuant to this Agreement for the JURISDICTION's review and approval. The JURISDICTION may provide to the COUNTY all informational materials or other election-related documents generated by the JURISDICTION for review by the COUNTY prior to the distribution of such materials or documents.

7. **Term of Agreement.** This Agreement shall be automatically renewed for successive one-year terms **after** the initial term of this Agreement, which shall expire on December 31, 2024. Thereafter, this Agreement shall continue in full force and effect until terminated as provided herein.
8. **Termination**
 - a. **Unilateral Termination.** This Agreement may be terminated by either Party upon 30 days written notice to the other Party of intent to terminate and specifying the termination date, provided, however, that this Agreement may not be unilaterally terminated by either party within 90 days of the date of an election for which the COUNTY would otherwise be providing services pursuant to this Agreement. Any termination of this Agreement shall not relieve the JURISDICTION of its responsibility for costs incurred prior to the effective date of the termination.
 - b. **Termination by Mutual Agreement.** This Agreement may be terminated at any time by mutual agreement of the Parties.
 - c. **Termination for Breach.** In the event of a breach of any term or condition of this agreement, the Party claiming breach shall provide written notice to the other Party specifying the factual basis for the claim that a breach has occurred. If the breach is not remedied within fifteen (15) days after notice is mailed to the Breaching Party at the address provided herein, the Non-breaching Party may terminate this Agreement without further notice.
9. **Conflict of Interest.** This Agreement is subject to the cancellation provisions of A.R.S. §38-511, the pertinent provisions of which are incorporated into this Agreement by reference.
10. **Non-appropriation of Funds.** The parties recognize and acknowledge that the COUNTY and the JURISDICTION are governmental entities and this Agreement's validity is based upon the availability of public funding. In the event public funds are not appropriated for the performance of either or both parties' obligations under this Agreement, then the COUNTY or the JURISDICTION, as appropriate, shall notify the other party in writing of any such non-allocation of funds at the earliest possible date, and this Agreement shall automatically expire without penalty to either party. If the COUNTY's or the JURISDICTION's allocation of funds are reduced, then the scope of this Agreement may be reduced, if appropriate, or this Agreement may be cancelled without further duty or obligation.
11. **Non-Discrimination.** The Parties shall comply with the Office of the Arizona Governor Executive Order 2009-09, which mandates that all persons, regardless of race, color, religion, sex, age, national origin, or political affiliation, shall have equal access to employment

opportunities, and all other applicable State and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Parties shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin, or disability.

- 12. E-Verify; Government Procurement.** The Parties hereby warrant that they will, at all times during the term of this Agreement, comply with all federal immigration laws applicable to the employment of their respective employees and with the requirements of A.R.S. §§ 23-214 and 41-4401 (together the “state and federal immigration laws”). A breach of the foregoing warranty shall be deemed a material breach of this Agreement and the party who breaches may be subject to penalties up to and including termination of this Agreement.

The Parties further agree to ensure that each subcontractor that performs any work under this Agreement likewise complies with the state and federal immigration laws at all times during the term of this Agreement.

The Parties retain the legal right to inspect the papers of any contractor or subcontractor in order to verify such party’s compliance with the state and federal immigration laws.

- 13. Workers’ Compensation.** For purposes of workers’ compensation, an employee of a party to this Agreement, who works under the jurisdiction or control of, or who works within the jurisdictional boundaries of another party pursuant to this specific intergovernmental agreement, is deemed to be an employee of both the party who is his primary employer and the party under whose jurisdiction or control or within whose jurisdictional boundaries he is then working, as provided in A.R.S. §23-1022(D). The primary employer party of such employee shall be solely liable for payment of workers’ compensation benefits for the purposes of this section. Each party herein shall comply with the provisions of A.R.S. §23-1022(E) by posting the public notice required.

- 14. Indemnification.** To the fullest extent permitted by law, each Party (as “Indemnitor”) agrees to indemnify, defend, and hold harmless the other Party, its departments, officers, officials, agents, and employees (collectively “Indemnitee”) without limitation from and against any and all claims, damages, losses, liabilities, fees, fines, costs, or expenses (including, but not limited to, attorney fees, court costs, and cost of appellate proceedings) relating to, arising from, resulting from or alleged to have arisen from or resulted from this Agreement. Indemnitor’s duty to defend, indemnify, and hold harmless Indemnitee shall arise in connection with any and all claims, damages, losses, liabilities, fees, fines, or expenses, that are attributable to bodily injury, personal injury, sickness, disease, death, or damage to, or destruction of tangible or intangible property including the loss of use therefrom caused in whole or in part by any act, error, mistake or omission of Indemnitor, its departments, officers, officials, employees, agents, vendors, subcontractors or anyone for whose acts Indemnitor may be liable. Indemnitor agrees to waive all rights of subrogation against Indemnitee. The obligations under this Paragraph shall survive the termination of this Agreement.

- 15. Property Disposition Clause.** The parties do not anticipate the joint acquisition of property attributable to the exercise of each party’s duties and obligations pursuant to this Agreement. Any property acquired during the term of this Agreement shall be returned to the purchasing

party no more than thirty (30) calendar days from the effective date of termination of this Agreement.

- 16. **Insurance.** The parties shall maintain appropriate insurance. Certificates of Insurance shall be provided to a party upon request.
- 17. **Governing Law.** This Agreement shall in all respects be interpreted and construed in accordance with and governed by the laws of the State of Arizona. Any changes in governing laws, rules, and regulations that do not materially affect this Agreement will apply during the term of this Agreement and will not require an amendment.
- 18. **Material Change in Law or Regulation.** In the event of adoption of legislation, regulations, or instructions or the initiation of an enforcement action by a governmental agency, any of which materially affects the legality of this Agreement or the relationship among the parties hereto, either party may propose amendments to this Agreement to bring this Agreement into conformity with such laws. If the parties are unable to reach agreement on the renegotiation of this Agreement within thirty (30) days of the initiation of negotiations, then either party may terminate this Agreement upon written notice to the other party.
- 19. **Compliance with Law.** The parties shall comply with all applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities in performing this Agreement, including environmental laws. Non-compliance with any election law shall be deemed a material breach of this Agreement and the party who breaches may be subject to penalties up to and including termination of this Agreement.
- 20. **Alternative Dispute Resolution.** Pursuant to A.R.S. § 12-1518, disputes under this Agreement may be resolved through the use of arbitration.
- 21. **Waiver of Jury Trial.** The parties hereby waive their respective rights to trial by jury in any action or proceeding arising out of this Agreement.
- 22. **Notices/Contact Information.** Communications regarding services provided pursuant to this Agreement shall be directed to the following:

<p>COUNTY:</p> <p>Lynn Constabile</p> <p>Yavapai County Elections Director</p> <p>1015 Fair Street, Room 228</p> <p>Prescott, AZ 86305</p> <p>Phone: (928) 771-3250</p> <p>E-mail: web.elections@yavapaiaz.gov</p>	<p>JURISDICTION:</p> <p>Contact: <u>JOANNE COOK</u></p> <p>Title: <u>CITY CLERK</u></p> <p>Mailing Address: <u>102 ROADRUNNER DRIVE,</u> <u>SEDONA, AZ 86336-3710</u></p> <p>Phone: <u>928-282-3113</u></p> <p>E-mail: <u>jcook@sedonaaz.gov</u></p>
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All notices under this Agreement must be in writing and sent to the appropriate person. The Parties mutually agree that email is the preferred method of providing any notice required under this Agreement. The recipient of the email shall reply to the email acknowledging receipt of the email from the sender. Notice is effective on the date of actual receipt of the email.

- 23. Implied Contract Terms.** Each provision of law and any terms required by law to be in this Agreement are a part of this Agreement as if fully stated herein.
- 24. Relationship of Parties.** Nothing contained in this Agreement shall be deemed or construed as creating a joint venture, partnership, agency, employment or fiduciary relationship between the parties. The Parties' employees shall not be considered employees of the other Party, and neither Party's personnel will, by virtue of this Agreement, be entitled or eligible, by reason of this Agreement, to participate in any benefits or privileges given or extended by the other Party to its employees.
- 25. Third Parties.** Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against the COUNTY or the JURISDICTION. This Agreement is not intended to benefit any third party.
- 26. Assignment.** No party to this Agreement may assign any of its rights or responsibilities under this Agreement, either voluntarily or involuntarily, whether by merger, consolidation, dissolution, operation of law, or any other manner, except with the prior written consent of the other parties. No party may delegate any performance under this Agreement, except with the prior written consent of the other parties. Any purported assignment of rights or delegation of performance in violation of this paragraph is void.
- 27. Severability/Unenforceable Provisions.** In the event that any of the provisions of this Agreement are held to be unenforceable or invalid, the validity and enforceability of the remaining provisions shall not be affected, and effect shall be given to the intent manifested by the provisions held enforceable and valid. If any of the provisions of this Agreement are inapplicable to a person or circumstance, the same provisions shall remain applicable to all other persons and circumstances.
- 28. Parol Evidence.** This Agreement 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 Agreement.
- 29. Waiver.** A party's failure or neglect to enforce any term, covenant, condition, right, or duty in this Agreement does not constitute a waiver of any term, covenant condition, right, or duty, nor is it deemed to be a waiver of that party's rights or remedies under this Agreement. A waiver or extension is only effective if it is in writing and signed by the party granting it. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy. One or more waivers by a party of any term, covenant, condition, right, or duty in this Agreement shall not be construed as a waiver of a subsequent default or breach of the same covenant, term, condition, right, or duty.
- 30. Headings and Construction of Agreement.** In construing this Agreement, all headings and titles are for the convenience of the parties and for organizational purposes only and shall not

be considered in interpreting the meaning of any provision in this Agreement or considered a part of this Agreement. Whenever required by the context, each number shall include the plural, each gender shall include all genders, and unless the context otherwise requires, the word "person" shall include corporation, firm or association. This Agreement shall not be construed as if prepared by one of the parties, but rather according to its fair meaning as a whole, as if both parties had prepared it.

- 31. Execution in Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto. Each of the Parties may sign any number of copies of this Agreement. Each signed copy shall be deemed to be an original, but all of them together shall represent one and the same agreement.
- 32. Entire Agreement.** This Agreement contains the entire, integrated agreement of the parties and there are no oral agreements, understandings, or representations relied upon by the parties. This Agreement supersedes all prior negotiations, representations, or agreements, whether written or oral. Any modifications or amendments to this Agreement must be in writing and signed by all parties.
- 33. Legal Agreement.** This Agreement is an important, binding legal document, and each Party warrants it has had an opportunity to consult with an attorney about the terms set forth herein. By signing this Agreement, each person signing this Agreement represents and warrants that he or she is duly authorized and has the legal capacity to execute this Agreement and understands the meaning of all terms contained herein and agrees to their application and enforceability.
- 34. Binding Effect.** This Agreement shall not be legally binding upon either party until signed by the Yavapai County Recorder, the Yavapai County Chair of the Board of Supervisors, and the JURISDICTION.

APPROVALS

COUNTY:

Leslie Hoffman, Yavapai County Recorder

Date

Mary Mallory, Chair, Yavapai County Board of Supervisors

Date

ATTEST:

Kim Kapin, Clerk of the Board, Yavapai County Board of Supervisors

In accordance with A.R.S. § 11-952, this Agreement has been reviewed by the undersigned who has determined that it is in the appropriate form and is within the power and authority granted to the COUNTY.

Deputy Yavapai County Attorney

Date

JURISDICTION:

Signature

Date

Sandra J, Moriarty, Mayor

Printed Name and Title

In accordance with A.R.S. § 11-952, this Agreement has been reviewed by the undersigned who has determined that it is in the appropriate form and is within the power and authority granted to the JURISDICTION.

Signature

Date

Kurt W. Christianson, City Attorney

Printed Name and Title

Exhibit 1

**INTERGOVERNMENTAL AGREEMENT FOR ELECTION SERVICES
ELECTIONS TASK SCHEDULE**

Responsibilities for the conduct of elections pursuant to the Yavapai County Election Services Agreement are allocated as follows:

TASK	TO BE PERFORMED BY:	
	County	Jurisdiction*
If applicable, obtain pre-clearance of election changes from Department of Justice (Copy of submission to be forwarded to the COUNTY)		X
As required, publish/send Call of Election and/or Notice of Election		X
As required, publish Legal Advertising, Notices, Publicity Pamphlets, etc.		X
Notify COUNTY of intent to participate in the Election at least 150 days before Election day.		X
Within two business days of candidate filing deadline, approval or other deadlines, provide COUNTY with candidate names, rotation order, ballot language and any other ballot text required. Failure to provide required ballot information in a timely manner will cause the exclusion of race(s) from the ballot.		X
Ballot language translation (if applicable) <i>Note: COUNTY will follow the most recent Federal Register with regards to which minority languages to include on the ballot. (https://www.census.gov/programs-surveys/decennial-census/about/voting-rights/voting-rights-determination-file.html)</i>		X
Approve final ballot proof (Required JURISDICTION signoff)		X
Attend and certify official Logic and Accuracy (L&A) Test		X
If applicable, submit agenda item to County Board of Supervisors for election cancellation	X	
Order ballots (Costs included in fee schedule)	X	
If applicable, obtain vote centers, and hire and train poll workers	X	
Publish Logic & Accuracy Test notice	X	
Perform Logic & Accuracy Test	X	
Mail Vote-by-Mail Ballots and Early Ballots (Costs for return postage included in fee schedule)	X	
Process ballots, which includes testing, tabulation, and audit	X	
Perform signature verification on ballot affidavits and provisional ballots	X	
Administer Hand Count Audit, post-election L&A testing and all other audits	X	

* For a countywide election, the JURISDICTION is only responsible for its portion.

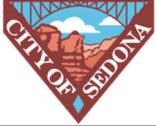
PERFORMANCE OF TASKS AS OUTLINED ABOVE MAY HAVE SIGNIFICANT IMPACTS ON THE CONDUCT OF AN ELECTION AND MAY HAVE SIGNIFICANT LEGAL CONSEQUENCES AS WELL. PARTICIPATING JURISDICTIONS ARE ADVISED TO:

1. CAREFULLY REVIEW THE ALLOCATION OF TASKS AND TO DIRECT ANY QUESTIONS TO THE COUNTY CONTACT.
2. MAINTAIN CLOSE CONTACT WITH THE YAVAPAI COUNTY ELECTIONS DEPARTMENT PRIOR TO, DURING, AND AFTER ELECTIONS.
3. REFER ANY QUESTIONS REGARDING ELECTION-RELATED LEGAL ISSUES TO THE JURISDICTION'S LEGAL COUNSEL.

Exhibit 2**INTERGOVERNMENTAL AGREEMENT FOR ELECTION SERVICES
BALLOT DROP BOXES**

JURISDICTIONS who are provided with COUNTY ballot drop boxes hereby agree to the following additional responsibilities:

1. The COUNTY will issue ballot drop box keys to the JURISDICTION. Ballot drop box keys only open the portion of the ballot drop box to allow voters to place ballots in the ballot drop box and do not allow the JURISDICTION access to or the ability to review or retrieve ballots. Ballot drop box keys remain COUNTY property and must not be duplicated. The JURISDICTION agrees to keep ballot drop box keys in a secure location and allow only authorized staff or COUNTY-designated employees access to the ballot drop box keys.
2. The JURISDICTION shall “open” all COUNTY ballot drop boxes on the first day of early voting as instructed by the COUNTY, depending on the specific election.
3. The JURISDICTION shall maintain all COUNTY ballot drop boxes and periodically check them throughout the early voting period and on election night at 7 p.m.
4. The JURISDICTION shall promptly report to the COUNTY any misuse, damage, and/or graffiti to the COUNTY ballot drop box.
5. The JURISDICTION shall “close” and secure all COUNTY ballot drop boxes from accepting any more ballots promptly at 7:00 p.m. on election night.
6. The JURISDICTION shall provide written, advance notice to the COUNTY of any additional uses of the COUNTY ballot drop boxes.
7. The JURISDICTION hereby gives permission for a COUNTY drop box, light and/or camera to be installed on the JURISDICTION’S property. All installed items remain the property of the COUNTY.
8. The JURISDICTION shall provide the COUNTY access to any surveillance of the COUNTY drop box within the JURISDICTION’S control.



**CITY COUNCIL
AGENDA BILL**

**AB 2777
February 8, 2022
Consent Items**

Agenda Item: 3e
Proposed Action & Subject: Approval of a Resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road Connection Project.

Department	Public Works
Time to Present	N/A
Total Time for Item	
Other Council Meetings	January 25, 2022 (AB 2378)
Exhibits	A. Cost-share Agreement B. Resolution

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$ N/A	
City Manager's Recommendation	Approve a Resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road Connection Project.	Amount Budgeted	
		\$ 0	
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

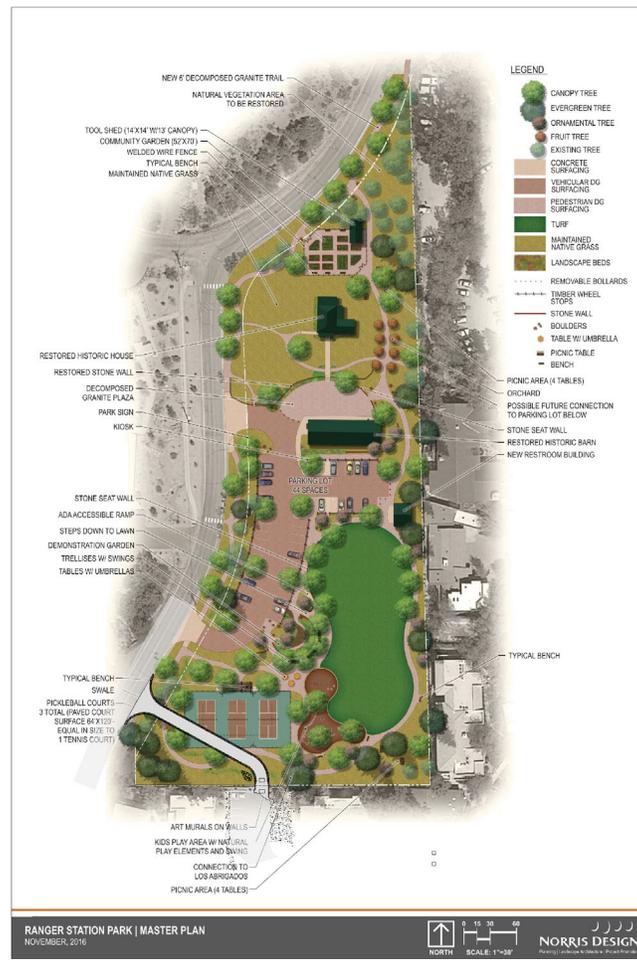
SUMMARY STATEMENT

Staff is requesting approval of a resolution authorizing a cost-share agreement with Los Abrigados for the Brewer Road connection through the city-owned Ranger Station Park property. The agreement is for Los Abrigados to contribute to 50% of the construction cost, not to exceed \$75,000.

Background:

This project was identified as an additional connection to support the goals of Sedona In Motion strategy 5, Major Neighborhood Connections. The connection will be a one-way exit driveway from the Los Abrigados lodging area to the Ranger Station Park. It will include an automated gate that will open only for exiting vehicles. The benefit of the connection will be to allow vehicles who are headed to West Sedona or Uptown, to avoid the SR 179 corridor, reducing U-turns at the Schnebly Hill roundabout, while also reducing overall volumes and congestion for both northbound and southbound travel. This connection was considered necessary for Los Abrigados to contribute to the solution, so that the Portal Lane lot would not shoulder the burden of all vehicles who may be headed to West Sedona or Uptown. It is anticipated that the driveway location will be modified when the park develops to tie into the parking area and reduce the number of access points on Brewer Road.

Staff presented the project to the Historical Preservation Commission and the Planning and Zoning Commission and received approval for an amendment to the existing Ranger Station Park Master Plan, that would eliminate the pickleball courts to allow for the connection. However, pickleball courts are included in the Posse Ground Park master plan.



Los Abrigados indicated a willingness to contribute to funding the project recognizing the benefit to its staff, members, and the public. Terms of the cost-share agreement have been negotiated over the past months and the final version is included as Exhibit A. Once approved, staff will advertise for construction bids, with the hope of starting construction in April 2021.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

- Improved travel times reduce wasteful vehicle operations.

Board/Commission Recommendation: Applicable - Not Applicable

P&Z approved amending the Ranger Station Park master plan to accommodate the connection, and HPC provided comments which were incorporated in the plan.

Alternative(s): Not approving the cost-share agreement would require the City to pay for the entirety of the construction cost.

MOTION

I move to: approve Resolution 2022- __, authorizing a cost-share agreement with Los Abrigados for the Ranger Park Connection Project.

WHEN RECORDED RETURN TO:

City Clerk
City of Sedona
102 Roadrunner Drive
Sedona, AZ 85336

Public Infrastructure Cost-Sharing Development Agreement (V2.2)

This Public Infrastructure Cost-Sharing Agreement (“Agreement”) is entered into as of this _____ day of _____, 2022, by and between the City of Sedona, an Arizona municipal corporation (“City”), Sedona Vacation Club, Inc., and the Inn at Los Abrigados Owners Association (collectively “Los Abrigados”). City and Los Abrigados may be referred to individually as “Party” and collectively as the “Parties”.

RECITALS

- A. Sedona Vacation Club, Inc. is an Arizona Corporation, and is the owner of real property located within the limits of the City, commonly known as “Los Abrigados Resort & Spa” located at 160 Portal Lane, Sedona, Arizona 86336 (the “Property”). For the purposes of this agreement, Sedona Vacation Club Incorporated and the Inn at Los Abrigados Owners Association will be responsible for the financial contributions stated herein.
- B. The City desires to improve congestion on the SR 179 corridor in the vicinity of Portal Lane. One strategy to accomplish this as identified in the City’s Transportation Master Plan, is to reduce the number of vehicles accessing Portal Lane, whose destination is Uptown or West Sedona. After exiting Portal Lane, these vehicles must travel southbound on SR 179, make a U-turn at the Schnebly Hill roundabout, and then proceed northbound on SR 179. Reducing these trips will help to alleviate overall congestion for both the northbound and southbound directions of travel for the SR 179 corridor.
- C. To help achieve the goals as indicated in Recital B, the City and Los Abrigados have agreed to implement a one-way exit driveway connection from the northwest corner of the Los Abrigados Property, to City owned Ranger Park at 250 Brewer Road.
- D. Arizona Revised Statutes § 9-500.05 authorizes the City to enter into a development agreement with a land owner or any other person having an interest in real property to facilitate development of the real property by providing for, among other things, the conditions, terms, restrictions, and requirements for public infrastructure and the financing of public infrastructure.
- E. It is in both the interest and welfare of the general public and in the best interests of the Parties that the above-described improvements be constructed in order to mitigate congestion on SR 179 and provide a more direct and convenient route for vehicles departing Los Abrigados who are destined for West Sedona or Uptown. To that end, the Parties wish to financially participate

in the construction of the Los Abrigados to Ranger Park Connection ("Project"), identified in the City's capital program as SIM-5C.

- F. Los Abrigados desires to work with the City as a sponsor of the public Project, and the City is willing to participate in the Project as the public sponsor as further described in this Agreement.
- G. The Project is detailed in the construction plans titled "Los Abrigados Driveway Construction Plans".

NOW, THEREFORE, in consideration of the foregoing, and of the mutual promises and the covenants and agreements set forth below, the Parties agree as follows:

AGREEMENT

- A. Accuracy of the Recitals. The Parties hereby acknowledge the accuracy of the Recitals, which are incorporated herein by this reference.
- B. Term. Once executed by the Parties, the term of this Agreement shall be deemed to commence as of the date that this Agreement is fully executed, and shall continue for two (2) years thereafter.
- C. Financial Contributions for the Project. The Parties shall each share as follows for the contract costs of the Project: Los Abrigados will contribute 50% of the as-bid construction cost, up to a maximum of \$75,000 (the "Contribution") and the City will be responsible for the remaining construction costs. No later than ten (10) calendar days after: (1) the full execution of this Agreement, and (2) written confirmation from the City to Los Abrigados of an accepted construction bid amount, in the City's sole discretion, and that the construction contract with the contractor chosen to perform the project work ("Contractor") has been finalized and is ready for execution, Los Abrigados will be responsible for: (1) execution of the Temporary Access Agreement, and (2) paying one-half of its total Contribution. Los Abrigados shall pay the remaining balance of their Contribution prior to June 30, 2022. Any amounts above the Accepted Bid Amount or added to the contract at any time including during construction, not requested in writing by Los Abrigados, will be the sole responsibility of the City. The award of the construction contract is contingent upon Los Abrigados executing this Agreement. The City reserves the right to, in its judgment, reject any and all construction bids submitted in the public's interest, including if the bids exceed the engineer's estimated cost of construction.
 - 1. Los Abrigados shall have the right to add to the original scope and extent of the public infrastructure improvements as depicted in the final design drawings for such things as aesthetic improvements, landscaping, or other improvements intended to be to their sole benefit through change orders approved in advance by the City, which approval shall not be unreasonably withheld or delayed. Los Abrigados shall submit actual plans and specifications for any augmented improvements to the City, as well as bids or proposals received by Los Abrigados to construct the augmented improvements, for the City's review and approval. The additional cost of any such augmented improvements shall be borne solely by the Party requesting the improvement, and one hundred percent (100%) of the funding shall be submitted to the City before any change order implementing the improvements is authorized.

2. Improvements made by Los Abridados, as noted above, after contract time is no longer available for such improvements, shall be accomplished through a City Building Permit. If a City Building Permit is obtained for this purpose, within 2-years of the contract Final Completion date issued by the City Engineer, the permit fee will be waived.
 3. Construction of the Los Abridados to Ranger Park Connection Project does not convey to Los Abridados any easement, interest in land or property rights to City property or the Project driveway. Nothing contained in this Agreement shall require the City to maintain open the Project connection if the City determines that it is in the best interest of the City to close the connection after consultation with Los Abridados and at least 120 days prior written notice of the closure date for the Los Abridados to Ranger Park Connection. In the event that the City closes the Los Abridados to Ranger Park Connection, the City will reimburse Los Abridados its Contribution for the construction cost (not to exceed \$75,000) within thirty days after the closure decision is made, and restore Los Abridados property nearly as possible to the condition it was in prior to the Project. In the event that Los Abridados closes access to the Los Abridados to Ranger Park Connection, Los Abridados will reimburse the City its share of the construction cost (not to exceed \$75,000) within thirty days after the closure decision is made. This Section 3.C. shall survive the termination of this Agreement.
- D. City Duty to Obtain Permits; Applicable Laws. The City shall obtain any and all necessary permits, licenses and approvals from all applicable entities (collectively, "Approvals"), and require that Contractor and all other third parties obtain all necessary, or required Approvals, in order to construct, operate, repair, or that are otherwise required for the Project. The City shall obtain, and shall maintain, all necessary approvals, permits, consents, and authorizations from all governmental authorities and other persons or entities necessary for the City ownership, maintenance, operation, repair, and replacement of the augmented public infrastructure improvements. City hereby agrees to abide, and shall insure that City and all City personnel and officials, abide by, all applicable federal, state and local laws, codes, statutes, rules, regulations and ordinances, including, but not limited to, the United States Foreign Corrupt Practices Act and all other anti-corruption and anti-bribery laws and regulations ("Applicable Laws") and shall require and insure that all employees, contractors, vendors and service providers that are retained by Contractor, City or any other party for the Project shall abide by all Applicable Laws. City shall provide Los Abridados with copies of all such permits and licenses promptly upon request but in no case more than fifteen (15) days thereafter.
- E. Access/Right of Way. Los Abridados will grant the City and the Contractor temporary access to the Property for purposes of completing the Project conditioned upon and subject to the execution of a separate written temporary access agreement with such terms and conditions required by Sedona Vacation Club and Inn at Los Abridados Owners Association ("Temporary Access Agreement") and Sedona Vacation Club and Inn at Los Abridados Owners Association shall have the right to terminate this Agreement without penalty if the Contractor fails or refuses to execute the Temporary Access Agreement.
- F. Warranty Period; Maintenance. The City will require the Contractor to warranty all components of the work for a 2-year period after completion of the Project. After the 2-year warranty period has expired, Los Abridados will be responsible for maintaining all improvements on their

property, including the gate. The City will only be responsible for the driveway on City property after the 2-year warranty period has expired.

- G. Performance. City shall require that (1) Contractor and Service Providers (as that term is defined below) diligently and in good faith pursue completion of all work associated with the Project and perform all such work in a good, professional and workmanlike manner and in accordance with all industry standards, contractual requirements and Applicable Laws and (2) Contractor and Service Providers shall at all times enforce strict discipline and good order among, require the highest levels of professionalism and courtesy by, and be responsible for any and all injury or damage to any person and property caused by, Contractor and Service Provider's employees and other persons carrying out any work related to the Project.
- H. City Representations and Warranties. The City represents, warrants, and covenants to Los Abrigados that all the City's representations, findings, warranties, and covenants set forth in this Agreement are true in all material respects as of the date of this Agreement.
1. That the City is a duly organized, validly existing municipal corporation in the State of Arizona. The transactions contemplated by this Agreement, the execution of this Agreement, and the City's performance hereunder have been duly authorized by all requisite action of the City, and no other approval or consent is required for this Agreement to be binding upon the City. The individuals executing this Agreement have all necessary authority to enter into this Agreement and to bind the City. The execution of this Agreement and the consummation of the transactions contemplated hereby will not result in any violation of, or default under, any term or provision of any applicable Agreement, instrument, law, rule, regulation, or official policy to which the City is a Party or by which the City is bound.
- I. Inn at Los Abrigados Owners Association and Sedona Vacation Club, Inc. Representations and Warranties. Inn at Los Abrigados Owners Association and Sedona Vacation Club, Inc. represent, warrant, and covenant to the City that each of their respective representations, warranties, and covenants set forth in this Agreement are true in all material respects as of the date of this Agreement.
1. That Inn at Los Abrigados Owners Association is duly organized and a validly existing corporation licensed to do business in the State of Arizona. The transactions contemplated by this Agreement, the execution of this Agreement, and Inn at Los Abrigados Owners Association's performance hereunder have been duly authorized by all requisite action, and no other approval or consent is required for this Agreement to be binding upon Inn at Los Abrigados Owners Association. The individuals executing this Agreement have all necessary authority to enter into this Agreement and to bind Inn at Los Abrigados Owners Association. The execution of this Agreement and the consummation of the transactions contemplated hereby will not result in any violation of, or default under, any term or provision of any applicable Agreement, instrument, law, rule, regulation, or official policy to which Inn at Los Abrigados Owners Association is a Party or by which Inn at Los Abrigados Owners Association is bound.
 2. That Sedona Vacation Club, Inc. is duly organized and a validly existing corporation licensed to do business in the State of Arizona. The transactions contemplated by this Agreement,

the execution of this Agreement, and Sedona Vacation Club, Inc.'s performance hereunder have been duly authorized by all requisite action, and no other approval or consent is required for this Agreement to be binding upon Sedona Vacation Club, Inc. The individuals executing this Agreement have all necessary authority to enter into this Agreement and to bind Sedona Vacation Club, Inc. The execution of this Agreement and the consummation of the transactions contemplated hereby will not result in any violation of, or default under, any term or provision of any applicable Agreement, instrument, law, rule, regulation, or official policy to which Sedona Vacation Club, Inc. is a Party or by which Sedona Vacation Club, Inc. is bound.

J. Mediation, Arbitration, and Default.

1. Mediation. If a dispute arises out of or related to this Agreement, or the breach thereof, and if the dispute cannot be settled through negotiation, the Parties agree first to try to settle the dispute through mediation before resorting to arbitration, litigation, or some other dispute resolution procedure. The parties agree to engage in a good faith effort to select a mutually acceptable mediator.
2. Arbitration. If the mediation procedure set forth in the mediation paragraph above does not resolve a dispute, then the Parties may, without obligation to do so, jointly agree to subject such dispute to non-binding arbitration, pursuant to the rules of the American Arbitration Association, or other arbitration organization acceptable to the Parties.
 - a. If the Parties do jointly agree to subject such dispute to such arbitration, then the decision of the arbitrator(s) shall be in accordance with the laws of the State of Arizona and the United States. The arbitrator(s) shall prepare written findings of fact and conclusions of law upon which the decision and award shall be based.
 - b. The arbitration shall occur within the County of Coconino, unless the Parties agree otherwise in writing.
 - c. Unless otherwise agreed in writing, and notwithstanding any other rights or obligations of any of the Parties under the Agreement, the City, and Los Abridados shall carry on with the performance of their respective duties, obligations, and services hereunder during the pendency of any claim, dispute, or other matter in question giving rise to arbitration or mediation, as the case may be.
 - d. The dispute resolution process set forth in this Agreement shall not apply to an action by the City to condemn or acquire by inverse condemnation all or any portion of the Los Abridados property, or to claims for injunction relief or mandamus by any Party.
3. Default and Cure Period. The failure by any Party to perform or otherwise act in accordance with any term or provision of this Agreement for a period of thirty (30) days (the "Cure Period"), after written notice thereof from any other Party, shall constitute a default. In the event such default is not cured within the Cure Period, any non-defaulting Party shall have the right to seek all its rights and remedies, including injunctive relief or mandamus, in a court of competent jurisdiction. In all such cases of breach, the breaching Party shall

diligently undertake all reasonable efforts to cure the breach prior to the expiration of the Cure Period.

- K. Notices and Filings. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be sent by: (1) certified or registered mail, postage prepaid, return receipt requested; (2) personal delivery or (3) recognized overnight delivery service. Such notices and communications shall be addressed as follows, or to such other addresses as any Party hereto may from time to time designate in writing and deliver in a like manner:

City	Los Abridados
Karen Osburn City Manager City of Sedona 102 Roadrunner Drive Sedona, AZ 86336	Sedona Vacation Club, Inc. and Inn at Los Abridados Owners Association Attn: General Counsel 6355 MetroWest Blvd., Suite 180 Orlando, Florida 32839
Phone No: 928-204-7127	With copies also sent by email to: notices@diamondresorts.com Phone No.: 702-804-8600

Notice shall be deemed to have been given upon receipt or refusal. The telephone numbers listed above are for purposes of providing the same to overnight delivery services, and are not to be otherwise used for notice purposes.

- L. Waiver. No delay in exercising any right or remedy shall constitute a waiver thereof, and no waiver by the City, Sedona Vacation Club, Inc. or the Inn at Los Abridados Owners Association of the breach of any covenant of this Agreement shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.
- M. Termination. Prior to the City issuing a notice to proceed to the Contractor for the improvements, this Agreement may be terminated without cause by either Party upon written notice to the non-termination Party. After execution of the construction agreement this Agreement may only be terminated upon mutual consent of the Parties or by either Party for any material breach of this Agreement in accordance with the termination provisions provided herein.
- N. Indemnification.
1. Los Abridados agrees to indemnify and hold harmless the City, its elected officials, appointees, employees, affiliates, agents, assigns and successors from any liability for claims, suits, losses, damages to persons or property, including investigation and expert witness and attorney's fees, arising as a result of Los Abridados' breach of this Agreement or for any injury or death resulting from Los Abridados' negligence or willful misconduct.
 2. City agrees to indemnify and hold harmless Los Abridados, Hilton Grand Vacations, Inc., their respective parents, subsidiaries and affiliates and each of their respective owners,

managers, officers, directors, employees, members, and successors from any liability for claims, suits, losses, damages to persons or property, including investigation and expert witness and attorney's fees, arising as a result of City's breach of this Agreement or for any injury or death resulting from City's negligence or willful misconduct.

3. City shall require that each contract with Contractor or any other Service Provider (as that term is defined below) shall include the following provision:

"To the fullest extent permitted by law, Contractor [or Service Provider] agrees to indemnify, defend and hold harmless Los Abridados, Hilton Grand Vacations, Inc, their respective subsidiaries, parents and affiliates, and each of their respective officers, directors, members, managers, employees, partners, shareholders and agents (individually a "Indemnified Party" and collectively, "Indemnified Parties"), from any causes of action, suits, liens, losses, judgments, debts, damages, claims and demands which arise from or relate to: (i) Contractor's [or Service Provider's] performance or failure to perform under this Agreement, (ii) Contractor's [or Service Provider's] breach of any provision, representation or warranty of this Agreement, (iii) the intentional, willful, illegal, dishonest or negligent acts or omissions by Contractor [or Service Provider], its subsidiaries, parents and affiliates, and each of their respective officers, directors, members, managers, employees, partners, shareholders, contractors and agents (collectively, "Contractor [or Service Provider] Parties") and (iv) any breach or violation of any Applicable Laws, of or by, Contractor [or Service Provider] or Contractor [or Service Provider] Parties. Contractor [or Service Provider] shall defend Indemnified Parties using counsel selected by the Indemnified Parties, and Contractor's [or Service Provider's] obligations shall include the obligation to pay reasonable attorneys' fees and costs in connection with such defense, or to reimburse the Indemnified Parties promptly for such attorneys' fees and costs. This Section shall survive the expiration or termination of this Agreement for any reason whatsoever."

4. This section shall survive the expiration or termination of this Agreement for any reason whatsoever.

- O. Insurance. Upon City's execution of this Agreement, City shall furnish, and require that the Contractor and all other Service Providers furnish, Los Abridados with the certificates of insurance and endorsements that meet the requirements described in Exhibit "A" ("Insurance Requirements"). Each Service Providers understands and agrees that all insurance procured by Service Provider is primary and non-contributory over any insurance held by Sedona Vacation Club, Inc. or Inn at Los Abridados Owners Association and is intended to respond to any indemnification event. Los Abridados shall have the sole and unconditional right to terminate this Agreement with written notice to Service Provider if Service Provider fails or refuses to satisfy the Insurance Requirements.
- P. Attorneys' Fees. In the event any Party finds it necessary to bring any action at law or other proceeding, including arbitration, against another Party to enforce any of the terms, covenants, or conditions hereof, or by reason of any breach or default hereunder, the Party prevailing in any such action or other proceeding shall be paid all reasonable and documented costs and reasonable attorneys' fees, including appellate court costs and attorneys' fees, as set forth in A.R.S. § 12-341 et seq.

- Q. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts, and such signature pages all attached to a single instrument so that the signature of all Parties may be physically attached to a single document. Facsimile and scanned signatures shall be deemed to be original signatures for purposes of executing this Agreement and amendments hereto and for purposes of issuing all instructions authorized or permitted hereunder.
- R. Headings. The descriptive headings of the paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any of the provisions hereof.
- S. Exhibits. The exhibits attached hereto, and incorporated by this reference, shall have the same force and effect as if fully set forth in the body hereof.
- T. Further Acts. Each of the Parties hereto 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. Without limiting the generality of the foregoing, each of the Parties shall cooperate in good faith regarding the prompt processing of any requests and applications for plan and specification, plat or permit approvals or revisions, and other necessary approvals relating to the development of the property in construction of the infrastructure improvements.
- U. Time of the Essence. Time is of the essence of this Agreement.
- V. Assignment. This Agreement may not be assigned without the express written consent of the non-assigning Parties. Consent shall not be unreasonably withheld.
- W. No Partnership and Third Parties. It is not intended by this Agreement, and nothing contained in this Agreement shall, create any partnership, joint venture, or other similar arrangement between Sedona Vacation Club, Inc. and Inn at Los Abrigados Owners Association, on one hand, and the City, on the other. No term or provision of this Agreement is intended to, or shall, be for the benefit of any person, firm, organization, or corporation not a party hereto, and no such other person, firm, organization, or corporation shall have any right or cause of action hereunder.
- X. Entire Agreement. This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof. All prior and contemporaneous agreements, representations, and understandings of the Parties, oral or written, are hereby superseded and merged herein.
- Y. Amendment. No change or additions are to be made to this Agreement except by written amendment executed by the Parties hereto.

- Z. Governing Law. This Agreement is entered into in Arizona, and shall be construed and interpreted under the laws of the State of Arizona. In particular, this Agreement is subject to the provisions of Arizona Revised Statutes § 38-511.
- AA. Recordation. No later than ten (10) days after this Agreement has been executed by the Parties, it shall be recorded in its entirety by the City in the Official Records of Coconino County, Arizona.
- BB. Reformation. Should any term, provision, covenant, or condition of this Agreement be held to be void or invalid, the Parties shall reform this Agreement to conform as closely as possible to the original intent thereof.
- CC. Excused Delay in Performance. In addition to specific provisions of this Agreement, for a period of time equal to the period of the force majeure delay, untimely performance by a Party hereto shall not be deemed to be a default where delays or inability to perform are due to war, insurrection, strikes, slowdowns, lockouts, riots, floods, earthquake, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority (including, but not by way of limitation, referendums), litigation, severe weather, acts or the failure to act of any utility, public, or governmental agent or entity, and/or other causes beyond the reasonable control of said Party. In the event that a Party hereto is unable to perform due to an event constituting force majeure as provided for above, then the time for performance by said Party shall be extended as necessary for a period of time up to the period of the force majeure delay.
- DD. Venue. Any legal action relating to this Agreement may be brought in the Coconino County Superior Court, provided, however, that nothing in this paragraph will be deemed to have authorized the bringing of any legal action in a court that does not otherwise have jurisdiction to adjudicate the legal action.
- EE. Severability. Every provision of this Agreement is, and will be construed to be, a separate and independent covenant. If any provision of this Agreement or the application of the same is, to any extent, found to be invalid or unenforceable, then the remainder of this Agreement or the application of that provision to circumstances other than those to which it is invalid or unenforceable, will not be affected by that invalidity or unenforceability, and each provision of this Agreement will be valid and will be enforced to the extent permitted by the law, and the Parties will negotiate in good faith for such amendments of this Agreement that may be necessary to achieve its intent, notwithstanding such invalidity or unenforceability.
- FF. Rights of Successors. This Agreement shall bind and inure to the benefit of the Parties hereto, their respective heirs, representatives, lessees, successors, and assigns. The singular number includes the plural, and the masculine gender includes the feminine and neuter.

IN WITNESS WHEREOF, we have hereunto set our hands and seals on the date and year first above written.

CITY OF SEDONA, an Arizona municipal corporation

By _____
Sandra J. Moriarty, Mayor

Exhibit "A"
Insurance Requirements

City, Contractor and all subcontractors, service providers and material suppliers retained for the Project (collectively, "Service Providers") must submit verification of insurance by providing a certificate of insurance on a standard ACORD 25-S form issued by a carrier with an S&P or Best rating not less than A-VII, unless otherwise approved in writing by Sedona Vacation Club, Inc. and Inn at Los Abridados Owners Association.

The Certificate must include:

1. Additional insured endorsement for general liability naming **Sedona Vacation Club Incorporated, the Inn at Los Abridados Owners Association, Hilton Grand Vacations, Inc.**, and each of their respective parents, subsidiaries and affiliates and each of their officials, shareholders, principals, members, managers, officers, directors, employees and agents. Coverage is primary and non-contributory. The additional insured endorsement shall state that the coverage provided to the additional insureds is primary and non-contributing with respect to any other insurance available to the additional insureds.
2. A copy of the endorsement must be provided on form CG 2010 and form CG 2037 if applicable to service being provided.
3. The Certificate must also evidence that each carrier has provided Waivers of Subrogation in favor of **Sedona Vacation Club Incorporated, the Inn at Los Abridados Owners Association, and Hilton Grand Vacations, Inc.**
4. Commercial General Liability insurance on an occurrence coverage form, at least as broad as the Insurance Services Office Commercial General Liability Policy form CG 0001©.
5. Additionally the policy(s) may not contain exclusions for residential or subsidence. Both must be evidenced on the certificate of insurance.
6. Certificate Holders must read:
Sedona Vacation Club Incorporated, and the Inn at Los Abridados Owners Association
10600 W. Charleston Blvd.
Las Vegas, NV 89135

For City, Contractor and all Service Providers, the following minimum and unimpaired limits of insurance (unless higher limits required by law or statute) are required. In addition to procuring and maintaining this insurance throughout the duration of the Agreement, City and Contractor agree to continue to procure and maintain products and completed operations liability insurance coverage following completion of the Project for a period of one year.

Workers' Compensation and Employer's Liability

Part One - Workers' Compensation: Statutory Limit

Part Two - Employer's Liability: Annual Limits:

Bodily Injury by Accident, each Accident: \$ 1,000,000

Bodily Injury by Disease, each Employee \$ 1,000,000

Bodily Injury by Disease, Policy Limit: \$ 1,000,000

Commercial General Liability

General Aggregate \$2,000,000
Products/Completed Operations Aggregate \$2,000,000
Personal/Advertising Injury \$1,000,000
Each Occurrence Limit \$1,000,000

Coverage is required to be on an Occurrence form and shall apply to bodily injury and property damage for operations including independent contractors, products and completed operations.

Umbrella/Excess Liability

General Aggregate \$2,000,000
Each Occurrence Limit \$2,000,000

Limits can be provided by a combination of a primary Commercial General Liability policy and Excess or Umbrella Liability policy.

Automobile Liability

Commercial Business Auto Policy covering all owned, hired and non-owned automobiles, trucks and trailers with coverage limits not less than **\$1,000,000 Combined Single Limit** each accident for Bodily Injury and Property Damage. Coverage will apply both on and away from the Project site. All subcontractors shall be required to maintain limits of not less than **\$1,000,000 Combined Single Limit**.

Property Insurance

City, Contractor and Service Providers are solely responsible for their own insurance for owned and leased equipment and materials, whether such equipment is located at the Project site or “in transit”. Service providers are solely responsible for any loss or damage to their personal property including, without limitation, property or materials created or provided under the Agreement until installed at the Project site, service provider tools and equipment, and scaffolding and temporary structures, whether owned, used, leased, or rented by Service provider.

Note: Waivers Required

All Workers’ Compensation, General Liability, Automobile, Umbrella or Excess Liability and Property insurers, including Contractor’s equipment, shall waive all claims.

RESOLUTION NO. 2022-___

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SEDONA,
ARIZONA, APPROVING A DEVELOPMENT AGREEMENT WITH SEDONA
VACATION CLUB INCORPORATED/THE INN AT LOS ABRIGADOS OWNERS
ASSOCIATION (“LOS ABRIGADOS”) FOR THE LOS ABRIGADOS TO RANGER
PARK CONNECTION PROJECT.**

WHEREAS, the City of Sedona (“City”) intends to enter into a cost-sharing development agreement (“Development Agreement”) for the construction of a one-way exit driveway from Los Abrigados to the City-owned Ranger Station Park, as set forth in the recitals and terms of the agreement with Sedona Vacation Club Incorporated/The Inn at Los Abrigados (“Los Abrigados”),

BE IT RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF SEDONA, ARIZONA, as follows:

The City of Sedona, through its Mayor and Council, hereby finds that the Development Agreement is consistent with the Community Plan pursuant to A.R.S. §9-500.05, and approves the agreement, authorizing the signature by the Mayor and recording by law.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 8th day of February, 2022.

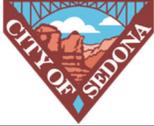
Sandra J. Moriarty, Mayor

ATTEST:

JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson, City Attorney



**CITY COUNCIL
AGENDA BILL**

**AB 2772
February 8, 2022
Regular Business**

Agenda Item: 8a

Proposed Action & Subject: Discussion/possible action regarding the adoption of a Resolution approving the sale and execution and delivery of Excise Tax Revenue Obligations, Series 2022, in an amount not to exceed \$25 million; approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents; delegating authority to determine certain matters with respect to the foregoing and declaring an emergency.

Department Financial Services

Time to Present 15 minutes

Total Time for Item 45 minutes

Other Council Meetings January 4-6, 2022

- Exhibits**
- A. Resolution
 - B. Fourth Purchase Agreement
 - C. Fourth Trust Agreement
 - D. Preliminary Official Statement
 - E. Obligation Purchase Agreement
 - F. Continuing Disclosure Compliance Procedures
 - G. PowerPoint Presentation

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$	Estimated bond issuance costs \$124,500
City Manager's Recommendation	Approve the resolution for the issuance of excise tax revenue obligations, which approves and authorizes execution of the Purchase Agreement, Trust Agreement, Obligation Purchase Contract and other documents necessary to complete the financing.	\$	Average annual debt service over 20 years of approx. \$1.8 million
		Amount Budgeted	
		\$	0 Bond issuance to be covered by savings from August 2021 refunding of \$133,121 First debt service payment in FY2023
		Account No. (Description)	
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background:

The primary projects to be debt financed include the Uptown parking garage, the Forest Road extension, and the pedestrian crossing at Oak Creek. In case of delays in these projects to meet the 3-year expenditure requirement of the debt proceeds, the plan is to allow flexibility to utilize the debt proceeds for any projects within the Transportation Master Plan.

The proposed Resolution approves issuance of Excise Tax Revenue Obligations, Series 2022 (the "Obligations"), in an amount not to exceed \$25 million, the proceeds of which will be used to finance the costs of the above-described projects.

In conjunction with approving the issuance of the Obligations, the Resolution approves and authorizes, if necessary, the execution of the following documents:

- Fourth Purchase Agreement
- Fourth Trust Agreement
- Preliminary Official Statement
- Obligation Purchase Contract and
- Continuing Disclosure Compliance Procedures.

The Obligations will constitute proportionate interests in purchase payments (the "Payments") to be made by the City under a **Fourth Purchase Agreement**, to be dated as of March 1, 2022, by and between a trustee bank, as seller (the "Trustee"), and the City, as purchaser. The property which will be the subject of the Purchase Agreement (which will be City-owned property) will be conveyed to the City by the Trustee for the Payments, all pursuant to the Purchase Agreement.

The Obligations will be executed by the Trustee, in its separate capacity as Trustee, pursuant to a **Fourth Trust Agreement**, to be dated as of March 1, 2022, between the City and the Trustee. Under the Trust Agreement, the right to receive the Payments will be assigned to the Trustee. The property which is the subject of the Purchase Agreement does not constitute security for the payment of the Obligations.

The proceeds of the Obligations will be deposited with the Trustee in an acquisition fund established pursuant to the Trust Agreement. Such proceeds will be held by the Trustee until requisitioned by the City to pay costs of the above-referenced projects.

To secure the payment of the Payments, the City will pledge the Excise Taxes (defined below) thereto, and the Payments will be secured by a pledge of and first lien on the Excise Taxes on a parity with (i) the City's lease payment obligations pursuant to a City Lease, dated as of August 1, 1998, between the City and Sedona Wastewater Municipal Property Corporation, as amended, relating to the Series 1998 Bonds, (ii) the City's installment payment obligations pursuant to a Second Purchase Agreement, dated as of December 1, 2015, between the City and U.S. Bank National Association, relating to the City's Excise Tax Revenue Refunding Obligation, Second Series 2015, (iii) the City's installment payment obligations pursuant to a Third Purchase Agreement, dated as of August 1, 2021, between the City and U.S. Bank National Association, relating to the City's Excise Tax Revenue Refunding Obligation, Series 2021-1 (such remaining outstanding Series 1998 Bonds, Second Series 2015 Obligations and Series 2021-1 Obligation, the "Existing Parity Obligations"), and (iii) "Additional Parity Obligations" that may be hereafter issued on a parity therewith and with the Obligations.

"Excise Taxes" means all excise taxes, transaction privilege (sales, license and use) taxes, vehicle license fees, plan review deposit fees, building permit fees, conditional use permit fees, development review fees, franchise fees, fines and forfeitures which the City now collects and

which it may collect in the future, together with the City's portion of any excise taxes, transaction privilege (sales and use) taxes and income taxes imposed and collected by the State, or any political subdivision thereof, or any other governmental unity or agency, and returned, allocated or apportioned to the City, EXCEPT (i) any such taxes, fees, fines and forfeitures which the City may enact in the future which must be used or expended by the City for specific purposes, and (ii) any such taxes which, by State law, rule or regulation must be expended for specific purposes, such as motor vehicle fuel taxes.

The City will agree in the Purchase Agreement that the Excise Taxes will be maintained so that the amount of all such Excise Taxes received for the next preceding fiscal year shall be equal to at least 1.50 times the total of payments payable under the Existing Parity Obligations, the Obligations and any Additional Parity Obligations. If such receipts of Excise Taxes for any such preceding fiscal year shall not equal 1.50 times such payment requirements, the City will, to the extent permitted by law, either impose new excise, transaction privilege and franchise taxes or will increase the rates for such taxes currently imposed in order that the current receipts of Excise Taxes will be sufficient to meet all current payment requirements.

The City will also agree in the Purchase Agreement that it will not further encumber the Excise Taxes on a basis equal to the lien and pledge provided for in the Purchase Agreement unless the Excise Taxes collected in the preceding fiscal year shall have amounted to at least 1.50 times the highest combined interest and principal payment requirements for any succeeding fiscal year for all Existing Parity Obligations, the Obligations and any Additional Parity Obligations then outstanding and any Additional Parity Obligations proposed.

The Obligations will be publicly offered to investors pursuant to the **Preliminary Official Statement**, to be dated the date of dissemination thereof. The Preliminary Official Statement describes, among other things, the security and source of payment for the Obligations, and is intended to include all information an investor would consider to be "material" in making an investment decision. Members of the Council should carefully review this document.

Stifel, Nicolaus & Company, Incorporated ("Stifel"), serving in the capacity of underwriter, will purchase the Obligations (within the parameters set forth in the resolution) pursuant to an **Obligation Purchase Contract**, to be dated the date of sale of the Obligations, by and between the City and the Stifel.

Pursuant to the relevant securities laws, underwriters (like Stifel) are required to reasonably determine that issuers (like the City) have entered into written undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the relevant securities laws, including a **Continuing Disclosure Undertaking** with respect to the Obligations. It is recommended that **Continuing Disclosure Compliance Procedures** be adopted to document practices and describe various procedures for preparing and disseminating such ongoing disclosure.

In order to take advantage of this financing opportunity on a timely basis, it is required that the proposed Resolution be passed as an emergency measure. Per A.R.S. §19-142(B), "An emergency measure shall not become immediately operative unless it states in a separate section the reason why it is necessary that it should become immediately operative, and unless it is approved by the affirmative vote of three-fourths of all the members elected to the city or town council, taken by ayes and noes, and also approved by the mayor."

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Cash fund the projects and delay future projects if cash flows are not adequate.

MOTION

I move to: approve Resolution 2022-__, approving the sale, execution, and delivery of excise tax revenue obligations evidencing a proportionate interest of the owners thereof in a purchase agreement from the City; approving the form and authorizing the execution and delivery of such purchase agreement and other necessary agreements for such sale; delegating authority to designate certain terms thereof; authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by the resolution and declaring an emergency.

RESOLUTION NO. 2022-___

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA, APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FOURTH PURCHASE AGREEMENT, A FOURTH TRUST AGREEMENT, A CONTINUING DISCLOSURE UNDERTAKING, AN OBLIGATION PURCHASE AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE SALE AND EXECUTION AND DELIVERY OF NOT TO EXCEED \$25,000,000 PRINCIPAL AMOUNT OF EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022, EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN SUCH PURCHASE AGREEMENT; APPROVING AN OFFICIAL STATEMENT; 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 THIS RESOLUTION AND DECLARING AN EMERGENCY.

WHEREAS, the Mayor and Council of the City of Sedona, Arizona (the “City”), have determined that it will be beneficial to its citizens to finance the costs of street and transportation improvements and/or parking garage projects in and for the City (collectively, the “Projects”); and

WHEREAS, in order to finance the costs of the Projects, the Mayor and Council of the City hereby deem it necessary and desirable to provide for the sale and execution and delivery of Excise Tax Revenue Obligations, Series 2022, Evidencing a Proportionate Interest of the Owner Thereof in Purchase Price Payments to be Made by the City to a trustee bank to be determined as provided herein, as trustee (the “Trustee” and such Obligations, the “Obligations”) provided for by this Resolution pursuant to the Fourth Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations established as provided herein (the “Trust Agreement”), between the Trustee and the City, such purchase payments to be made pursuant to the Fourth Purchase Agreement, to be dated as of the first day of the month of the dated date of the Obligations established as provided herein (the “Purchase Agreement”), between the City and the Trustee, in its separate capacity as “Seller”; and

WHEREAS, the Mayor and Council of the City will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the underwriter (the “Underwriter”), and not acting as a municipal advisor as defined in the Registration of Municipal Advisors Rule of the Securities and Exchange Commission, and has determined that the Obligations should be sold through negotiation to the Underwriter on such terms as may hereafter be approved by the Authorized Representatives (as defined herein) pursuant to the Strategic Alliance of Volume Expenditures (SAVE) Cooperative Response Proposal #C-005-1718; and

WHEREAS, pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the

“Rule”), Participating Underwriters (as defined in the Rule) are required to reasonably determine that issuers have entered into written undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule, including with respect to the Obligations, to be dated the date of the Obligations (the “Undertaking”); and

WHEREAS, the Mayor and Council of the City have determined that procedures should be adopted in order to document practices and describe various procedures for preparing and disseminating such ongoing disclosure for the benefit of the holders of obligations of the City and to assist the Participating Underwriters in complying with the Rule and such written undertakings (the “Procedures”); and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting of the Mayor and Council of the City at which this Resolution is being adopted the proposed forms of: (1) the Purchase Agreement; (2) the Trust Agreement; (3) the Undertaking; (4) an Obligation Purchase Agreement, to be dated the date of the sale of the Obligations (the “Purchase Contract”), by and between the City and the Underwriter, for the purchase of the Obligations; (5) the Preliminary Official Statement, to be dated the date of the dissemination thereof (the “Preliminary Official Statement”), relating to the Obligations, which, as to be revised after the sale of the Obligations, shall constitute the Official Statement, to be dated the date of sale of the Obligations (the “Official Statement”), relating to the Obligations; and (6) the Procedures,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND the COUNCIL OF THE CITY OF SEDONA, ARIZONA, THAT:

Section 1. (a) The execution and delivery of the Obligations by the Trustee is hereby approved. The Obligations shall be in the denominations and shall be fully registered without coupons as provided in the Trust Agreement.

(b) The Mayor, the Manager and the Director of Financial Services of the City or the designees of any of them (collectively, the “Authorized Representatives”) are hereby authorized to determine on behalf of the City: (1) the entity to serve as the Trustee; (2) the date the Obligations are to be sold to the Underwriter; (3) the aggregate principal amount of the Obligations which are to be issued (but not to exceed \$25,000,000 in aggregate principal amount); (4) the date the Obligations are to be dated; (5) the dates on which interest on the Obligations is to be payable and the interest rates per annum the Obligations are to bear; (6) the dates the Obligations are to mature (but not later than a final maturity in 2047), the principal amounts to mature on such dates and the provisions for redemption thereof in advance of such dates; (7) the terms upon which the Obligations are to be sold to the Underwriter (including determinations of price, original issue discount and premium and underwriting compensation); and (8) the provisions pursuant to which the Obligations are to be credit enhanced (including determinations with respect to bond insurance, if any, for the Obligations); provided, however, that such determinations must result in a yield for federal income tax purposes of not to exceed four and one-half percent (4.5%) with respect to the Obligations.

(c) The form and other terms of the Obligations, including the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the Trust Agreement and are hereby approved.

(d) The Procedures are hereby adopted to establish policies and procedures related to the purposes set forth in the Recitals hereto. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

Section 2. The Obligations are to be sold to the Underwriter pursuant to the terms of the Purchase Contract, as such terms are to be determined as provided hereinabove.

Section 3. The form, terms and provisions of the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking, in substantially the forms of such documents (including the Obligations and other exhibits thereto) presented at the meeting of the Mayor and Council of the City at which this Resolution is being adopted, are hereby approved, with such final provisions, insertions, deletions and changes as shall be approved by the Mayor or, in the absence thereof, Vice Mayor, and in the case of the Purchase Contract, the Manager or Director of Financial Services of the City, the execution of each such document being conclusive evidence of such approval, and the Mayor or, in the absence thereof, Vice Mayor, and in the case of the Purchase Contract, the Manager or Director of Financial Services of the City, and the Clerk are hereby authorized and directed, for and on behalf of the City, to execute and deliver and attest, where applicable, or approve the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking and to take all action to carry out and comply with the terms of such documents.

Section 4. The distribution of the Preliminary Official Statement by the Underwriter is approved, and the Official Statement in substantially the form of the Preliminary Official Statement, with such changes or revisions therein from the form of the Preliminary Official Statement as may be approved by the Authorized Representatives, is approved, and the Authorized Representatives are authorized, empowered and directed, in the name and on behalf of the Town, to execute and deliver the same to the Underwriter and to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with the Rule.

Section 5. The Mayor and Council of the City hereby request that the Trustee (including in its capacity as Seller) take any and all action necessary in connection with the execution and delivery of the Purchase Agreement and the Trust Agreement and the sale and execution and delivery of the Obligations and further authorizes and directs the Trustee to enter into such agreements as may be reasonable for the administration of the trusts so held by it.

Section 6. The covenants and agreements contained in the Purchase Agreement as to the pledge of and the lien on the Excise Taxes (as defined in the Purchase

Agreement) and the restriction on the issuance of further parity obligations secured by the Excise Taxes are approved and confirmed.

Section 7. After any of the Obligations are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

Section 8. The Authorized Representatives and the other officers of the City, on behalf of the City, are each hereby authorized and directed, without further order of the Mayor and Council of the City, to do all such things and to execute and deliver such certificates, proceedings and agreements as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or further the purposes of, all the terms and conditions of this Resolution and the consummation of the transactions contemplated by the Preliminary Official Statement.

Section 9. All actions of the officers and agents of the City which conform to the purposes and intent of this Resolution and which further the sale and execution and delivery of the Obligations as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved.

Section 10. 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 11. 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 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.

[Remainder of page left blank intentionally.]

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona, this 8th day of February 2022.

Sandra J. Moriarty, Mayor

ATTEST:

JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson, City Attorney

FOURTH PURCHASE AGREEMENT

by and between

_____,
as Seller

and

THE CITY OF SEDONA, ARIZONA,
as Buyer

Dated as of _____ 1, 2022

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EXHIBIT - PAYMENT SCHEDULE

FOURTH PURCHASE AGREEMENT

THIS FOURTH PURCHASE AGREEMENT, dated as of _____ 1, 2022 (this “Agreement”), by and between **THE CITY OF SEDONA, ARIZONA**, a municipal corporation and a political subdivision under the laws of the State of Arizona (“City”), and _____, a national banking association (“Seller”), in its capacity as trustee (“Trustee”) under the Fourth Trust Agreement, dated as of even date herewith (the “Trust Agreement”), by and between Trustee and City,

WITNESSETH:

WHEREAS, in order to refinance certain outstanding obligations and to finance the costs of construction of certain improvements to the wastewater system of City, the Sedona Wastewater Municipal Property Corporation (the “MPC”) issued its Excise Tax Revenue Bonds, Series 1998, consisting of \$34,730,000 principal amount of current interest bonds (the “Series 1998 Current Interest Bonds”) and \$6,305,000 initial principal amount of capital appreciation bonds (together with the Series 1998 Current Interest Bonds, the “Series 1998 Bonds”); and

WHEREAS, the Series 1998 Bonds are payable from rental payments to be made by City pursuant to the provisions of a City Lease, dated as of August 1, 1998, as amended by a First Amendment to City Lease, dated as of November 1, 2000 (as so amended, the “City Lease”), by and between City and the MPC, and the obligation to make such rental payments under the City Lease is secured by a pledge of the Excise Taxes (as that term is hereinafter defined); and

WHEREAS, Section 3.3 of the City Lease provides as follows:

(a) The City hereby pledges for the payment of the rental payments under Section 1.3(a) hereof, all Excise Taxes. The City intends that this pledge shall be a first lien upon such amounts of said Excise Taxes (except as described in (h) below), as will be sufficient to make the rental payments pursuant to Section 1.3(a) hereof each month, and the City agrees and covenants to make said rental payments from such Excise Taxes, except to the extent that it chooses to make such payments from other funds pursuant to Section 3.2 above.

(b) For purposes of this the City Lease, “Excise Taxes” means all excise taxes, transaction privilege (sales, license and use) taxes, vehicle license fees, plan review deposit fees, building permit fees, conditional use permit fees, development review fees, franchise fees, fines and forfeitures which the City now collects and which it may collect in the future, together with the City’s portion of any excise taxes, transaction privilege (sales and use) taxes and income taxes imposed and collected by the State, or any political subdivision thereof, or any other governmental unit or agency, and returned, allocated or apportioned to the City, EXCEPT (i) any such taxes, fees, fines and forfeitures which the City may enact in the future which must be used or expended by the City for specific purposes, and (ii) any such taxes which, by State law, rule or regulation must be expended for specific purposes, such as motor vehicle fuel taxes.

and Section 3.5 of the City Lease provides as follows:

The City, for itself, its successors and assigns, covenants and agrees with the registered owners and holders of the Corporation's Series 1998 Bonds to be issued under the Indenture, so long as any of said Series 1998 Bonds remain outstanding and the principal and interest on the Series 1998 Bonds shall be unpaid or unprovided for, it will not further encumber the Excise Taxes pledged under Section 3.3 hereof on a basis prior and paramount to the lien and pledge provided for under Section 3.3 hereof and that it will not further encumber the Excise Taxes pledged under Section 3.3 hereof on a basis equal to the lien and pledge provided for in Section 3.3 hereof unless the Excise Taxes collected in the preceding fiscal year shall have amounted to at least one and fifty hundredths (1.50) times the highest combined interest and principal payment requirements for any succeeding fiscal year for all Series 1998 Bonds, Prior Obligations, any parity or additional parity bonds or other obligations secured by a parity pledge of the Excise Taxes then outstanding and any parity or additional parity bonds or other obligations so proposed to be secured by a parity pledge of the Excise Taxes.

; and **WHEREAS**, City, in order to finance the costs to refinance certain other outstanding obligations, entered into a Lease Agreement, dated as of January 1, 2002 (the "2002 Lease"), with National Bank of Arizona, as lessor, and a Trust Agreement, dated as of January 1, 2002 (the "2002 Trust Agreement"), with such lessor and National Bank of Arizona, as trustee (the "2002 Trustee") and caused the 2002 Trustee, pursuant to the 2002 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2002 (the "2002 Obligations"), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2002 Lease, such lease payments under the 2002 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, further, City, in order to finance the costs to refinance certain other outstanding obligations, entered into a Lease Agreement, dated as of July 1, 2004 (the "First 2004 Lease"), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of July 1, 2004 (the "First 2004 Trust Agreement"), with such lessor and U.S. Bank National Association, as trustee (the "2004 Trustee") and caused the 2004 Trustee, pursuant to the First 2004 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2004, evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the First 2004 Lease, such lease payments under the First 2004 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance a portion of the Series 1998 Bonds remaining outstanding, entered into a Second 2004 Lease Agreement, dated as of October 1, 2004 (the "Second 2004 Lease"), with U.S. Bank National Association, as lessor, and a Second 2004 Trust Agreement, dated as of October 1, 2004 (the "Second 2004 Trust Agreement"), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the Second 2004 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Second Series 2004 (the "Second 2004 Obligations"), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the Second 2004 Lease, such lease payments under the Second 2004 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance another portion of the Series 1998 Bonds remaining outstanding, entered into a Lease Agreement, dated as of May 1, 2005 (the “2005 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of May 1, 2005 (the “2005 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2005 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2005 (the “2005 Obligations”), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2005 Lease, such lease payments under the 2005 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs of certain projects, entered into a First Purchase Agreement, dated as of November 1, 2007 (the “2007 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Trust Agreement, dated as of November 1, 2007 (the “2007 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2007 Trustee”), and caused the 2007 Trustee, pursuant to the 2007 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Obligations, Series 2007 (the “2007 Obligations”), evidencing proportionate interests of owners thereof in purchase payments and prepayments to be made by City pursuant to the 2007 Purchase Agreement, such purchase payments under the 2007 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance another portion of the Series 1998 Bonds remaining outstanding, entered into a Lease Agreement, dated as of February 1, 2012 (the “2012 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of February 1, 2012 (the “2012 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2012 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2012 (the “2012 Obligations”), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2012 Lease, such lease payments under the 2012 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance all Second 2004 Obligations remaining outstanding, entered into a Lease Agreement, dated as of May 1, 2014 (the “2014 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of May 1, 2014 (the “2014 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2014 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2014, evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2014 Lease, such lease payments under the 2014 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance all 2005 Obligations remaining outstanding, entered into a Lease Agreement, dated as of June 1, 2015 (the “2015 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of June 1, 2015 (the “2015 Trust Agreement”), with such lessor and the 2004 Trustee

and caused the 2004 Trustee, pursuant to the 2015 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2015, evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2015 Lease, such lease payments under the 2015 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance a portion of the 2007 Obligations remaining outstanding, entered into a Second Purchase Agreement, dated as of December 1, 2015 (the “Second Series 2015 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Second Trust Agreement, dated as of December 1, 2015 (the “Second Series 2015 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2015 Trustee”), and caused the 2015 Trustee, pursuant to the Second Series 2015 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligation, Second Series 2015 (the “Second Series 2015 Obligation”), evidencing all the interests of the owner thereof in purchase payments and prepayments to be made by City pursuant to the Second Series 2015 Purchase Agreement, such purchase payments under the Second Series 2015 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance the 2012 Obligations remaining outstanding, entered into a Third Purchase Agreement, dated as of August 1, 2021 (the “Series 2021 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Third Trust Agreement, dated as of August 1, 2021 (the “Series 2021 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2021 Trustee”), and caused the 2021 Trustee, pursuant to the Series 2021 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligation, Taxable Series 2021-1 (the “Series 2021 Obligation”), evidencing all the interests of the owner thereof in purchase payments and prepayments to be made by City pursuant to the Series 2021 Purchase Agreement, such purchase payments under the Series 2021 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, City has now determined that it will be beneficial for its citizens to finance the costs of street and transportation improvements and parking garage projects in and for the City (collectively, the “Projects”); and

WHEREAS, City is a political subdivision duly organized and validly existing under the laws of the State (as such term and all other terms not otherwise defined herein are defined in the Trust Agreement); the Constitution and the laws of the State authorize City to enter into this Agreement and to enter into the agreements and transactions contemplated by, and to carry out its obligations under, said agreements; City has duly authorized and executed all of the aforesaid agreements; this Agreement is a lawful, valid and binding obligation of City, enforceable against City in accordance with its terms, and has been duly authorized, executed and delivered by City; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; and neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or

thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which City is now a party or by which City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of City; and

WHEREAS, Seller has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Term and Payments.

(a) For the amounts payable pursuant hereto (including the Payments), Seller hereby sells and conveys to City, without warranty, and City hereby purchases from Seller, the Projects. (In order to evidence such sale, Seller has executed and delivered to City a bill of sale on the date of original execution and delivery of the Obligations.) City shall be entitled to sole and exclusive possession of the Projects.

(b) To provide the funds necessary for Seller to finance the Projects, Seller, in its capacity as Trustee, shall execute and deliver the Obligations. (Seller shall have no further obligation to provide funds for the Projects.)

(c) As the purchase price for the Projects, City shall make the payments to Seller at the address specified pursuant to Section 19 hereof (or such other address as Seller may designate in writing) on the fifth Business Day immediately preceding the dates and in the amounts set forth in the payment schedule attached hereto and made a part hereof as the Exhibit hereto (the "Payments"). The obligation of City to make the Payments shall be limited to amounts from all Excise Taxes. City shall receive a credit against amounts due equal to any amounts held in the Payment Fund and available for such purpose. If the balance available in the Payment Fund after a Payment is insufficient to make the next required payments of principal and interest due on the Obligations on the next date for payment thereof, City shall pay any such deficiency in sufficient time to prevent default in the payment of principal of or interest on the Obligations falling due on such date. (City shall also pay to Trustee its fees and expenses in accordance with the provisions of the Trust Agreement, to the United States of America any amounts required by Section 14(c), and all amounts necessary for compliance with the Continuing Disclosure Undertaking, provided, however, that failure of City to pay such amounts with respect to the Continuing Disclosure Undertaking shall not be considered an event of default.) This Agreement shall be deemed and construed to be a "*net purchase agreement*," and the Payments shall be an absolute net return to Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein.

(d) The obligations of City to make the Payments from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or

recoupment arising out of any breach by Seller of any obligation to City or otherwise, or out of indebtedness or liability at any time owing to City by Seller. Until such time as all of the Payments shall have been fully paid or provided for, City (i) shall not suspend or discontinue the Payments, (ii) shall comply with the other provisions hereof, and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of Seller or any other person to complete the Projects, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Projects, the taking by *eminent domain* of title to or temporary use of any or all of the Projects, commercial frustration of purpose or abandonment of the Projects by City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release Seller from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event Seller shall fail to perform any such agreements on its part, City may institute such action against Seller as City may deem necessary to compel performance so long as such action does not abrogate the obligations of City contained in the first sentence of this paragraph (d).

(e) This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligations. Subject to Section 9, upon full payment or provision for payment and in consideration of the timely payment of all of the Payments and provided that City has performed all the covenants and agreements required by City to be performed, this Agreement shall cease and expire. Upon the expiration of this Agreement as provided in this Section, City shall cause Trustee to release any interest which Trustee may have in the Projects or the revenues thereof from the lien of the Trust Agreement.

(f) Any of the Payments due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

Section 2. Pledge; Limited Obligations.

(a) City hereby pledges for the payment of the Payments under Section 1(c) hereof all Excise Taxes. (*Notwithstanding the provision in the City Lease with regard to Excise Taxes that, as of the date thereof, the transaction privilege (sales, license and use) tax collected by City is 3.0%, 2.5% of which has not been enacted for use or expenditure by City for specific purposes, retroactive to the date of the City Lease and for purposes hereof, the whole 3.0% will be treated as not having been enacted for use or expenditure by the City for specific purposes*.) City intends that this pledge shall be a first lien upon such amounts of said Excise Taxes as will be sufficient to make the Payments pursuant to Section 1(c) hereof. (City shall, unless made from its other funds as permitted by law and as determined from time to time by City, first make all of the Payments accruing under Section 1(c) hereof out of the Excise Taxes and thereafter may use the remaining Excise Taxes for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts of the Excise Taxes, such Excise Taxes will not be reduced to such a level that City will be unable to make the next of the Payments under Section 1(c) hereof. City shall continue to deposit all Excise Taxes received by it in the "Excise Tax Revenue Fund" established pursuant to the City Lease, and City shall

maintain the Excise Tax Revenue Fund throughout the life of this Agreement for the purpose of paying the Payments and all other payments due and owing under this Agreement and the City Lease. City shall transfer a sufficient amount of its Excise Taxes from the Excise Tax Revenue Fund to pay all amounts due and owing under Section 1(c) hereof in a timely manner, and after such transfer, the remaining Excise Taxes in the Excise Tax Revenue Fund may be used by City for any lawful purpose. City shall maintain the integrity of the segregated Excise Tax Revenue Fund by (i) charging a responsible person in its employ with the duty of segregating its Excise Taxes and depositing them in the Excise Tax Revenue Fund, and (ii) faithfully making all Payments in accordance with the terms of this Agreement.

(b) City shall remit to Trustee from the Excise Taxes all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of City to make payments of any amounts due under this Agreement, including amounts due after default or termination hereof, is limited to payment from the Excise Taxes and shall in no circumstances constitute a general obligation or a pledge of the full faith and credit of City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Section 3. Surplus and Deficiency of Revenues from Excise Taxes. If at any time the moneys in the funds held for payment of amounts due under this Agreement or the Trust Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from the Excise Taxes, *pro rata*, as applicable, with amounts due with respect to obligations on a parity herewith with respect thereto, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto. Excise Taxes in excess of amounts, if any, required to be deposited with or held by Trustee for payments due under this Agreement or the Trust Agreement shall constitute surplus revenues and may be used by City for any lawful purpose for the benefit of City.

Section 4. Use of Other Funds at the Option of City. As indicated in Section 2, City may, at the sole option of City, make payments due pursuant to Section 1 from its other funds as permitted by law and as City shall determine from time to time, but Seller acknowledges that it has no claim hereunder to such other funds. The Payments shall not be payable out of any *ad valorem* property taxes imposed by City or from bonds or other obligations, the payment of which City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State, and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 5. Additional Parity Lien Obligations. So long as the Obligations remain outstanding and the principal and interest on the Obligations shall be unpaid or unprovided for, City will not further encumber the Excise Taxes pledged under Section 2(a) hereof on a basis prior and paramount to the lien and pledge provided for under Section 2(a) hereof and will not further encumber the Excise Taxes pledged under Section 2(a) hereof on a basis equal to the lien and pledge provided for in Section 2(a) hereof unless the Excise Taxes collected in the preceding fiscal year shall have amounted to at least one and fifty hundredths (1.50) times the highest

combined interest and principal payment requirements for any succeeding fiscal year for the Series 1998 Bonds, the Second Series 2015 Obligation, the Series 2021 Obligation, the Obligations, any parity or additional parity bonds or other obligations secured by a parity pledge of the Excise Taxes then outstanding and any parity or additional parity bonds or other obligations so proposed to be secured by a parity pledge of the Excise Taxes.

Section 6. City Control over Revenue Collection. The Excise Taxes will be maintained so that the amount of all such Excise Taxes received for the next preceding fiscal year shall be equal to at least one and fifty hundredths (1.50) times the total of the Payments payable under Section 1(c) hereof, installment purchase payments payable under Section 1(c) of the Second Series 2015 Purchase Agreement, installment purchase payments payable under Section 1(c) of the Series 2021 Purchase Agreement and rental payments payable under Section 1.3(a) of the City Lease and the combined interest and principal requirements for all parity or additional parity bonds or other obligations outstanding which are secured by a parity pledge of the Excise Taxes in any current fiscal year. City further covenants and agrees that if such receipts of Excise Taxes for any such preceding fiscal year shall not equal one and fifty hundredths (1.50) times the Payments payable under Section 1(c) hereof, installment purchase payments payable under Section 1(c) of the Second Series 2015 Purchase Agreement, installment purchase payments payable under Section 1(c) of the Series 2021 Purchase Agreement, rental payments payable under Section 1.3(a) of the City Lease and the combined interest and principal requirements for all parity or additional parity bonds or other obligations outstanding which are secured by a parity pledge of the Excise Taxes in any current fiscal year, or if at any time it appears that the current receipts of Excise Taxes will not be sufficient to meet the Payments payable under Section 1(c) hereof, installment purchase payments payable under Section 1(c) of the Second Series 2015 Purchase Agreement, installment purchase payments payable under Section 1(c) of the Series 2021 Purchase Agreement, rental payments payable under Section 1.3(a) of the City Lease and the combined interest and principal requirements for all parity or additional parity bonds or other obligations outstanding which are secured by a parity pledge of the Excise Taxes, it will, to the extent permitted by law, either impose new excise, transaction privilege and franchise taxes or will increase the rates for such taxes currently imposed in order that (1) the current receipts of Excise Taxes will be sufficient to meet all current requirements for the Payments payable under Section 1(c) hereof, installment purchase payments payable under Section 1(c) of the Second Series 2015 Purchase Agreement, installment purchase payments payable under Section 1(c) of the Series 2021 Purchase Agreement, rental payments payable under Section 1.3(a) of the City Lease and the combined interest and principal requirements for all parity or additional parity bonds or other obligations outstanding which are secured by a parity pledge of the Excise Taxes, and (2) the current year's receipts of such Excise Taxes will be reasonably calculated to attain the level as required above for the succeeding fiscal year's requirements for the Payments payable under Section 1(c) hereof, installment purchase payments payable under Section 1(c) of the Second Series 2015 Purchase Agreement, installment purchase payments payable under Section 1(c) of the Series 2021 Purchase Agreement, rental payments payable under Section 1.3(a) of the City Lease and the combined interest and principal requirements for all parity or additional parity bonds or other obligations outstanding which are secured by a parity pledge of the Excise Taxes.

Section 7. Certain Matters with Respect to Projects.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, Seller has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Projects for any particular purpose or the conformity of the Projects to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by City after completion. All such risks shall be borne by City without in any way excusing City from its obligations under this Agreement, and Seller shall not be liable to City for any damages on account of such risks. Except with respect to any acts by Seller which are not undertaken at the request of City or with the prior approval of City, City waives all claims against Seller growing out of the acquisition, construction, installation or otherwise of the Projects. Seller shall have no liability to City for any failure of any contractor to perform any contract or other undertaking with respect to the Projects in any respect. Seller shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Projects. In the event of any defect in any item of the Projects or other claim with respect to the Projects, recourse of City shall be against the contractors, manufacturers, suppliers, etc. of the Projects and, where applicable, the person selling the property to Seller, and not against Seller. For such purpose, Seller hereby assigns and transfers to City the right, title and interest of Seller in and to all representations, warranties, guarantees and service agreements relating to the Projects made or entered into by Seller and by any contractor, manufacturers, suppliers, etc. of the Projects. Seller further designates City as its attorney-in-fact granting to City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements. Seller is entering into this Agreement solely as Trustee, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall Seller be listed in the chain of title to the Projects.

(b) City has the power to enter into this Agreement; this Agreement is a lawful, valid and binding obligation of City, enforceable against City in accordance with its terms, and has been duly authorized, executed and delivered by City; all required procedures for execution and performance hereof, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner and all Payments hereunder will be paid when due out of funds which are legally available for such purposes.

(c) The Projects comply with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Projects.

Section 8. Providing for Payment. City may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as provided herein as and when the same becomes due and payable at its scheduled due date pursuant to Section 1 hereof or on a date on which it can be prepaid;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are noncallable, in such amount as shall be certified to Seller and City, by a national firm of certified public accountants acceptable to City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with Seller and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial payment of a Payment resulting in a redemption of Obligations, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial payment or redemption of Obligations from the proceeds of such payment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Section 9. Continuation of Agreement. The obligations of City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section, and City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that City shall be credited with any amount received by Trustee pursuant to actions brought under the next Section.

Section 10. Default; Remedies Upon Default.

(a) (i) Upon (A) failure by City to pay any of the Payments at the time specified herein, (B) failure by City to pay any other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of five (5) days after notification thereof by Trustee, (C) failure by City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clauses (A) and (B) of this Section 10(a)(i), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to City by Trustee or the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by City within the applicable period and diligently pursued until the default is corrected, or (D) the filing by City of a voluntary petition in

bankruptcy, or failure by City promptly to lift any execution, garnishment or attachment, or adjudication of City as a bankrupt, or assignment by City for the benefit of creditors, or the entry by City into an agreement of composition with creditors, or the petition applicable to City in any proceedings instituted under the provisions of the United States Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted, then

(ii) subject to the limitations of the Trust Agreement, Seller may enforce this Agreement by appropriate action to collect amounts due or to become due under Section 1(c) hereof (including the making and collection of sufficient revenues and the segregation of the Excise Taxes and the proper application thereof) or to cause City to perform its obligations hereunder, in which event City shall be liable for all costs and expenses, including but not limited to reasonable attorneys' fees, incurred by Seller. Upon the bringing of a suit to collect such amounts, Seller may request enforcement of the pledge and foreclosure of the lien set forth in Section 2 hereof, in which event Trustee, as a matter of right, without notice and without giving any bond or surety to City or anyone claiming on behalf of City, may have a receiver appointed of the Excise Taxes which are so pledged for the payment of such amounts, with such powers as the court making such appointment shall confer, and City does hereby irrevocably consent to such appointment.

No remedy herein conferred upon or reserved to Seller is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, now or hereafter existing, at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Seller to exercise any remedy reserved to it by this Section, it shall not be necessary to give any notice, other than such notice as may be required in this Section or by law.

In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Such rights and remedies as are given to Seller pursuant to this Section have been assigned by Seller to Trustee under the Trust Agreement, to which assignment City hereby consents. Such rights and remedies shall be exercised by Trustee and the Owner as provided in the Trust Agreement.

(b) Seller shall in no event be in default in the performance of any of its obligations hereunder unless and until Seller shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by City properly specifying wherein Seller has failed to perform any such obligation. No default by Seller shall relieve City of its obligations to make the various payments herein required, so long as any of the Obligations remain outstanding; however, City may exercise any other remedy available at law or in equity to require Seller to remedy such default so long as such remedy does

not interfere with or endanger the payments required to be made to Trustee under the Trust Agreement.

Section 11. Assignment.

(a) Except as otherwise provided herein, City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein.

(b) Subject to the terms of the Trust Agreement, Seller sells, pledges, assigns, transfers and encumbers all and every part of its right, title and interest in and to this Agreement and all payments of any kind due or which become due to Seller hereunder to Trustee; provided, however, that such transfer or assignment shall not impair the Obligations, Trustee shall be bound by the terms hereof and all related agreements executed by Seller in connection herewith and shall execute such nondisturbance and acceptance instruments as shall reasonably be required to evidence the same as hereinafter provided, and shall become and be deemed to be the seller hereunder and have all of the rights, powers, privileges and remedies, and be subject to all of the covenants and agreements, of Seller hereunder for all purposes of this Agreement, except that City agrees and acknowledges that Trustee made no representation or warranty, and therefore will assume no obligation, with respect to the title, merchantability, condition, quality or fitness of the Projects for any particular purpose or for the enforcement of any warranties or service agreement made or assigned and City shall have no right to abate, reduce, withhold or offset against any payments due hereunder on account of any claims for misrepresentations or breach of warranty or service agreements or any claims for sums due City from any predecessor(s) in interest of Seller. City attorns to and recognizes Trustee as the owner of all right, title and interest in, to and under this Agreement and the payments thereafter due and payable pursuant to this Agreement and as seller pursuant to this Agreement. City shall execute and deliver to Trustee such certificates or other instruments in such forms as may reasonably be required by Trustee and to which City can truthfully attest, including but not limited to a separate acknowledgment of assignment and attornment certificate in the customary form as to the right, title and interest of Trustee in, to and under this Agreement and the payments thereafter due and payable pursuant to this Agreement.

Section 12. City Appointed Agent for Seller. Seller hereby irrevocably appoints City as its sole and exclusive agent to act for and on behalf of Seller in refinancing the costs of the Refinanced Projects which have not been paid to date. As such agent, City shall have full authority to do all things necessary to accomplish such purpose. Seller shall not be liable, responsible or accountable for the acts of City as its agent hereunder, and City hereby assumes all responsibility for the performance of such duties.

Section 13. Federal Law Provisions.

(a) (i) As described in further detail in the Tax Certificate, no direction for the making of any investment or other use of the proceeds of any of the Obligations or of the Projects shall be made, permitted to be made or omitted from being made which would cause the Obligations to be “arbitrage bonds” as that term is defined in section 148 (or any successor provision thereto) of the Code or “private activity bonds” as that term is defined in section 141 (or any successor provision thereto) of the Code, and the

requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Obligations. (Particularly, City shall be the owner of the Projects for federal income tax purposes. City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of such authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion thereof.) Also, the payment of principal and interest with respect to the Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Obligations, or amounts treated as proceeds of the Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Obligations are being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. In consideration of the purchase and acceptance of the Obligations by the owners from time to time thereof and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, City shall, and the appropriate officials of City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) City shall take all necessary and desirable steps, as determined by the Mayor and Council of City, to comply with the requirements hereunder in order to ensure that the Interest Portion is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event City receives a Bond Counsel's Opinion (as such term is defined in the next Section) that either compliance with such requirement is not required to maintain the exclusion from gross income of the Interest Portion or compliance with some other requirement will meet the requirements of the Code. In the event City receives such a Bond Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, City shall take all necessary and desirable steps, as determined by City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(iii) Written procedures have been established for City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which City will comply.

(iv) The procedures required by any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the

Obligations (initially, those in the next Section) shall be complied with for so long as compliance is necessary pursuant to the Code.

(b) City shall comply with and carry out all of the provisions of the Continuing Disclosure Undertaking, provided that such costs of compliance shall be payable solely from the Excise Taxes. Notwithstanding any other provision of this Agreement, failure of City to comply with the Continuing Disclosure Undertaking shall not be considered an event of default; however, Trustee may (and, at the request of the owners of at least 25% aggregate principal amount in outstanding Obligations and receipt of indemnity to its satisfaction, shall) take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause City to comply with its obligations under this Section.

(c) Trustee has no duty or obligations under this Section 13 and has no duty to monitor compliance by City with this Section 13.

Section 14. Rebate Provisions.

(a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the Tax Certificate.

(b) The following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by City.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of execution and delivery of the Obligations and shall end on the date selected by City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Obligation.

Bond Yield is as indicated in the Tax Certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the 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 execution and delivery of the Obligations and using semiannual compounding on the basis of a 360-day year.

Code shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

Gross Proceeds shall mean:

(i) any amounts actually or constructively received by City from the sale of the Obligations but excluding amounts used to pay accrued interest on the Obligations within one year of the date of execution and delivery of the Obligations;

(ii) transferred proceeds of the Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Obligations in the event City or Trustee encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Trust Agreement.

Investment Property shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

Issue Price is as indicated in the Tax Certificate and shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Obligations.

Obligation Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

Rebate Requirement shall mean at any time the excess of the future value of all Receipts over the future value of all Obligation Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Obligation Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

Receipt shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

Regulations shall mean the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

(c) Within 60 days after the end of each Bond Year, unless an exception to the requirement to do is properly established, City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Obligations (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Obligations (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Obligation).

Each payment required to be made under this Section shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f) or (g), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with City or any other person (whether or not in connection with the Obligations), and that the bid is not being submitted solely as a courtesy to City or any other person for purposes of satisfying the requirements in the Regulations that City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Obligations.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Obligations (e.g., a lead underwriter within 15 days of the issue date of the Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If City uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) City retains until three years after the last outstanding Obligation is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by City and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) Such experts and consultants shall be employed by City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Obligations. Trustee has no duties or obligations under this Section 14 and no duty to monitor compliance by City with this Section 14.

Section 15. Quiet Possession; City's Easement to Seller. City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Projects, without suit, trouble or hindrance from Seller. City hereby grants and conveys to Seller, and all persons claiming by, through or under Seller, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Projects for the purpose of permitting the Projects to be maintained upon the premises.

Section 16. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, Seller acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by Seller of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of Seller by City. City retains the legal right to randomly inspect the papers and records of Seller to ensure that Seller is complying with the above-mentioned warranty. Seller shall keep such papers and records open for random inspection during normal business hours by City. Seller shall cooperate with the random inspections by City including granting City entry rights onto its property to

perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, Trustee hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If City determines that Trustee’s certification above is false or that it has breached such agreement, City may impose remedies as provided by law.

Section 17. Seller’s Limited Authority. Notwithstanding any other terms or provisions of this Agreement, the interest of Seller in the Projects, if any, is solely in its capacity as Trustee for the purpose of facilitating the financing of the Projects, and Seller shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Projects, including, without limitation, any day-to-day decision-making or operational aspects of the Projects.

Section 18. Seller as Trustee. Seller is acting hereunder in its capacity as Trustee under the Trust Agreement and the term “Seller”, when used herein, shall mean Trustee as defined in the Trust Agreement.

Section 19. 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, or delivered to the party for which the same is intended or certified, as follows:

If to Seller: _____

Attention: Corporate Trust Services

If to City: City of Sedona, Arizona
102 Roadrunner Drive
Sedona, Arizona 86336
Attention: City Manager

Section 20. Miscellaneous.

(a) No covenant or obligation herein to be performed by City may be waived except by the written consent of Seller, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Seller from invoking such remedy at any later time prior to the cure by City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both Seller and City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) Seller hereunder shall have the right at any time or times, by notice to City, to designate or appoint any person or entity to act as agent or trustee for Seller for any purposes hereunder.

(f) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(g) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of Seller herein shall be and have the rights of a third-party beneficiary hereunder.

(h) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the first day of _____ 2022.

Seller:

_____, as Trustee

By.....

Authorized Representative

City:

CITY OF SEDONA, ARIZONA, a municipal corporation and political subdivision under the laws of the State of Arizona

By.....

Mayor

ATTEST:

.....
City Clerk

EXHIBIT

PAYMENT SCHEDULE

Payment Date	Principal	Interest	Total Payment
07/01/20__			
01/01/20__			

Total

FOURTH TRUST AGREEMENT

by and between

_____,
as Trustee

and

THE CITY OF SEDONA, ARIZONA

Dated as of _____ 1, 2022

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FOURTH TRUST AGREEMENT

THIS FOURTH TRUST AGREEMENT, dated as of _____ 1, 2022 (together with any duly authorized, executed and delivered supplement thereto, this “Trust Agreement” or “Agreement”), by and between _____, a national banking association, as trustee, or any successor thereto acting as trustee pursuant to this Trust Agreement (the “Trustee”), and in its capacity as “Seller” pursuant to the Fourth Purchase Agreement, dated as of _____ 1, 2022 (together with any duly authorized, executed and delivered amendment thereto, the “Purchase Agreement”) by and between the hereinafter defined City and the Trustee, as “Seller”, and **THE CITY OF SEDONA, ARIZONA**, a municipal corporation organized under the laws of the State of Arizona (the “City”);

WITNESSETH:

WHEREAS, in order to refinance certain outstanding obligations and to finance the costs of construction of certain improvements to the wastewater system of City, the Sedona Wastewater Municipal Property Corporation (the “MPC”) issued its Excise Tax Revenue Bonds, Series 1998, consisting of \$34,730,000 principal amount of current interest bonds (the “Series 1998 Current Interest Bonds”) and \$6,305,000 initial principal amount of capital appreciation bonds (together with the Series 1998 Current Interest Bonds, the “Series 1998 Bonds”); and

WHEREAS, the Series 1998 Bonds are payable from rental payments to be made by City pursuant to the provisions of a City Lease, dated as of August 1, 1998, as amended by a First Amendment to City Lease, dated as of November 1, 2000 (as so amended, the “City Lease”), by and between City and the MPC, and the obligation to make such rental payments under the City Lease is secured by a pledge of the Excise Taxes (as that term is hereinafter defined); and

WHEREAS, Section 3.3 of the City Lease provides as follows:

(a) The City hereby pledges for the payment of the rental payments under Section 1.3(a) hereof, all Excise Taxes. The City intends that this pledge shall be a first lien upon such amounts of said Excise Taxes (except as described in (h) below), as will be sufficient to make the rental payments pursuant to Section 1.3(a) hereof each month, and the City agrees and covenants to make said rental payments from such Excise Taxes, except to the extent that it chooses to make such payments from other funds pursuant to Section 3.2 above.

(b) For purposes of this the City Lease, “Excise Taxes” means all excise taxes, transaction privilege (sales, license and use) taxes, vehicle license fees, plan review deposit fees, building permit fees, conditional use permit fees, development review fees, franchise fees, fines and forfeitures which the City now collects and which it may collect in the future, together with the City’s portion of any excise taxes, transaction privilege (sales and use) taxes and income taxes imposed and collected by the State, or any political subdivision thereof, or any other governmental unit or agency, and returned, allocated or apportioned to the City, EXCEPT (i) any such taxes, fees, fines and forfeitures which the City may enact in the future which must be used or expended by the

City for specific purposes, and (ii) any such taxes which, by State law, rule or regulation must be expended for specific purposes, such as motor vehicle fuel taxes.

and Section 3.5 of the City Lease provides as follows:

The City, for itself, its successors and assigns, covenants and agrees with the registered owners and holders of the Corporation's Series 1998 Bonds to be issued under the Indenture, so long as any of said Series 1998 Bonds remain outstanding and the principal and interest on the Series 1998 Bonds shall be unpaid or unprovided for, it will not further encumber the Excise Taxes pledged under Section 3.3 hereof on a basis prior and paramount to the lien and pledge provided for under Section 3.3 hereof and that it will not further encumber the Excise Taxes pledged under Section 3.3 hereof on a basis equal to the lien and pledge provided for in Section 3.3 hereof unless the Excise Taxes collected in the preceding fiscal year shall have amounted to at least one and fifty hundredths (1.50) times the highest combined interest and principal payment requirements for any succeeding fiscal year for all Series 1998 Bonds, Prior Obligations, any parity or additional parity bonds or other obligations secured by a parity pledge of the Excise Taxes then outstanding and any parity or additional parity bonds or other obligations so proposed to be secured by a parity pledge of the Excise Taxes.

; and **WHEREAS**, City, in order to finance the costs to refinance certain other outstanding obligations, entered into a Lease Agreement, dated as of January 1, 2002 (the "2002 Lease"), with National Bank of Arizona, as lessor, and a Trust Agreement, dated as of January 1, 2002 (the "2002 Trust Agreement"), with such lessor and National Bank of Arizona, as trustee (the "2002 Trustee") and caused the 2002 Trustee, pursuant to the 2002 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2002 (the "2002 Obligations"), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2002 Lease, such lease payments under the 2002 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, further, City, in order to finance the costs to refinance certain other outstanding obligations, entered into a Lease Agreement, dated as of July 1, 2004 (the "First 2004 Lease"), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of July 1, 2004 (the "First 2004 Trust Agreement"), with such lessor and U.S. Bank National Association, as trustee (the "2004 Trustee") and caused the 2004 Trustee, pursuant to the First 2004 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2004, evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the First 2004 Lease, such lease payments under the First 2004 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance a portion of the Series 1998 Bonds remaining outstanding, entered into a Second 2004 Lease Agreement, dated as of October 1, 2004 (the "Second 2004 Lease"), with U.S. Bank National Association, as lessor, and a Second 2004 Trust Agreement, dated as of October 1, 2004 (the "Second 2004 Trust Agreement"), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant

to the Second 2004 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Second Series 2004 (the “Second 2004 Obligations”), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the Second 2004 Lease, such lease payments under the Second 2004 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance another portion of the Series 1998 Bonds remaining outstanding, entered into a Lease Agreement, dated as of May 1, 2005 (the “2005 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of May 1, 2005 (the “2005 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2005 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2005 (the “2005 Obligations”), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2005 Lease, such lease payments under the 2005 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs of certain projects, entered into a First Purchase Agreement, dated as of November 1, 2007 (the “2007 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Trust Agreement, dated as of November 1, 2007 (the “2007 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2007 Trustee”), and caused the 2007 Trustee, pursuant to the 2007 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Obligations, Series 2007 (the “2007 Obligations”), evidencing proportionate interests of owners thereof in purchase payments and prepayments to be made by City pursuant to the 2007 Purchase Agreement, such purchase payments under the 2007 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance another portion of the Series 1998 Bonds remaining outstanding, entered into a Lease Agreement, dated as of February 1, 2012 (the “2012 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of February 1, 2012 (the “2012 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2012 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2012 (the “2012 Obligations”), evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2012 Lease, such lease payments under the 2012 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance all Second 2004 Obligations remaining outstanding, entered into a Lease Agreement, dated as of May 1, 2014 (the “2014 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of May 1, 2014 (the “2014 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2014 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2014, evidencing proportionate interests of the owners thereof in lease payments and prepayments to

be made by City pursuant to the 2014 Lease, such lease payments under the 2014 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance all 2005 Obligations remaining outstanding, entered into a Lease Agreement, dated as of June 1, 2015 (the “2015 Lease”), with U.S. Bank National Association, as lessor, and a Trust Agreement, dated as of June 1, 2015 (the “2015 Trust Agreement”), with such lessor and the 2004 Trustee and caused the 2004 Trustee, pursuant to the 2015 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligations, Series 2015, evidencing proportionate interests of the owners thereof in lease payments and prepayments to be made by City pursuant to the 2015 Lease, such lease payments under the 2015 Lease being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance a portion of the 2007 Obligations remaining outstanding, entered into a Second Purchase Agreement, dated as of December 1, 2015 (the “Second Series 2015 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Second Trust Agreement, dated as of December 1, 2015 (the “Second Series 2015 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2015 Trustee”), and caused the 2015 Trustee, pursuant to the Second Series 2015 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligation, Second Series 2015 (the “Second Series 2015 Obligation”), evidencing all the interests of the owner thereof in purchase payments and prepayments to be made by City pursuant to the Second Series 2015 Purchase Agreement, such purchase payments under the Second Series 2015 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, then further, City, in order to finance the costs to refinance the 2012 Obligations remaining outstanding, entered into a Third Purchase Agreement, dated as of August 1, 2021 (the “Series 2021 Purchase Agreement”), with U.S. Bank National Association, as seller, and a Third Trust Agreement, dated as of August 1, 2021 (the “Series 2021 Trust Agreement”), with U.S. Bank National Association, as trustee (the “2021 Trustee”), and caused the 2021 Trustee, pursuant to the Series 2021 Trust Agreement, to execute and deliver the City of Sedona, Arizona Excise Tax Revenue Refunding Obligation, Taxable Series 2021-1 (the “Series 2021 Obligation”), evidencing all the interests of the owner thereof in purchase payments and prepayments to be made by City pursuant to the Series 2021 Purchase Agreement, such purchase payments under the Series 2021 Purchase Agreement being secured by a pledge of the Excise Taxes on a parity as described hereinabove; and

WHEREAS, the City has now determined that it will be beneficial for its citizens to finance the costs of street and transportation improvements and parking garage projects in and for the City (collectively, the “Projects”); and

WHEREAS, for the purpose of financing the Projects, the City has heretofore agreed to make purchase payments to the Trustee, and the Trustee has agreed to provide for acquisition of the Projects pursuant to the Purchase Agreement, the payment of which shall be limited to amounts from the Excise Taxes; and

WHEREAS, the City and the Trustee will enter into this Trust Agreement to facilitate the administration of the financing of the Projects; and

WHEREAS, for the purpose of obtaining money to be deposited with the Trustee to finance the Projects, the Trustee will execute and deliver Excise Tax Revenue Obligations, Series 2022 (the “Obligations”), each evidencing a proportionate interest in the Purchase Agreement and the Payments made by the City under the Purchase Agreement, in exchange for the moneys required herein to be deposited for the Projects; and

WHEREAS, the City, pursuant to the Purchase Agreement, irrevocably pledges on a first lien basis for the payment of the Payments all Excise Taxes as the Excise Taxes collected in the preceding fiscal year have amounted to at least one and fifty hundredths (1.50) times the highest combined interest and principal payment requirements for any succeeding fiscal year for the Series 1998 Bonds, the Second Series 2015 Obligation, the Series 2021 Obligation and the Obligations; and

WHEREAS, the City is a political subdivision duly organized and validly existing under the laws of the State; the Constitution and the laws of the State authorize the City to enter into this Agreement and to enter into the agreements and transactions contemplated by, and to carry out its obligations under, said agreements; the City has duly authorized and executed all of the aforesaid agreements; this Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms, and has been duly authorized, executed and delivered by the City; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; and neither the execution and delivery of this Agreement or the Purchase Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City; and

WHEREAS, the Trustee has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to authorize the execution and delivery hereof; and

NOW, THEREFORE, in consideration for the Obligations executed, delivered and Outstanding under this Trust Agreement, the acceptance by the Trustee of the trusts created herein and the purchase and acceptance of the Obligations by the Owners, and to secure the payment of principal thereof and interest thereon (to the extent provided herein), the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase Agreement and herein, the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to

the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners of Obligations:

A. All right, title and interest of Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement of such rights, and (iii) do any and all other things which the Seller is or may become entitled to do thereunder;

B. Amounts on deposit from time to time in the funds created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights of the City, its successors and assigns, under the Purchase Agreement;

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the Obligations executed and delivered hereunder and Outstanding; and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth. For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the Recitals hereto and unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“Acquisition Fund” means the fund of that name created pursuant to Article III hereof.

“**Authorized Denominations**” means \$5,000 of principal represented by the Obligations due on a specific maturity date or integral multiples thereof.

“**Authorized Officers**” means any City Representative and those officers of the City listed in an incumbency certificate with the authority to provide Instructions and containing specimen signatures of such authorized officers, which incumbency certificate shall be amended by the City, whenever a person is to be added or deleted from the listing.

“**Business Day**” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close.

“**Certificate of Completion**” means the notice of completion, filed with the Trustee by a City Representative, stating that the Projects have been substantially completed.

“**City Representative**” means the Manager or any other person authorized by the Manager or the City Council of the City to act on behalf of the City with respect to this Agreement.

“**Closing Date**” means _____, 2022.

“**Code**” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those Sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954.

“**Completion Date**” means the date on which the Certificate of Completion is filed with the Trustee by a City Representative.

“**Contractor**” means any contractor under a Construction Contract and any successor or assigns permitted.

“**Construction Contract**” means, collectively, any contracts between City and a Contractor, for the acquisition, construction or installation of any portion of the Projects.

“**Continuing Disclosure Undertaking**” means the Tenth Continuing Disclosure Undertaking, dated even date with the date of original execution and delivery of the Obligations, from the City.

“**Costs of Issuance Fund**” means the fund of that name created pursuant to Article III hereof.

“**Defaulted Interest**” has the meaning provided in Section 2.10(d).

“**Delivery Costs**” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the execution, sale and delivery of the Purchase Agreement, this Trust Agreement and the Obligations, including but not limited to

filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“**Depository Trustee**” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

“**Designated Office**” means the office designated as such by the Trustee in writing to the City.

“**DTC**” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“**Electronic Means**” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“**Electronically**” means with respect to notice, one transmitted through a time-sharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“**Event of Default**” means an event of default under the Purchase Agreement as provided in Section 10 thereof.

“**Government Obligations**” means direct general obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America (including, without limitation, the interest portion of obligations issued by the Resolution Funding Corporation in book entry form and stripped by request to the Federal Reserve Bank of New York), including Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, provided any stripped Government Obligations have been stripped by the applicable United States governmental agency.

“**Independent Counsel**” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee.

“**Instructions**” means instructions, including funds transfer instructions given pursuant to this Agreement and delivered using Electronic Means.

“**Interest Payment Date**” means each January 1 and July 1, commencing _____ 1, 20__, while any Obligations are Outstanding; provided that, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without

additional interest and with the same force and effect as if made on the specified date for such payment.

“**Interest Portion**” means the amounts of each of the Payments in the column in the Payment Schedule attached to the Purchase Agreement designated “Interest,” denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners.

“**Market Value**” means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“**Moody’s**” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

“**Notification**” shall have the meaning provided in Section 11.3.

“**Outstanding**”, when used with respect to the Obligations, refers to Obligations issued in accordance with this Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory redemption installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of and premium, if any, and interest on such Obligations, provided, however, that if any such Obligations are to be redeemed prior to maturity, the City shall have taken all action necessary to redeem such Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to mail shall have been given to the Trustee.

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

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

“**Payment Request Form**” means the form set forth in Exhibit B which is attached hereto and made a part hereof.

“**Payments**” means all payments required to be paid by the City on any date pursuant to Section 1 of the Purchase Agreement and as set forth in the Exhibit to the Purchase Agreement.

“Permitted Investments” means any investment permitted by Section 35-323, Arizona Revised Statutes, or any other investment permitted by applicable law.

“Project Costs” means, with respect to the Projects, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of acquiring and constructing the Projects and all costs payable to a Contractor under a Construction Contract, or incurred by the Trustee or the City with respect to the transaction to which this Trust Agreement pertains.

“Regular Record Date” means, for the Obligations, the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“Reimbursement Request Form” means the form set forth in Exhibit C which is attached hereto and made a part hereof.

“Responsible Officer” means, when used with respect to the Trustee, any vice president, associate or any other officer of the Trustee within the office of the Trustee designated in Section 13.3 hereof (the “Corporate Trust Office”) (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Agreement.

“S&P” means Standard & Poor’s Financial Services, LLC, a limited liability company organized and existing under the laws of the State of New York, 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, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

“Securities Depository” means a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended.

“Special Record Date” has the meaning provided in Section 2.10(d).

“State” means the State of Arizona.

“Tax Certificate” means the Certificate Relating To Federal Tax Matters delivered by the City at the time of original execution and delivery of the Obligations.

“Vendor” means any supplier of items for inclusion in the Projects who is to be paid from amounts held in the Acquisition Fund.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

**ARTICLE II
SPECIAL REVENUE OBLIGATIONS**

Section 2.1. Authorization of the Obligations. The Trustee is hereby authorized and directed to execute and deliver to the original purchaser thereof, the Obligations in an aggregate principal amount of \$____,000, evidencing proportionate ownership interests in the Purchase Agreement and the Payments. In no event shall the Obligations be deemed liabilities, debts or obligations of the Trustee.

Section 2.2. Date; Interest Accrual. Each Obligation shall be dated the Closing Date, and interest with respect thereto shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Obligations.

Section 2.3. Maturities and Interest Rates. The Obligations shall be in Authorized Denominations. The Obligations shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

Maturity Date (July 1)	Principal Amount	Interest Rates
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Section 2.4. Interest on Obligations. Interest on the Obligations shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20__, to and including the date of maturity or prior redemption of the Obligations. Except for the initial period, said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligations. The proportionate share of the portion of the Payments designated as interest with respect to any Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to such Obligation by the rate of interest applicable to such Obligation (on the basis of a 360-day year of twelve 30-day months), except that the first portion of the Payments designated as interest shall be for interest from the Closing Date to _____ 1, 20__.

Section 2.5. Form. The Obligations shall be in fully registered, certificated form, substantially in the form set forth in Exhibit A.

Section 2.6. Execution. The Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any

representative whose signature appears on any Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Agreement.

Section 2.7. Book Entry Only System. The City may from time to time enter into, and discontinue, an agreement with a Securities Depository which is the Owner of the Obligations, to establish procedures with respect to the Obligations not inconsistent with the provisions of this Agreement; provided, that, notwithstanding any other provisions of this Agreement, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Obligation so long as the Obligations are subject to such agreement. With respect to Obligations registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the City shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Obligations. It is hereby acknowledged that the City intends to enter into an agreement with DTC in connection with the execution and delivery of the Obligations, and while such agreement is in effect, the procedures established therein shall apply to the Obligations notwithstanding any other provisions of this Agreement to the contrary. As long as DTC is the Securities Depository with respect to the Obligations, the Trustee shall be a “DTC Direct Participant.” The Trustee shall not have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Obligations regarding accuracy of any records maintained by DTC or DTC participants, the payments by DTC or DTC participants of any amount in respect of principal, redemption price or interest on the Obligations, any notice which is permitted or required to be given to or by Owners hereunder (except such notice as is required to be given by the City to the Trustee or to DTC), or any consent given or any other action taken by DTC as Owner.

Section 2.8. Transfer and Exchange.

(a) Any Obligation may, in accordance with its terms, be transferred upon the registration books for the Obligations required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Obligation or Obligations shall be surrendered for transfer, the Trustee shall execute and deliver a new Obligation or Obligations in fully registered form of the maturity and interest rate and for a like aggregate principal amount.

(b) Obligations may be exchanged at the Designated Office for a like aggregate principal amount of Obligations of Authorized Denominations of the same maturity

and interest rate. In connection with any such exchange or transfer of Obligations, the Owner requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid, other than one imposed by the City (which will not be payable by the Trustee), or any fee or expense of the Trustee or the City with respect to such exchange or transfer.

(c) The Trustee may, but shall not be obligated to, exchange or register the transfer of an Obligation (i) if the Obligation is to be redeemed, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If an Obligation subject to redemption is to be transferred after having been selected for redemption, any notice of redemption which has been given to the transferor shall be binding on the transferee and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

(d) Prior to any transfer of the Obligations outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.9. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation, shall execute and deliver a new Obligation of like tenor, maturity and amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner of such Obligation. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation of like tenor, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Obligations secured by this Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being Outstanding for the purpose of determining the principal amount of Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of Obligations Outstanding hereunder, but both the original and replacement Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.10. Payment.

(a) Payment of interest due with respect to any Obligation on any Interest Payment Date shall be made to the person appearing on the registration books for the Obligation maintained by the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the date due by first class mail to such Owner at the address thereof as it appears on such registration books, payable in lawful money of the United States of America.

(b) The principal and redemption price, if any, with respect to the Obligations shall be payable in lawful money of the United States of America upon surrender when due at the Designated Office.

(c) Interest and, if arrangements for surrender are made with the Trustee, principal and redemption price, if any, payable to any Securities Depository or to any Owner of \$1,000,000 or more in principal amount of Obligations shall be paid by wire transfer in immediately available funds to an account in the United States of America if the Owner makes a written request of the Trustee at least twenty (20) days before the Interest Payment Date specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

(d) Any interest on any Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (“Defaulted Interest”) shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the persons in whose names such Obligations are registered at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the “Special Record Date”). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner of an Obligation at his address as it appears in the registration books by the Trustee for the Obligation not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the persons in whose names the Obligations are registered on such Special Record Date.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Agreement to be signed or executed by Obligation Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of

any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Obligations shall be sufficient for any purpose of this Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or the attorney or agent thereof of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Obligations by any person and the amount, the maturity and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.12 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Obligation Register. The Trustee will keep or cause to be kept, at the Designated Office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours on any Business Day be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Obligations as hereinbefore provided.

Section 2.13. Payment of Unclaimed Amounts. In the event any check for payment of interest on an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its payment date or any Obligation is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The obligation of the Trustee to hold such funds shall continue for two years and six months (subject to applicable escheat laws) following the date on which such interest or principal payment became due, whether at maturity or the date fixed for redemption, or otherwise, at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III

APPLICATION OF PROCEEDS RECEIVED BY TRUSTEE; ACQUISITION FUND; COSTS OF ISSUANCE FUND

Section 3.1. Application of Proceeds. \$_____ of the proceeds received by the Trustee from the sale of the Obligations shall forthwith be set aside by the Trustee in the Costs of Issuance Fund and the balance of such proceeds (\$_____) shall forthwith be set aside by the Trustee in the Acquisition Fund.

Section 3.2. Establishment and Application of Acquisition Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Sedona Acquisition Fund (2022)” (herein referred to as the “Acquisition Fund”), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Agreement.

(b) Pursuant to the Purchase Agreement and subject to the terms and conditions thereof, the City has irrevocably been appointed as the sole and exclusive agent to act for and on behalf of the Trustee in the construction of the Projects. Except as provided in (c) below, moneys in the Acquisition Fund shall be expended only for Project Costs. It is understood and agreed that the Trustee shall have no responsibility or liability for the performance of the City under this Agreement, the Purchase Agreement, and any other documents executed in connection herewith or therewith.

(c) (1) The amount in the Acquisition Fund shall be applied to the payment of the Project Costs, as hereinafter provided, upon receipt of a duly executed Payment Request Form (on which the Trustee is entitled conclusively rely) in substantially the form attached hereto as Exhibit B, certified to by the City Representative. The Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form within three (3) Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within three (3) Business Days of receipt of a duly executed Reimbursement Request Form in substantially the form attached hereto as Exhibit C, certified to by the City Representative. The Trustee has no duty or obligation to confirm that such disbursements constitute Project Costs.

(2) Project Costs will be paid directly to the Contractor, the Vendor or the payee named in the Payment Request Form unless the Contractor, the Vendor or the City Representative request payment to be made to the Contractor, the Vendor or payee and another party jointly, in which case such cost shall be paid jointly.

(3) Should any shortfall or deficiency occur in the Acquisition Fund, the City shall pay such amounts to the Trustee.

(4) Amounts in the Acquisition Fund shall be used to pay principal and interest on the Obligations if insufficient funds are otherwise available to make such payments when due.

(5) On the Completion Date, all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the City on the next succeeding Interest Payment Date, and the Acquisition Fund shall be closed.

(6) Any amount remaining in the Acquisition Fund upon the occurrence of an Event of Default of which a Responsible Officer of the Trustee has actual knowledge shall not be disbursed as provided in this Section, but shall be immediately transferred to the Payment Fund and used to pay principal and interest with respect to the Obligations.

Section 3.3. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Sedona Costs of Issuance Fund (2022)” (herein referred to as the “Costs of Issuance Fund”), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement on which the Trustee is entitled to conclusively rely, executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed. The Trustee has no duty or obligation to confirm that such disbursements constitute Delivery Costs.

(c) On the earlier of June 1, 2022, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

**ARTICLE IV
REDEMPTION OF OBLIGATIONS**

Section 4.1. Redemption Provisions.

(a) The Obligations maturing before or on 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 such order and from such maturities as may be selected by the City and by lot within any maturity by such methods as may be selected by the Trustee from prepayments made at the option of the City pursuant to Section 8 of the Purchase Agreement, in whole or in part on any date, on or after July 1, 20__, at a redemption price equal to the principal amount of Obligations or portions thereof to be redeemed, together with accrued interest to the date fixed for redemption, but without premium.

(b) The Obligations maturing on July 1, 20__, shall be redeemed on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of redemption, but without premium:

Maturing July 1, 20__	
Year Redeemed	Principal Amount Redeemed

A remaining principal amount of \$____,000 of such Obligations shall mature on July 1, 20__.

(c) The Obligations maturing on July 1, 20__, shall be redeemed on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of redemption, but without premium:

Maturing July 1, 20__	
Year Redeemed	Principal Amount Redeemed

A remaining principal amount of \$____,000 of such Obligations shall mature on July 1, 20__.

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

Section 4.2. Selection of Obligations for Redemption. The Obligations shall be redeemed only in the principal amounts of \$5,000 each or integral multiples thereof. The City shall, at least forty-five (45) days prior to an optional redemption date, notify the Trustee of such redemption date and of the maturities of the Obligations and the principal amount of the Obligations of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Obligations of a maturity, if the Obligations are not held in a book entry only system as described in Section 2.7, the particular Obligations or portions of Obligations of such maturity to be redeemed shall be selected by the Trustee by lot in accordance with its standard procedures not more than forty-five (45) nor less than thirty (30) days prior to the redemption date by such selection methods as the Trustee shall in its sole discretion deem appropriate and fair; provided, however, that such selection methods shall provide for the selection of Obligations or portions thereof for redemption in principal amounts of \$5,000 or integral multiples thereof such that any \$5,000 Obligation or \$5,000 portion of an Obligation of such maturity shall be as likely to be called for redemption as any other such \$5,000 Obligation or \$5,000 portion thereof. The Trustee shall promptly notify the City in writing of the

Obligations so selected for redemption, and the City will provide the Trustee within thirty (30) days a recomputed payment schedule for the Purchase Agreement.

Section 4.3. Notice of Redemption; Effect.

(a) The Trustee shall cause notice of any optional redemption of Obligations hereunder to be mailed to the Owners of all of the Obligations to be redeemed at the addresses appearing in the Register kept for such purpose pursuant to Section 2.12 hereof. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the redemption date, (2) identify the Obligations to be redeemed (specifying the CUSIP numbers, if any, assigned to the Obligations), (3) specify with respect to the Obligations being redeemed their date of issue, their maturity date, their redemption date and their redemption price, (4) set forth the name, address and telephone number of the person from whom information pertaining to the redemption may be obtained, and (5) state that on the redemption date the Obligations to be redeemed will be payable at the Designated Office, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations. No defect affecting any Obligation, whether in the notice of redemption or the delivery thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Obligations.

(b) If at the time of mailing of notice of an optional redemption of Obligations, there has not been deposited with the Trustee moneys or Government Obligations sufficient to redeem all Obligations subject to such redemption and the requirements of (e) below are not satisfied, then such notice shall state that the redemption is conditional upon the deposit of moneys or Government Obligations sufficient for the redemption with the Trustee and satisfaction of such requirements not later than the opening of business on the redemption date, and such notice will be of no effect and such Obligations shall not be redeemed unless such moneys or Government Obligations are so deposited and such requirements in (e) below are met.

(c) Any notice of redemption shall be mailed by first class mail, postage prepaid; provided that any notice of redemption given to any Owner of \$1,000,000 or more in aggregate principal amount of Obligations also shall be transmitted Electronically. A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes.

(d) Notice having been mailed in the manner provided in (c) above, the Obligations and portions thereof called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, plus interest accrued to the redemption date.

(e) If the moneys or Governmental Obligations for the redemption of all of the Obligations and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, are held by the Trustee on the redemption date, so as to be available therefor on that date, then from and after the redemption date those Obligations and portions thereof to be redeemed shall cease to bear interest and no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the redemption date, those Obligations

and portions thereof shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption.

(f) All moneys deposited in the Payment Fund and held by the Trustee for the redemption of particular Obligations shall be held in trust for the account of the Owners thereof and shall be paid to them, respectively, upon presentation and surrender of those Obligations.

Section 4.4. Partial Redemption of Obligation. Upon surrender of any Obligation redeemed in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the City, a new Obligation or Obligations of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Obligation surrendered and of the same maturity.

ARTICLE V PAYMENTS; PAYMENT FUND

Section 5.1. Trustee's Rights in Purchase Agreement. The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owners.

Section 5.2. Establishment of Payment Fund. The Trustee shall establish a special trust fund designated as the "City of Sedona Payment Fund (2022)" (herein referred to as the "Payment Fund"). All moneys at any time deposited by the Trustee in the Payment Fund shall be held by the Trustee in trust for the benefit of the Owners. So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.3. Payments by City; Deposits. Subject to the limitations pursuant to the Purchase Agreement with respect to the Excise Taxes, the City shall be required to make the Payments, taking into account any funds on deposit in the Payment Fund as a credit towards any Payment then due. The Trustee, not less than ten (10) Business Days prior to each Interest Payment Date, shall notify the City of the amount required to be paid after taking into account earnings on investments which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date for both principal and interest with respect to the Obligations. All amounts received by the Trustee as the Payments pursuant to the Purchase Agreement shall be deposited in the Payment Fund.

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

Section 5.5. Transfers of Investment Earnings to Payment Fund. Except as otherwise directed in writing by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.6. Surplus. Any surplus remaining in any of the funds created hereunder, after redemption and payment of all Obligations, including accrued interest and redemption premium, if any, and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such redemption and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI PLEDGE AND LIEN

Section 6.1. Pledge. None of the Obligations shall be entitled to priority or distinction one over the other in the application of the Excise Taxes pledged by the Purchase Agreement to the payment thereof, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times the Obligations mature or are subject to redemption prior to maturity. All of the Obligations are co-equal as to the pledge of and lien on the Excise Taxes pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from the Excise Taxes or security therefor.

Section 6.2. Protection of Lien. No assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof shall be made or created or suffered to be made or created. No obligations the payment of which is secured by an equal claim on or interest in property or revenues pledged hereunder will be issued or delivered except in lieu of, or upon transfer of registration or exchange of, any Obligation as provided herein.

Section 6.3. Existing Parity Pledge. The pledge of the Excise Taxes under the Purchase Agreement is on a parity with the pledge of the Excise Taxes to payment due on or with respect to the City Lease, the Second Series 2015 Purchase Agreement, the Series 2021 Purchase Agreement and any parity or additional parity bonds or other obligations so proposed to be secured by a parity pledge of the Excise Taxes.

ARTICLE VII MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 7.1. Held in Trust. The moneys and investments held by the Trustee under this Agreement are irrevocably held in trust for the benefit of the Owners of the Obligations and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or any Owner of Obligations.

Section 7.2. Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments. The City Representative shall direct such investment in specific Permitted Investments. The City Representative shall be solely responsible for ascertaining that all proposed investments and reinvestments are Permitted Investments and that they comply with federal, state and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Trustee for the reinvestment of any maturing investment. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Absent written direction of the City, the Trustee shall hold such moneys held under this Trust Agreement uninvested in cash, without liability for interest. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, including at the time of reinvestment of earnings thereof. In no event shall the Trustee be liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments and the Trustee shall have no obligation to confirm that any such directed investment constitutes a Permitted Investment. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur. The Trustee may elect, but shall not be obligated, to credit the funds and accounts held by it with moneys representing income or principal payments due on, or sales proceeds due in respect of, Permitted Investments in such funds and accounts, or to credit to Permitted Investments intended to be purchased with such moneys, in each case before actually receiving the requisite moneys from the payment source, or to otherwise advance funds for account transactions. The City acknowledges that the legal obligation to pay the purchase price of any Permitted Investments arises immediately at the time of the purchase. Notwithstanding anything else in this Trust Agreement, (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Trust Agreement shall constitute a waiver of any of Trustee's rights as a securities intermediary under Uniform Commercial Code Section 9-206.

Section 7.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 7.2 hereof.

Section 7.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments

were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to Section 14(c) of the Purchase Agreement.

Section 7.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. In determining the 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.

Section 7.6. Limitation of Investment Yield. In the event the City (while it is directing investments) is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligations, or any of them, being considered “arbitrage bonds” within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate.

Section 7.7. Other Tax Covenants. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owners, from time to time, and in consideration of retaining the exclusion of interest income from gross income on the Purchase Agreement and the Obligations for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on the Purchase Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent interest income on the Purchase Agreement or the Obligations from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements to be prepared by special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Purchase Agreement or the Obligations; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys relating to this Agreement; and limiting the use of the proceeds of the Obligations and property financed thereby.

ARTICLE VIII THE TRUSTEE

Section 8.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.1 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 8.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligations shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Agreement, the Purchase Agreement or of the Obligations or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon them, respectively. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Agreement against the Trustee. After the occurrence, and during the continuance, of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Section 8.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 8.1 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.4. Protection and Rights of the Trustee. (a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and

accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may become the Owner of the Obligations with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

(d) The recitals, statements and representations by the City contained in this Agreement or in the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds, including proceeds of the Obligations, which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the existence, furnishing or use of the Projects.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 10(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Obligations then Outstanding.

(j) The Trustee shall have the right to accept and act upon Instructions delivered using Electronic Means. If the City elects to give the Trustee Instructions using Electronic Means, and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics,

quarantine restrictions, acts of civil or military authority or governmental action or other similar occurrences. In acting or omitting to act pursuant to the Purchase Agreement or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement, including, but not limited to, this Article VIII.

(l) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Obligations.

(m) The permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Projects.

(n) Before taking any action under this Agreement relating to an Event of Default or in connection with its duties under this Agreement other than making payments of principal and interest on the Obligations as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its negligence or willful misconduct in connection with any action so taken.

(o) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

(p) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Agreement.

Section 8.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule as agreed upon between the City and the Trustee (which fee schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including its fees, costs and expenses after an Event of Default and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses, costs and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 8.6. Removal of Trustee. (a) The City (but only if no Event of Default has occurred and is continuing) or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, at any time upon thirty (30) days' prior written notice and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation, or the giving of notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 8.4 and 11.3 hereof. Upon such acceptance, the successor trustee shall mail notice thereof to the Owners of the Obligations at their respective addresses set forth on the registration books for the Obligations maintained pursuant to Section 2.12 hereof.

Section 8.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 8.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 8.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

**ARTICLE IX
MODIFICATION OR AMENDMENT OF AGREEMENTS**

Section 9.1. Amendments Permitted. (a) This Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 9.3 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express written consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of this Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 9.2 hereof.

(b) This Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to provide for additions or modifications to the Projects, (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) 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, (5) to provide for the appointment of a successor trustee pursuant to the terms hereof, (6) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue or incur bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (8) with respect to rating matters, (9) to facilitate the issuance or incurrence of additional parity obligations, or (10) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially, adversely affect the interests of the Owners of the Obligations as evidenced by an opinion of counsel delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon an opinion of counsel as conclusive evidence that any such supplemental or amending agreement is authorized or permitted under this Trust Agreement (and, if applicable, the Purchase Agreement), and complies with this Section or Section 9.2.

Section 9.2. Procedure for Amendment With Written Consent of Obligation Owners. (a) This Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the

Owners of the Obligations is required pursuant to Section 9.1 hereof. A copy of such supplemental or amending agreement, together with a request to the Owners of the Obligations for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at the address thereof as set forth on the registration books for the Obligations maintained pursuant to Section 2.12 hereof, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 9.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of all Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 9.3 hereof) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental or amending agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Obligations at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in this Agreement and shall not be entitled to vote upon, consent to, or take any other action provided for in this Agreement; provided, however, that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Obligations which a Responsible Officer of the Trustee actually knows to be owned or held by the City, or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall be deemed not to be Outstanding unless all

Obligations are so owned, in which case such Obligations shall be considered Outstanding for the purpose of such determination.

Section 9.4. Effect of Supplemental Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article IX, this Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Agreement or the Purchase Agreement, as the case may be, for any and all purposes. The Trustee may require each Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal whether the Obligations as to which such consent is given are disqualified as provided in Section 9.3 hereof.

Section 9.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Outstanding Obligation.

Section 9.6. Amendatory Endorsement of Obligations. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment or supplement as to the particular Obligations held thereby, provided that proper notation thereof is made on such Obligations.

ARTICLE X COVENANTS, NOTICES

Section 10.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 10.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter

imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.3. Recordation and Filing. The City shall file this Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee, the Trustee having no obligation to make such requirements), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owners.

Section 10.4. Further Assurances. The Trustee (at the reasonable request, and at the expense, of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owners the rights and benefits provided herein.

Section 10.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 10.6. Business Days. Except as otherwise required herein, if this Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE XI LIMITATION OF LIABILITY

Section 11.1. Limited Liability of the City. Except for the payment of the Payments from the Excise Taxes when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners with respect to this Agreement or the terms, execution, delivery or transfer of the Obligations or the distribution of Payments to the Owners by the Trustee.

Section 11.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Agreement.

Section 11.3. Indemnification of the Trustee. (a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and

employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Projects or the sites of the Projects or any portion thereof or interest therein by the City; (ii) any breach or default on the part of the City in the performance of any of its obligations under this Agreement and any other agreement made and entered into for purposes of the Projects or any interest therein; (iii) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Projects; (iv) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Projects; (v) the construction or acquisition of the Projects or any interest therein; (vi) the actions of any other party, including but not limited to the operation or use of the Projects or the sites of the Projects or interest therein by the City; (vii) the ownership of the Projects or the sites of the Projects or interest therein; (viii) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or in connection with any document or transaction contemplated herewith or therewith; (ix) any matters with respect to the Projects; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Obligations, including the costs and expenses of defending itself against any claim of liability arising under this Trust Agreement. No indemnification will be made under this Section or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts under Section 8.5 and this Section 11.3, the Trustee shall be secured under this Agreement by a lien prior to the Obligations. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the maturity and payment or redemption of the Obligations or resignation or removal of the Trustee or the termination of this Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder; provided, however, the Trustee may retain its own counsel and still be indemnified against the cost of employing counsel and all other expenses despite an assumption of the defense by the City if the Trustee believes in good faith that there are defenses available to it which are not available to the City or which are adverse to or in conflict with those available to the City and which the Trustee believes in good faith cannot be effectively asserted by common counsel. The City shall not settle or compromise

any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 11.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 12.1. Seller's Rights Held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the Excise Taxes for the payment of the Obligations.

Section 12.2. Remedies Upon Default; No Acceleration. Upon an Event of Default and if such event has not been cured as provided in the Purchase Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City hereunder or under the Purchase Agreement, then due (but not the Payments and other such amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under this Trust Agreement or the Purchase Agreement as provided in the Purchase Agreement. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected. Neither the Trustee nor the Owners of the Obligations shall have any right under any circumstances to accelerate the payment dates of the Obligations or otherwise declare any of the Payments not then past due or in default to be immediately due and payable.

Section 12.3. Application of Funds. (a) Subject to Subsection (b), amounts held by the Trustee hereunder and proceeds from the exercise of any remedies hereunder or under the Purchase Agreement after payment or reimbursement of the reasonable fees, costs and

expenses of the Trustee in connection therewith, including reasonable attorneys' fees and expenses and the creation of a reasonable reserve for anticipated fees, costs and expenses, shall be applied as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or because of selection for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference; and

(b) Whenever moneys are to be applied pursuant to this section, the Trustee shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give or cause to be given notice of such payment, by first-class mail, to the Owners of Obligations at least eight (8) days before such date. The Trustee shall not be required to make payment to the Owner of any Obligation until such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. Any surplus thereof shall be paid to the City as directed by the City Representative.

Section 12.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 12.5. Non-waiver. Except as otherwise provided in this Article, the Obligation Owners have the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Obligation Owners.

Section 12.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial

proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Section 12.7. Limitation on Obligation Owners' Right to Sue. (a) No Owner of any Obligation issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by his or their action to enforce any right under this Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Obligations.

(c) The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Agreement.

ARTICLE XIII MISCELLANEOUS

Section 13.1. Defeasance. (a) If and when any Outstanding Obligation or portion thereof shall be paid and discharged in any one or more of the following ways:

(i) by paying or causing to be paid the principal of and interest and redemption premium, if any, with respect to such Obligations Outstanding, as and when the same become due and payable;

(ii) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid such Obligations Outstanding, including all principal, interest and redemption premium, if any; or

(iii) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are noncallable in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged such Obligations (including all principal, interest and redemption premium, if any) at their respective maturity or prior redemption dates, which deposit may be made in accordance with the provisions of Section 8 of the Purchase Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to such Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to subsections (ii) or (iii) of this Section and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to subsections (ii) or (iii), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such funds.

(b) Any funds held by the Trustee, at the time of one of the events described in subsection (a) of this Section, which are not required for the payment to be made to Owners or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) Any Obligation or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section; provided however, that if any such Obligation or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Obligation or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in subsections (ii) or (iii) of subsection (a) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

(d) No Obligation may be provided for as provided in this Section if, as a result thereof, or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on any Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee, and the City may rely upon an opinion of Independent Counsel which is nationally recognized bond counsel to the effect that the provisions of this subsection will not be breached by so providing for the payment of any Obligations.

Section 13.2. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by the City and any Owner, or the agent of any of them, upon reasonable prior notice, at any time during regular business hours.

Section 13.3. Notices. All written notices to be given under this Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of Sedona, Arizona
 102 Roadrunner Drive
 Sedona, Arizona 86336
 Attention: City Manager

If to the Trustee: _____

 Attention: Corporate Trust Services

Section 13.4. Incorporation of State Statutes. (a) Section 38-511, Arizona Revised Statutes, as amended, provides that the City may, within three years after its execution, cancel any contract (including this Agreement), without penalty or further obligation, 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 (including in the case of this Agreement, the Trustee) in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. In addition, the City 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 City from any other party to the contract arising as a result of the contract.

(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 Agreement 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 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 Trustee’s certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 13.5. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State.

Section 13.6. Binding Effect and Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.7. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 13.8. Destruction of Cancelled Obligations. Whenever in this Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Obligations, the Trustee may destroy such Obligations and, upon the City’s request, deliver a certificate of such destruction to the City.

Section 13.9. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to “Articles”, “Sections”, and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 13.10. Parties Interested Herein. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owners, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners of the Obligations.

Section 13.11. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.12. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or

unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

_____, **as Trustee**

By.....
Authorized Representative

THE CITY OF SEDONA, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

EXHIBIT A-1

(Form of Obligation)

Number:

Principal Amount:

Unless this Obligation is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Trustee (or any successor registrar) for registration of transfer, exchange, or payment, and any Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

EXCISE TAX REVENUE OBLIGATION, SERIES 2022

Evidencing a Proportionate Interest of the Owner
Hereof in Purchase Price Payments to be Made by

THE CITY OF SEDONA, ARIZONA

to

_____,
as Trustee

<u>Interest Rate:</u>	<u>Maturity Date:</u>	<u>Dated Date:</u>	<u>CUSIP:</u>
.....%	July 1, 20....., 2022	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Excise Tax Revenue Obligation, Series 2022 (this “Obligation”) is the owner of an undivided, participatory, proportionate interest in the right to receive certain “Payments” under and defined in that certain Fourth Purchase Agreement, dated as of _____ 1, 2022 (the “Purchase Agreement”), by and between _____ (the “Trustee”), and the City of Sedona, Arizona, a municipal corporation and a political subdivision existing under the laws of the State of Arizona (the “City”), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain Fourth Trust Agreement, dated as of _____ 1, 2022 (the “Trust Agreement”), by and between the City and the Trustee. The Trustee maintains a corporate trust office for payment and transfer of this Obligation (the “Designated Office”).

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the maturity date set forth above, the principal amount set forth above, representing a portion of the payments due designated as principal coming due and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the “Interest Payment Dates”), until payment in full of said portion of principal or redemption prior thereto,

the registered owner's proportionate share of the Payments designated as interest coming due during the period commencing on the last date on which Interest was paid and ending on the day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Said amounts representing the registered owner's share of the Payments designated as interest are payable in lawful money of the United States of America by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date at the address thereof as it appears on the registration books for the Obligations maintained by the Trustee. Said amounts representing the registered owner's share of the Payments designated as principal are payable when due upon surrender of this Obligation at the Designated Office. Principal, interest or redemption premium, if any, payable to any owner of \$1,000,000 or more in principal amount of the series of obligations of which this Obligation is a part (the "Obligations") may be paid by wire transfer in immediately available funds to an account in the United States if the owner makes a written request of the Trustee at least twenty (20) days before the date of payment specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

The Trustee has no obligation or liability to the registered owners of the Obligations for the payment of interest or principal pertaining to the Obligations. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the Obligations, the various funds and accounts established pursuant to the Trust Agreement.

This Obligation has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by a resolution of the Mayor and Council of the City adopted on February 8, 2022. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, a description of the terms on which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations secured and to be secured on a parity with the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

The Obligations are payable from payments to be made by the City pursuant to the Purchase Agreement. To secure the Payments required to be paid by the City pursuant to the provisions of the Purchase Agreement (and any obligations issued or which could be issued on a parity with the requirement to make payments from such amounts as provided in the Purchase

Agreement), the City has pledged for the payment of the Payments all excise taxes, transaction privilege (sales, license and use) taxes, vehicle license fees, plan review deposit fees, building permit fees, conditional use permit fees, development review fees, franchise fees, fines and forfeitures which the City now collects and which it may collect in the future, together with the City's portion of any excise taxes, transaction privilege (sales and use) taxes and income taxes imposed and collected by the State of Arizona, or any political subdivision thereof, or any other governmental unit or agency, and returned, allocated or apportioned to the City, EXCEPT (i) any such taxes, fees, fines and forfeitures which the City has enacted or may enact in the future which must be used or expended by the City for specific purposes, and (ii) any such taxes which, by State law, rule or regulation must be expended for specific purposes, such as motor vehicle fuel taxes.

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owners of the Obligations shall have any right under any circumstances to accelerate the maturity of the Obligations or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (The Obligations represent interests in a limited obligation of the City (as described herein), and no Council member, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment thereof.)

For further definitions, a more complete statement of the income and revenues from which, and conditions under which, the Obligations are payable, the conditions under which additional obligations have been and may be authorized and issued on a parity herewith, a statement of the terms under which the Trust Agreement or the Purchase Agreement may be modified or supplemented and a statement of the general covenants and provisions pursuant to which the Obligations are issued, reference is made to the Trust Agreement and the Purchase Agreement.

The Obligations are issuable only as fully registered obligations in the denominations authorized and in printed or typewritten form. The Obligations shall not be transferable or exchangeable, except as provided in the Trust Agreement.

The Obligations are executed and delivered only in fully registered form in denominations of \$5,000 of principal due on a specific maturity date or integral multiples thereof.

This Obligation may be exchanged for an Obligation or Obligations of like aggregate principal amount in authorized denominations having the same maturity date and interest rate.

This Obligation is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Designated Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon

surrender and cancellation of this Obligation. Upon such transfer a new Obligation or Obligations, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Obligation shall be overdue, and the City and the Trustee shall not be affected by any notice to the contrary.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The Trustee may, but shall not be obligated to, exchange or register the transfer of this Obligation (i) if this Obligation has been selected for redemption, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If this Obligation is transferred after having been selected for redemption, any notice of redemption which has been given to the transferor shall be binding on the transferee, and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal of all Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.

Obligations maturing on or before July 1, 20__, will not be subject to optional redemption prior to maturity. Obligations maturing on or after July 1, 20__, will be subject to redemption in such order and from such maturities as may be selected by the City, in whole or in part on any date on or after July 1, 20__, at a redemption price equal to the principal amount of each Obligation to be redeemed, together with accrued interest to the date fixed for redemption but without premium.

The Obligations maturing on July 1, 20__, shall be redeemed on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of redemption, but without premium:

	Maturing July 1, 20__	
Year Redeemed		Principal Amount Redeemed

A remaining principal amount of \$____,000 of such Obligations shall mature on July 1, 20__.

The Obligations maturing on July 1, 20__, shall be redeemed on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of redemption, but without premium:

	Maturing July 1, 20__	
Year Redeemed		Principal Amount Redeemed

A remaining principal amount of \$____,000 of such Obligations shall mature on July 1, 20__.

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

If less than all of the outstanding Obligations of any maturity are to be redeemed, the Obligations (or portions hereof) to be redeemed will be selected by the Trustee by lot or in any customary manner as determined by the Trustee. Redemption shall be in authorized denominations or any integral multiples thereof.

The Trustee shall give notice of any redemption of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the redemption date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys or eligible securities sufficient to redeem all Obligations subject to redemption and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the redemption and satisfaction of such conditions. If Obligations or portions thereof are subject to redemption and if on the redemption date moneys for the redemption thereof are held by the Trustee and those other conditions are met, thereafter those Obligations or portions thereof to be redeemed shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement. The failure to receive any notice of redemption, or any defect in such notice in respect of any Obligation, shall not affect the validity of redemption of any Obligation.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the execution and delivery of this Obligation have happened, have been done, do exist and have been performed in regular and due form and time as required by law.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

_____, as Trustee

By.....
Authorized Representative

The following abbreviations, when used in the inscription on the face of this 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
TEN ENT -	as tenants by the entiretiesCustodian.....
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor)
		under Uniform Gifts/Transfers to Minors Act
	

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Insert Social Security or Other Identifying Number of Transferee

.....
.....

.....
(Please Print or Typewrite Name and Address of Transferee)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints

....., attorney to transfer the within certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated

.....

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

.....

The signature(s) should be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Commission Rule 17Ad-15

EXHIBIT B

Payment Request Form

Application No.

The Trustee is hereby requested to pay from the “Acquisition Fund” established by the Fourth Trust Agreement, dated as of _____ 1, 2022 (the “Trust Agreement”), between the City of Sedona, Arizona (the “City”) and, as trustee (the “Trustee”) to the person or corporation designated below as “Payee,” the sum set forth below such designation, in payment of the Project Costs (as such term is and other undefined terms used herein are defined in the Trust Agreement) described below. The amount shown below is due and payable under a purchase order or contract with respect to the Project Costs described below and has not formed the basis of any prior request for payment.

Payee:

Address:

Amount:

Description of Project Costs or portion thereof authorized to be paid to the Payee:

.....
.....
.....
.....
.....
.....
.....

The City acknowledges that it has received and inspected each item of the Projects described above and has found each item of the Projects so described to be in good condition, in conformity with the City’s specifications and satisfactory for the City’s purposes and in accordance with the applicable purchase order or contract and the plans for the Projects. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Payee from any liability or obligation to the City in the event the City’s acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Projects described above.

By execution of this Payment Request Form, the City requests and approves the payment of the amount stated above to Payee set forth above.

DATED:, 20.....

.....
City Representative

Please forward payment to Payee at the following address:

.....
.....
.....

EXHIBIT C

Reimbursement Request Form

Application No.

The Trustee is hereby requested to pay from the "Acquisition Fund" established by the Fourth Trust Agreement, dated as of _____ 1, 2022 (the "Trust Agreement"), between the City of Sedona, Arizona (the "City"), and, as trustee (the "Trustee"), to the City, the sum set forth below as reimbursement of (all/a portion) of the Project Costs (as such term and all other undefined terms used herein are defined in the Trust Agreement) described below. The amount shown below was paid by the City as Project Costs and has not formed the basis of any prior request for payment.

The City acknowledges that it has received and has inspected each item of the Projects to which the foregoing relates and has found each item of the Projects so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released any entity named on the attached documentation, from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Projects described below.

Amount:

Description of Project Costs or portion thereof for which reimbursement is hereby requested:

.....
.....
.....

DATED:, 20.....

.....
City Representative

Dated Received:, 20.....

NEW ISSUES – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” 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 the Owners of the 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 certain federal tax consequences of ownership of the Obligations.

\$21,110,000*

CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022

DRAFT III
1/27/22

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover page

The Excise Tax Revenue Obligations, Series 2022 (the “Obligations”) will be executed and delivered (i) to finance the costs of engineering, design and construction of an extension of Forest Road, an underpass and parking garage projects in and for the City of Sedona, Arizona (the “City”) and (ii) to pay costs relating to the execution and delivery of the Obligations. See “THE PROJECTS” herein.

Interest on the Obligations will be payable semiannually on each July 1 and January 1, commencing January 1, 2023*. The Obligations will be dated the date of delivery and will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interest in the Obligations will be available to purchasers in amounts of \$5,000 of principal of a series due on a specific maturity date and any integral multiple thereof only under the book-entry-only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as defined herein). Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” herein.

The Obligations will be subject to redemption prior to their stated maturities as described herein. See “THE OBLIGATIONS – Redemption Provisions” herein.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The Obligations will be undivided, proportionate interests in the installment payments to be made by the City pursuant to a Fourth Purchase Agreement, to be dated as of March 1, 2022* (the “Purchase Agreement”), between the City and [Trustee], as trustee. The installment payments will be payable from and secured by a first lien on and pledge of Excise Taxes (as defined herein) on a parity with the City Lease, the Second Series 2015 Purchase Agreement, the Series 2021 Purchase Agreement and any Additional Parity Lien Obligations (each as defined herein) that may be incurred on a parity as provided in the Purchase Agreement. No obligations may be incurred that would have a prior pledge of Excise Taxes to the installment payments due pursuant to the Purchase Agreement. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein.

THE OBLIGATIONS WILL BE SPECIAL, LIMITED, REVENUE OBLIGATIONS OF THE CITY AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

The Obligations will be offered when, as and if executed and delivered, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain matters will be passed upon for the underwriter identified below by its counsel, Snell & Wilmer L.L.P., Phoenix, Arizona. It is anticipated that the Obligations in definitive form will be available for delivery through DTC on or about March __, 2022*.

This cover page contains only a brief description of the Obligations and the security therefor. It is not a summary of material information with respect to the Obligations. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.



* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$21,110,000*

**CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022**

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®⁽¹⁾ No. 81567L</u>
2027	\$ 915,000	%	%	
2028	965,000			
2029	1,010,000			
2030	1,060,000			
2031	1,115,000			
2032	1,170,000			
2033	1,230,000			
2034	1,290,000			
2035	1,340,000			
2036	1,395,000			
2037	1,450,000			
2038	1,510,000			
2039	1,570,000			
2040	1,630,000			
2041	1,695,000			
2042	1,765,000			

* *Subject to change.*

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CITY OF SEDONA, ARIZONA

MAYOR & CITY COUNCIL

Sandy Moriarty, *Mayor*

Scott Jablow, *Vice Mayor*

Kathy Kinsella, *Councilor*

Tom Lamkin, *Councilor*

Holli Ploog, *Councilor*

Jon Thompson, *Councilor*

Jessica Williamson, *Councilor*

CITY ADMINISTRATIVE STAFF

Karen Osburn, *City Manager*

Cherie Wright, *Director of Finance*

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

[Trustee]

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Sedona, Arizona (the “City”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) to give any information or to make any representations with respect to the Obligations, other than those in this Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from representatives of the City and the Arizona Department of Revenue and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

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

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

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission (the “SEC”) nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES OF THE OBLIGATIONS TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE OBLIGATIONS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$21,110,000*

CITY OF SEDONA, ARIZONA EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the Excise Tax Revenue Obligations, Series 2022 (the “Obligations”), to be executed and delivered in the respective principal amounts indicated hereinabove. The Obligations will be undivided, participating, proportionate interests in installment payments (the “Payments”) to be made by the City of Sedona, Arizona (the “City”), pursuant to a Fourth Purchase Agreement, to be dated as of March 1, 2022* (the “Purchase Agreement”), between the City, as buyer, and [Trustee], in its capacity as trustee (the “Trustee”). The Obligations are being executed and delivered for the purpose of providing funds (i) to finance the costs of engineering, design and construction of an extension of Forest Road, an underpass and parking garage projects in and for the City as described under the heading “THE PROJECTS” (collectively, the “Projects”) and (ii) to pay the costs and expenses relating to the execution and delivery of the Obligations. Pursuant to the Purchase Agreement, the Trustee will sell and convey to the City, and the City will buy and accept from the Trustee, the Projects.

The Obligations will be executed and delivered pursuant to a Fourth Trust Agreement, to be dated as of March 1, 2022* (the “Trust Agreement”), between the City and the Trustee. Certain of the Trustee’s interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to enforce the payment of the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX D – “SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS” in addition to the information hereinbelow for descriptions of the terms of the Purchase Agreement and the Trust Agreement. See APPENDIX A – “CITY OF SEDONA, ARIZONA – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION,” APPENDIX B – “CITY OF SEDONA, ARIZONA – FINANCIAL DATA” and APPENDIX C – “CITY OF SEDONA, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021” for information about the City.

The Payments will be payable from and secured by a first lien on and pledge of Excise Taxes (as defined herein) on a parity with (i) the City’s lease payment obligations pursuant to a City Lease, dated as of August 1, 1998 (as amended to date, the “City Lease”), between the City and Sedona Wastewater Municipal Property Corporation, (ii) the City’s installment payment obligations pursuant to a Second Purchase Agreement, dated as of December 1, 2015, between the City and U.S. Bank National Association (the “Second Series 2015 Purchase Agreement”), (iii) the City’s installment payment obligations pursuant to a Third Purchase Agreement, dated as of August 1, 2021, between the City and U.S. Bank National Association (the “Series 2021 Purchase Agreement” and, collectively with the City Lease and Second Series 2015 Purchase Agreement, the “Existing Parity Obligations”) and (iv) obligations that may be hereafter issued on a parity therewith and with the Obligations (referred to herein as “Additional Parity Lien Obligations”).

“Excise Taxes” means all excise taxes, transaction privilege (sales, license and use) taxes, vehicle license fees, plan review deposit fees, building permit fees, conditional use permit fees, development review fees, franchise fees, fines and forfeitures which the City now collects and which it may collect in the future, together with the City’s portion of any excise taxes, transaction privilege (sales and use) taxes and income taxes imposed and collected by the State, or any political subdivision thereof, or any other governmental unit or agency, and returned, allocated or apportioned to the City (“State Shared Revenues”), EXCEPT (i) any such taxes, fees, fines and forfeitures which the City may enact in the future which must be used or expended by the City for specific purposes, and (ii) any such taxes which, by State law, rule or regulation must be expended for specific purposes, such as motor vehicle fuel taxes.

* *Subject to change.*

So long as any amounts due under the Existing Parity Obligations or the Purchase Agreement remain unpaid or unprovided for, the City may not further encumber Excise Taxes on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Additional Parity Lien Obligations; No Prior Lien Obligations” and, for detail about amounts due pursuant to the Existing Parity Obligations and the Purchase Agreement, see APPENDIX B – “CITY OF SEDONA, ARIZONA – FINANCIAL DATA.” The City may not encumber Excise Taxes on a basis prior to the pledge for the Purchase Agreement.

THE OBLIGATIONS AND THE OBLIGATION OF THE CITY TO MAKE THE PAYMENTS EACH CONSTITUTE A LIMITED OBLIGATION OF THE CITY, AND NEITHER CONSTITUTES A GENERAL OBLIGATION OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OR LAWS OF THE STATE. THE CITY’S OBLIGATION TO MAKE THE PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION OR BUDGETING BY THE CITY NOR IS SUCH OBLIGATION SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY LIMITATION ON EXPENDITURES.

Unless and until discontinued, the Obligations will be held in book-entry form by The Depository Trust Company, New York, New York (“DTC”), a registered securities depository, and beneficial interests therein may only be purchased and sold, and payments of principal and interest on the Obligations will be made only to beneficial owners (the “Beneficial Owners”), through participants in the DTC system. Beneficial interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a specific payment date and any integral multiple thereof. So long as Cede & Co. is the registered Owner of the Obligations, as nominee for DTC, references in this Official Statement to “Owner” or registered Owners of the Obligations (other than with respect to the Obligations under the heading “TAX EXEMPTION”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Obligations. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” herein.

Brief descriptions of the security for the Obligations and of matters related to the City are included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee.

Reference to provisions of 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.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or beneficial owners of the Obligations.

THE OBLIGATIONS

General Provisions

The Obligations will be dated the date of their initial execution and delivery, and will bear interest payable semiannually on July 1 and January 1 of each year (each an “Interest Payment Date”), commencing on January 1, 2023*, until their maturity or redemption dates, at the rates set forth on the inside front cover page of this Official Statement. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

As described in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM,” the Obligations, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Obligations, all payments on the Obligations and notices regarding the Obligations will be made directly to DTC.

Subject to the provisions summarized in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM,” the principal of each Obligation will be payable at the designated office of the Trustee. Interest represented by the Obligations will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such date is not a business day, on the next succeeding business day (the “Regular Record Date”) or the Trustee may agree with a registered Owner of \$1,000,000 or more in aggregate principal amount of the Obligations for another form of payment.

If the Trustee fails to make payments or provision for payment of interest on the Obligations when due on any Interest Payment Date, that interest shall cease to be payable to the registered Owner of such Obligations as of the applicable regular record date, and when moneys become available for payment of that interest, the Trustee shall establish a special record date for the payment of that interest, which shall be at least ten days prior to the proposed interest payment date, and notice of such special record date shall be mailed to each registered Owner at least ten days prior to the special record date.

Each Obligation will accrue interest from the Interest Payment Date next preceding the date of its execution, unless: (i) executed on an Interest Payment Date or after a Regular Record Date but before the following Interest Payment Date, in which case interest accrues from such Interest Payment Date, (ii) executed on the date of initial delivery or prior to January 1, 2023*, in which case interest accrues from its dated date, or (iii) payment of interest is in default, in which case interest is payable from the last date to which interest has been paid or, if none, its dated date.

Redemption Provisions*

Optional Redemption. The Obligations will be subject to redemption, at the option of the City, in whole or in part on any date on or after July 1, 20__, at the redemption price of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Manner of Selection for Redemption. The Obligations will be redeemed only in principal amounts of \$5,000 each or integral multiples thereof. The City will, at least 45 days prior to the redemption date, notify the Trustee of such redemption date and of the maturities of the Obligations and the principal amount of the Obligations of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Obligations of a single maturity, the particular Obligations or portions of the Obligations to be redeemed shall be selected through the procedures of DTC.

Notice of Redemption. Redemption notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for redemption. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM.” Such notice will state that if, on the specified redemption date, moneys for redemption of all the Obligations to be redeemed together with interest to the date of redemption, is held by the Trustee, then, from and after said date of redemption, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the redemption will not occur.

* *Subject to change.*

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

General

The Obligations will be special, limited, revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the City to make the Payments will be limited to payment from Excise Taxes and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement will constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City. The City, also, may make the Payments from its other funds as permitted by law and as the City determines from time to time, and the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) bring actions and proceedings thereunder or for the enforcement of such rights, and (c) do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind hereafter conveyed as additional security for the Obligations.

Pledge

The Payments will be payable from and secured by a first lien on and pledge of Excise Taxes on a parity with the payments due pursuant to the Existing Parity Obligations and any Additional Parity Lien Obligations.

So long as any amounts due under the Existing Parity Obligations or the Purchase Agreement remain unpaid or unprovided for, the City may not further encumber Excise Taxes on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied. See “Additional Parity Lien Obligations; No Prior Lien Obligations” below. For detail about amounts due pursuant to the Existing Parity Obligations and the Purchase Agreement, see APPENDIX B – “CITY OF SEDONA, ARIZONA – FINANCIAL DATA.”

If at any time the moneys in the funds held for payment of amounts due under the Purchase Agreement or the Trust Agreement are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement and, with respect to payment from Excise Taxes, *pro rata*, as applicable, with amounts due with respect to the Existing Parity Obligations, the Purchase Agreement and any Additional Parity Lien Obligations. Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement and the Trust Agreement will constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City. The City may make such payments from its other funds as permitted by law and as the City determines from time to time, but the Trustee will thereafter have no claim to such other funds. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

Payment of the principal represented by the Obligations will not be secured by the Projects, and neither the Trustee nor the Owners of the Obligations have any claim or lien on the Projects or any part thereof.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY NOR WILL THE CITY BE LIABLE FOR THE PAYMENTS FROM AD VALOREM PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A

DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Coverage Requirements

Excise Taxes will be maintained so that the amount of all such Excise Taxes received for the next preceding fiscal year of the City will be equal to at least one and fifty hundredths (1.50) times the total of interest and principal requirements for the current fiscal year of the City for the Existing Parity Obligations, the Purchase Agreement and any Additional Parity Lien Obligations. If receipts of Excise Taxes for any such preceding fiscal year shall not have been equal to at least one and fifty hundredths (1.50) times the total of the interest and principal requirements for the current fiscal year of the City for the Existing Parity Obligations, the Purchase Agreement and any Additional Parity Lien Obligations or if at any time it appears that current receipts of Excise Taxes will not be sufficient to meet such requirements, the City will, to the extent permitted by law, either impose new excise, transaction privilege and franchise taxes or will increase the rates for such taxes currently imposed in order that (i) Excise Taxes will be sufficient to meet all such requirements and (ii) Excise Taxes will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

Additional Parity Lien Obligations; No Prior Lien Obligations

Additional Parity Lien Obligations may be incurred but only if Excise Taxes collected in the preceding fiscal year of the City have amounted to at least one and fifty hundredths times (1.50) the highest combined interest and principal requirements for any succeeding fiscal year of the City for the Existing Parity Obligations, the Purchase Agreement and any Additional Parity Lien Obligations.

Coronavirus Disease 2019 (“COVID-19”)

The COVID-19 global pandemic continues to affect the nation and the State with ongoing concerns related to health and safety, appropriate preventative protocols, fiscal and economic issues, and student learning loss. At present, government and business operations in the State, following the rescindment of numerous COVID-19-related Executive Orders by Arizona Governor Doug Ducey, essentially function without government-imposed restrictions relating to the pandemic.

City Excise Taxes collections and other collections dependent on tourism or local business activity may be materially adversely affected by the continued spread of COVID-19 due to slower business activity. The City, however, cannot predict the extent of the impact COVID-19 will have on Excise Tax Revenue collections, which could have a negative impact on City revenues and ability to pay operating expenses and debt service on the Obligations.

The State’s finances are likely to be adversely affected by the continued spread of COVID-19, the various governmental actions taken in response thereto and changes in the behavior of businesses and people, which all could affect the amount of State Shared Revenues distributed to counties and municipalities, including the City.

Excise Taxes are major sources of revenue of the City’s general fund and the security for and source of payment of the Obligations. The City, however, cannot predict how the spread of COVID-19 or the various governmental or private actions taken in response thereto will affect its finances or operations, including the receipt of these funds.

EXCISE TAXES

Excise Taxes will be pledged as security for the Payments due pursuant to the Purchase Agreement, which will be used to pay debt service on the Obligations. Excise Taxes are comprised of City Excise Taxes and State Share Revenues. The major categories of such revenues are discussed more fully under this heading.

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE SHARED SALES TAXES OR STATE SHARED INCOME TAXES DESCRIBED HEREINBELOW WILL NOT BE REDUCED OR ELIMINATED BY THE STATE LEGISLATURE IN THE FUTURE.

City Excise Taxes

City Transaction Privilege (Sales) Tax. The City collects a transaction privilege (sales) tax on a variety of categories of business activity. The City's transaction privilege (sales) tax is levied by the City upon persons on account of their business activities within the City. The amount of taxes due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in TABLE 1.

Other City Sales Taxes Not Included As Excise Taxes. The City currently levies and collects a dedicated sales tax for the purpose of funding roadway and other transportation projects to improve traffic flow for visitors and residents (the "City Transportation Sales Tax"). The City Transportation Sales has a rate of five-tenths of a percent (0.5%). **The revenues from the City Transportation Sales Tax are not part of the Excise Taxes and collections from such taxes are not pledged as a security for amounts due under the Purchase Agreement.** If the City ever authorized and levied such additional special purpose excise taxes in the future, the revenues collected from those special purpose excise taxes would not be considered part of the Excise Taxes and would not be subject to the pledge under the Purchase Agreement. The City Transportation Sales Tax began on March 1, 2018 and is scheduled to expire as soon as improvements are completed or in 10 years, whichever comes first.

TABLE 1

**City Transaction Privilege (Sales) Tax Rates by Category
City of Sedona, Arizona**

Category	City Privilege Tax Rate (a)
Amusements	3.50%
Contracting – Prime	3.50
Contracting – Speculative Builders	3.50
Contracting – Owner Builder	3.50
Job Printing	3.50
Manufactured Buildings	3.50
Timbering and Other Extraction	3.50
Severance – Metal Mining	0.10
Publication	3.50
Hotels	3.50
Hotel/Motel (Additional Tax) (b)	3.50
Commercial Rental, Leasing, & Licensing for Use	3.50
Rental, Leasing, & Licensing for Use of TPP	3.50
Restaurant and Bars	3.50
Retail Sales	3.50
Maintenance, Repair, Replace and Alteration (MRRRA) Amount	3.50
Communications	3.50
Transporting	3.50
Utilities	3.50
Use Tax Purchases	3.00
Use Tax From Inventory	3.00

(a) *The City levies an additional 0.50% sales tax for the City Transportation Sales Tax. **The revenues from the City Transportation Sales Tax are not part of Excise Taxes and collections from such taxes are not pledged as a security for amounts due under the Purchase Agreement.***

(b) *The City also levies an additional 3.50% transient lodging tax on any hotel, motel, apartment or individual charging for lodging space to any person for less than 30 consecutive days. This tax is restricted by State law to use for visitor and hospitality services. Such amounts are not part of Excise Taxes.*

Source: Arizona Department of Revenue.

The following table shows actual collections of the City’s unrestricted transaction privilege (sales) tax by industry classification for fiscal years 2016/17 through and including 2020/21 and budgeted collections for fiscal year 2021/22.

TABLE 2

**Transaction Privilege (Sales) Tax Collections by Industry Classification (a)
City of Sedona, Arizona**

Industry Classification	Actual					Budgeted (b)
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Construction	\$ 1,335,883	\$ 1,197,443	\$ 1,248,927	\$ 1,573,976	\$ 1,556,419	\$ 1,550,117
Transportation, communication and utilities	571,822	551,226	619,234	629,567	679,947	677,174
Retail trade	5,632,490	5,831,540	6,120,392	6,203,673	8,459,066	8,424,845
Restaurants and bars	3,268,739	3,638,764	3,761,990	3,194,548	4,496,293	4,478,078
Rental/leasing/licensing	1,302,833	1,316,591	1,396,946	1,336,758	1,585,888	1,579,444
Hotels and other lodging	6,512,473	7,619,875	8,273,644	7,174,092	12,427,458	12,407,619
All other outlets	911,414	984,943	1,102,702	768,834	897,168	893,523
Total	\$ 19,535,654	\$ 21,140,382	\$ 22,523,835	\$ 20,881,448	\$ 30,102,239	\$ 30,010,800

(a) Due to the City’s participation in the Arizona Department of Revenue (“ADOR”) sales tax collection program and ADOR’s reporting of collections on a cash basis, the totals represented here may differ from the amounts shown in TABLE 5.

(b) Budgeted figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.

Source: Financial Services Department of the City.

Franchise Fees. The City imposes and collects franchise fees to engage in certain activities within the City and the right to utilize certain City property.

Business Licenses. The City imposes and collects fees for licenses to engage in certain activities within the City and the right to utilize certain City property. Those entities transacting more than one type of business are required to have separate business license for each activity they engage. The City has the authority and ability to set the charge for the business license at whatever rate it determines.

Permits. The City imposes and collects fees for permits to engage in certain activities within the City the right to utilize certain City property.

Parks and Recreation Fees. The City imposes and collects fees for parks and recreation to engage in certain activities within the City and the right to utilize certain City property.

Fines and Forfeitures. The City imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic, parking, animal control and other offenses.

State Shared Revenues

State Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of revenues from the State-levied transaction privilege (sales) tax. As TABLE 4 indicates, the rate of taxation on such tax varies among the different types of business activities taxed, with the most common rate being 5.0% of the amount or volume of business transacted.

Currently, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. Each city’s or town’s allocation of the revenues available to all cities and towns is based on its population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.

TABLE 4

**State-Transaction Privilege (Sales) Tax Rates
Taxable Activities and Distribution Base**

Taxable Activities	State Tax Rate	Distribution Base	Education Tax Rate (a)	Combined Tax Rate
Transporting	5.000%	20.00%	0.60%	5.600%
Utilities	5.000	20.00	0.60	5.600
Telecommunications	5.000	20.00	0.60	5.600
Pipeline	5.000	20.00	0.60	5.600
Private car line	5.000	20.00	0.60	5.600
Publication	5.000	20.00	0.60	5.600
Job printing	5.000	20.00	0.60	5.600
Prime contracting	5.000	20.00	0.60	5.600
Owner builder sales	5.000	20.00	0.60	5.600
Amusement	5.000	40.00	0.60	5.600
Restaurant	5.000	40.00	0.60	5.600
Personal property rental	5.000	40.00	0.60	5.600
Retail (excluding food sales)	5.000	40.00	0.60	5.600
Transient lodging	5.500	50.00	N/A	5.500
Mining – non-metal, oil/gas	3.125	32.00	N/A	3.125
Commercial lease	0.000	N/A	N/A	0.000
Severance – metalliferous mining	2.500	80.00	N/A	2.500
Use tax utilities	5.000	20.00	0.60	5.600
Jet fuel use tax	(b)	N/A	N/A	(b)

N/A = Not applicable.

- (a) *Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the City or pledged to the payment of debt service with respect to the Obligations.***
- (b) *Does not include \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.*

Source: Arizona Revised Statutes, Arizona Department of Revenue and the Arizona Secretary of State.

State Shared Income Taxes. Under current State law, Arizona cities and towns are preempted from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to receive typically 15% (18% beginning with fiscal year 2023/24) of the net proceeds of the State’s personal and corporate income tax collections for the Fiscal Year which is two Fiscal Years prior to the current Fiscal Year. Distribution of such funds is made monthly based on the proportion of each city’s or town’s population to the total population of all incorporated cities and towns in the State as determined by the latest census. Reduced economic activity or reductions in the statutory formula share could adversely affect the City’s revenues.

Vehicle License Tax Revenues. Article IX, Section 11 of the Arizona Constitution provides that from and after December 31, 1973, a vehicle license tax shall be imposed as provided by law on vehicles registered for operation upon the highways in Arizona, which vehicle license tax shall be in lieu of all ad valorem property taxes on any vehicle subject to such license tax. The constitutional provision further provides that the Arizona Legislature shall provide for

the distribution of the proceeds from such vehicle license tax to the State, counties, school districts, cities and towns, including distributions to the State General Fund.

Pursuant to statutory formula, incorporated cities and towns in Arizona, including the City, receive two separate distributions from revenues of the State vehicle license tax from the Arizona Department of Transportation, which is the State agency charged with collecting the tax: one distribution is paid directly (the “General Vehicle License Tax”) and the other is made for and restricted to any transportation purpose as determined by the city or town’s council (the “Transportation-Restricted Vehicle License Tax”). Currently, the General Vehicle License Tax constitutes 24.6% of moneys collected from most types of vehicles and 20.45% of money collected from alternative fuels vehicles, car rental surcharges, and private ambulances, fire-fighting vehicles and school buses. Currently, the Transportation-Restricted Vehicle License Tax constitutes 5.7% of moneys collected from most types of vehicles and 4.91% of moneys collected from alternative fuels vehicles, car rental surcharges, and private ambulances, fire-fighting vehicles and school buses. Only the amounts received by the City from the General Vehicle License Tax will be included in State Shared Revenues. Amounts received from the Transportation-Restricted Vehicle License Tax will not be included in State Shared Revenues. The amounts and percentages distributed to the City are beyond any control of the City.

From time to time bills are introduced in the State Legislature to make changes in the formula to allot Vehicle License Tax Revenues. The City cannot determine whether any such measures will become law or how such measures might affect the revenues that comprise Vehicle License Tax Revenues.

In addition, initiative measures may be circulated from time to time seeking to place on the ballot changes in State Constitution or State law which repeal or modify the imposition, collection or distribution of Vehicle License Tax Revenues. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

Legislation Regarding Withholding of State Shared Revenues. Section 41-194.01, Arizona Revised Statutes, permits the State to withhold from a county, city or town (“Local Jurisdiction”) State revenues that would otherwise be shared with Local Jurisdictions.

Under such statute, at the request of one or more members of the State Legislature, the State Attorney General must investigate any ordinance, regulation, order or other official action (“Local Action”) adopted or taken by the governing body of a Local Jurisdiction that the legislator alleges violates State law or the State Constitution. The Attorney General must make a written report within 30 days after receipt of the request. The Local Jurisdiction then has 30 days to resolve the violation. If the Attorney General determines that the violation has not been resolved within 30 days, the Attorney General must notify the State Treasurer and the State Treasurer must withhold payment to the Local Jurisdiction of State shared excise taxes otherwise due to the Local Jurisdiction pursuant to Section 42-5029(L), Arizona Revised Statutes and all State shared income taxes otherwise due to the Local Jurisdiction pursuant to Section 43-206(F), Arizona Revised Statutes, until such time as the Attorney General determines that the violation has been resolved. However, the State Treasurer may not withhold any amount that the Local Jurisdiction certifies to the Attorney General and the State Treasurer as being necessary to make deposits or payments for debt service on bonds or other long-term obligations that were issued or incurred before the Local Action occurred.

The City is not aware of any Local Action by the City taken or currently under consideration that does or if taken would violate State law or the State Constitution. State Shared Revenues are a component of Excise Taxes pledged to payments due to the Purchase Agreement. The withholding of State Shared Revenues could have a material adverse effect on the payment of principal of and interest on the Obligations during any period of withholding.

Lack of City’s Control Over State Shared Sales Tax or State Shared Income Tax Levels; Recent Legislative Changes. From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate State Shared Sales Taxes and State Shared Income Taxes, including proposed adjustments that would reduce the distribution to cities and towns. The possibility of changes in this respect are more likely to be adverse to the City when the State is experiencing financial difficulties. The City cannot determine whether any such measures will become law or how they might affect State Shared Sales Taxes and State Shared Income Taxes, which comprise State Shared Revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law, which would repeal or modify State Shared Sales Taxes and State Shared Income Taxes (a

major source of funds for state revenue sharing). The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

It should be noted that no assurances can be given that the amount of State Shared Sales Taxes and State Shared Income Taxes will not be reduced or eliminated by the State Legislature in the future. The State Legislature may from time to time eliminate State Shared Sales Taxes and State Shared Income Taxes or may change the amount and timing of payment of State Shared Sales Taxes and State Shared Income Taxes and is under no legal obligation to maintain the amount of State Shared Sales Taxes and State Shared Income Taxes payable to the City at any amount or level. For example, addressing State budgetary deficiencies, adjustments that reduce the distribution of State Shared Sales Taxes could be enacted. Likewise, legislative reductions in State sales or income taxes generally could result in reductions in the amounts distributed to local governments, including the City. Accordingly, the City is unable to covenant to maintain State Shared Sales Taxes or State Shared Income Taxes at any certain level.

Enactment of SB 1828 and the Referenda Petition Relating Thereto. As part of the State's fiscal year 2021/22 budget, on June 30, 2021 the Governor signed Senate Bill 1828 (SB1828), which will consolidate the State's current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023-24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. The City cannot predict what effect the passage of SB1828 will have on its revenues from State Shared Income Taxes.

Arizona's Constitution establishes the power of referendum. Referendum is the constitutional right to vote on legislation enacted by the Legislature and signed by the Governor. Under Arizona's Constitution any legislative act may be submitted to the people at the polls except for (1) laws to preserve the "public peace, health or safety" or (2) laws enacted "for the support and maintenance" of the state government and state institutions.

After the enactment of SB1828 certain citizen groups circulated a referenda petition to place SB1828 on the ballot for the November 2022 general election. The referenda petition was filed with the Arizona Secretary of State on September 28, 2021 and the Secretary of State determined that the referenda petition qualified for the November 2022 general election ballot as Proposition 307. The Arizona Free Enterprise Club and other plaintiffs filed suit in the Superior Court of Arizona (Maricopa County) challenging the referenda placing SB1828 on the ballot alleging (1) that SB1828 was not subject to referendum and (2) alleged deficiencies in the petition sheets and signatures. The suit seeks an injunction prohibiting the Secretary of State from certifying the legal sufficiency of the Referendum Petition and from certifying or printing any general election ballot that includes the referendum measure relating to SB1828.

On December 20, 2021, the Superior Court of Arizona (Maricopa County) issued a ruling holding that SB1828 is referable and should be submitted to the voters in the 2022 General Election, subject to a ruling on the petition sheets/signatures. The attorneys for the plaintiffs challenging the referenda petition have publicly stated that they intend to appeal the Superior Court's ruling. As a result of the referenda petition and the Superior Court's ruling, SB1828 will not become effective, if at all, until the earlier of (1) the Arizona Supreme Court ruling in favor of the plaintiffs and holding that SB1828 is not subject to referendum or (2) a majority of votes cast on the subject at the November 2022 General Election being against overturning SB1828.

Set forth in TABLE 5 below are actual collections of Excise Taxes for fiscal years 2016/17 through and including 2020/21 and budgeted collections for fiscal year 2021/22.

TABLE 5

**City of Sedona, Arizona
Historical and Budgeted Excise Taxes (a)**

Source	Actual					Budgeted (b)
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
City Sales Tax (c)	\$ 16,268,459	\$ 17,341,799	\$ 18,419,630	\$ 17,315,576	\$ 23,972,811	\$ 30,010,800
Bed Tax (c)	3,267,195	3,798,583	4,104,205	3,565,872	6,129,428	6,025,100
Franchise Fees	783,413	822,122	810,915	809,673	883,456	851,800
License & Permit Fees	475,216	455,498	380,721	311,569	385,953	334,275
State Shared Sales Tax	950,879	998,202	1,039,635	1,067,529	1,199,926	1,163,600
State Shared Income Tax (d)	1,270,897	1,287,767	1,251,688	1,336,465	1,477,587	1,477,600
Vehicle License Tax	606,030	642,895	662,935	664,581	795,420	775,900
Charges for Services	186,590	770,108	933,927	671,405	667,179	846,640
Total	\$ 23,808,679	\$ 26,116,974	\$ 27,603,656	\$ 25,742,670	\$ 35,511,760	\$ 41,485,715

- (a) *The Obligations will be secured by a first lien on and pledge of Excise Taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”*
- (b) *Budgeted figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.*
- (c) *Excludes certain amounts that are not part of Excise Taxes pledged to payment of the Payments. See footnotes (a) and (b) to TABLE 1.*
- (d) *As part of the State’s fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State’s current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023/24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. See “Excise Taxes” herein for a discussion of the referenda petition and court ruling relating to SB1828.*

Source: Financial Services Department of the City.

THE PROJECTS

Proceeds of the Obligations will be used to finance the costs of the Projects, which consist of engineering, design and construction of an extension of Forest Road in the City, an underpass and a parking garage.

SOURCES AND USES OF FUNDS

SOURCES

Principal Amount	\$21,110,000.00
[Net] Original Issue Premium/Discount	<hr/>
Total Sources of Funds	<hr/> <hr/>

USES

Deposit to Acquisition Fund	
Deposit to Costs of Issuance Fund (a)	<hr/>
Total Uses of Funds	<hr/> <hr/>

* *Subject to change.*

(a) *Includes premium on the Policy (as defined herein), if any, and compensation and costs of the Underwriter (as defined herein), with respect to the Obligations.*

ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE

TABLE 6

Schedule of Estimated Debt Service Requirements and Coverage (a) City of Sedona, Arizona

Fiscal Year	Excise Taxes (b)	Existing Parity Obligations			The Obligations*			Total Annual Debt Service Requirements*	Maximum Annual Debt Service Coverage (d)*
		Principal	Interest	Debt Service	Principal	Interest (c)	Debt Service		
2020/21	\$ 35,511,760								
2021/22		\$ 2,297,000	\$ 3,272,195	\$ 5,569,195			\$ 5,569,195		
2022/23		2,250,000	3,315,702	5,565,702		\$ 1,184,553 (e)	1,184,553	6,750,255	5.26x
2023/24		2,202,000	3,356,113	5,558,113		919,050	919,050	6,477,163	
2024/25		5,203,000	156,307	5,359,307		919,050	919,050	6,278,357	
2025/26		5,273,000	88,386	5,361,386		919,050	919,050	6,280,436	
2026/27		1,005,000	19,497	1,024,497	\$ 915,000	919,050	1,834,050	2,858,547	
2027/28					965,000	873,300	1,838,300	1,838,300	
2028/29					1,010,000	825,050	1,835,050	1,835,050	
2029/30					1,060,000	774,550	1,834,550	1,834,550	
2030/31					1,115,000	721,550	1,836,550	1,836,550	
2031/32					1,170,000	665,800	1,835,800	1,835,800	
2032/33					1,230,000	607,300	1,837,300	1,837,300	
2033/34					1,290,000	545,800	1,835,800	1,835,800	
2034/35					1,340,000	494,200	1,834,200	1,834,200	
2035/36					1,395,000	440,600	1,835,600	1,835,600	
2036/37					1,450,000	384,800	1,834,800	1,834,800	
2037/38					1,510,000	326,800	1,836,800	1,836,800	
2038/39					1,570,000	266,400	1,836,400	1,836,400	
2039/40					1,630,000	203,600	1,833,600	1,833,600	
2040/41					1,695,000	138,400	1,833,400	1,833,400	
2041/42					1,765,000	70,600	1,835,600	1,835,600	
		<u>\$ 18,230,000</u>			<u>\$ 21,110,000</u>				

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Underwriter").

(b) The amount of Excise Taxes used to calculate the coverage requirements is the actual collections for fiscal year 2020/21. See TABLE 5 – "Historical and Budgeted Excise Taxes." As part of the State's fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State's current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023/24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. See "Excise Taxes" herein for a discussion of the referenda petition and court ruling relating to SB1828.

(c) Interest on the Obligations is estimated.

(d) Debt service coverage is based on revenues available for debt service (see footnote (b)) compared to the highest combined total of the debt service requirements in any succeeding fiscal year for the Obligations and the Existing Parity Obligations.

(e) The first interest payment on the Obligations is due on January 1, 2023*. Thereafter, interest payments will be made semiannually on July 1 and January 1, until maturity or prior redemption.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the “Interest Portion”) will be 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 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. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the Obligations. Prospective purchasers of the 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.

The above opinion on federal tax matters with respect to the Obligations will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications. Special Counsel will express no opinion as to any other consequences regarding the Obligations.

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 Obligations. Prospective purchasers of Obligations should be aware that the ownership of 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 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 Obligations. Prospective purchasers of the 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 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 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 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 and 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 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 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 Obligations. Prospective purchasers of the 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 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 Obligations, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the 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 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 authorization, sale and execution and delivery by the City of the Obligations and with regard to the tax-exempt status of the Obligations will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel. A signed copy of that opinion, dated and speaking only as of the date of delivery of the Obligations, will be delivered to the City. A draft of the form of that opinion is included as APPENDIX E hereto.

While Special Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Obligations that may be prepared or made available by the City or others to the bidders for or holders of the Obligations or others.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value of the Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

To the knowledge of the City, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the execution and delivery of the Obligations or the pledge of Excise Taxes to the payment of the Payments, contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be sold, executed or delivered, or the validity of the Obligations. An authorized City representative will deliver a certificate to the same effect at the time of the original delivery of the Obligations.

FINANCIAL STATEMENTS

The financial statements of the City for the period ended June 30, 2021, which are included as APPENDIX C – “CITY OF SEDONA, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021” of this Official Statement, have been audited by CliftonLarsonAllen LLP. All financial information presented herein should be read in conjunction with the financial statements and accompanying Notes in APPENDIX C. **The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include such financial statements and CliftonLarsonAllen LLP has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such financial statements.**

THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the City territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The City will covenant for the benefit of the owners of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2023 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the City as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System (“EMMA”), each as described in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

The City previously entered into continuing disclosure undertakings (the “Prior Disclosure Undertakings”) with respect to the Existing Parity Obligations, which require, among other things, the filing of certain financial information and operating data (“Operating Data”) related to the City annually by February 1. The City failed to file certain of the Operating Data for the fiscal years ending June 30, 2016 through and including June 30, 2020. [All such Operating Data has subsequently been filed on EMMA by or before _____, 2022.] ***[Stifel to work with City to complete remedial filings for Operating Data.]***

The City is implementing procedures to facilitate compliance with its existing continuing disclosure undertakings, the continuing disclosure undertaking related to the Obligations and future similar continuing disclosure undertakings in all material aspects.

UNDERWRITING

The Obligations are being purchased by the Underwriter. The Underwriter has agreed to purchase from the City the Obligations at an aggregate purchase price of \$_____ pursuant to an obligation purchase agreement between the City and the Underwriter. The aggregate purchase price reflects compensation to the Underwriter of \$_____. The Obligations may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Obligations if any Obligations are purchased.

The Underwriter, as underwriter of the Obligations, has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC (“Vining-Sparks”) for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Obligations from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Obligations that Vining-Sparks sells.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned an underlying rating of "___" to the Obligations. Such rating reflects only the view of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, CA 94111. Such rating may be revised or withdrawn entirely at any time by S&P if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations. The City has covenanted in its continuing disclosure certificate that it will file notice of any formal change in any rating relating to the Obligations. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

BOND INSURANCE AND RELATED RISK FACTORS

The City intends to apply, or has applied, to bond insurance companies (each an "Insurer") for a municipal bond insurance policy (the "Policy") for the Obligations to guarantee the scheduled payments of principal of and interest on the Obligations. If the Policy is purchased, the following are risk factors relating to bond insurance generally.

If the City ultimately determines to obtain the Policy for the Obligations, in the event of default of the payment of principal or interest with respect to any of the Obligations when all or some become due, any owner of the Obligations on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations will remain payable solely from the sources described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS." In the event the Insurer becomes obligated to make payments with respect to the Obligations, no assurance will be given that such event will not adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The long-term ratings on the Obligations will be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability will be predicated upon a number of factors which could change over time. No assurance will be given that the long-term rating of the Insurer and of the rating on the Obligations insured by the Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The Obligations of the Insurer will be general obligations of the Insurer, and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the City, the Underwriter, or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Obligations and the claims paying ability of the Insurer, particularly over the life of the investment.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations.

The attached APPENDICES A through G are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the City and has been approved by and executed for and on behalf of the City by its authorized representative indicated below.

THE CITY OF SEDONA, ARIZONA

By.....
Sandy Moriarty, Mayor

**CITY OF SEDONA, ARIZONA –
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Payments to be paid by the City under the Purchase Agreement which are secured by a first lien pledge of Excise Taxes as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”

General

The City is located in central Arizona approximately 127 miles north of the City of Phoenix, Arizona (“Phoenix”) and 27 miles south of the City of Flagstaff, Arizona (“Flagstaff”), and is surrounded by the Coconino National Forest. The City is located in both Coconino County to the north and Yavapai County to the west and is situated at the southern entrance to Oak Creek Canyon, a tourist attraction. The City was established in 1902 and became an incorporated city on January 4, 1988. The City has a mild climate due to its elevation, being 3,200 feet higher than the desert area of Phoenix and 2,600 feet lower than the rim country area of Flagstaff.

The following table illustrates respective population statistics for the City, Coconino County, Yavapai County and the State.

**TABLE A-1
POPULATION STATISTICS**

<u>Years</u>	<u>City of Sedona</u>	<u>Coconino County</u>	<u>Yavapai County</u>	<u>State of Arizona</u>
2021 Estimate (a)	9,784	147,434	241,173	7,285,370
2020 Census	9,684	145,101	236,209	7,151,502
2010 Census	10,031	134,421	211,033	6,392,017
2000 Census	10,192	116,320	167,517	5,130,632
1990 Census	7,720	96,591	107,714	3,665,305
1980 Census	5,319	75,008	68,145	2,718,425

(a) Provisional estimate as of July 2021 (data released in December 2021).

Source: Arizona Office of Economic Opportunity and the U.S. Census Bureau.

Municipal Government and Organization

The City is managed by a mayor, a vice mayor, a five-member council and a City Manager. The City is responsible for establishing City policies and the City Manager is responsible for carrying out council policies and administering day-to-day operations.

Economy

From a small agricultural community, the City has developed into a major tourist and art center. The primary contributors to the City's economy are tourism, services, retirement and commerce. The largest employment sectors are retail, services and lodging. Activity in these employment sectors is characterized by proprietor-owned and operated business establishments.

TABLE A-2
MAJOR EMPLOYERS

Employer	Description	Approximate Number of Employees
Enchantment Resorts	Hospitality	556
L'Auberge de Sedona Resort	Hospitality	550
Hilton Sedona Resort at Bell Rock	Hospitality	380
Orchards Inn	Hospitality	220
City of Sedona	Government	146
Arizona Elder Care	Healthcare and social services	120
Sedona/Oak Creek School District	Education	115
Kachina Point Rehabilitation Hospital	Healthcare and social services	110
Verde Valley Medical Center/Sedona Emergency Department	Healthcare and social services	110
Picazzo's Healthy Italian Kitchen	Restaurant	80

Source: The City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2021.

The following table illustrates unemployment averages for the City, Coconino County, Yavapai County, the State and the United States of America.

TABLE A-3
UNEMPLOYMENT RATE (a)

Calendar Year	City of Sedona	Coconino County	Yavapai County	State of Arizona	United States of America
2021 (b)	5.1%	7.0%	4.9%	5.8%	5.5%
2020	7.6	9.7	7.5	7.9	8.1
2019	4.6	5.8	4.6	4.9	3.7
2018	4.4	5.5	4.4	4.8	3.9
2017	4.6	5.6	4.6	4.9	4.4
2016	5.0	6.1	5.0	5.5	4.9

(a) *Each year, historical estimates from the Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and reestimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Substate area data subsequently are revised to incorporate updated inputs, reestimation, and controlling to new statewide totals.*

(b) *Data through November 2021.*

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

**CITY OF SEDONA, ARIZONA –
FINANCIAL DATA**

The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Payments to be paid by the City under the Purchase Agreement which are secured by a first lien pledge of Excise Taxes as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”

TABLE B-1

**Current Year Statistics (For Fiscal Year 2021/22)
City of Sedona, Arizona**

General Obligation Bonds Outstanding	None
Excise Tax Revenue Obligations Outstanding and to be Outstanding	\$38,980,000*(a)

* Subject to change.

(a) Includes the Obligations.

TABLE B-2

**Excise Tax Revenue Obligations Outstanding and to be Outstanding
City of Sedona, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding	Balance Outstanding and to be Outstanding
1998	\$41,035,000	Wastewater improvements and refunding	2024	\$ 3,575,000	\$ 3,575,000
Second 2015	\$ 8,030,000	Refunding	2027	5,765,000	5,765,000
2021-1	8,890,000	Refunding	2026	8,890,000	8,890,000
Total Excise Tax Revenue Obligations Outstanding					\$ 18,230,000
Plus: The Obligations					20,750,000*
Total Excise Tax Revenue Obligations Outstanding and to be Outstanding					<u>\$ 38,980,000(a)*</u>

* Subject to change.

(a) Includes the Obligations.

The City has the following lease payment obligation(s) outstanding:

TABLE B-3

Other Indebtedness
City of Sedona, Arizona
[To be updated with details of City's leases]

Item	Payment Amount	Periods Due
_____	_____	_____

GENERAL FUND

The following table sets forth the City's general fund revenues, expenditures, other financing sources and uses, excess of revenues and other sources over expenditures and other uses, and beginning and ending general fund balances for the fiscal years indicated. Figures for fiscal years 2016/17 through 2020/21 are taken from the audited financial statements of the City which are prepared using generally accepted accounting principles. Fiscal Year 2021/22 figures are budgeted amounts as provided by the City's Financial Services Department. Budgeted figures may not be realized and should be viewed with an abundance of caution. Historical trends should not be used to indicate future trends. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS" for a description of the source of payment for the Obligations. This information is not intended to indicate that the Obligations will be payable from any source other than described under such heading or to indicate future or continuing trends of the financial affairs of the City.

TABLE B-4

	Audited (a)					Budgeted (b)
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
REVENUES						
Taxes						
Sales taxes	\$ 20,080,186	\$ 21,773,478	\$ 23,207,869	\$ 21,475,760	\$ 31,123,810	\$ 31,015,000
Franchise taxes	783,413	822,122	810,915	809,673	883,456	851,800
In-lieu taxes	461,403	474,385	486,937	502,647	515,335	525,200
Licenses and permits	475,216	455,498	380,721	311,569	385,953	334,275
Intergovernmental	2,840,735	2,980,841	2,973,920	4,280,447	3,549,092	3,418,060
Charges for services	201,438	768,648	932,922	671,406	667,179	846,610
Fines and forfeitures	140,840	249,893	227,761	196,524	386,317	232,100
Contributions	21,204	-	626,200	-	199,000	-
Investment earnings	99,936	55,518	280,952	269,421	77,429	243,780
Rents	-	-	-	-	41,893	39,300
Other revenues	93,159	29,271	102,221	167,679	195,166	166,150
TOTAL REVENUES	\$ 25,197,530	\$ 27,609,654	\$ 30,030,418	\$ 28,685,126	\$ 38,024,630	\$ 37,672,275
EXPENDITURES						
Current:						
General government	\$ 5,556,600	\$ 2,616,781	\$ 2,860,187	\$ 2,586,061	\$ 2,433,781	\$ 3,319,005
Public safety	4,938,592	6,790,779	7,043,163	7,354,475	7,291,002	8,766,381
Public works and streets	1,891,808	2,616,589	2,555,336	2,603,594	2,671,120	2,660,390
Cululture and recreation	1,787,834	2,280,370	2,325,545	2,264,584	2,084,681	2,739,446
Economic development	2,261,269	2,368,755	2,399,005	2,611,622	2,969,238	2,738,290
Health and welfare	-	251,997	493,249	602,680	667,398	1,348,080
Public transportation	-	188,604	202,363	192,544	60,000	60,900
Housing	-	-	-	65,559	64,865	2,657,030
Debt service						
Principal retirement	581,245	1,402,919	1,410,500	1,153,970	1,093,459	1,317,386
Interest and fiscal charges	221,842	234,646	207,972	187,221	146,572	147,831
Capital outlay	-	622,736	573,903	686,387	987,739	281,610
TOTAL EXPENDITURES	\$ 17,239,190	\$ 19,374,176	\$ 20,071,223	\$ 20,308,697	\$ 20,469,855	\$ 26,036,349
Excess of revenues over (under) expenditures	\$ 7,958,340	\$ 8,235,478	\$ 9,959,195	\$ 8,376,429	\$ 17,554,775	\$ 11,635,926
Other financing sources (uses):						
Transfers in	\$ -	\$ -	\$ -	\$ 18,564	\$ -	\$ -
Transfers out	(7,118,360)	(9,799,314)	(6,716,575)	(6,595,311)	(7,910,320)	(7,923,170)
Capital lease agreement	438,309	268,509	373,498	257,392	735,350	-
Sale of capital assets	-	18,182	9,024	42,873	42,045	21,300
Issuance of installment purchase	-	-	-	115,720	-	-
Total Other financing sources (uses)	\$ (6,680,051)	\$ (9,512,623)	\$ (6,334,053)	\$ (6,160,762)	\$ (7,132,925)	\$ (7,901,870)
Fund balance at beginning of year	\$ 9,750,233	\$ 11,028,522	\$ 9,751,377	\$ 13,376,519	\$ 15,592,186	\$ 23,448,460
Fund balance at end of year	<u>\$ 11,028,522</u>	<u>\$ 9,751,377</u>	<u>\$ 13,376,519</u>	<u>\$ 15,592,186</u>	<u>\$ 26,014,036</u>	<u>\$ 27,182,516</u>

- (a) *Although these figures are taken from audited financial statements, this table has not been audited. For further information please refer to the actual audited financial statements for the City. The most recent audited financial statements for the City (representing figures for 2020/21) are included in this Official Statement as APPENDIX C.*
- (b) *These amounts are “forward looking” statements which may not be realized and should be considered with an abundance of caution.*

RETIREMENT SYSTEM

Pension and Retirement Plans

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

Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the City and its employees; however the specific impact on the City’s and its employees’ future contributions cannot be determined at this time.

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

Starting on page 62 in APPENDIX C – “CITY OF SEDONA, ARIZONA AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021” is information about the plans based on GASB’s Statements Nos. 67 and 68. Please refer to APPENDIX C for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX C, the latter supersedes the former.

The Arizona State Retirement System

ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 600,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. As of June 30, 2021, the unfunded liability for ASRS was \$17.9 billion with a funding ratio of 71.5% and an assumed earning rate of 7.5%. As of June 30, 2021, the City reported a liability of \$10,692,196 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the City) and active members of ASRS are equal. For fiscal year 2021/22, the actuarially determined contribution rate for the City and active members of ASRS is 12.41% (12.22% for retirement and health insurance and 0.19% for long-term disability). For fiscal year 2022/23, the actuarially determined contribution rate for the City and active members of ASRS is 12.17% (12.03% for retirement and health insurance and 0.14% for long-term disability).

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

<u>Fiscal Year Ended</u>	<u>Retirement and Health Insurance Premiums</u>	<u>Long-term Disability</u>	<u>Total Contribution Rate</u>	<u>Funded Status</u>	<u>Pension Contributions</u>
June 30, 2022	12.03%	0.14%	12.17%	unavailable	unavailable
June 30, 2021	12.22	0.19	12.41	unavailable	unavailable
June 30, 2020	12.04	0.18	12.22	71.5%	\$771,906
June 30, 2019	11.94	0.17	12.11	72.8	747,790
June 30, 2018	11.64	0.16	11.80	72.3	715,706

The Public Safety Personnel Retirement System

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

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

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

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

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

As of June 30, 2021, the unfunded liability for Tiers 1 and 2 of PSPRS was \$8.8 billion with a funding ratio of 55.3%. When calculating, an assumed earning rate of 7.3% was used and an assumed rate of 1.75% was used for increases in the cost of living allowance ("COLA").

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS.

Police

	Fiscal Year Ended				
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
<u>Actuarially Determined Contribution Rates</u>					
Tier 1 Defined Benefit Employer	34.47%	37.07%	38.85%	31.12%	31.52%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	34.47%	37.07%	38.85%	31.12	31.52%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	11.65%	11.65%
Tier 3 Defined Benefit Employer (a)(c)	31.88%	34.14%	34.68%	28.68%	29.25%
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	9.94%	9.94%
Tier 3 Defined Contribution Employer (c)	32.79%	34.08%	35.15%	29.25%	29.82%
Tier 3 Defined Contribution Employee	10.85%	9.88%	10.41%	10.51%	10.51%
Pension Funded Status	N/A	N/A	69.8%	65.3%	63.7%
Health Funded Status	N/A	N/A	116.4%	142.5%	181.6%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$687,646	\$967,916	\$994,591

- (a) Not applicable for Tier 2 for fiscal years prior to fiscal year 2017/18. Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
- (b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

[Stifel to add information on PSPRDCRP]

Statutory Changes and Court Decisions Regarding the PSPRS

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

Potential Future State Legislation Affecting ASRS and PSPRS

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

Other Post-Employment Retirement Benefits

Beginning with the fiscal year that commenced on July 1, 2018, the City was required to implement Government Accounting Standards Board Statement Number 54, Accounting by Employers for Post-Employment Benefits Other than Pensions (“GASB 54”), which requires reporting 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 54 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, GASB 54 will require the reporting of such costs as a financial statement liability.

The City does not offer OPEBs. The City employees, their spouses and survivors may, however, be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the City employees that reach normal or early retirement age while working for the City will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State’s health care program. It is not the responsibility of the City to fund such costs.

Governmental Accounting Standards

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

**CITY OF SEDONA, ARIZONA –
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following audited financial statements are for the fiscal year ended June 30, 2021. These are the most recent audited financial statements available to the City. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.

The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include such financial statements and CliftonLarsonAllen LLP has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such financial statements.

SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

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

“**Costs of Issuance Fund**” means the fund established and held by the Trustee pursuant to the Trust Agreement to pay Delivery Costs.

“**Delivery Costs**” means costs of execution, sale and delivery of the Obligations.

“**Depository Trustee**” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or State of Arizona authority.

“**Event of Default**” means an event of default under the Purchase Agreement as described under the subheading “THE PURCHASE AGREEMENT – Default; Remedies Upon Default”.

“**Government Obligations**” means direct general obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America (including, without limitation, the interest portion of obligations issued by the Resolution Funding Corporation in book entry form and stripped by request to the Federal Reserve Bank of New York), including Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, provided any stripped Government Obligations have been stripped by the applicable United States governmental agency.

“**Outstanding**”, when used with respect to Obligations, refers to Obligations issued in accordance with the Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee therefor for credit against a sinking fund installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee therefor; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or permitted by the Purchase Agreement obligations bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, and interest on such Obligations as provided in the proceedings under which such Obligations were issued, provided, however, that if any such Obligations are to be redeemed prior to maturity, the City shall have taken all action necessary to redeem such Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to mail shall have been given to the Trustee therefor.

“**Owner**” or any similar term, when used with respect to any Obligation means the person in whose name such Obligation shall be registered in the books of registration maintained by the Trustee.

“**Payment Fund**” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement to which the Payments are deposited.

“**Project Costs**” means all costs of installation, construction and other matters necessary for the Projects.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

THE TRUST AGREEMENT

The following, in addition to the information under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS”, is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Establishment and Application of Acquisition Fund. The Trustee will establish a separate trust fund designated the “Acquisition Fund” from which the Trustee will pay Project Costs, as provided in the Trust Agreement. When all Project Costs have been paid, the Trustee will transfer any amounts remaining in the Acquisition Fund to the Payment Fund.

Establishment and Application of Cost of Issuance Fund. The Trustee will establish a separate trust fund designated the “Cost of Issuance Fund” from which the Trustee will pay Delivery Costs, as provided in the Trust Agreement. On the earlier of June 1, 2022, or when all Delivery Costs have been paid, the Trustee will transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund.

Payment Fund. The Payment Fund will also be established by the Trustee as a special trust fund. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal of and premium, if any, and interest with respect to on the Obligations.

Protection of Lien. The Trustee and the City will agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien of the Trust Agreement and that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged will be issued or delivered by either except in lieu of, or upon transfer of registration or exchange of, any Obligation.

Investments Authorized; Allocation of Earnings. Upon written order of the City, moneys held by the Trustee will be invested and re-invested in certain investments permitted by the Trust Agreement. The Trustee may purchase from, or sell to, itself or any affiliate, as principal or agent, investments and may invest in funds to which the Trustee or any of its affiliates provide services as an investment advisor. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided. At the direction of the City, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Internal Revenue Code.

Appointment of the Trustee. The City will maintain as the Trustee a bank or trust company with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Liability of the Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement, the Purchase Agreement and the Obligations will be taken as statements, covenants and agreements of the City, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement, the Purchase Agreement or of the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon them, respectively. Prior to the occurrence of an Event of Default, or after the timely cure

of an Event of Default, the Trustee will perform only such duties as are specifically set forth in this Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible as described hereinabove, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) will be deemed to be conclusively proved and established by the certificate of the appropriate representative of the City and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will not be required to take notice or be deemed to have notice of an Event of Default, except for nonpayment of amounts due under the Trust Agreement or the Purchase Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The City will from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, including an hourly rate based fee after an Event of Default and will reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties.

Removal of the Trustee. The Trustee may be removed by the City (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations.

The Trustee may also resign effective upon the appointment of a successor the Trustee by the City.

Amendments Permitted. The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or amendment will (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon redemption thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any Owners, but only (1) to provide for additions or modifications to the Projects, (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the City, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) 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, (5) to provide for the appointment of a successor trustee pursuant to the terms of the Trust Agreement, (6) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement and Purchase Agreement, (8) with respect to rating matters, (9) to facilitate the issuance of additional of Additional Parity Lien Obligations, or (10) in regard to questions arising under the Purchase Agreement and the Trust Agreement, as the parties thereto may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties thereto.

Procedure for Amendment With Written Consent of Obligation Owners. A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided therein.

No Liability of the City for the Trustee Performance. The City will have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Remedies Upon Default; No Acceleration. Upon an Event of Default and if such event has not been cured as provided in the Purchase Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by

the City under the Trust Agreement or the Purchase Agreement, then due (but not the Payments and other such amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under the Trust Agreement or the Purchase Agreement as provided in the Purchase Agreement. See “THE PURCHASE AGREEMENT - Remedies Upon Default.”

Application of Funds. Proceeds from the exercise of any remedies under the Trust Agreement or the Purchase Agreement after payment or reimbursement of the reasonable fees and expenses of the Trustee in connection therewith, including reasonable attorneys’ fees, will be applied as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or because of selection for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference; and

Whenever moneys are to be so applied, the Trustee will fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee will give or cause to be given notice of such payment, by first-class mail, to the Owners of Obligations at least eight (8) days before such date.

Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, or disposal of such action; provided, however, that the Trustee will not discontinue, or otherwise dispose of any litigation, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owners’ Right to Sue. No Owner of any Obligation will have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner’s proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

Defeasance. If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest and redemption premium, if any, with respect to all Obligations Outstanding, as and when the same become due and payable;
- (b) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal, interest and redemption premium; or
- (c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are non-callable in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal, premium and interest) at their respective maturity dates or prior redemption;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) or (c) above and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations will continue to represent direct and proportionate interests of the Owners thereof in such funds.

If any Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

No Payment or Obligation may be so provided for based on redemption prior to maturity unless the Trustee has mailed irrevocable notice of redemption for such Obligations or the City has given the Trustee irrevocable instructions to redeem such Obligations.

THE PURCHASE AGREEMENT

The following, in addition to the information under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS,” is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Payments. The obligation of the City to make the Payments will be limited to amounts from Excise Taxes. The City will receive a credit against amounts due with respect to the Payments equal to any amounts held and available in the Payment Fund.

The obligations of the City to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

Providing for Payment. The City may provide for the payment of any of the Payments in any one or more of the following ways:

- (a) by paying such Payment as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;

(b) by depositing the with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are non-callable, in such amount as shall be certified by a national firm of certified public accountants acceptable to the Trustee and the City as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial payment of a Payment resulting in a partial payment of redemption of Obligations, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial payment or redemption of Obligations from the proceeds of such payment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Default; Remedies Upon Default.

(i) Upon (A) failure by the City to pay any of the Payments at the time specified in the Purchase Agreement, (B) failure by the City to pay any other payment required to be paid under the Purchase Agreement at the time specified in the Purchase Agreement, and the continuation of such failure for a period of five (5) days after notification thereof by the Trustee, (C) failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clauses (A) and (B), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Trustee or the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected, 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 adjudication of the City as a bankrupt, 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 petition applicable to the City in any proceedings instituted under the provisions of the United States Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted, then

(ii) subject to the limitations of the Trust Agreement, the Trustee may enforce the Purchase Agreement by appropriate action to collect amounts due or to become due under the Purchase Agreement (including the making and collection of sufficient revenues and the segregation of Excise Taxes and the proper application thereof) or to cause the City to perform its obligations under the Purchase Agreement, in which event the City shall be liable for all costs and expenses, including but not limited to reasonable attorneys' fees, incurred by the Trustee. Upon the bringing of a suit to collect such amounts, the Trustee may request enforcement of the pledge and foreclosure of the lien set forth in the Purchase Agreement, in which event the Trustee, as a matter of right, without notice and without giving any bond or surety to the City or anyone claiming on behalf of the City, may have a receiver appointed of Excise Taxes which are so pledged for the payment of such amounts, with such powers as the court making such appointment shall confer, and the City does irrevocably consent to such appointment in the Purchase Agreement.

The obligations of the City under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the City will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the City will be credited with any amount received by the Trustee.

PROPOSED FORM OF APPROVING LEGAL OPINION

[Closing Date]

[Trustee]

Re: Excise Tax Revenue Obligations, Series 2022 Evidencing Proportionate Interests of the Owners Thereof in Purchase Payments to be Made by the City of Sedona, Arizona to [Trustee], as Trustee, Dated the Date Hereof

We have examined the transcript of proceedings (the “Transcript”) relating to the execution and delivery by [Trustee] (the “Trustee”) of the Excise Tax Revenue Obligations, Series 2022 (the “Obligations”), pursuant to a Fourth Trust Agreement, dated as of March 1, 2022* (the “Trust Agreement”), between the Trustee and the City of Sedona, Arizona (the “City”). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the City pursuant to a Fourth Purchase Agreement, dated as of March 1, 2022* (the “Purchase Agreement”), between the Trustee and the City to finance and refinance certain projects for the City. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the City Attorney delivered even date herewith as to the matters provided therein.

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

1. The Obligations, the Trust Agreement and the Purchase Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally; except to the extent that the enforceability thereof and the rights thereunder may be limited by the application of general principles of equity and, as to the Trust Agreement, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable securities laws.

2. The obligations of the City pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations are solely from the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the City pursuant to the Purchase Agreement, and the obligation of the City to make those payments is secured by a limited pledge of “Excise Taxes” as described in, and provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or pledge of the general credit of the City and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each payment made by the City pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. 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. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the receipt or accrual of the Interest Portion on, or disposition or ownership of, the Obligations.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$21,110,000*
CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Sedona, Arizona (the “*City*”), in connection with the execution and delivery of \$21,110,000* principal amount of Excise Tax Revenue Obligations, Series 2022 (the “*Obligations*”). The Obligations are being executed and delivered pursuant to a Fourth Trust Agreement, dated as of March 1, 2022* (the “*Trust Agreement*”), by and between the City and [Trustee], as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

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

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

“*Commission*” means the Securities and Exchange Commission.

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

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

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated _____, 2022.

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

* *Subject to change.*

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

“Purchase Agreement” means the Fourth Purchase Agreement, dated as of March 1, 2022*, by and between the City and the Trustee.

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

“State” means the State of Arizona.

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

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

CUSIP No. (Base 81567L)	Payment Date
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4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

* *Subject to change.*

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

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

9. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

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

Dated: [Closing Date]

CITY OF SEDONA, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement in TABLE 5 – Historical and Budgeted Excise Taxes (actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2023. 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 within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

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 LISTED EVENTS DISCLOSURE IS REQUIRED

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment the transmission to them of notices

of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

OBLIGATION PURCHASE AGREEMENT

§ _____
CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022

February __, 2022

Mayor and City Council
City of Sedona
102 Roadrunner Drive (Building 106)
Sedona, Arizona 86336

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

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 shall purchase all, but not less than all, and the City shall cause _____, as trustee (the “Trustee”), to execute, sell and deliver to the Underwriter all, of the \$ _____ principal amount of Excise Tax Revenue Obligations, Series 2022 (the “Obligations”), at a purchase price of \$ _____, representing the aggregate of (a) the principal amount of the Obligations, plus (b) the reoffering premium on the Obligations of \$ _____, and less an underwriting discount on the Obligations of \$ _____. [For convenience, the Underwriter shall pay by the Closing (as defined herein), on behalf of the City \$ _____ from the proceeds of the Obligations to

the Insurer (as defined herein) as payment of the bond insurance premium for the Policy (as defined herein).]

(b) The Underwriter has not previously made any final agreement with the City to purchase the Obligations in an offering within the meaning of the SEC Rule (as defined herein).

(c) The purchase and sale of the Obligations pursuant to this Purchase Contract is an “arm’s-length,” commercial transaction between the City and the Underwriter, in connection therewith and with the discussions, undertakings and proceedings leading up to the consummation of such transaction, (i) the Underwriter is and has been acting for and on behalf of itself, solely as a principal for its own account and is not acting as the agent or fiduciary of the City or as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), (ii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or 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) and the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”), (iii) the Underwriter has financial and other interests that differ from those of the City and (iv) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(d) The principal amounts of the Payments (as defined herein) represented by the Obligations, the dated date thereof and the payment dates, the prepayment provisions and the rates per annum of the interest amount represented by the Obligations are set forth in the Schedule I attached hereto. The terms of the Obligations shall be as otherwise described in Fourth Trust Agreement, dated as of March 1, 2022 (the “Trust Agreement”), by and between the City and the Trustee, and authorized by a Resolution of the Mayor and the Council of the City (the “Council”) adopted on February 8, 2022 (the “Resolution”). The Obligations shall be executed and delivered by the Trustee pursuant to the Trust Agreement, substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon among the Underwriter, the City and the Trustee. The Obligations represent undivided, proportionate interests in the installment payments (each a “Payment” and collectively, the “Payments”) to be made by the City pursuant to a Fourth Purchase Contract, dated as of March 1, 2022 (the “Purchase Agreement”), by and between the City, as purchaser, and the Trustee, as seller. The obligations of the City under the Purchase Agreement will be payable exclusively from the Excise Taxes and will not be a general obligation or indebtedness of the City for any purpose.

2. Public Offering, Representations and Warranties of the Underwriter.

(a) The Underwriter intends to make an initial bona fide public offering of all of the Obligations at not in excess of the public offering prices (or not less than the yields) set forth on Schedule I hereto and on the inside front cover page of the Final Official Statement of the City relating to the Obligations, dated even date herewith (including all appendices thereto, the “Final Official Statement”) and may subsequently change such offering prices (or yields). The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower than the public offering prices (or

higher than the yields) set forth on Schedule I hereto and on the inside front cover page of the Final 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.

(b) *Establishment of Issue Price.* (1) 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 an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Special Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Obligations.

(2) The City will treat the first price at which 10% of each maturity of the Obligations is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Obligations.

(3) The Underwriter confirms that it has offered the Obligations to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto.

(4) The Underwriter acknowledges that sales of any Obligations to any person that is a related party to an underwriter participating in the initial sale of the Obligations to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “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 third-party distribution agreement participating in the initial sale of the Obligations to the public), and

(iii) 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 (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation

or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) The undersigned, on behalf of the Underwriter, but not individually, hereby represents and warrants that:

(1) the Underwriter is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(2) this Purchase Contract has been duly authorized, executed and delivered by the Underwriter and, assuming the due authorization, execution and delivery by the City, is the legal, valid and binding obligation of the Underwriter enforceable in accordance with its terms, except as the enforceability of this Purchase Contract may be limited by application of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally from time to time in effect and from the application of general principles of equity and from public policy limitations on the exercise of any rights to indemnification and contribution;

(3) the Underwriter is licensed by and registered with the Financial Industry Regulatory Authority as a broker-dealer and the MSRB as a municipal securities dealer; and

(4) by entering into this Purchase Contract, the Underwriter certifies that it and its parent company, wholly or majority-owned subsidiaries, and other affiliates, if any, are not currently engaged in, or for the duration of this Purchase Contract will not engage in, a boycott of goods or services from the State of Israel; companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel; or persons or entities doing business in the State of Israel. The Underwriter understands that "boycott" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations, but does not include an action made for ordinary business purposes.

3. The Official Statement.

(a) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized and approved the distribution and use by the Underwriter of the Preliminary Official Statement of the City relating to the Obligations, dated February __, 2022 (including all appendices thereto, the "Preliminary Official Statement" and, together with the Final Official Statement 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.

(b) The City caused the Preliminary Official Statement to be prepared and an authorized officer of the City, acting for and on behalf of the City, deemed the Preliminary Official Statement to be "final" for all purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended (the "SEC Rule").

(c) (i) WHILE THE UNDERWRITER HAS PARTICIPATED AND WILL PARTICIPATE WITH THE CITY IN THE PREPARATION AND ASSEMBLAGE OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT, RESPECTIVELY, THE CITY IS PRIMARILY RESPONSIBLE FOR THE CONTENT OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT and (ii) as of the date thereof, and at the time of the acceptance by the City of this Purchase Contract, the Preliminary Official Statement did not and 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 the light of the circumstances under which they were made, not misleading.

(d) The City shall provide to the Underwriter copies of the Official Statement in sufficient quantity to comply with the SEC Rule and the rules of the MSRB, particularly with respect to the Final Official Statement, within seven (7) business days after the date of this Purchase Contract.

(e) The City authorizes the Underwriter to file, to the extent required by applicable Securities and Exchange Commission (the "SEC") or MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with (i) the MSRB or its designee (including submission to the MSRB's Electronic Municipal Market Access system ("EMMA")) or (ii) other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). If an amended Official Statement is prepared in accordance with Section 3(g) during the "primary offering disclosure period" (as defined in MSRB Rule G-32) and if required by applicable SEC or MSRB rule, the Underwriter also shall make the required submission of the amended Official Statement to EMMA.

(f) The Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the City and the Underwriter.

(g) During the period ending on the 25th day after the End of the Underwriting Period (as such term is hereinafter defined) or such other period as may be agreed to by the City and the Underwriter, the City (i) shall not supplement or amend the Final Official Statement or cause the Final Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the City, that is reasonably likely to cause the Final Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter or the City, such event requires the preparation and distribution of a supplement or amendment to the Final Official Statement, the City shall prepare and furnish to the Underwriter, at the City's expense, such number of copies of the supplement or amendment to the Final Official Statement, in form and substance mutually agreed upon by the City and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the date of the Closing, the City also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Final Official Statement.

(h) For purposes of this Purchase Contract, the “End of the Underwriting Period” is used as defined in the SEC Rule and shall occur on the later of (i) the date of the Closing or (ii) when the Underwriter no longer retains an unsold balance of the Obligations; unless otherwise advised in writing by the Underwriter on or prior to the date of the Closing, or otherwise agreed to by the City and the Underwriter, the City may assume that the End of the Underwriting Period is the date of the Closing.

(i) The Underwriter shall provide to the City such information relating to the Obligations which is not within the scope of knowledge of the City (including, but not limited to, the selling compensation of the Underwriter, offering price(s), interest rate(s), delivery date and other terms of the Obligations dependent upon such matters). The Final Official Statement shall be substantially in the form of the Preliminary Official Statement with only such changes therein as shall be necessary to conform to the terms of this Purchase Contract and with such other changes and amendments to the date thereof as have been accepted by the Underwriter. The execution and delivery of the Final Official Statement shall evidence the determination by the City that the Final Official Statement is “final” for all purposes of the SEC Rule.

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

(a) The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State of Arizona (the “State”) with powers specifically required for purposes of this Purchase Contract and has now and at the Closing Date will have full legal right, power and authority to cause the Resolution to be adopted and (i) to adopt, enter into, execute and deliver, as applicable, the Resolution, the Trust Agreement, the Purchase Agreement, this Purchase Contract, and a Continuing Disclosure Undertaking of the City which satisfies the requirements of Section (b)(5)(i) of the Rule (the “Undertaking” and such documents referred to in this clause (i) hereinafter collectively referred to as the “City Documents”), (ii) to cause the sale and execution and delivery of the Obligations as provided herein, (iii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and (iv) to impose, levy, collect and pledge, as applicable, the Excise Taxes as contemplated in the City Documents and the Official Statement, and the City has complied, and will at the Closing Date be in compliance in all material respects, with the terms of the City Documents as they pertain to such transactions;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution, (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, (iii) the consummation by the City of all other transactions contemplated by the Preliminary Official Statement, the City Documents and the Resolution, (A) authorizes the execution and delivery of the other City Documents and the Obligations as well as the approval, execution and authorization of the use and distribution of the Preliminary Official Statement and the Final Official Statement and the sale of the Obligations to the Underwriter, (B) has been duly and validly adopted by the Mayor and Council of the City, and (C) is in full force and effect;

(c) This Purchase Contract has been duly executed and delivered by the City, and the other of the City Documents (when such City Documents are executed and delivered by the other parties thereto) will constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable Creditors' Rights Laws; the Obligations, when executed and delivered and paid for in accordance with the Trust Agreement and this Purchase Contract, shall constitute legal, valid and binding obligations entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to applicable Creditors' Rights Laws and, upon the execution and delivery of the Obligations as aforesaid, the Purchase Agreement and the Trust Agreement shall provide, for the benefit of the holders from time to time of the Obligations, the legally valid and binding pledge and lien they purport to create as set forth in the Purchase Agreement and the Trust Agreement;

(d) The City is not in material breach of or default in any material respect with respect to any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City 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 pursuant to any of the foregoing, and the execution and delivery of the Obligations and the City Documents and the adoption of the Resolution and compliance with the provisions on the part of the City contained herein and therein will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is, or any of its property or assets are otherwise subject nor shall 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 Obligations or pursuant to the terms of any such law, regulation or instrument, except as provided by the Obligations and the City Documents;

(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 pursuant to the City Documents and the Obligations have been duly obtained, except such approvals, consents and orders as may be required pursuant to the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Obligations, and including particularly, but not by way of limitation, the filing of all reports required to be filed by the City pursuant to Section 35-501, Arizona Revised ;

(f) The Obligations and the City Documents conform to the descriptions thereof contained in the Official Statement, and the proceeds of the sale of the Obligations shall be applied as described in the Official Statement;

(g) 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 threatened against the City (i) affecting the existence of the City or the titles of its officers to their

respective offices; or (ii) affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Obligations or the levy, collection or pledge, as applicable, of the Excise Taxes as described in the Official Statement; or (iii) 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 the exemption from taxation of interest on the Obligations for State income tax purposes, or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement; (v) or contesting the formation or powers of the City or any authority for the sale and execution and delivery of the Obligations, the adoption of the Resolution or the execution and delivery of the City Documents; or (vi) which if decided adversely to the City, would have a material adverse effect on the financial condition of the City, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Obligations or the City Documents;

(h) The City has not granted a lien on, made a pledge of or agreed to apply the Excise Taxes and any other amounts payable pursuant to the Purchase Agreement, except as provided or permitted in the Purchase Agreement or as described in the Official Statement;

(i) Unless the Final Official Statement is amended or supplemented pursuant to paragraph (g) of Section 3 of this Purchase Contract, at all times subsequent to the acceptance by the Issuer hereof, during the period up to and including the date of the Closing, the Final Official Statement, as of its date, did not, as of the date hereof, does not and, as of the date of the Closing, shall 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 pursuant to which they were made, misleading;

(j) If the Final Official Statement is amended or supplemented pursuant to paragraph (g) of Section 3 of this Purchase Contract, at the time of each amendment or supplement thereto and (unless subsequently again amended or supplemented pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of the Closing, the Final Official Statement shall 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 pursuant to which made, not misleading;

(k) The City shall 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 City Documents and shall not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal or State income tax purposes of the interest on the Obligations;

(l) The City shall furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Obligations for offer and sale pursuant to 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 (B) determine the eligibility of the Obligations for investment pursuant to the laws of such states and other jurisdictions, and (ii) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the City shall not be

required to qualify as a foreign corporation or to file any general or special consents to service of process pursuant to the laws of any jurisdiction) and shall 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;

(m) 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 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 included in the Official Statement, the City has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the City that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business and, prior to the Closing, there will be no adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City;

(n) The City is not a party to any litigation or other proceeding pending or overtly threatened that, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City; and except as disclosed in the Official Statement, the City is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which may have a material adverse effect on the financial condition, operations or prospects of the City or ability of the City to comply with all the requirements set forth in the Official Statement, the City Documents or the Obligations;

(o) Prior to the Closing, and to the extent it may legally agree to do so, 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;

(p) The representations of the City set forth herein and in the City Documents are, as of the date hereof, true and correct, and between the date hereof and the date of the Closing, the City shall not take any action that will cause the representations and warranties made herein to be untrue as of the date of the Closing;

(q) The officers and officials of the City executing the Official Statement and the City Documents and the Obligations and the officers and officials of the City listed on the certificate of the City to be delivered at the 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, and any certificate, signed by any official of the City authorized to do so in connection with the transactions contemplated by this Purchase Contract shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein; and

(r) The City is the only “obligated person” (as defined in the SEC Rule) with respect to the Obligations, and there have not been and, as of the date of the Closing, there will not have been, any instances during the preceding five years in which the City failed to comply, in all

material respects, with any previous continuing disclosure agreement made by the City for purposes of the SEC Rule, except as disclosed under “CONTINUING DISCLOSURE” in the Official Statement.

(s) The City has submitted the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Section 35-501, Arizona Revised Statutes, and shall submit the information required with respect to the Obligations pursuant to Section 35-501, Arizona Revised Statutes within 60 days of the date of Closing; and

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

5. Closing.

(a) The Closing shall take place at 8:00 a.m. Mountain Standard Time, on March __, 2022 (the “Closing”), at the offices of the Greenberg Traurig, LLP (“Special Counsel”), or at such other time, date and place as shall have been mutually agreed upon by the City, the Trustee and the Underwriter. On the date of Closing, the Trustee will, subject to the terms and conditions hereof, execute, deliver and register the Obligations in the name of Cede & Co., as nominee of DTC pursuant to the executed DTC Letter and delivered to the Trustee pursuant to DTC’s “F.A.S.T.” delivery procedures. Also on the date of Closing, the Underwriter will, subject to the terms and conditions hereof, accept delivery of the Obligations and the items identified in Section 6(k) hereof and pay the purchase price of the Obligations as set forth in Section 1 of this Purchase Contract by wire transfer payable in immediately available funds to the Trustee.

(b) It is anticipated that CUSIP identification numbers will be printed on the Obligations, but neither the failure to print such numbers on any Obligations nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of the Obligations in accordance with the terms of this Purchase Contract.

6. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties, covenants and agreements of the City contained herein and in reliance upon the representations, warranties, covenants 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 obligations of the Underwriter pursuant to this Purchase 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 pursuant to 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 and in the City Documents 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) All representations, warranties and covenants made herein, and in certificates or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Underwriter notwithstanding any investigation heretofore or hereafter made by the Underwriter or on their behalf, and that all representations, warranties and covenants made by the City herein and therein and all of the Underwriter's rights, hereunder and thereunder shall survive the offering of the Obligations;

(c) The City shall have performed and complied with all covenants, agreements and conditions required by the City Documents to be performed or complied with by it prior to or at the Closing;

(d) As of the date 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 or modified; (ii) the Final Official Statement shall not have been amended or supplemented, except in any such case as may have been agreed to by the Underwriter; and (iii) all actions of the City required to be taken by the City shall be performed in order for Special Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(e) As of the date 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;

(f) As of or prior to the Closing, the City Documents shall have been duly executed and delivered by the City and the Trustee shall have duly executed and delivered the Obligations;

(g) As of the date of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the City, from those set forth in the Final Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impractical to market the Obligations on the terms and in the manner contemplated in the Final Official Statement;

(h) As of the date of the Closing, no "event of default" shall have occurred or be existing pursuant to the City Documents nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default pursuant to the City Documents;

(i) The City shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(j) All steps to be taken, all instruments and other documents to be executed and all other legal matters in connection with the transactions contemplated by this Purchase Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(k) On the date of or prior to the Closing, the Underwriter shall have received two copies of the transcript of all proceedings of the City relating to the execution and delivery of

the Obligations, certified, as necessary, by appropriate officials of the City, including, but not limited to, the following opinions, certificates and other documents:

(1) The approving opinion of Special Counsel, dated the date of Closing, with respect to the Obligations, in substantially the form attached to the Official Statement, along with a reliance letter with respect thereto, dated the date of the Closing and addressed to the Underwriter;

(2) The supplemental opinion of Special Counsel dated the date of the Closing, addressed to the Underwriter and substantially in the form attached hereto as Exhibit B;

(3) An opinion of the counsel to the City, dated the date of the Closing, addressed to the Underwriter and Special Counsel and substantially in the form attached hereto as Exhibit C;

(4) An opinion of Snell & Wilmer L.L.P., as counsel to the Underwriter, dated the date of the Closing, addressed to the Underwriter and in form and substance reasonably satisfactory thereto;

(5) A certificate, dated the date of Closing and signed by the City Manager, the Director of Finance, the City Clerk or other officer of the City, to the effect that (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the date of the Closing with the same effects if made on the date of the Closing; (ii) there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or overtly threatened in any way affecting the existence of the City or the titles of its officials to their respective positions, or seeking to restrain or to enjoin the sale or delivery of the Obligations, or the collection and pledge of the Excise Taxes to pay all the Payments or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting in any way the completeness or accuracy of the Final Official Statement or the exclusion from gross income of interest with respect to the Obligations, or contesting the powers of the City or its authority with respect to the Obligations or the City Documents; (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing; and (iv) the City has complied with all requirements and covenants under prior obligation documents for the issuance of the Obligations;

(6) A certificate, dated the date of Closing and signed by the City Manager, the Director of Finance, the City Clerk or other officer of the City, to the effect that (i) the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which they were made, not misleading; (ii) the financial statements of the City contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the City as of the dates and for the periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted

accounting principles consistently applied; (iii) since June 30, 2021 the City has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the results of operations or financial condition of the City that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business, nor are there any deficits in any fund of the City except as disclosed in the Official Statement; and (iv) no event affecting the City has occurred since the date of the Preliminary Official Statement to the sale date of the Obligations and the date of the Final Official Statement to the date of Closing that should be disclosed in the Preliminary Official Statement or the Final Official Statement, as applicable, for the purpose for which it is to be used or which it is necessary to disclose therein with respect to the City in order to make the information therein in the light of the circumstances pursuant to which they were made or set forth not misleading in any material respect;

(7) A specimen of the Obligations;

(8) A certified copy of the Resolution;

(9) A counterpart original of the Final Official Statement manually executed on behalf of the City by the City Manager;

(10) A non-arbitrage certificate with respect to the Obligations of the City in form and substance satisfactory to Special Counsel;

(11) A filing copy of the Information Return Form 8038-G for the Obligations and of the Report Relating to Bond and Security Issuance for the Obligations pursuant to Section 35-501, Arizona Revised Statutes;

(12) An executed copy of each of the other of the City Documents;

(13) A certificate or certificates, dated the date of the Closing, signed by an authorized representative of the Trustee and in form and substance satisfactory to Special Counsel and the Underwriter, in which such official states that (i) the representations and warranties of the Trustee contained in the Purchase Contract and the Trust Agreement (collectively for purposes of this paragraph, the "Trustee Documents") are true and correct in all material respects as of the date of the Closing, the Trustee has duly executed and delivered the Trustee Documents and the Trustee has complied with all agreements and satisfied all conditions on its part to be performed or satisfied pursuant to the Trustee Documents at or prior to the Closing and (ii) no litigation is pending or threatened against the Trustee before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the performance by the Trustee of its obligations and duties pursuant to the Trustee Documents, (B) in any way contesting or affecting any authority for, or the validity of, the Obligations or the applications of the proceeds of the Obligations or (C) in any way contesting the existence or corporate trust powers of the Trustee, together with evidence of the authority of the Trustee to execute and deliver the Trustee Documents and execute and deliver the Obligations and an incumbency certificate;

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

(15) A letter from S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, confirming that the Obligations have been assigned [a rating of “__” based on the issuance of the Policy and an underlying rating on the Obligations of “__” (collectively, the “Ratings”)], which Ratings shall be in effect on the date of Closing; and

(16) Such additional opinions, letters, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably deem necessary to satisfy conditions to the execution and delivery of the Obligations and to evidence the truth and accuracy as of the date of the Closing, or prior to such time, of the representations, warranties and covenants of the City and the due performance or satisfaction by the City of all agreements then to be performed and all conditions then to be satisfied by the City.

(All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase 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 Purchase 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 Purchase Contract, this Purchase 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 and the Underwriter set forth in Section 8(c) hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Obligations and to terminate this Purchase Contract by written notice to the City if, between the date of this Purchase Contract to and including the date of the Closing, in the Underwriter’s sole and reasonable judgment any of the following events shall occur:

(a) the market price or marketability of the Obligations, or the ability of the Underwriter to enforce contracts for the sale of the Obligations, shall be materially adversely affected by any of the following events:

(b) legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President’s Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority with appropriate

jurisdiction, with respect to federal or state taxation upon interest received on obligations of the general character of the Obligations; or

(c) there shall have occurred (a) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (b) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis, (c) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (d) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 500,000; or

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

(e) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Obligations, or any comparable securities of the City, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, or otherwise, or would be in violation of any provision of the federal securities laws; or

(f) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the City shall have occurred; or

(g) any rating on obligations of the City is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency; or

(h) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Final Official Statement (other than any statement provided by the Underwriter) or is not reflected in the Final Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the City refuses to permit the Final Official Statement to be supplemented to supply such statement or information, or the effect of the Final Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Obligations or the ability of the Underwriter to enforce contracts for the sale of the Obligations; or

(i) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(j) a material disruption in securities settlement, payment or clearance services affecting the Obligations shall have occurred; or

(k) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(l) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Obligations, including the underlying obligations as contemplated by this Purchase Contract or by the Final Official Statement, or any document relating to the issuance, offering or sale of the Obligations, is or would be in violation of any provision of the federal securities laws at the date of the Closing, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the obligations of the City hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations, the Preliminary Official Statement, the Official Statement and the City Documents in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby; (ii) the fees and disbursements of Special Counsel, counsel to the City, the Trustee and the Underwriter; (iii) the fees and disbursements of any other accountants, and other experts, consultants or advisers retained by the City; (iv) the fees for the Rating and of DTC and (v) reasonable miscellaneous, normally occurring, “out-of-pocket” expenses including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs incurred by the Underwriter in connection with the sale and execution and delivery of the Obligations. The City acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Obligations.

(b) Except as provided for above, the Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations, and (ii) all other expenses incurred by them in connection with the public offering of the Obligations.

(c) If this Purchase 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 Purchase Contract, or if for any reason the City shall be unable to perform its obligations under this Purchase Contract, the City shall reimburse the Underwriter for all “out-of-pocket expenses” reasonably incurred by the Underwriter in connection with this Purchase Contract or the offering contemplated hereunder.

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

9. Notice Concerning Cancellation. As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the State, its political subdivisions (including the City) or any department or agency of either may, within three (3) 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. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Purchase Contract and covenants that it shall take no action which would result in a violation of such Section.

10. Notices. Any notice or other communication to be given under this Purchase Contract must be given by delivering the same in writing to:

To the City: City of Sedona, Arizona
c/o Mayor and City Council
102 Roadrunner Drive (Building 106)
Sedona, Arizona 86336
Attention: Karen Osburn, City Manager

To the Underwriter: Stifel, Nicolaus & Company, Incorporated
2801 East Camelback Road, Suite 300
Phoenix, AZ 85016
Attention: Mark Reader, Managing Director.

11. Parties in Interest. This Purchase Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City and the Underwriter (including successors or assigns of the Underwriter), and no other person shall acquire or have any right hereunder or by virtue hereof, this Purchase Contract may not be assigned by the City. All of the representations, warranties and agreements of the City contained in this Purchase 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 Purchase Contract, and (iii) any termination of this Purchase Contract.

12. **Effectiveness.** This Purchase 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; Venue.** This Purchase Contract shall be governed by and construed in accordance with the law of the State. The venue for any proceedings on any and all controversies arising pursuant to this Purchase Contract will be Yavapai County, Arizona.

14. **Severability.** If any provision of this Purchase Contract shall be held or deemed to, or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

15. **Business Day.** For purposes of this Purchase 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 Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

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

[Signature page follows.]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Underwriter. This Purchase Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, Underwriter

By.....
Mark Reader, Managing Director

ACCEPTED THIS ___ DAY OF
MARCH 2022 at P.M.

CITY OF SEDONA, ARIZONA

By.....

Name.....

Title.....

[Signature page to Obligation Purchase Agreement]

SCHEDULE I

\$ _____
CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2022

DATED DATE: MARCH 1, 2022

Maturity Dates (April 1)	Principal Amounts	Interest Rates	Yields
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			

Optional Redemption of Obligations. The Obligations will be subject to redemption, at the option of the City, in whole or in part on any date on or after July 1, 20__, at the redemption price of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Manner of Selection for Redemption. The Obligations will be redeemed only in principal amounts of \$5,000 each or integral multiples thereof. The City will, at least 45 days prior to the redemption date, notify the Trustee of such redemption date and of the maturities of the Obligations and the principal amount of the Obligations of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Obligations of a single maturity, the particular Obligations or portions of the Obligations to be redeemed shall be selected through the procedures of DTC.

Notice of Redemption. Redemption notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for redemption. Such notice will state that if, on

the specified redemption date, moneys for redemption of all the Obligations to be redeemed together with interest to the date of redemption, is held by the Trustee, then, from and after said date of redemption, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the redemption will not occur.

EXHIBIT A

FORM OF UNDERWRITER’S CERTIFICATE

§ _____
CITY OF SEDONA, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2022

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Obligations”).

1. Obligation Purchase Agreement. On February __, 2022 (the “Sale Date”), Stifel and City of Sedona, Arizona (the “City”) executed an Obligation Purchase Agreement (the “Purchase Contract”) in connection with the sale of the Obligations. Stifel has not modified the Purchase Contract since its execution on the Sale Date.

2. [Price. As of the date of this Certificate, for each Maturity of the Obligations, the first price or prices at which at least 10% of each such Maturity of the Obligations was sold to the Public are the respective prices listed in Schedule A attached hereto.]

3. Defined Terms.

- (a) *City* means the City of Sedona, Arizona.
- (b) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is February __, 2022.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Federal Tax Certificate of the City dated March __, 2022 and with respect to compliance with the federal income tax rules affecting the Obligations, and by Special Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Obligations.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as underwriter

By: _____
Mark Reader, Managing Director

By: _____
[underwriter]

Dated: March __, 2022

SCHEDULE A

Actual Sales Information as of Closing

<u>Maturity (July 1)</u>	<u>Coupon</u>	<u>Date Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>	<u>Issue Price</u>
2023				\$	\$
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					

c Priced to the first optional redemption date of July 1, 20__ at par.

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF SPECIAL COUNSEL

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Date of Closing]

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

Re: Excise Tax Revenue Obligations, Series 2022, Evidencing Proportionate Interests of the Owners Thereof in Installment Payments to be Made by City of Sedona, Arizona to _____, Trustee, Dated the Date Hereof

Pursuant to an Obligation Purchase Agreement, dated February __, 2022 (the “Purchase Contract”), between City of Sedona, Arizona and Stifel, Nicolaus & Company, Incorporated, we have delivered to you our approving opinion of even date herewith (the “Approving Opinion”) relating to the captioned Obligations (the “Obligations”). You may rely on the Approving Opinion as if the Approving Opinion were also addressed to you. All terms used herein shall have the same meaning assigned to such terms in the Purchase Contract.

With the same exceptions, reliances and assumptions provided in the Approving Opinion and further relying specifically on the opinion of the City Attorney of City of Sedona, Arizona, dated the date hereof, as to matters addressed therein, we hereby supplement the Approving Opinion and further advise you as follows:

1. The City has all requisite power and authority pursuant to the Constitution and laws of the State (a) to execute and deliver, as applicable, the City Documents, (b) to approve, execute and authorize the use and distribution of the Preliminary Official Statement and the Final Official Statement and (c) to carry out and consummate the transactions contemplated by the Final Official Statement, the City Documents and the Obligations (including performing the applicable obligations pursuant thereto).

2. The City has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the Final Official Statement, the City Documents and the Obligations.

3. The City Documents have been duly authorized, executed and delivered, and, assuming due and valid authorization, execution and delivery by, and enforceability against, if any, the other party thereto, the City Documents constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms. The foregoing is subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors’ rights and the principles of equity in the event equitable remedies are sought.

Exhibit B-1

4. Enactment of the Resolution, authorization, execution and delivery, as applicable, of, and the due performance by the City of the City Documents and the approval, execution and authorization of the use and distribution of, the Final Official Statement (including, as applicable, the Preliminary Official Statement) by the City under the circumstances contemplated thereby and each of such instruments, do not and will not conflict with, or constitute on the part of the City a material breach of or default under, any federal or State constitutional or statutory provision.

5. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Obligations and other than approvals that may be required under “blue sky” laws of any jurisdiction) is required in connection with the adoption by the Mayor and Council of the City of the Resolution or the authorization, execution, delivery and performance, as applicable, by the City of the City Documents and the consummation of the transactions contemplated by the Final Official Statement.

6. The information contained (but not incorporated by reference) in the Preliminary Official Statement and the Final Official Statement in the tax caption on the cover thereof, under the headings “INTRODUCTORY STATEMENT,” “THE OBLIGATIONS,” “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS,” “TAX EXEMPTION,” and “CONTINUING DISCLOSURE” (except as it relates to compliance with prior undertakings as to which we express no opinion) therein, and in Appendix D – “SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS,” Appendix E – “PROPOSED FORM OF APPROVING LEGAL OPINION,” and Appendix F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” thereto, insofar as such information purports to summarize certain provisions of the laws of the State and the United States of America, the Obligations, the Indenture, the Purchase Contract and the Undertaking fairly present the information purported to be shown; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized, and, based solely on our participation in the transaction as Special Counsel, nothing has come to our attention that would lead us to believe that the information and statements in the Preliminary Official Statement, as of its date and as of February __, 2022, and the Final Official Statement, as of its date and as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that we express no view as to the financial statements of the City, any other financial forecast, technical or statistical data, and any information in the Preliminary Official Statement or the Final Official Statement regarding DTC. We have not undertaken to review or determine independently, and assume no responsibility for, the accuracy or completeness of the information in the Preliminary Official Statement or the Final Official Statement except to the extent indicated hereinabove.

7. It is not necessary in connection with the sale and execution of the Obligations to the public to register the Obligations pursuant to the Securities Act of 1933, as amended, or to qualify the Indenture pursuant to the Trust Indenture Act of 1939, as amended.

This letter is provided pursuant to Section 6(k)(2) of the Purchase Contract and is being given solely for the information of and assistance to the addressee of this letter in its capacity as the underwriter of the Obligations. In giving this opinion to such underwriter, it is expressly understood that no attorney-client relationship is being created thereby. Without our express prior written permission, this opinion may not be relied upon by any person other than such underwriter and is not to be used, circulated, quoted, or otherwise referred to in connection with the offering of the Obligations, except that reference may be made to this opinion in any list of closing documents pertaining to the execution and delivery of the Obligations.

Respectfully submitted,

EXHIBIT C

[LETTERHEAD OF CITY ATTORNEY]

[Date of Closing]

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

Greenberg Traurig, LLP
Phoenix, Arizona

Re: Excise Tax Revenue Obligations, Series 2022, Evidencing a Proportionate Interest of the Owners Thereof in Purchase Payments to be Made by City of Sedona, Arizona to _____, as Trustee, Dated the Date Hereof

I hold the office of City Attorney of the City of Sedona, Arizona (the “City”), and in that capacity render this opinion pursuant to the Obligation Purchase Agreement, dated March __, 2022 (the “Purchase Contract”), with respect to the captioned Obligations. (The capitalized terms used in this opinion and not otherwise defined herein have the meaning ascribed to them in the Purchase Contract.)

I have examined the transcript of proceedings (the “Transcript”) relating to the execution and delivery of the Obligations, including originals or copies, certified or otherwise identified to our satisfaction, of the included documents, resolutions, instruments, records, certificates and opinions, and have reviewed laws and information and have made investigations, as I have considered necessary or appropriate for the purpose of rendering this opinion. In such examination of the Transcript, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to me as copies. As to any facts material to this opinion, I have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

Based upon such examination, I am of the opinion that, pursuant to the law existing on the date of this opinion:

1. The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State of Arizona and has all requisite power and authority thereunder to enter into and perform its agreements in accordance with the Resolution and its covenants and agreements pursuant to the City Documents.

2. The Resolution has been duly adopted and approved by the Mayor and Council of the City in conformance with the applicable open meeting and other laws and resolutions of the City and the State of Arizona.

3. The City Documents have been duly authorized and validly executed and delivered by the City, and the distribution of the Preliminary Official Statement and the Final Official Statement has been duly authorized by the City.

4. The adoption and approval of the Resolution, the authorization, execution and delivery of the City Documents and compliance with the respective provisions thereof under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or of any existing law, administrative regulation, court order or consent decree to which the City, or any of its property, is subject.

5. There are no lawsuits or proceedings by or before any court, governmental agency, public board or body, pending or, to the best of my knowledge, threatened against the City (a) that in any way question (i) the validity and the proper authorization, approval and execution of any of the City Documents, (ii) the validity and proper approval and adoption of the Resolution, (iii) the authority of the City or its officials to enter into any of the City Documents, to make the Payments or to perform its obligations under such documents or the Resolution or the pledge of Excise Taxes (as defined in the City Documents) and to carry out the transactions contemplated thereby, or (b) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Resolution, the Obligations, any of the City Documents or the Official Statement, or would in any way adversely affect the validity or enforceability of the Obligations, the Resolution, any of the City Documents or of any other instruments required or contemplated for use in consummating the transactions contemplated thereby or by the Official Statement, or that, individually or collectively, would have a material adverse effect on the financial condition of the City or impair the City's ability to comply with all of its duties under the Resolution, or (c) contesting in any way the completeness or accuracy of the Official Statement.

6. The statements in the Preliminary Official Statement and the Final Official Statement under the heading "LITIGATION" are true and correct in all material respects and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CITY OF SEDONA, ARIZONA ATTORNEY'S
OFFICE

By _____

CITY OF SEDONA, ARIZONA

PROCEDURES FOR COMPLIANCE WITH CONTINUING DISCLOSURE UNDERTAKINGS

IMPLEMENTED FEBRUARY 8, 2022

These Procedures for Compliance with Continuing Disclosure Undertakings (these “Procedures”) set forth procedures of the City of Sedona, Arizona (the “Issuer”) to assist in compliance with the continuing disclosure undertakings (“Continuing Disclosure Undertakings”) entered into by the Issuer in connection with the offering of obligations of the Issuer subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

These Procedures document practices and describe various procedures for preparing and disseminating annual financial information and reporting “listed events” for the benefit of the holders of the Issuer’s obligations and to assist Participating Underwriters (within the meaning of the Rule) in complying with the Rule.

Compliance with pertinent law is an ongoing process; necessary during the entire term of any obligations issued by the Issuer, and is an integral component of the Issuer’s debt management. Implementation of these Procedures will require ongoing monitoring and consultation with bond/disclosure counsel and the Issuer’s accountants and advisors.

General Policies and Procedures

1. The Director of Finance of the Issuer (the “Compliance Officer”) will be responsible for monitoring post-issuance compliance.
2. The Compliance Officer will coordinate procedures for record retention and review of such records.
3. All documents and other records relating to obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer.
4. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.
5. The Compliance Officer will review the annual information required to be filed pursuant to each Continuing Disclosure Undertaking.
6. The Compliance Officer will train at least one other employee of the Issuer with respect to the matters contained in these Procedures to facilitate compliance with the Continuing Disclosure Undertakings in the event the Compliance Officer is no longer employed by the Issuer.

Continuing Disclosure

In order to monitor compliance by the Issuer with its Continuing Disclosure Undertakings, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Undertakings. The Compliance Officer may coordinate with staff, and may engage a dissemination

agent, counsel, and/or other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

A. Compilation of Currently Effective Continuing Disclosure Undertakings

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Undertakings of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective obligation issue. Continuing Disclosure Undertakings are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Undertakings) for so long as the obligations to which they relate are outstanding. As obligations are completely repaid or redeemed, the Compliance Officer shall remove the related Continuing Disclosure Undertakings from the set of Currently Effective Continuing Disclosure Undertakings.

B. Compilation of Currently Effective Financial Obligations

The Compliance Officer shall compile and maintain a list of all currently effective Financial Obligations of the Issuer. "Financial Obligations" means, for purposes of the Rule, a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, and existing or planned debt obligation, or (iii) a guarantee of (i) or (ii). For purposes of the Rule, Financial Obligation shall not include municipal securities of the Issuer as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule and as to which a continuing disclosure undertaking has been executed and delivered by the Issuer consistent with the Rule.

Such list shall include key terms of each Financial Obligation, such as date of incurrence, principal amount, maturity, amortization, interest rate, default rates, security and source of payment and key covenants.

C. Annual Review and Annual Reporting Requirements

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Undertakings annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Undertaking may differ from the financial information and operating data required to be reported under another Continuing Disclosure Undertaking; and
- The timing requirements for reporting under a particular Continuing Disclosure Undertaking may differ from the timing requirements for filing under another Continuing Disclosure Undertaking.

D. Calendar; EMMA Notification System

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall also subscribe to notification services made available through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

E. Annual Review of Prior Filings

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall file the missing information.

F. Monitoring of Listed Events

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Undertakings and shall provide notice of the same in the required manner and by the relevant reporting deadline (generally within 10 days of the occurrence):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations;
7. Modification to rights of holders of the Issuer's obligations, if material;
8. Calls of the Issuer's obligations, if material, and tender offers;
9. Defeasances of the Issuer's obligations;
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The list of Currently Effective Financial Obligations compiled pursuant to B. above will assist in making determinations with respect to Listed Events 15 and 16.

G. Review of Official Statements

The Compliance Officer shall review drafts of any offering document for a new offering of obligations, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the offering document accurately and completely describes the Issuer’s continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer’s other reviews of or diligence procedures relating to its offering documents.

H. Record Retention

The Compliance Officer shall retain documentation evidencing the Issuer’s annual reviews and its reviews of offering documents in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Undertaking, for the period that the related obligations are outstanding.

I. Annual Review Checklist

The Compliance Officer may use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST

- 1. **Fiscal Year Ending:** _____
- 2. **Compliance Officer:** _____
- 3. **Checklist Completion Date:** _____
- 4. **Obligations for which there are Currently Effective Continuing Disclosure Undertakings**

- Attach Agreements:

- \$ _____, _____, dated _____, 20__

5. Have any new Obligations subject to Continuing Disclosure Been Issued this Year?

_____ No

_____ Yes (Add Agreement to Currently Effective Continuing Disclosure Undertakings)

If Yes, did the Compliance Officer review the Offering Document's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years?

Circle: Y/N (If N, review and discuss any issues with counsel.)

6. Have any Obligations subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?

_____ No

_____ Yes (Remove Agreement from Currently Effective Continuing Disclosure Undertakings)

7. (a) Has the Compliance Officer Reviewed the Annual Continuing Disclosure Filing to Ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?

_____ Yes

_____ No (Compliance Officer must review the Annual Continuing Disclosure Filing)

(b) For purposes of this review, please keep in mind:

	Checked?
Different Continuing Disclosure Undertakings may require different information to be file (so check each one).	Y / N
Different Continuing Disclosure Undertakings may have different filing timing requirements (so check each one).	Y / N

8. Have any of the Following Listed Events Occurred this Year?

Event	Circle
1. Principal and interest payment delinquencies.	Y / N
2. Non-payment related defaults, if material.	Y / N
3. Unscheduled draws on debt service reserves reflecting financial difficulties.	Y / N
4. Unscheduled draws on credit enhancements reflecting financial difficulties.	Y / N
5. Substitution of credit or liquidity providers, or their failure to perform.	Y / N
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations.	Y / N
7. Modification to rights of holders of the Issuer's obligations, if material.	Y / N
8. Calls of the Issuer's obligations, if material, and tender offers.	Y / N
9. Defeasances of the Issuer's obligations.	Y / N
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material.	Y / N

- 11. Rating changes. Y / N
- 12. Bankruptcy, insolvency, receivership or similar event of the Issuer. Y / N
- 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material. Y / N
- 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material. Y / N
- 15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material. Y / N
- 16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties. Y / N

9. If any such Event Occurred, was Proper Notice Provided?

_____ Yes

_____ No (Call your dissemination agent or counsel immediately to discuss)

_____ N/A

10. Has the Issuer Retained a Dissemination Agent?

_____ Yes: Name/Contact: _____

_____ No



City of Sedona, Arizona

\$25,000,000

**Excise Tax Revenue Obligations,
Series 2022**

Presented By:

Mark Reader, *Managing Director*

February 8, 2022



01 Bond Market Update

02 Financing Plan and the Projects

03 Financing Calendar

Disclosure

Stifel, Nicolaus & Company, Incorporated (“Stifel”) has been engaged or appointed to serve as an underwriter or placement agent with respect to a particular issuance of municipal securities to which the attached material relates and Stifel is providing all information and advice contained in the attached material in its capacity as underwriter or placement agent for that particular issuance. As outlined in the SEC’s Municipal Advisor Rule, Stifel has not acted, and will not act, as your municipal advisor with respect to the issuance of the municipal securities that is the subject to the engagement.

Stifel is providing information and is declaring to the proposed municipal issuer that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s-length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

These materials have been prepared by Stifel for the client or potential client to whom such materials are directly addressed and delivered for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith and may not be relied upon as an indication that such an offer will be provided in the future. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and is subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and/or counsel as you deem appropriate.

Bond Market Update

Tax-Exempt Interest Rate Trends
Bond Buyer 20-Bond General Obligation Bond Index*
Weekly over 20-Year Period Ending 11/24/21



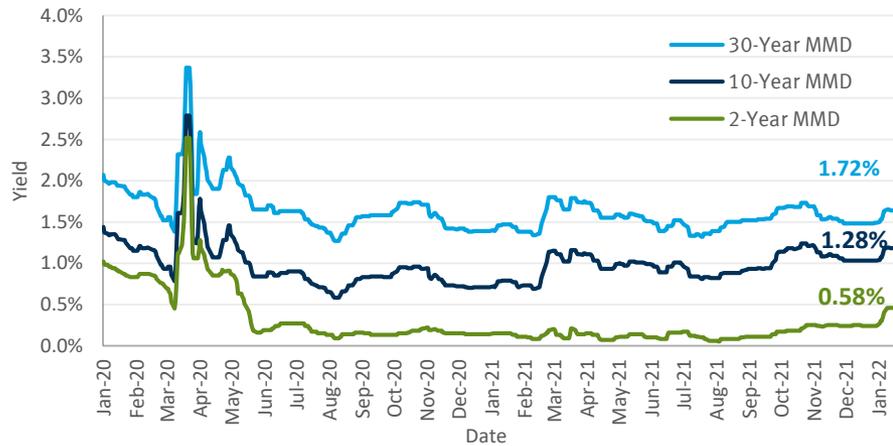
* The Bond Buyer Bond Index is the average of 20 general obligation bonds with 20-year maturities and an average rating of "A."

Tax-Exempt Interest Rate Movement

Last Week, AAA MMD Yields Increased Across the Curve

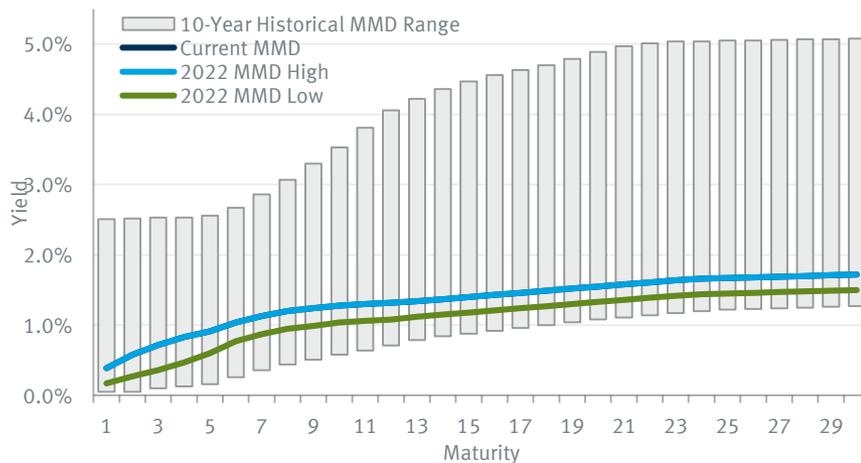
AAA MMD Yields Across the Curve Increase

Comparing 2, 10 and 30-Year AAA MMD since January 1, 2020



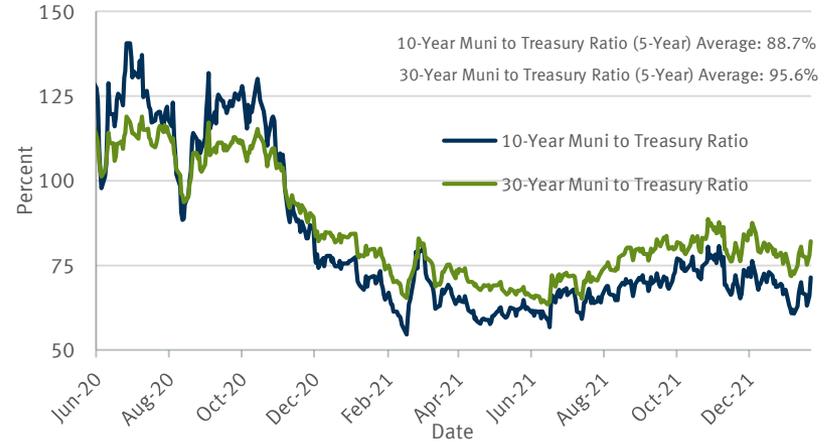
AAA MMD Yields Continue to Overlap 2022 Highs

10-Year Historical AAA MMD Range vs. Current AAA MMD



10-Yr and 30-Yr Muni to Treasury Ratios Experience Recent Decline

10-Year and 30-Year Muni to Treasury Ratios Since June 2020



AAA MMD Summary Statistics

	5-Year	10-Year	30-Year
Current	0.91%	1.28%	1.72%
Weekly Change	+10 bps	+10 bps	+8 bps

2022 Year-to-Date

YTD Change	+31 bps	+24 bps	+22 bps
High	0.91%	1.28%	1.72%
Low	0.60%	1.04%	1.50%
Average	0.77%	1.17%	1.63%
Year Ending 2021	0.59%	1.03%	1.49%

Since January 1, 2018

High	2.56%	2.79%	3.46%
Low	0.16%	0.58%	1.27%
Average	1.10%	1.52%	2.16%

Preliminary Interest Rate Scale*

Maturity (July 1)	Principal Amount	MMD (1/21/2022)	Spread to MMD	Coupon	Yield
2027	\$ 915,000	1.00	0.42	5.00	1.42
2028	965,000	1.10	0.44	5.00	1.54
2029	1,010,000	1.17	0.46	5.00	1.63
2030	1,060,000	1.22	0.50	5.00	1.72
2031	1,115,000	1.26	0.55	5.00	1.81
2032	1,170,000	1.29	0.58	5.00	1.87
2033	1,230,000	1.31	0.60	5.00	1.91
2034	1,290,000	1.33	0.65	4.00	1.98
2035	1,340,000	1.35	0.68	4.00	2.03
2036	1,395,000	1.37	0.70	4.00	2.07
2037	1,450,000	1.40	0.72	4.00	2.12
2038	1,510,000	1.43	0.73	4.00	2.16
2039	1,570,000	1.46	0.73	4.00	2.19
2040	1,630,000	1.49	0.73	4.00	2.22
2041	1,695,000	1.52	0.73	4.00	2.25
2042	1,765,000	1.55	0.73	4.00	2.28

* Preliminary, subject to change.

Financing Plan and the Projects

The Projects will include various aspects of the City's Transportation Master Plan, which may consist primarily of the following projects.

▪ **Uptown Sedona Parking Improvements – Approximately \$19,000,000**

- The strategy for improving parking conditions in Uptown includes construction of a new parking garage structure.
- On September 15, 2021 the City Council approved an amendment to the Community Plan and a land use Zoning change to M3 for the Parking Garage site.
- Status: Design is expected to be completed in June 2022 and construction is expected to be completed by Summer 2023.

▪ **Forest Road Connection – Approximately \$12,674,000**

- The connection provides an alternative transportation corridor for residents living in the Uptown area, when traveling to and from West Sedona.
- Status: Design is complete and construction is expected to be completed by Summer 2023.

▪ **Pedestrian Crossing at Oak Creek – Approximately \$2,324,000**

- The project proposes construction of an underpass multi-model crossing of State Route 179 between Oak Creek and SR 89A.
- Status: Design is nearly complete and construction is expected to be completed by about early 2023.

Excise Taxes Collections (a)

Source	Actual					Budgeted (b)
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
City Sales Tax (c)	\$ 16,268,459	\$ 17,341,799	\$ 18,419,630	\$ 17,315,576	\$ 23,972,811	\$ 30,010,800
Bed Tax (c)	3,267,195	3,798,583	4,104,205	3,565,872	6,129,428	6,025,100
Franchise Fees	783,413	822,122	810,915	809,673	883,456	851,800
License & Permit Fees	475,216	455,498	380,721	311,569	385,953	334,275
State Shared Sales Tax	950,879	998,202	1,039,635	1,067,529	1,199,926	1,163,600
State Shared Income Tax (d)	1,270,897	1,287,767	1,251,688	1,336,465	1,477,587	1,477,600
Vehicle License Tax	606,030	642,895	662,935	664,581	795,420	775,900
Charges for Services	186,590	770,108	933,927	671,405	667,179	846,640
Total	\$ 23,808,679	\$ 26,116,974	\$ 27,603,656	\$ 25,742,670	\$ 35,511,760	\$ 41,485,715

- (a) The Obligations will be secured by a first lien on and pledge of Excise Taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” in the Preliminary Official Statement.
- (b) Budgeted figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.
- (c) Excludes certain amounts that are not part of Excise Taxes pledged to payment of the Payments. See footnotes (a) and (b) to TABLE 1 of the Preliminary Official Statement.
- (d) As part of the State’s fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State’s current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023-24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. See “Excise Taxes” herein for a discussion of the referenda petition and court ruling relating to SB1828.

Source: Financial Services Department of the City.

Schedule of Estimated Debt Service Requirements and Coverage (a)

Fiscal Year	Excise Taxes (b)	Existing Parity Obligations			The Obligations*			Total Annual Debt Service Requirements*	Maximum Annual Debt Service Coverage (d)*
		Principal	Interest	Debt Service	Principal	Interest (c)	Debt Service		
2020/21	\$ 35,511,760								
2021/22		\$ 2,297,000	\$ 3,272,195	\$ 5,569,195				\$ 5,569,195	
2022/23		2,250,000	3,315,702	5,565,702		\$ 1,184,553 (e)	\$ 1,184,553	6,750,255	5.26x
2023/24		2,202,000	3,356,113	5,558,113		919,050	919,050	6,477,163	
2024/25		5,203,000	156,307	5,359,307		919,050	919,050	6,278,357	
2025/26		5,273,000	88,386	5,361,386		919,050	919,050	6,280,436	
2026/27		1,005,000	19,497	1,024,497	\$ 915,000	919,050	1,834,050	2,858,547	
2027/28					965,000	873,300	1,838,300	1,838,300	
2028/29					1,010,000	825,050	1,835,050	1,835,050	
2029/30					1,060,000	774,550	1,834,550	1,834,550	
2030/31					1,115,000	721,550	1,836,550	1,836,550	
2031/32					1,170,000	665,800	1,835,800	1,835,800	
2032/33					1,230,000	607,300	1,837,300	1,837,300	
2033/34					1,290,000	545,800	1,835,800	1,835,800	
2034/35					1,340,000	494,200	1,834,200	1,834,200	
2035/36					1,395,000	440,600	1,835,600	1,835,600	
2036/37					1,450,000	384,800	1,834,800	1,834,800	
2037/38					1,510,000	326,800	1,836,800	1,836,800	
2038/39					1,570,000	266,400	1,836,400	1,836,400	
2039/40					1,630,000	203,600	1,833,600	1,833,600	
2040/41					1,695,000	138,400	1,833,400	1,833,400	
2041/42					1,765,000	70,600	1,835,600	1,835,600	
		<u>\$ 18,230,000</u>			<u>\$ 21,110,000</u>				

See corresponding footnotes on page 10.

Schedule of Estimated Debt Service Requirements and Coverage (Cont'd.)

* *Subject to change.*

- a) *Prepared by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”).*
- b) *The amount of Excise Taxes used to calculate the coverage requirements is the actual collections for fiscal year 2020/21. See TABLE 5 – “Historical and Budgeted Excise Taxes” in the draft Preliminary Official Statement. As part of the State’s fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State’s current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023/24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. See “Excise Taxes” in the draft Preliminary Official Statement for a discussion of the referenda petition and court ruling relating to SB1828.*
- c) *Interest on the Obligations is estimated.*
- d) *Debt service coverage is based on revenues available for debt service (see footnote (b)) compared to the highest combined total of the debt service requirements in any succeeding fiscal year for the Obligations and the Existing Parity Obligations.*
- e) *The first interest payment on the Obligations is due on January 1, 2023*. Thereafter, interest payments will be made semiannually on July 1 and January 1, until maturity or prior redemption.*

Financing Calendar

Tentative Financing Calendar

Date	Event	Responsibility
Week of January 10 th	Draft Resolution and legal documents submitted to financing team for review and comments.	All Parties
January 19 th	POS Due Diligence conference call.	All Parties
January 26 th	S&P credit rating meeting.	City, Stifel
January 27th	All documents due to the City in connection with the February 8th City Council meeting to adopt the Resolution.	All Parties
February 1 st	S&P Credit Rating received.	City, Stifel
February 8th	City Council approves Resolution authorizing the issuance of the Obligations.	All Parties
February 4 th	Post POS to prospective investors.	City, Stifel
Week of February 7 th / Week of February 14 th	Underwriting of the Obligations.	All Parties
2 – 3 weeks after Pricing	Closing. Funds wired to the Trustee.	All Parties

January 2022						
S	M	T	W	TH	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February 2022						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

March 2022						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Financing Team		
City	=	City of Sedona, Arizona – Issuer
GT	=	Greenberg Traurig, L.L.P. – Special Counsel
Stifel	=	Stifel, Nicolaus & Company, Incorporated – Underwriter
UWC	=	Snell & Wilmer L.L.P. – Underwriter’s Counsel
Trustee/ BRPA	=	TBD – Trustee/ Bond Registrar and Paying Agent



**CITY COUNCIL
AGENDA BILL**

**AB 2719
February 8, 2022
Regular Business**

Agenda Item: 8b
Proposed Action & Subject: Discussion/possible action regarding the approval of a Resolution adopting new public participation procedures for the Sedona Community Plan update.

Department	Community Development
Time to Present	10 Minutes
Total Time for Item	45 Minutes
Other Council Meetings	October 12, 2021
Exhibits	A. Resolution B. Exhibit A to the Resolution – Public Participation Procedures

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$	N/A
City Manager's Recommendation	Approve a resolution adopting new Public Participation Procedures for the update of the Sedona Community Plan.	Amount Budgeted	
		\$	N/A
		Account No. (Description)	
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Arizona state statutes require cities and towns to adopt written procedures to provide effective, early, and continuous public participation in the development and major amendment of general plans. Sedona's public participation procedures were adopted in 2001 and amended in 2011 for the last Community Plan update adopted in 2013. This agenda item provides for discussion/possible action on a Resolution to adopt new public participation procedures for the current 2023 Sedona Community Plan update.

Background:

The Sedona Community Plan [Community Plan | City of Sedona \(sedonaaz.gov\)](http://sedonaaz.gov) is the City's general plan required by state law and lays the groundwork for the future of the City and management of its growth. The Plan contains development policies, recommendations for development regulations, specific planning projects, and priorities for capital needs. Although the Community Plan is not an ordinance, zone changes, zoning ordinances and regulations must be consistent with and conform to the Community Plan. Arizona state law requires general plans for cities and towns to be either re-adopted or updated at least every 10 years. The Sedona Community Plan was last updated in 2013. The 10-year anniversary of the last

Community Plan update will be in late 2023. On October 12, 2021, the City Council initiated the current process to update the Community Plan.

Arizona Revised Statutes 9-461.06 requires the adoption of written procedures to provide effective, early, and continuous public participation in the development and major amendment of general plans from all geographic, ethnic and economic areas of the municipality. The procedures shall provide for:

- The broad dissemination of proposals and alternatives.
- The opportunity for written comments.
- Public hearings after effective notice.
- Open discussions, communications programs, and information services.
- Consideration of public comments.

The proposed Public Participation Procedures are included here as Exhibit A to the attached Resolution. These procedures include the statutory requirements, the Work Group scope and potential engagement/outreach methods and the general planning process, while providing maximum flexibility in generating a more detailed outreach and communication strategy.

The Planning and Zoning Commission is discussing this document on February 1, 2022. The following graphic illustrates the general phasing and timeline for the Community Plan update.



In November 2021, a Work group for the Sedona Community Plan update, comprised of Sedona residents, was formed by the City Manager to assist in the update process. The Work Group is to provide input on:

- The planning process.
- Community outreach methods, materials, and messaging.
- Encourage public participation from the community.
- Provide input on key issues the Plan will need to address.
- Evaluate the current Community Plan as laypeople and suggest improvements on format, readability, layout, presentation, content, etc.

The Work Group conducted their first meeting on December 1, 2021. At their January 12, 2022 meeting the group discussed the Public Participation Procedures as outlined in the attached exhibit. The group agrees that the attached outline (Exhibit A to the Resolution) provides the necessary public participation procedures with the understanding that additional detail will be added later that is consistent with this general framework. These details will be discussed further in their meeting of February 16, 2022. The following are suggestions from the Work Group.

- Initial community outreach should include a major focus on educating the community.
- Understanding where we are today and how we have lived up to our vision.
- Understanding the built vs. unbuilt environment.
- What can be built and where.
- What the City can control and what we cannot control (e.g., limitations on short-term rentals).
- How many more homes can be built here?
- What is behind the decline in population?
- Comparisons with other areas of the Verde Valley (regional growth differences).
- Initial community outreach should communicate excitement, community unity and the importance of the Community Plan update.
- Community outreach needs to include those that work here but don't live here and be able to meet at places of employment.
- We must actively reach out to the Latino community.
- The process must communicate that there are many parts of the community and we care about all (residents, businesses, workers, visitors, etc.).
- May need to do several types of surveys following an initial statistically valid survey.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Although not applicable for this meeting, the update of the Community Plan is expected to address sustainability as a key topical area.

Board/Commission Recommendation: Applicable - Not Applicable

The Planning and Zoning Commission is discussing this document on February 1, 2022.

Alternative(s): N/A

MOTION

I move to: approve Resolution 2022-__ adopting new Public Participation Procedures for the update of the Sedona Community Plan.

RESOLUTION NO. 2022-___

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, APPROVING AND ADOPTING PUBLIC PARTICIPATION PROCEDURES FOR ADOPTION OF THE 2023 SEDONA COMMUNITY PLAN.

WHEREAS, the governing body of each municipality shall adopt a comprehensive, long-range general plan for the development of the community, consisting of a statement of community goals, development policies, and various elements as required by law [ARS 9-461.05], and

WHEREAS, the general plan is effective for ten (10) years, after which it must be either re-adopted, or a new general plan approved [ARS 9-461.06.K, L and M], and

WHEREAS, the existing general plan was adopted in November 2013 and must be re-adopted or a new general plan should be prepared and adopted on or before November 2023, and

WHEREAS, the city must adopt written procedures to provide effective, early and continuous public participation in the development of a general plan from all geographic, ethnic, and economic areas of the municipality [ARS 9-461.06.C],

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF SEDONA, ARIZONA, THAT:

1. **Adoption of Public Participation Procedures.** The “*Sedona Community Plan – Public Participation Procedures*”, as set forth in Exhibit A, are hereby adopted for use in preparation of the 2023 Sedona Community Plan.
2. **2011 Public Participation Procedures.** The public participation procedures for consideration of amendments to the Sedona Community Plan, as set out in Exhibit A to Resolution 2011-05, are hereby superseded.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona, this 8th day of February, 2022.

Sandra J. Moriarty, Mayor

ATTEST:

JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson, City Attorney



Exhibit A

SEDONA COMMUNITY PLAN - PUBLIC PARTICIPATION PROCEDURES 2-8-22

Pursuant to ARS 9-461.06, the City "shall adopt written procedures to provide effective, early and continuous public participation in the development and major amendment of general plans from all geographic, ethnic and economic areas of the municipality." The procedures shall provide for:

- The broad dissemination of proposals and alternatives
- The opportunity for written comment
- Public hearings after effective notice
- Open discussions, communications programs and information services.
- Consideration of public comments.

This mandate is consistent with the City's long-standing practice to involve the public in planning the City's future. Public participation is and has always been vitally important to Sedona's citizens and many different methods for public outreach and public input have been employed in the Community planning process since 1989. The public participation process reflects the City's on-going commitment to ensure that community input is used effectively in City decisions regarding the Community Plan.

The Public Participation Process covers the following types of proposed changes to the Sedona Community Plan:

- Comprehensive Updates
- Major Amendments
- Minor Amendments

I. Comprehensive Update- 2023

A comprehensive update to the Community Plan is initiated by the City and includes the adoption of a new general plan or the re-adoption of the Sedona Community Plan pursuant to ARS 9-461.06.

As required by ARS 9-461.06, the City shall:

- Consult with, advise and provide an opportunity for official comment by public officials and agencies, Yavapai and Coconino Counties, school districts, Northern Arizona Council of Governments (NACOG), the US

Forest Service, Arizona State Land Department, and other appropriate government jurisdictions, public utility companies, civic, educational, professional and other organizations, property owners and citizens generally to secure maximum coordination of plans and to indicate properly located sites for all public purposes on the Community Plan.

- Cooperate with the Arizona State Land Department regarding integration of conceptual state land use plans into the Community Plan.

The 2023 comprehensive Community Plan update process is intended to be flexible and evolve throughout the Plan update.

For the 2023 Plan update, a Working Group, comprised of nine to eleven Sedona residents, will be formed by the City Manager. The Working Group will:

- Provide input on the planning process, community outreach methods, materials and messaging.
- Encourage public participation from the community.
- Provide input on key community issues the Plan will need to address.
- Evaluate the current Community Plan as laypeople and suggest improvements on format, readability, layout, presentation and content.

On-going outreach and engagement methods:

Throughout the process, on-going outreach could include, but is not limited to the following:

- www.sedonaaz.gov/plansedona Website – provide information and get feedback
- Public Meetings
- Periodic work sessions with Planning and Zoning Commission and City Council.
- Meetings with community organizations and stakeholders to provide information and updates on the planning process
- Social media, such as Facebook

Specific Outreach methods:

Examples of more specialized outreach and engagement that could be used, tailored to specific points in the process:

- City-wide mailings and meetings
- Press Releases; Fact sheets
- Planning Charrettes or community workshops
- Focus groups
- Surveys
- Open Houses; Presentations
- Outside Speakers
- Neighborhood meetings

- Notification to property owners and homeowners associations in areas that may be affected by proposed changes to the Community Plan.

A draft Sedona Community Plan will be prepared that:

- Reflects the goals and priorities of the community.
- Meets all statutory requirements
- Includes strong visual and graphic elements
- Includes an implementation strategy
- Is in a format that is useful and compelling for all audiences, including the community at large.

The process to prepare a new draft Community Plan consists of the following general phases:

1. *Phase 1 - Background/Issue Identification*

- Provides community education and awareness (What does the community need to know about itself? What is a community plan and how is it used?). Discuss what we know today and what has changed since the last Community Plan. Directs residents to the website.
- Provides an opportunity for the community to understand the current Community Plan and to provide feedback on the community's vision and goals.
- Identifies outstanding community issues and priorities.

2. *Phase II - Preliminary Recommendations*

- Clarifies community direction on community vision and goals.
- Community outreach is designed to test the common vision and refine it to achieve community consensus.
- Creation of Plan elements with goals, policies, maps and graphics
- Creation of implementation strategies.
- Public outreach and feedback

3. *Phase III – Draft Plan*

- Assembly of the Draft Community Plan.
- Review and comment on the Draft Community Plan

4. *Phase IV - Public Hearings and Plan Adoption Process*

In this phase, recommended changes to the Community Plan (or creation or a new general plan) will be presented to the Planning and Zoning Commission and City Council for adoption.

During this phase, the following public information/public input techniques shall be employed:

Planning and Zoning Commission Public Hearing(s) –

The Planning and Zoning Commission shall hold at least one public hearing before recommending approval of a new general plan or a re-adoption of the Community Plan. Additional public hearings and work sessions may also be conducted. Notice of the time and place of a hearing and the availability of the proposal and related documents shall be given at least 15 and not more than 30 days before the hearing by:

- Publication at least once in the Newspaper using a 1/4-page display ad.
- City wide notification to property owners/residents.
- Notification to property owners and homeowners associations within the areas where changes to the land use designation and/or density are proposed.

Property owners and homeowners associations will also be notified regarding locations of map displays, where information pertaining to the proposal may be reviewed and how the City may be contacted regarding their comments and concerns.

Notice of the public hearing may also be given by Newsletters, radio, City website and/or other methods deemed appropriate. The Planning and Zoning Commission may also conduct work session(s) prior to and/or following formal public hearing(s).

- 60 Day Review - As required by ARS 9-461.06, at least 60 days before the Public Notice for the Planning and Zoning Commission public hearing on the comprehensive plan update, the proposal shall be transmitted to the Planning and Zoning Commission and City Council and shall be submitted to the following for review and further comment:
 - The planning agencies of Coconino and Yavapai Counties
 - Northern Arizona Council of Governments
 - Arizona Department of Commerce
 - Department of Water Resources
 - Any person or entity that requests in writing to receive a review copy.

The proposal or applicable sections of the proposal may also be transmitted to other agencies and regional jurisdictions.

- City Council Public Hearing(s) - The City Council shall hold at least one public hearing before adopting a new general plan or re-adopting the Sedona Community Plan. Notice of the hearing shall be given in the same manner as the Planning and Zoning Commission. Additional public hearings and work sessions may also be conducted.

- Adoption of a new general plan or re-adoption of the Sedona Community Plan shall be approved by at least two thirds of the members of the City Council.





**CITY COUNCIL
AGENDA BILL**

**AB 2740
February 8, 2022
Regular Business**

Agenda Item: 8c
Proposed Action & Subject: Discussion/possible direction regarding an update on progress made on the Climate Action Plan.

Department	City Manager's (Sustainability)
Time to Present	20 minutes
Total Time for Item	50 minutes
Other Council Meetings	May 12, 2021, July 14, 2021
Exhibits	A. City of Sedona Green Fleet Policy

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$ N/A	
City Manager's Recommendation	Discussion and possible direction only.	Amount Budgeted	
		\$	All active Climate Action Plan initiatives are already budgeted for FY22. Additional CAP initiatives may require funding that will be requested as part of the annual budgeting process.
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: City Council approved the Sedona Climate Action Plan (CAP) on July 14, 2021. The CAP sets a science-based target of reducing community-wide emissions in Sedona by 50% by the year 2030. The CAP identifies 50 actions to be taken across five sectors (buildings & energy, transportation & land use, materials & consumption, water & natural systems, and climate resilience). These actions aim to both reduce community-wide emissions and bolster resiliency against the adverse effects of climate change.

Staff updates will include, but not be limited to, the following items:

- The City's new Sustainability Manager began on January 31, bringing three permanent full-time staff to the Sustainability Program.

- A home energy retrofit program that offers financial assistance to moderate and low-income residents for residential energy efficiency retrofits. An agreement with CozyHome has been finalized to provide these services. The application for residents to partake in the program is currently being developed.
- Opportunities to improve the energy efficiency of City facilities is actively being explored with various energy services companies (ESCOs).
- The City Manager has approved a Green Fleet Policy for the City. The Green Fleet Policy sets a goal of a complete electric light-duty passenger vehicle fleet by 2030. Additionally, all new light-duty passenger vehicle purchases must be electric starting in FY23, unless otherwise approved by the Sustainability Program or City Manager.
- Additional electric vehicle chargers for the public are to be installed at Sunset Park and Posse Grounds Park. Additional EV charging is being explored at the proposed Uptown garage as well.
- A pilot project for residential food scraps composting is slated to start this spring. A location for dropping off compost has been approved and permitted by the City for Posse Grounds Park. Supply chain issues have delayed the construction of this fence which must be enclosed to keep out javelina and other wildlife.
- Sustainability staff have continued to engage with members of the Hispanic community through the Northern Arizona Institutions for Community Leadership (NAICL), the education and training arm of the Northern Arizona Interfaith Council (NAIC).
- Updated greenhouse gas emissions inventories for calendar years 2020 and 2021 are being worked on by staff.
- Climate action and sustainability recommendations are being included in development review feedback for new developments.

During the presentation, staff will present reductions to date of greenhouse gas emissions that contribute to achieving the 2030 climate action goals.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): for informational purposes only unless there is a preference to take a position on a particular issue or initiative.

MOTION

I move to: for information, discussion and possible direction only.

Green Fleet Policy

City of Sedona, AZ



Last updated November 10, 2021

Overview

The Green Fleet Policy acts as guidance for the City of Sedona, Arizona (“City”) to reduce the greenhouse gas emissions from City fleet vehicles. The contents of this plan are aimed to specifically target passenger vehicles, defined as those vehicles which serve a primary purpose of transporting small quantities of people and items. Although outside the purview of this plan, the City will make efforts to electrify other equipment, such as leaf blowers and lawn mowers, as possible. Electrification will be the primary method for reducing fleet emissions.

The Green Fleet Policy consists of the following ten sections that comprehensively outline how the City will measure, track, and reduce passenger vehicle fleet emissions.

1. Definitions
2. Goals and Objectives
3. Background
4. Annual Metrics
5. Vehicle Selection Standards
6. Replacement Timeline
7. Charging Infrastructure
8. At Home Charging
9. Fuel Reduction Initiatives
10. Proper Odometer Reporting

1. Definitions

The following terms referenced in this document are defined as follows:

- **Fleet vehicle:** Any vehicle owned by the City which is used by City employees and officials. Fleet vehicles do not encompass any privately-owned vehicle, such as those used for commuting purposes.
- **Passenger Vehicle:** Any vehicle which serves a primary purpose of transporting small quantities of people and items. Passenger vehicles do not include heavy-duty machinery, trailers, cranes, or buses.
- **Internal Combustion Engine (ICE) Vehicle:** A vehicle that runs entirely on gasoline or diesel fuel.
- **Plug-In Hybrid Vehicle (PHEV):** A vehicle that primarily runs on gasoline or diesel fuel, but also can run for short distances on a small battery which can be charged with electricity.
- **Battery Electric Vehicle (BEV):** A vehicle that runs exclusively on electricity and contains a large battery which must be charged.
- **Electric Vehicle Supply Equipment (EVSE):** Equipment used to charge BEV and PHEV vehicles.

- **Zero Emissions Vehicle (ZEV):** A class of vehicle that does not emit exhaust gas or other pollutants from the onboard source of power. ZEVs include BEVs, fuel cell hydrogen vehicles, bikes, electric bikes and scooters, amongst other options that may be developed in the future.

2. Goals and Objectives

This Green Fleet Policy is created as a directive of the 2020 Municipal Sustainability Plan action 5.1.2: “Develop a Green Fleet Policy.”

The Climate Action Plan, adopted by City Council in July 2021, sets a broad goal of reducing community-wide emissions by 50% by 2030. This includes the following goal for City fleet electrification:

“By 2030, the City strives to transition all passenger vehicles in the City fleet to 100% zero emissions vehicles.”

Given that electrification provides the most environmental and economic benefits when replacing a vehicle already up for replacement, the City is starting to electrify its fleet well ahead of 2030.

3. Background

In calendar year 2018 (CY18), the City’s vehicle fleet emitted an estimated 357 metric tons of carbon dioxide equivalent (MTCO_{2e}). In that year, the vehicle fleet accounted for around 12.7% of the City’s entire emissions. This made it the second most carbon-intense sector, only trailing the water and wastewater treatment facilities sector. As such, reducing fleet emissions will be a critical part of reducing the City’s overall emissions. A predominately zero-emissions fleet also allows the City to lead by example and demonstrate to the community that reducing vehicle emissions in Sedona is a priority.

4. Annual Metrics

The following metrics will be collected each calendar year to better understand the City’s progress towards meeting Green Fleet Policy goals. Data collection and processing will be executed by the City’s Sustainability Program, with assistance from the City’s Finance Department and third-party vendors as needed.

1. Number of vehicles in fleet including:
 - a) Vehicle type (sedan/crossover, SUV, light duty pickup truck, other)
 - b) Fuel type (ICE, ICE hybrid, PHEV, BEV, other)
2. Miles driven
3. Quantity of fuel consumed by type
4. Cost of fuel consumed by type
5. Greenhouse Gas Emissions (GHGs)
6. Portion of City emissions derived from fleet vehicles
7. Non-GHG EPA criteria emissions (carbon monoxide [CO], nitrous oxides [NO_x], particulate matter [PM_{2.5}])

5. Vehicle Selection Standards

Starting in Fiscal Year 2023 (“FY23”), all new passenger vehicle purchases will follow the below selection standards:

1. The vehicle up for replacement will be replaced with a zero emissions vehicle (ZEV) if a suitable ZEV model exists and is available.
2. If a suitable ZEV replacement does not exist or is not available, then the vehicle may be swapped with another fleet vehicle, where possible.
 - a) For example: ‘Vehicle A’ and ‘Vehicle B’ are both trucks. ‘Vehicle A’ is up for replacement in FY23, while ‘Vehicle B’ is not up for replacement until FY25. If no ZEV truck models are available in FY23, and ‘Vehicle A’ must be a truck, but ‘Vehicle B’ could reasonably be downsized to an SUV, vehicle swapping could occur. ‘Vehicle A’ would be replaced by ‘Vehicle B,’ and ‘Vehicle B’ would be replaced with a new suitable ZEV.
3. Only where the above is not possible will non-ZEV purchases be allowed. For non-ZEV purchases, lower-emission options such as plug-in hybrid electric vehicles (PHEV) will be prioritized. Approval from the City’s Sustainability Program or the City Manager must be received prior to purchasing a non-ZEV.
4. Where possible, ZEVs will be prioritized for those drivers with the largest current emissions. This could include internal fleet swapping amongst vehicles that are not up for replacement.
5. In limited numbers, City-wide pool vehicles may be replaced with PHEVs. This exception exists to accommodate the need to travel long distances while comprehensive charging infrastructure does not yet exist in the region.

6. Replacement Timeline

Each year, prior to budgeting season, the Sustainability Program will have conversations with all department heads and the Finance Department to understand which vehicles will be replaced during the following fiscal year. If the selected replacement vehicle is not already a ZEV, the Sustainability Program will recommend alternatives, including vehicle swapping. The full needs and usage of the vehicle will be considered. In some cases, this could also include conversations with the individual driver(s) assigned to the vehicle being replaced.

To advance and streamline this process, the Sustainability Program will create or outsource the creation of a preliminary timeline for ZEV adoption. This timeline will be based on an analysis of the current City fleet, market trends, and vehicle availability. The timeline will address each fleet vehicle, when it will be replaced, and what suitable ZEV models exist for procurement. Due to the rapidly evolving nature of the ZEV market, and the constantly changing needs of the City fleet, this timeline will only act as a recommendation.

7. Charging Infrastructure

Expanded electric vehicle supply equipment (EVSE) infrastructure will also be needed to electrify the City fleet. As such, the City will strategically establish a comprehensive EV charging network. While publicly available charging will be an important part of the Sedona community’s electrified future, the City will also need designated chargers available only for City fleet vehicles.

The following locations have been identified as needing additional fleet EVSE over the next 1-2 years.

- The Police Department garage at 100 Roadrunner Drive
- The City parking lot at 55 Sinagua Drive
- The Sedona wastewater treatment facility at 7500 West State Route 89A
- The City maintenance yard at 2070 Contractor's Road

The following locations have been identified as potentially needing additional fleet EVSE over the next 3-5 years.

- The City-leased property at 221 Brewer Road
- At Posse Grounds Park, near 525 Posse Ground Road
- In Uptown Sedona, to meet the needs of the Sedona's Police Department's Uptown Substation
- The proposed parking garage at 430 and 460 Forest Road
- The proposed transit operations and maintenance facility, and the transit mobility hub, once completed

Additional EVSE locations will be identified as needed.

8. At Home Charging

Some City employees are approved to take their assigned fleet vehicles home with them overnight. Where this is the case, those employees will receive a small "charging allowance" to cover the costs of overnight vehicle charging. The charging allowance will be financially structured in the same manner as current phone and car allowances. As such, the charging allowance must be approved by the department head and the City Manager. The size of the allowance will be determined based on employee location, ability to charge at work, and cost of electricity, amongst other factors.

9. Fuel Reduction Initiatives

The best way to reduce GHG emissions is to reduce fuel use overall. The City will support this in several ways:

- **Optimize vehicle selection.** Staff will select appropriately sized vehicles for procurement to improve fuel efficiency and reduce emissions.
- **Anti-idling policy.** The City will prohibit non-essential idling of fleet vehicles. Essential idling includes emergency vehicles, safety vehicles, and conditions where idling is needed for driver safety, such as extreme heat.
- **Smart-driving habits.** Staff should be informed of the following practices, which reduce emissions and accidents through vehicle operation. Smart-driving habits include:
 - Accelerating and decelerating smoothly.
 - Gently decelerating when entering corners and braking.
 - Observing posted speed limits.
 - Always wearing a seatbelt.
 - Never driving while distracted by a cell phone or other device.
- **Regular Vehicle Maintenance.** Fleet vehicle efficiency should be maximized through proper tire inflation, timely maintenance, and annual emission systems inspections.

10. Proper Odometer Reporting

In order to more accurately account for fleet metrics such as miles driven and emissions:

- All drivers of City fleet vehicles will input the correct odometer reading of their vehicle at the point of sale for gasoline and diesel purchases.
- When purchasing equipment fuel on a vehicle fuel card, staff should input an odometer reading of '99999' to communicate that the fuel purchased was not for the vehicle associated with the purchasing card.

Approval

By: Karen Osburn

Title: City Manager

Signed: 

Date: 11/18/21



**CITY COUNCIL
AGENDA BILL**

**AB 2770
February 8, 2022
Regular Business**

Agenda Item: 8d
Proposed Action & Subject: Discussion/possible direction regarding a citizen-initiated request for the City Council to support the establishment of a not-for-profit, volunteer membership organization to create a formal Sister Cities program in the Sedona community.

Department	City Manager
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	N/A
Exhibits	A. Proposal document

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	For discussion and possible direction only.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The request to consider this item was made by Vice Mayor Jablow and Councilor Ploog. Chuck Marr has spearheaded this effort amongst community members and will be making a presentation for Council's consideration. A proposal submitted by Mr. Marr is included as Exhibit A.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for discussion and possible direction only.

JANUARY 17, 2022

A PROPOSAL TO ESTABLISH ...

SEDONA SISTER CITIES ASSOCIATION



SISTER CITIES INTERNATIONAL MISSION

***"TO PROMOTE PEACE THROUGH MUTUAL RESPECT,
UNDERSTANDING AND COOPERATION - ONE INDIVIDUAL, ONE
COMMUNITY AT A TIME."***

BACKGROUND

Following two World Wars, President Dwight Eisenhower in 1956 recognized the only way to world understanding and peace was through a people to people program. Sister Cities grew out of this goal and now represents 1800 U.S. Sister City relationships in 138 nations. Today, eleven Arizona cities have "twinning" relationships with 56 foreign cities.

Sister Cities is unique in that it officially links municipalities from the U.S. with foreign cities through sister city agreements signed by the respective mayor of each city and ratified by each city council, which empowers community volunteers. This process can involve all community sectors to participate in the global arena, thus unleashing citizen diplomacy at the grassroots level.

For the past four months, Sedona community members have explored the idea of establishing a volunteer sister city organization. Enthusiasm for the concept has grown, resulting in this request for support by the Sedona City Council.

Action requested: Support the formation of a not-for-profit, volunteer membership organization (Sedona Sister Cities Association) to establish a formal Sister Cities program in the Sedona community.

WHY?

Each city in the U.S. and abroad is unique, but there are many commonalities. The purpose behind establishing a Sedona Sister Cities program is to find those smaller cities worldwide with which we can partner. Our city government, high school, college, arts/film organizations, golf courses etc. can all share and learn from like-sized cities facing similar sustainability challenges. The volunteer members of Sedona Sister Cities Association will serve as Sedona ambassadors to our sister city partners.

Key strengths of a successful Sister Cities program:

- Fosters ability for communities to learn, work and solve common problems
- Creates opportunities to experience and explore other cultures
- Generates planned mutual interest exchanges: education, arts, youth, government, business, sustainability initiatives, clubs/organizational linkage, health, environment, communications...all areas of common interest
- Develops international friendships and opportunities

STEPS FOR SUCCESS

- Review “How Sister City Relationships Work” (attached)
- Volunteer, Community Support for the Sister City concept (attached)
- Proposed Sister City Criteria (attached)
- Initial funding pledges of \$1,250
- City Council support to establish a volunteer, not-for-profit Sister City Association.
- Next steps:
 - Finalize Articles/Bylaws/not-for-profit status
 - Establish Board of Directors (Mayor, Honorary member)
 - Join Arizona Sister Cities (\$50 annual dues); Sister Cities International (\$310 annual dues) paid by Sedona Sister Cities Association
 - Form Sister City exploratory committee (12 month process)
 - Submit formal Sister City recommendation to Sedona City Council for approval; plan annual Sister City report to City Council



HOW SISTER CITY RELATIONSHIPS WORK

In the United States today, there are two major approaches taken by cities to establish a Sister City organization: a city commission or a separate volunteer not-for-profit. Most smaller cities have opted for the latter due to fiscal constraints and the desire to promote volunteer citizen diplomacy. Our recommendation is to establish a volunteer, membership not-for-profit Sedona Sister Cities Association which will not require city funding.

Once established the volunteer association (with an ongoing liaison with the City) determines its own budget and methods to raise funds. It develops a Board and volunteer base which encompasses the breadth and diversity in the community.

Utilizing community input and the resources of Sister Cities International and Arizona Sister Cities, the new association begins the careful process of vetting potential partner cities. Initial vetting criteria are included in this report. A critical component of a successful sister city relationship is the identification of leadership in both communities; leadership committed to an ongoing partnership. In most cases a partner city would have an established department dedicated to international relations although local citizen involvement is always important for long term success. After initial "zoom" meetings, an informal site visit delegation would travel to the potential city partner. The cost of this trip and any exchange would be borne by individuals and the Sedona Sister City Association. It would be preferable for the Mayor or member of city council to be part of this informal delegation. The delegation should include individuals who represent areas of potential collaboration. If the potential partner city decides to visit Sedona, the Sedona Sister City Association would make arrangements for their delegation's visit. Findings from the site visits will be part of a formal request to the City Council for approval of the relationship.

Once both Councils and Mayors agree to the partnership, a formal signing ceremony could be arranged via zoom or in person, again with the Sedona Sister City Association arranging the details.

Through this deliberate process, both cities will discover the areas of common interest and then the ongoing development of information and/or actual exchanges begins. Examples of successful exchanges include government to government identification of areas of common interest ie. water issues, climate change initiatives, traffic, sustainable development; exchanges of artists, chefs, police chiefs, educators; youth sports teams etc. All exchanges will be coordinated by the Sedona Sister City Association.

Sedona Sister Cities Association will have a mission to promote the City of Sedona and the Sedona Sister Cities Association as ambassadors of international friendship and goodwill. We will accomplish this goal through programs of economic and sustainable development and student, educational, medical, and cultural exchanges, creating long-term international partnerships. Most importantly a strong sister city partnership will meet Dwight Eisenhower's people-to- people vision of building peaceful relationships, one individual, one community at a time.

Sedona Sister Cities Association Community Support

Chuck Marr

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Andrea Lhotka

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Linda Goldenstein

linda@goldenstenart.com

Organizational Support *

OLLI Sedona Verde Valley

Rotary Club of Sedona
Village

Sedona Chamber Ballet

Sedona Village Partnership

SedonaKind

* Letters follow



Stay Connected! Stay Engaged! Stay Healthy!

January 18, 2022

Mr. Charles Marr
Chair
Sister Cities International

Re: Sedona Joining Sister Cities International Program

Dear Mr. Marr:

The Osher Life Long Institute (OLLI) at Yavapai College in Sedona, Arizona has been made aware of your interest in creating an opportunity for the city of Sedona to participate in the Sister Cities Program. We are whole heartedly in support of this endeavor.

OLLI is a unit of Yavapai College that provides learning opportunities to senior citizens with curious minds and hearts. We offer programs over a wide range of topics and have a membership of nearly a thousand. We see several benefits to our members in Sedona joining Sister Cities International. These benefits include

- a) An exchange of information about adult education programs there and here.
- b) A visiting speaker or facilitator from the sister community.
- c) An exchange of exhibitions of art works by artists in both communities.
- d) Zoom conversations between local and sister city residents.
- e) Dialogue about challenges we and the sister city face as a community (e.g. sustainability, affordable housing, traffic, tourism, population demographics)
- f) Expanded learning opportunities for local children and young people.
- g) Exchanges of artists, chefs, business owners, health professionals, etc. to improve/expand their understandings and expertise.

Please consider this as our strong support for this program. We hope that the Sedona City Council will vote in favor of proceeding and we look forward to working with our sister city to enjoy the many benefits.

Sincerely,

Mokshagundam L. Srikanth
Chair, Leadership Council
OLLI Sedona Verde Valley.

Rotary 
Club of Sedona Village

January 14, 2022

City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336

RE: Sister Cities Association

Dear City of Sedona,

Rotary is where neighbors, friends, and problem-solvers share ideas, join leaders, and take action to create lasting change. The Rotary Club of Sedona Village is proud to be a group of community members doing just these things.

We may be located in the Village of Oak Creek, but our work expands to the city limits of Sedona. In 2021, our Community Garden raise beds produced 485 pounds of fresh produce that was donated to the Sedona Oak Creek School District and the Sedona Community Food Bank. We also proudly partner and work with the two Rotary Clubs in the city of Sedona for fundraisers, community work, and an extensive trail and roadside clean up in April of 2021, removing over 1,000 pounds of trash from our beloved trails and roadways.

We also believe a collaboration between our Rotary clubs and the city of Sedona would be possible and most beneficial through the Sedona Sister Cities Association. This Sister City opportunity would bring awareness of different cultures in our area, foster further understanding with people, expand our capacity to bring peace in our community, and the world. We'd also be able to increase learning opportunities for all children in Sedona and the surrounding areas. The opportunities don't end there. Together, we can share learning opportunities for residents and visitors alike. We believe there are no negatives when it comes to this opportunity.

We kindly ask for your support of the Sedona Sister Cities Association and believe, by working together, we can help make a difference in Sedona, and the world.

Sincerely,



Heather Hermen

President

Rotary Club of Sedona Village



Sedona Chamber Ballet

January 7, 2022

Dear Chuck Marr,

The Sedona Chamber Ballet fully supports the creation of the Sedona Sister Cities Association. The benefits of an international cultural exchange program for students and citizens alike cannot be underestimated. As the National Endowment for the Arts maintains, international arts exchange is fundamental because it creates an environment for genuine compromise and conciliation, enhances the education of all citizens, fosters tolerance of diverse cultures within our country, and prepares us to contribute both artistically and economically within the global society. Valuable cultural exchange is mutual and offers the opportunity for deeper and prolonged commitment between artists and encourages responsible global citizenry. The Sister City initiative will provide for multicultural performing arts for participants of all ages, backgrounds, and abilities. At its heart, this program is about creating community, sparking curiosity about other cultures, and inspiring human connections that transcend geography, religion, language, and ethnicity..

Cultural exchanges deepen understanding among participants and create ties between US artists and communities and their counterparts abroad. They contribute to the creative development of artists by providing opportunities for the exchange of ideas and practices with their colleagues in other countries and help to sustain their careers through exposure to new audiences.

It is for these reasons that Sedona Chamber Ballet is a supporter and future collaborator in this exciting venture.

Sincerely yours,

Winifred Muench

Carolyn Martin

Diana McVeay

Winifred Muench, Chair Carolyn Martin, Vice Chair Diana McVeay, Secretary

730 Crown Ridge Road Sedona, AZ 86351 928-554-4059
sedonachamberballet@gmail.com www.sedonachamberballet.org

To the Sedona City Council,

SedonaKind is more than happy to endorse the proposal for a Sedona Sister Cities Association. Two of our Board members have attended informational meetings about this initiative, and learned a lot about the benefits and advantages of these partnerships. We were amazed to learn that there are 1800 US Sister Cities with relationships with 138 nations. Sedona may be small, and relatively new, but what makes our beloved city so special is so many ways is important to share with other cities, and there is so much we can learn as well.

The mission statement of SedonaKind is "To encourage acts of kindness, large and small, locally and around the world", so global connections like this will be close to our hearts.

Board of SedonaKind

"Be kind whenever possible. It is always possible"

1/17/22

January 17, 2022

Dear Mr. Marr,

I am pleased to inform you that at its January 15, 2022 meeting, the Board of Directors of Sedona Village Partnership unanimously and enthusiastically voted to endorse the creation of the Sedona Sister Cities Association.

As a federal 501 (c) (3) charitable organization and an Arizona nonprofit corporation, our vision is "Connecting the Community" and that extends globally. Our perspective is that a Sister Cities Association will promote international mindedness among our neighbors fostering both an appreciation for the uniqueness of other cultures and an understanding of commonalities that people from all nations have in their daily life on this planet.

Grounded in our core values: **Connect, Educate, Respect, Collaborate, Accomplish** we pledge to play an active role in making this endeavor a success in our community. It is an opportunity for us to learn how we can solve some of the challenges we face such as sustainability, tourism, and housing. Whatever city/community is selected as our "Sister," we will warmly open our arms to our new brothers and sisters.

Yours sincerely

Don Groves
President

Evaluation Criteria for Potential Sister City Relationship

Criteria

- a. Population demographics (size and make-up) relevance*
- b. Social/cultural/spiritual diversity*
- c. Mayor and key relationship coordinator identified*
- d. Potential for educational collaborations/student/teacher exchanges*
- e. Potential for cultural and humanitarian project exchanges*
- f. Potential economic development opportunities*
- g. Tourism challenges and opportunities*
- h. Health care/ healing approaches*
- i. Sustainability/green mindset*
- j. Current challenges being faced in the community*
- k. Identified beneficial goal specific projects that will deepen ties between both communities.*
- l. Candidate city's other sister city relationships*
- m. Travel limitations (if any)*
- n. Access to ongoing forms of virtual communication*
- o. Commitment toward long-term sustainable collaboration*



Sister Cities In Action...a few examples

Sister City Sustainability Art Project

Palo Alto, California – Oaxaca, Mexico, Heidelberg, Germany

<https://www.neighborsabroad.org>

Sister City Climate – Smart Municipalities Program

White Bear Lake, Minnesota, Ludenscheid, Germany

https://www.presspubs.com/white_bear/news/sister-city-all-about-green-space/article_971e9672-265a-11ec-9177-0bd5c531ca49.html

Sister City Student and Medical Exchange Programs

Aspen, Colorado – Shimukappu, Japan, Queenstown, New Zealand,

San Carlos de Bariloche, Argentina

<https://www.aspensistercities.com/medical-exchange>

Sister City College/City Program

Albion, Michigan/Albion College – Noisy-le-Roi and Bally, France

<https://www.albion.edu/about/local-community/our-sister-city/>

Sister City Professional Exchange Program

Tempe, Arizona – Regensburg, Germany

<https://tempesistercities.org>

Sister City “Operation Trash”

Baltimore, Maryland – Rotterdam, Netherlands

<https://baltimoresistercities.org/category/environment/>

Sister City International Sustainability Learning Project

Beaverton, Oregon – sister cities in France, South Korea, Russia, Germany

<https://blogs.oregonstate.edu/ecologue/2011/04/11/city-of-beaverton-hosts-international-sustainability-leadership-project/>

2022 Youth Artists & Authors Challenge Theme: Generational Rescue:

Sustainable Water for All <https://sistercities.org/2022-yaas>

What's Unique About Sister Cities International?



Mission

We promote national and international peace and security

Sister Cities International (SCI) is an American nonprofit founded by President Dwight D. Eisenhower 62 years ago to be a champion for peace and prosperity by fostering bonds among people around the world. People-to-people "citizen diplomacy" enhances the ability of people from different cultures to understand, appreciate, and celebrate their differences while building partnerships that advance the interests of all humankind.

Our vision is to enhance our stature as the largest, premier global network connecting people and communities from all backgrounds within the United States, and around the world. Now, more than ever we need to find common ground, and to promote values of peace, understanding, and democracy.

Opportunity

We seize the opportunity to make a difference

SCI programs engage leaders from the community to the national level, as well as youth, and business leaders. These connections form on an intimate level, with citizen diplomacy offering individuals of all ages extraordinary opportunities for personal growth. Every day, the lives of millions are touched directly and indirectly through SCI's economic, educational, environmental, and cultural programs.



Reach

We reach far and wide

Our geographical reach includes nearly every state, country, and continent in the world. Today, after more than 60 years, tens of thousands of citizen diplomats and volunteers in over 500 U.S. member communities enjoy more than 1,800 partnerships in 138 countries on 6 continents. Through our network, we emphasize both people-to-people, and community-to-community relationships, not just one-shot interactions but sustained connections.

Efficient Networks

We leverage and sustain networks and partnerships

Not only do the highly-leveraged financial and volunteer models appeal to the discerning philanthropist, but the high visibility and status of SCI in the public and private sectors attract individuals and companies pursuing economic and altruistic interests. The in-kind contributions of our volunteers multiply our impact, reach, and cost-effectiveness. We work directly with approximately 200 active volunteer leaders throughout the United States whose reach multiples as we engage 100,000 citizens and 30,000 youth every year.





**CITY COUNCIL
AGENDA BILL**

**AB 2774
February 8, 2022
Regular Business**

Agenda Item: 8e
Proposed Action & Subject: Discussion/possible action regarding a modification to hours and benefits for the Court Security Officer position.

Department	Magistrate Court
Time to Present	15 minutes
Total Time for Item	45 minutes
Other Council Meetings	None
Exhibits	None

<p>City Attorney Approval</p>	<p>Reviewed 1/31/22 KWC</p>	<p>Expenditure Required</p> <p>\$ Approx. wage increase: \$1,300 for remainder of FY22 \$3,600 estimate for FY23</p> <p>Approx. ASRS: \$1,100 for remainder of FY22 \$2,900 estimate for FY23</p> <p>Approx. other benefits increase: \$200 for remainder of FY22 \$450 estimate for FY23</p> <p>Totals: Est. remainder of FY22 increase \$2,600 Est. increase for FY23 \$6,950</p>
	<p>City Manager's Recommendation</p>	<p>N/A</p>

SUMMARY STATEMENT

Background:

The Court is requesting a change to our allocated Court Security Officer (CSO) position. We are requesting that it be changed to reflect a minimum 20-hour part-time position, which would include Arizona State Retirement benefits.

In December 2016, The Court Security Standards Committee, recommended mandatory security standards and related recommendations for implementation of those standards, including a three-year phased implementation for all courts. Part of this implementation included that every court have one main and staffed entrance for the public to enter and be screened.

Due to the current situation of operating a court in a shared space with city employees and council chambers, complying with the court security requirements has been a challenge. Additional challenges have been the status of part-time and temporary Judges, along with a high amount of staff turnover in trying to operate the court. A CSO is a highly trained individual with a very specific and extensive skillset. This makes it difficult to find qualified candidates and the part-time status creates additional challenges for long-term staffing. Recruitments produce very limited applications, and of those, most are not qualified. Less than two months ago, the City appointed a full-time Judge and hired a Court Administrator. This is allowing us to not only catch up on extensive backlog of cases needing to be addressed, but also to establish regular court sessions and calendaring for our constituents. Our court calendar is now operating four days a week, and therefore requires the additional hours for security.

Robin Reed, the prior CSO for about a year with the court, had consistently worked less than 20 hours a week, due to the inconsistent Judge availability and scheduling of court cases, and left our employment in October 2021. Since then, we did hire a second CSO, but he was only with us for a month, leaving due to an opportunity for more hours and employment benefits. During that recruitment, we only had two applications. In our most recent recruitment, we again had two applications, one of which was an out-of-state and non-qualified candidate.

The City is also in full pursuit of moving the Court to another facility, with a move anticipated within a few months. The security position will become even more vital when located in an off-sight facility and will allow us to enter into compliance with the security mandates set forth by the Arizona Supreme Court.

This position is already budgeted for seventeen (17) hours per week. By adding only three more hours per week and providing a retirement benefit, it would not only improve our chances of finding qualified individuals, but significantly improve our chances for employment longevity and retention, while having a very minimal financial impact to the City. Additional personnel costs would be approximately \$2,600 for the remainder of fiscal year 2021-22, with an estimated annual cost increase of \$6,950 for fiscal year 2022-23. With the turnover in the court and another position currently vacant, estimated vacancy savings of \$36,990 is more than adequate to cover the additional cost for fiscal year 2021-22.

We have already submitted our allocation request for FY23. However, with our budget savings in staffing this year, we are requesting that this be approved for both the remainder of this year and approved for the upcoming fiscal year.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: approve a modification to the Court Security Officer position to allow 20 hours per week and to add the benefit of enrollment in the Arizona State Retirement System, for the remainder of this fiscal year and continuing into next fiscal year.



**CITY COUNCIL
AGENDA BILL**

**AB 2769
February 8, 2022
Regular Business**

Agenda Item: 8f
Proposed Action & Subject: Discussion/possible direction regarding local short-term rental regulation including recent short-term rental strategies considered by other cities and towns.

Department	City Attorney
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	None
Exhibits	A. SCC Chapter 5.25 Short-Term Rental Regulation B. Scottsdale December 2021 STR Ordinance C. Paradise Valley January 2022 STR Ordinance

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	\$ N/A
City Manager's Recommendation	For discussion and possible direction only.	Amount Budgeted	\$ N/A
		Account No. (Description)	
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background:

Multiple Councilors have requested a discussion and update on short-term rental (STR) regulation actions performed by the City and by other cities. The City's current STR regulations, SCC Chapter 5.25, are attached as Exhibit A. In December 2021, the City of Scottsdale adopted a minor amendment to its ordinance regulating STRs. The amendment requires emergency contacts to respond in-person within one hour in the event of an emergency.

On January 27, 2022, Paradise Valley adopted major changes to its STR regulations. These changes included an expanded definition of "Special Event" which are prohibited at residential buildings, including STRs; an appeal procedure for police service fees; increased fines for aggravating factors for unruly gatherings; STR registration; background checks on each guest; 1 hour in-person response for police responses; Owner to meet in-person with STR guests at check-in; smoke and CO detectors, fire extinguishers, evacuation maps, local phone service and pest control; increased penalties for subsequent offenders.

These changes will be discussed and compared to the City's current STR ordinance at the meeting.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: for discussion and possible direction only.

Chapter 5.25

SHORT-TERM RENTAL REGULATION

Sections:

- 5.25.010 Title.**
- 5.25.020 Findings and purpose.**
- 5.25.030 Definitions.**
- 5.25.040 Emergency contact.**
- 5.25.050 Use regulations.**
- 5.25.060 Penalties.**

5.25.010 Title.

This chapter shall be known as the city of Sedona short-term rental regulation chapter. [Code 2006 § 8-4-1. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019].

5.25.020 Findings and purpose.

The city of Sedona is committed to maintaining its small-town character, scenic beauty, and natural resources that are the foundation of its economic strength and quality of life. (Sedona Community Plan, Section 9.2, Recommendations Goal 1.0.) The purpose of this chapter is to safeguard the public health and safety of the residents of Sedona and their visitors and guests while preserving the residential character of neighborhoods, minimizing nuisances, and providing equity with other residential and commercial uses. Therefore, in an attempt to further promote the aims and goals of the Sedona Community Plan, the city does hereby adopt the following provisions in an attempt to protect the public's health and safety in residential neighborhoods. [Code 2006 § 8-4-2. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019].

5.25.030 Definitions.

For the purpose of this chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

“Emergency point of contact” means the owner or owner’s designee who is located within 25 miles of the vacation rental, short-term rental, or transient lodging establishment and who is available 24 hours per day, seven days per week for the purpose of responding in person, telephonically, or by electronic mail to complaints, emergencies, or other incidents at the property in a timely manner.

“Transient” means any person who either at the person’s own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or any other basis for less than 30 consecutive days.

“Transient lodging” means the business of operating for occupancy by transients a hotel or motel, including an inn, tourist home or house, dude ranch, resort, campground, studio or bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure, and also including a space, lot, or slab that is occupied or intended or designed for occupancy by transients in a mobile home or trailer furnished by them for such occupancy. Transient lodging does not include those exceptions identified in A.R.S. § [42-5070\(B\)](#).

“Vacation rental” or “short-term rental” means any individually or collectively owned single-family or one- to four-family house or dwelling unit or any unit or group of units in a condominium, cooperative, or timeshare that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under A.R.S. § [42-12001](#). “Vacation rental” and “short-term rental” do not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center, or another similar use. [Code 2006 § 8-4-3. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019].

5.25.040 Emergency contact.

Before renting the property or offering the property for rent, the owner of any vacation rental, short-term rental, or transient lodging establishment shall provide the city with the name, address, e-mail address, and phone number of an emergency point of contact who is available 24 hours per day, seven days per week for the purpose of responding in a timely manner to any complaints, emergencies, or other incidents at the property. The owner shall notify the city, in writing, of all changes in the emergency contact information required by this section, not less than 10 days prior to the effective date of the change. The emergency point of contact shall be responsible to ensure that the occupants and guests of the property do not create unlawful noise disturbances, engage in disorderly conduct, or violate provisions of the Sedona City Code or any state law. Upon notification from the city that any occupant or guest of the property has created unlawful noise or disturbances, engaged in disorderly conduct, or committed violations of provisions of the Sedona City Code or any state law, the emergency point of contact shall respond in a timely and appropriate manner to prevent such conduct. The phrase “in a timely and appropriate manner” shall mean telephonic or in-person contact with the occupants of the property and the city or the city’s designee within 60 minutes of a call for each incident.

The contact information for the emergency point of contact shall be posted in a prominent and visible location inside the short-term rental, vacation rental, or transient lodging establishment. [Code 2006 § 8-4-5. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019. Formerly 5.25.050].

5.25.050 Use regulations.

The Sedona Land Development Code district regulations shall be applied to a short-term rental, vacation rental, or transient lodging establishment in the same manner as other property classified under A.R.S. §§ [42-12003](#) and [42-12004](#) except as permitted by state law. The use of any short-term rental, vacation rental, or transient lodging establishment in any single-family residential district shall be limited to the uses identified in the Sedona Land Development Code for that particular zoning district. No vacation rental, short-term rental, or transient lodging establishment in any residential district shall be used for nonresidential uses, including for any special event that would require a permit or license pursuant to SCC [5.05.030\(B\)](#) or as a retail establishment, restaurant, banquet space, or any other similar use. The owner of any vacation rental, short-term rental, or transient lodging establishment shall be responsible to ensure that the property complies with all applicable fire, building, health and safety codes, and all other relevant state and local laws. No vacation rental, short-term rental, or transient lodging establishment shall be rented or offered for rent without a current, valid transaction privilege tax license. The owner of any vacation rental, short-term rental, or transient lodging establishment shall list the transaction privilege tax license number on each advertisement offering the property for rent. [Code 2006 § 8-4-6. Ord. 2008-01, 1-22-2008; Ord. 2015-09 § 1, 6-23-2015; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019. Formerly 5.25.060].

5.25.060 Penalties.

Failure to comply with this chapter may subject the owner of the short-term rental, vacation rental, or transient lodging establishment to civil penalties up to \$2,500 per violation under SCC [1.15.010](#). [Ord. 2019-08 § 1, 11-26-2019 ([Res. 2019-22](#)); Res. 2019-22 Exh. A, 11-26-2019].

The Sedona City Code is current through Ordinance 2021-09, passed November 9, 2021.

Disclaimer: The city clerk's office has the official version of the Sedona City Code. Users should contact the city clerk's office for ordinances passed subsequent to the ordinance cited above.

Note: This site does not support Internet Explorer. To view this site, Code Publishing Company recommends using one of the following browsers: Google Chrome, Firefox, or Safari.

[City Website: www.SedonaAZ.gov](http://www.SedonaAZ.gov)

[Code Publishing Company](#)

ORDINANCE NO. 4527

AN ORDINANCE OF THE COUNCIL OF THE CITY OF
SCOTTSDALE, AMENDING ARTICLE I, SECTION 18-2
AND ARTICLE IX, SECTION 18-150 OF CHAPTER 18 OF
THE SCOTTSDALE REVISED CODE

BE IT ORDAINED by the Council of the City of Scottsdale as follows:

Section 1. Chapter 18, Article I, Section 18-2 of the Scottsdale Revised Code is amended and renumbered to conform by adding a new definition as follows:

"Transient" means within the definition of vacation rental or short-term rental any person who either at the person's own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty consecutive days.

Section 2. The City Council finds it is necessary to protect the public health and safety within the City of Scottsdale by requiring designated emergency points of contact respond within one (1) hour upon notification of an emergency by the City to the physical location of a vacation rental or short-term rental as there have been over one thousand eight hundred fifteen (1815) police calls involving vacation rentals and short-term rentals for the period through October 27, 2021.

Section 3. Chapter 18 Article IX, Section 18-150 of the Scottsdale Revised Code is amended as follows:

ARTICLE IX. – VACATION RENTALS.

Sec. 18-150. - Contact information required; emergency response; information updates; penalties.

(a) The owner of a vacation rental or short-term rental shall provide the city with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by e-mail at any time of day before offering for rent or renting the vacation rental or short-term rental within the city.

(b) In addition to the information required above, the owner of a vacation rental or short-term rental shall provide to the city the name and contact information of a person designated as an emergency contact.

(c) Any person designated as an emergency contact pursuant to subsection (b) of this section upon the request of the city in the event of an emergency shall respond in-person within one (1) hour to the physical location of the vacation rental or short-term rental for which they are a designated emergency contact.

~~(e)~~(d) The owner shall notify the city, in writing, of all changes in the contact information required by this section, not less than ten (10) days prior to the effective date of the change.

(d)(e) The city manager or designee shall develop the necessary forms and/or database necessary to implement this section.

(f) For the purpose of this section "in the event of an emergency" means any time police, fire or other public safety personnel respond to a vacation rental or short-term rental for a call for service including responding to a nuisance party or unlawful gathering.

(g) Violations of subsections (a) and (b) of this section are civil offenses subject to a mandatory minimum fine of one thousand (\$1,000.00) dollars except that the court may reduce the fine to two hundred fifty (\$250.00) dollars if the defendant by the time of sentencing has complied with requirements of subsections (a) and (b). A violation of subsection (d) of this section is a civil offense subject to a mandatory minimum fine of five hundred (\$500.00) dollars except that the court may reduce the fine to one hundred (\$100.00) dollars if the defendant by the time of sentencing has complied with requirements of subsection (d).

(h) It shall be a civil offense for any person designated as an emergency contact upon request by the city pursuant to subsection (c) of this section to either fail to respond to the physical location of the vacation rental or short-term rental for which they are a designated emergency contact or fail to arrive within one (1) hour to the physical location of the vacation rental or short-term rental for which they are a designated emergency contact. Failure to respond shall be punished by a minimum fine of five hundred (\$500.00) dollars and failure to arrive within one (1) hour shall be punished by a minimum fine of two hundred fifty (\$250.00) dollars.

(i) It shall be a civil offense for the owner of a vacation rental or short-term rental to intentionally, knowingly or recklessly have the owner's emergency contact fail to comply with the requirements of subsection (c). A violation of this subsection shall be punished a minimum fine of five hundred (\$500.00) dollars. Evidence such as failure of an owner to keep contact information current may be considered when taking into account whether the owner acted intentionally, knowingly or recklessly.

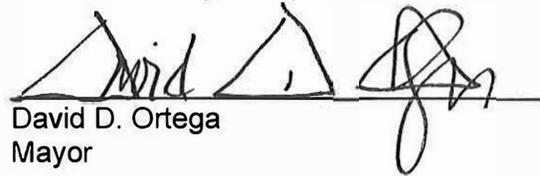
PASSED AND ADOPTED by the Council of the City of Scottsdale this 0th day of December 2021.

ATTEST:

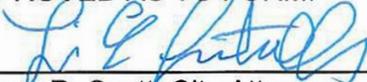


Ben Lane
City Clerk

CITY OF SCOTTSDALE, an
Arizona municipal corporation


David D. Ortega
Mayor

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Luis E. Santaella
Deputy City Attorney

**JANUARY 2022 AMENDMENTS
TO THE PARADISE VALLEY TOWN CODE
REGARDING NUISANCES, UNRULY GATHERINGS, NON-COMPLIANT SHORT-
TERM RENTALS, AND THE PEACE, HEALTH, SAFETY, AND WELFARE OF THE
GENERAL PUBLIC**

ADOPTED [DATE]

SECTION 1. Chapter 1 (General) of the Town Code of Paradise Valley, Article 1-9 (Penalty), Section 1-9-3 (Civil Penalties Prescribed) is hereby amended as follows (deletions shown as ~~strikethroughs~~ and additions shown in **bold type**):

Section 1-9-3 Civil Penalties Prescribed

In the absence of a specifically prescribed penalty,~~Any~~ any violation of the provisions of this Code or amendments thereto shall also constitute a civil offense,~~and any.~~ **Any** person who is served with a citation charging such violation and who admits, or is found responsible for such offense, shall be liable to pay to the Town a civil sanction in an amount that does not exceed the maximum amount permitted by law. Each day that a violation continues shall be a separate offense punishable as described.

SECTION 2. The following sections of Chapter 8 (Safety, Health, Sanitation and Nuisance), Article 8-8 (Special Events on Private Property and Publics Rights-of-Way) are hereby amended as follows (deletions shown as ~~strikethroughs~~ and additions shown in **bold type**):

Section 8-8-2 Definitions

In this Article, unless the context otherwise requires, the following terms or phrases are defined as follows:

“Block Party” means any group or neighborhood association consisting of Town residents, which, under competent adult supervision, gather upon any public street or right-of-way for a social purpose.

“Charitable Nonprofit Organization” means any person(s), partnership, association, corporation or other group whose activities are conducted for civic or humanitarian motives, or for the benefit of others, and not for the commercial gain of any private individual or group and may include, but shall not be limited, to political parties or committees, patriotic, philanthropic, social service, welfare, benevolent, educational, civic, fraternal, cultural, charitable, scientific, historical, religious, athletic or medical organizations. Proof of federal exemption under 26 U.S.C. Section 501 (c), Section 501 (d) or Section 501 (e) may be required.

“Commercial-” means any individual, entity, or organization that operates for profit and does not have valid 26 U.S.C. Section 501(c), Section 501-(d), or Section 501-(e) tax-exempt status.

“Minor Event” means an event ~~that takes place on private property;~~ **(i) that** has a minimal impact on neighboring properties; ~~and~~ **(ii) that** lasts for less than twenty-four (24) consecutive hours; ~~and~~ **(iii) that** does not meet the Special Event criteria; ~~and~~ **(iv) during which the Owner or non-transient occupant is on site for the entire duration of the event.**, ~~including but not limited to weddings, family reunions, memorials, or other ceremonies.~~

“Nonresidential Use” means any use that is not permitted in a residential zoning district pursuant to the Zoning Ordinance; any use that constitutes an Unruly

Gathering, as used in Article 10-13; retail, restaurant, banquet space, event center, or other similar use; and any use for which entrants pay an entry fee, unless such use is exempted under Section 8-8-4 (C) or (D).

“Owner” means any person or entity who has legal or equitable title to the subject real property or, if the property is not owner-occupied, a non-transient occupant of the subject real property.

“Parade” or “Procession” means any organized procession, march, ceremony, or public walk, consisting of a group of individuals, animals or vehicles, or any combination thereof, moving in an orderly way on a public street or right-of-way, and shall include distance running, bicycle races and similar activities. This Article shall not apply to funeral processions or to governmental agencies acting within the scope of their functions.

“Special Event” includes a wide variety of events or short-term activities, other than ~~minor events~~ **Minor Events, that may impact neighboring properties, and that involve **any one of the following:****

- 1. ~~The~~ the temporary use of residential property for **any Nonresidential Use, including but not limited to commercial, ~~or~~ charitable, or other purposes, inconsistent with the property’s legal use under the Zoning Ordinance;****
- 2. **Plainly Audible Noise, as defined in and prohibited under Section 8-10-2(E);****
- 3. **Any electronically- or mechanically-amplified sound between the hours of 10:00 p.m. and 7:00 a.m.;****
- 4. ~~The~~ the use of pyrotechnics or other temporary displays visible or audible off the property;**
- 5. ~~The~~ the temporary use of public rights-of-way; ~~or the use of temporary directional signage in the public rights-of-way for private purposes,~~ **including but not limited to valet parking, staging of shuttle vehicles, or directional signage;****
- 6. ~~The~~ the use of **any temporary structures** **Temporary Structure** for more than 24 hours; or**

~~Special Event includes~~ **Events include, but ~~is~~ **are** not limited to, parades or processions, block parties, film production events, charitable fundraising events, designer and/or showcase home events, home and garden tours, **weddings, banquets, pop-up bars, valet parking via public rights-of-way, and fireworks displays,** and fireworks displays.**

- 9. “Temporary Structure” means anything constructed or erected, the use of which requires a fixed location on the ground that is intended to be erected for a limited time, including but not limited to, tents, grandstands, bleachers, scaffolding and**

platforms, but excluding temporary sunshade structures or canopies of 200 square feet or less which have no side walls, and any tents or membrane structures that are depicted on the approved site plan for a property subject to a Special Use Permit, or otherwise provided for pursuant to the terms of a Special Use Permit.

Section 8-8-3 Permit Required

- A. An application for a Special Event permit on private property or Town-owned property shall be submitted to the Community Development Department. An application for a Special Event involving the use of a public street, or that may require extra security or special traffic control measures, shall also be reviewed by the Chief of Police or his designee.
- B. It shall be unlawful to conduct a Special Event without a properly issued Special Event permit, unless the event is exempted as provided in Section 4 of this Article, provided, however, that any Special Event that occurs on or involves the use of public rights-of-way, in whole or in part, shall obtain a permit. ~~Minor deviations or variances from Town Code requirements, such as temporary exceptions from regulations to the noise and sign regulations, shall be denoted in the Special Event permit.~~ **Minor deviations or variances from Town Code regulations, prohibitions, requirements, or conditions shall be denoted in the Special Event permit. Such minor deviations or variances may include, but are in no way limited to, temporary exceptions regarding noise, social gatherings, occupancies, private use of public rights-of-way, signs, or as otherwise permitted by the Town Manager or designee.**
- C. Special Events occurring without a valid permit shall be subject to immediate cessation pursuant to notice from the Town ~~manager~~**Manager** or his designee. It shall be unlawful to continue event activities after notice of a violation has been issued.

SECTION 3. Chapter 8 (Safety, Health, Sanitation and Nuisance), at the Table of Contents, Article 8-10 (Nuisance Noise) is hereby amended as follows (additions shown in **bold type**):

Article 8-10 NUISANCE NOISE

Section 8-10-1	General Prohibitions
Section 8-10-2	Declaration of Certain Acts Constituting Disturbing, Excessive, or Offensive Noises
Section 8-10-3	Exemptions
Section 8-10-4	Penalty
Section 8-10-5	Enforcement

SECTION 4. Chapter 8 (Safety, Health, Sanitation and Nuisance), Article 8-10 (Nuisance Noise), Section 8-10-2 (Declaration of Certain Acts Constituting Disturbing, Excessive, or Offensive Noises) is hereby amended by adding Subsection E (Plainly Audible Noise; Vibration) as follows (additions shown in **bold type**):

E. Plainly Audible Noise; Vibration

1. Definition.

“Plainly Audible Noise” means any sound for which any of the content of that sound, such as, but not limited to, comprehensible speech or musical rhythms, is communicated to the listener using their unaided hearing faculties.

“Summer” shall mean those months from May through September, inclusive.

“Vibration Perception Threshold” means the minimum ground- or structure-borne vibrational motion necessary to cause an ordinary person to be aware of the vibration by such direct means as, but not limited to, sensation by touch or visual observation of moving objects.

2. Prohibition.

a. Except for those properties where a Special Event permit provides otherwise, or as otherwise allowed under Town Code, it shall be unlawful for any person in a residentially zoned property to make, continue, maintain, or cause to be made or continued, between the hours of 10:00 p.m. and 7:00 a.m. (10:00 p.m. and 6:00 a.m. during Summer months), any noise that is:

(i) Above the Vibration Perception Threshold of two or more reasonable people in separate residences or an officer across a real property boundary; or

(ii) Plainly audible from within:

(a) Two (2) or more enclosed residences; or

(b) The cabin of a police vehicle situated on a public right-of-way.

b. Except for those properties where a Special Use Permit provides otherwise, or as otherwise allowed under Town Code, if noise, when measured at the property line or, where such property lines are not clear, beyond the boundary of the nearest public right-of-way, measures as follows, it is presumed to be plainly audible:

(i) Above 56 dB between 7:00 a.m. and 10:00 p.m.; or

- (ii) **Above 45 dB between 10:00 p.m. and 7:00 a.m. (10:00 p.m. and 6:00 a.m. during Summer months) and during all hours on all Sundays and specified legal holidays.**

3. Standard of Reasonableness and Use of Technology; Detection.

It is the intent of the Town in regulating noise to take into account the latest scientific advances in noise measurement and control while at the same time preserving the common sense and common law determination of what constitutes a disturbance or public nuisance. Therefore, technological sound level measurements, while desirable, shall not be required to demonstrate a violation of this section. The detection of any sound component, including, but not limited to, understandable speech, comprehension of whether a voice is raised or normal, repetitive bass sounds, or comprehension of musical rhythms, by a person using their unaided hearing faculties is sufficient to verify Plainly Audible Noise. It is not necessary for such a person to determine the title, specific words, or artist of music, or the content of any speech. A sound level meter may be used but is not required to determine whether noise is prohibited, and decibel level measurements less than those specified in this article may still establish a violation of this article when due regard is made for the time, place, and circumstances of the noise.

4. Prima Facie Violations.

Noise prohibited under this section that disturbs two (2) or more residents residing in separate residences adjacent to any part of the source property, or three (3) or more residents residing in separate residences in close proximity to the source property, shall be prima facie evidence of a violation of this section.

SECTION 5. Chapter 8 (Safety, Health, Sanitation and Nuisance), Article 8-10 (Nuisance Noise), Section 8-10-4 (Penalty) is hereby amended as follows (additions shown in **bold type**):

Section 8-10-4 Penalty

Any person who violates any provision of this article may be prosecuted for such a violation in accordance with the provisions of article 1-9 of the Paradise Valley Town Code. Each such violation shall constitute a new and separate, yet cumulative, punishable offense.

SECTION 6. Chapter 8 (Safety, Health, Sanitation and Nuisance), Article 8-10 (Nuisance Noise), is hereby amended by adding Section 8-10-5 (Enforcement) as follows (additions shown in bold type):

Section 8-10-5 Enforcement

To protect the peace, health, safety, and welfare of the general public, the Police Department is authorized to enforce the provisions of this section regardless of

whether enforcement is initiated by a complaint from a member of the public or detected by the Police Department without any such complaint. Peace officers or other designated Town employees or contractors shall enforce the provisions of this section using their sound discretion and the consideration of the totality of the circumstances, including but not limited to the use of the Premises (e.g., residential, commercial, etc.).

SECTION 7. Chapter 10 (Offenses), at the Table of Contents, Article 10-13 (Unruly Gatherings) is hereby amended as follows (deletions shown as ~~strike throughs~~ and additions shown in **bold type**):

ARTICLE 10-13 UNRULY GATHERINGS

10-13-1	Purpose
10-13-2	Definitions
10-13-3	Unruly Gathering
10-13-4	Subsequent Unruly Gathering
10-13-5	Posting of Unruly Gathering; Removal of Notice Prohibited; Right to Contest Posting
10-13- 56	Billing; Procedure for Appeal of Police Service Fee
10-13- 67	Penalties; Aggravating Factors
10-13- 78	Enforcement
10-13-9	Violations Deemed a Public Nuisance

SECTION 8. The following sections of Chapter 10 (Offenses), Article 10-13 (Unruly Gatherings) are hereby amended as follows (deletions shown as ~~strike throughs~~ and additions shown in **bold type**):

Section 10-13-2 Definitions

In ~~the~~ **this** Article, unless the context otherwise requires, the following terms or phrases are defined as follows:

1. **“Excessive Noise” means any Plainly Audible Noise, as defined in and prohibited under Section 8-10-2(E), as well as any noise in violation of Article 10-7.**
- ~~12.~~ “Increased Response” means the response of two or more uniformed officers to the scene of an Unruly Gathering in which eleven (11) or more persons are present and where it becomes necessary to restore the public peace, health, safety and/or general welfare.
- ~~23.~~ “Juvenile” means a Minor under the age of eighteen (18) years.
- ~~34.~~ “Minor” means any person under the age of twenty-one (21) years.
- ~~45.~~ “Owner” means any **person or entity who has legal or equitable title to the** ~~owner~~ **the Premises**, as well as any agent of any **such** owner, such as a landlord or

property manager, or other designees, acting on behalf of the owner, who controls or otherwise regulates the occupancy or use of the property.

56. “Premises” means any property that is the site of an Unruly Gathering. For residential properties, Premises can mean the dwelling unit, units, or other common areas where the unruly gathering occurs.
67. “Police Service Fee” means the fee to reimburse the cost of services provided by the Police Department in response to the Unruly Gathering. The Police Service Fee is more fully defined in §10-13-7(C).
78. “Responsible Person” means any person in attendance at an Unruly Gathering, including any Owner, occupant, tenant, or tenant’s guest, or any sponsor, host, or organizer of a social activity or special occasion, or Owner that was aware of the social activity or special occasion constituting the Unruly Gathering, even if such person is not in attendance, or any Owner who had been notified that an Unruly Gathering had previously occurred on the same Premises within one hundred eighty (180) days prior to a subsequent Unruly Gathering. If such a person is a Juvenile, the term “Responsible Person” includes, in addition to the Juvenile, the Juvenile’s parents or guardians. Responsible Person does not include Owners or persons in charge of Premises where an Unruly Gathering takes place if the persons in attendance obtained use of the Premises through illegal entry or trespassing. A person need not be present at the time of the party, gathering, or event to be deemed responsible.
89. “Special Security Assignment” means the police services provided during any call-in response to complaints or other information regarding ~~unruly gatherings~~ **Unruly Gatherings**.
910. “Unruly Gathering” means a gathering of five (5) or more persons on any private property, including property used to conduct business, which constitutes a threat to the public peace, health, safety or general welfare including, but not limited to: ~~excessive noise~~ **Excessive Noise**, impeding traffic, obstruction of public streets by crowds or vehicles, use or possession of illegal drugs, drinking in public areas, the service of alcohol to ~~minors~~ **Minors** or consumption of alcohol by ~~minors~~ **Minors**, fighting, disturbing the peace, and/or littering.
1011. “Unruly Gathering Notice-~~(Notice)~~” **or, for purposes of this chapter, “Notice”** means ~~be~~ a document identifying the Premises as the site of an Unruly Gathering in which a citation was issued and advising the Owner, occupants, guests or other persons entering the Premises that any future Unruly Gathering upon the Premises shall have additional consequences.

Section 10-13-4 Subsequent Unruly Gathering

- A. Consistent Premises - If, after receiving an Unruly Gathering Notice as provided in §10-13-3(C), a second or subsequent police response or responses is/are necessary to the same Premises for an Unruly Gathering within ninety (90) days of the first

response, such response(s) shall be deemed a second response and subject to the higher fines and the Police Service Fee as provided in §10-13-7(C). If, after written notice of the violation as provided in §10-13-3(C), a third **or subsequent** response is necessary to the same Premises for an Unruly Gathering within one hundred twenty (120) days of the second response, such response shall be deemed a third response and subject to the highest fines and the Police Service Fee as provided in §10-13-7(C).

- B. Consistent Responsible Person - If, after receiving an Unruly Gathering Notice as provided in §10-13-3(C), a second or subsequent police response or responses is necessary to any Premises involving the same Responsible Person for an Unruly Gathering within ninety (90) days of the first response, such response shall be deemed a second response and subject to the higher fines and the Police Service Fee as provided in §10-13-7(C). If, after written notice of the violation as provided in §10-13-3(C), a third **or subsequent** response is necessary to any Premises involving the Same Responsible Person for an Unruly Gathering within one hundred twenty (120) days of the second response, such response shall be deemed a third response and subject to the highest fines and the Police Service Fee as provided in §10-13- 7(C).
- C. Once a Premises is initially posted as a result of an Unruly Gathering and the conduct causing the gathering to be unruly has ceased, a resumption of unruly behavior on the Premises resulting in another police response shall constitute a new and separate, yet cumulative, Unruly Gathering for purposes of this section.

Section 10-13-6 **Billing; Procedure for Appeal of Police Service Fee**

The Chief of Police, or any person designated by the Chief of Police, shall cause appropriate billings for the Police Service Fee to be made to the Responsible Person(s). Billings shall include the name and address of the Responsible Person, the date, time and location of the Unruly Gathering for which a Police Service Fee is imposed, and shall identify the services provided, any loss or damage and such other information as may be relevant.

- A. The amount of such Police Service Fees charged shall be deemed a joint and several debt to the Town of any and all Responsible Persons, whether they received the benefit of such Special Security Assignment services or not. If the Responsible Person(s) for the Unruly Gathering is a Juvenile, then the parents or guardians of that Juvenile will also be jointly and severally liable for the costs incurred for police services. Any person owing money due for the Police Service Fee shall be liable in an action brought in the name of the Town for recovery of such amount, including reasonable attorney fees.
- B. If a Responsible Person is the person who owns the property where an Unruly Gathering takes place, the Owner will not be charged the Police Service Fee unless:

1. the Owner was present at or had knowledge of the Unruly Gathering and took no reasonable action to prevent the ~~unruly gathering~~**Unruly Gathering** or unlawful gathering; or
2. the **Town notified the Owner pursuant to Section 10-13-3(C)** ~~had been sent a notice from the Town~~ that an Unruly Gathering had taken place on the Premises, and a subsequent ~~unruly gathering~~**Unruly Gathering** occurs within the prescribed time of the mailing of such notice to the ~~owner~~**Owner**; or
3. the Owner/~~landlord~~ fails to provide the names of the occupants listed on the leasing documents where the Unruly Gathering occurs.

The Town reserves all rights and remedies at its disposal to collect the Police Service Fee.

- C. **A person charged a Police Service Fee may file an appeal with the Town Clerk requesting a hearing before the Town Manager's designee within ten (10) days of receiving notice of the costs imposed. The Town Manager shall designate a hearing officer who is not an employee of the Police Department or a sworn police officer to preside over this administrative hearing.**
- D. **The request must set forth the specific objections to the Police Service Fee, which form the basis of the appeal.**
- E. **The hearing officer shall set a time and place for the hearing as soon as practicable, which shall be conducted informally and without a jury to determine whether there is a sufficient factual and legal basis to impose the costs of the Police Service Fee.**
- F. **All parties to the hearing have the right to present evidence in support of or opposition to the Police Service Fee. Except for the statutory provisions relating to privileged communications, the technical rules of evidence do not apply. However, the hearing officer's decision shall always be based upon the evidence presented.**
- G. **The Police Department shall have the burden of establishing by a preponderance of the evidence that the Police Service Fees should be imposed and that the amount is reasonable under the circumstances. The hearing officer may reduce the costs imposed if the Police Department fails to meet its burden.**
- H. **The decision of the hearing officer is final.**
- I. **A person's failure to timely request a hearing or appear at a scheduled hearing shall constitute a waiver of the right to a hearing or to challenge the Police Service Fee's validity or amount.**

Section 10-13-7. Penalties; Aggravating Factors

- A. Criminal Offense. If the Responsible Person is convicted of an Unruly Gathering, the penalty shall be a minimum mandatory fine of one thousand dollars (\$1,000.00) or up to the maximum associated with a class one misdemeanor. Additionally, if the Responsible Person for an Unruly Gathering has previously been convicted for an Unruly Gathering, regardless of the location of the prior violation, the penalty shall be a minimum mandatory fine of two thousand dollars (\$2,000.00) for a second violation, and a minimum mandatory fine of two thousand five hundred dollars (\$2,500.00) for a third or subsequent violation.
- B. Civil Offense. If the Responsible Person is an Owner that was not present at the Unruly Gathering, was not aware of the social activity or special occasion constituting the Unruly Gathering, and was not an organizer, host or sponsor of the Unruly Gathering, but had been notified that an Unruly Gathering had ~~previously~~ occurred on the property within **the prior** one hundred eighty (180) days ~~prior an Unruly Gathering~~, then the civil penalty shall be a minimum mandatory fine of one thousand dollars (\$1,000.00) for a first violation, a minimum mandatory fine of two thousand dollars (\$2,000.00) for a second violation, and a minimum mandatory fine of the maximum amount permitted by law for civil violations for a third or subsequent violation.
- C. Police Service Fee. The Police Service Fee shall be an amount equal to the actual costs (essentially a reimbursement) of the law enforcement response to an Unruly Gathering, including:
1. the salaries, and associated benefits of the responding law enforcement officers corresponding to the amount of time actually spent in responding to and remaining at the Unruly Gathering; and,
 2. the salaries, and associated benefits of any dispatcher or other police personnel involved with the response for the amount of time actually spent in responding to Unruly Gathering; and
 3. any actual costs of any medical treatment to injured officers and/or the costs of repairing any damage to town equipment or property; and
 4. the associated overhead costs including, but not limited to, vehicle and equipment used; with such overhead costs to be set annually within the first 60 days of the new fiscal year and available for inspection.
- D. **Aggravating Factors. Mandatory fines shall be automatically increased to the next higher fine level if any of the following factors are found during a response to an Unruly Gathering:**
1. **Minor in possession;**
 2. **Public urination or defecation;**

3. **Indecent exposure;**
4. **Public sexual indecency;**
5. **Weapons violations; or**
6. **Felonious conduct.**

Section 10-13-9. Violations Deemed a Public Nuisance

Incidents involving Consistent Premises or Consistent Responsible Persons that violate any of the provisions of this Article and threaten the public peace, health, safety, and welfare, are declared and deemed a nuisance, which the Town may abate as provided in Article 8-5, pursuant to A.R.S. § 9-240, as amended, by removing nuisances and punishing persons committing nuisances, or in any other manner authorized by law.

SECTION 9. Chapter 10 (Offenses), at the Table of Contents, Article 10-14 (Short-Term Rentals Responsible Party Requirements and Other Violations) is hereby amended as follows (deletions shown as ~~strikethroughs~~ and additions shown in **bold type**):

ARTICLE 10-14 SHORT-TERM RENTALS RESPONSIBLE PARTY REQUIREMENTS AND OTHER VIOLATIONS

- | | |
|----------------|---|
| 10-14-1 | Definitions Purpose |
| 10-14-2 | Contact information required; information updates Definitions |
| 10-14-3 | Compliance with Laws Short-Term Rental Registration Required; Required Information |
| 10-14-4 | Non-Residential Usage by Short-Term Rentals or Vacation Rentals Prohibited Compliance with Laws; Non-Residential Usage and Other Prohibitions |
| 10-14-5 | Standards and Operating Requirements; Health and Safety |
| 10-14-6 | Enhanced Penalties |

SECTION 10. The following sections of Chapter 10 (Offenses), Article 10-14 (Short-Term Rentals Responsible Party Requirements and Other Violations) are hereby amended as follows (deletions shown as ~~strikethroughs~~ and additions shown in **bold type**):

Section 10-14-1 **Definitions****Purpose**

This Article is adopted to protect the peace, health, safety, and welfare of the Town’s residents and visitors by enacting reasonable regulations that mitigate the harmful abuses common to the short-term rental of residential property within the Town while preserving property owners’ rights to rent their property in a manner that does not disturb the peace or harm public health, public safety, or general public welfare. Such harmful abuses deplete law enforcement and public safety resources and can leave other areas of the Town with compromised levels of police protection so as to create a significant threat to the safety of both citizens and police officers alike. The

inclusion of a specific regulation or reference to the Town Code in this chapter does not imply the exclusion of any other applicable law.

Section 10-14-2 ~~Contact information required; information updates~~ **Definitions**

In this Article, unless the context otherwise requires, the following terms or phrases are defined as follows:

“Banquet Space” means an Event Center that is used for serving and/or consuming food and/or beverages.

“Event Center” means any dwelling unit (i) for which the occupant has made payment for transient use of the dwelling unit and (ii) is used for social gatherings or Special Events more than two (2) times within a period of twelve (12) consecutive months.

“Nonresidential Use” means any use that is not permitted in a residential zoning district pursuant to the Zoning Ordinance, any use that constitutes an Unruly Gathering, as used in Article 10-13, and any use for which entrants pay an entry fee, unless such use is exempted under Section 8-8-4 (C) or (D).

“Online Lodging Marketplace” has the same meaning given to it in A.R.S. § 42-5076, as amended.

“Owner” means any owner, as well as any agent of an owner, such as a landlord or property manager, or other designees acting on behalf of the owner, who controls or otherwise regulates the occupancy or use of the property.

~~“Short-term rental”~~ **Short-Term Rental** ~~or~~ ~~and~~ ~~“vacation rental”~~ **Vacation Rental** ~~are interchangeable for purposes of this Article, and means~~ **mean** any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use. ~~Short-term rental~~ **Short-Term Rental** and ~~vacation rental~~ **Vacation Rental** do not include a unit that is used for any ~~nonresidential use~~ **Nonresidential Use**, including retail, restaurant, ~~banquet space~~ **Banquet Space**, ~~event center~~ **Event Center** or similar use.

“Special Event” has the same meaning given to it in Section 8-8-2.

“Timely Manner” means: (a) within one (1) hour after the initiation of contact with the Owner’s designee when the contact is made by a Police Department officer or employee for a complaint or incident that is reported to the Police Department and for which police officers have been dispatched to the Owner’s property due to such complaint or incident; and (b) within twenty-four (24) hours after the initiation of contact with the Owner’s designee when the contact is made by a Police Department officer or employee or a code enforcement officer for a complaint or incident that is either reported to or directly observed by the Police Department personnel or a code enforcement officer and for which the police are not at the scene of the complaint or incident at the time that such contact is initiated.

Compliance with laws **Short-Term Rental Registration Required;
Required Information**

- A. **Short-Term Rental Registration Required.** Before offering for rent or renting a ~~short term rental~~ **Short-Term Rental** or ~~vacation rental~~ **Vacation Rental** within the Town, the ~~owner~~ **Owner** thereof shall register the **Short-Term Rental** with the Town, on a form or platform specified by the Town and obtain a valid transaction privilege tax license under A.R.S. Title 42. The Owner shall notify the Town, in writing, of all changes in the information required by this section, not less than ten (10) days prior to the effective date of the change. ~~of a short-term rental or vacation rental must shall provide the Town with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone, or by email at any time, of day.~~
1. Every Short-Term Rental registration must include the following information, which shall be made publicly available:
 - a. The name and contact information of the Owner or, if the Owner is a business entity, the name and contact information of the entity's statutory agent.
 - b. The Short-Term Rental's physical address.
 - c. The name, address, and contact information of the Owner or Owner's designated local contact person who is responsible for responding to complaints in person, by telephone, or by email in accordance with Section 10-14-5(A)(1).
 - d. The name, address, and contact information of the person the Owner designated as an emergency contact.
 - e. The phone number to the Short-Term Rental's landline or modern equivalent.
- B. **Consent and Certification.** When registering a Short-Term Rental, the Owner must:
1. Consent to and authorize any Online Lodging Marketplace on which the Short-Term Rental is listed to provide to the Town the Owner's listing (including the address of the listing), rental activity, and contact information.
 2. Provide evidence that the Short-Term Rental has been registered with Maricopa County Assessor's Office in accordance with A.R.S. § 33-1902.

3. **Provide evidence of a valid transaction privilege tax license issued by the State of Arizona.**

~~In addition to the information required above, the owner of a short-term rental or vacation rental shall provide to the Town the name and contact information of a person designated as an emergency contact.~~

- C. **Booking Information.** To protect the peace, health, safety, and general welfare of the Town's residents and visitors, the Owner of a Short-Term Rental shall promptly provide the information below to the Town, on a form or a platform specified by the Town, within twenty-four (24) hours of every booking; provided, that any booking for an occupancy beginning less than twenty-four (24) hours from the time of booking shall be reported within one (1) hour after the time of the booking:

1. **A copy of the Short-Term Rental's advertisement or listing upon which the relevant booking occurred, along with the name of the Online Lodging Marketplace accommodating the listing;**
2. **The dates for which a guest booked the Short-Term Rental and the number of people in their party;**
3. **Evidence of compliance with Section 10-14-5(B).**
4. **Evidence that the booking guest has acknowledged receipt of the statement of rules and regulations prepared by the Town, and has agreed by that acknowledgement to comply with such rules and regulations.**

~~The owner or the owner's designee designees is responsible for responding to complaints in a timely manner in person, by telephone, or by email at any time of day or night. For purposes of this section "timely manner" shall mean: 1) within two hours after the initiation of contact with the owner's designee when the contact is made by a police department officer or employee for a complaint or incident that is reported to the police department and for which police officers have been called out to the owner's property due to such complaint or incident and where the police officers are at the owner's property at the time that such contact is initiated; and 2) within twenty four hours after the initiation of contact with the owner's designee when the contact is made by a police department officer or employee or a code enforcement officer for a complaint or incident that is either reported to or directly observed by the police department personnel or a code enforcement officer and for which the police are not at the scene of the complaint or incident at the time that such contact is initiated.~~

- D. **Failure to Register.** Any person, entity, or Online Lodging Marketplace who offers for rent or accepts a fee for booking a Short-Term Rental that is not registered with the Town pursuant to Section 10-14-3(A) or, where applicable, with the Maricopa County Assessor's Office pursuant to A.R.S. § 33-1902, as

amended, shall be fined one hundred fifty dollars (\$150) per violation per day. Each day's failure to comply with a notice of violation or any other order shall constitute a separate violation.

- E. The Town Manager or designee shall develop the necessary forms and/or database necessary to implement this section.
- F. The Town may mitigate, suspend, or reduce any penalties the Owner might otherwise incur under this article if the Town deems that the Owner has made reasonable attempts to prevent nuisance activities from occurring at the Short-Term Rental. The Owner shall keep a record of steps taken to prevent such nuisance activities.

Section 10-14-4 Non-Residential Usage by Short-Term Rentals or Vacation Rentals Prohibited Compliance with Laws; Non-Residential Usage and Other Prohibitions

- A. ~~No short term rental or vacation rental may be used for any non-residential use or purpose including but not limited to any of the uses listed in ARS § 9-500.39(B)(3).~~ **A Short-Term Rental or Vacation Rental must at all times comply with the federal, state, and local laws, rules, and regulations related to public health, safety, sanitation, solid waste, hazardous waste, tax privilege licensing, including advertising requirements, property tax registration, traffic control, pollution control, noise, property maintenance, and nuisance abatement.**
- B. ~~No person including an owner or operator shall operate a short term rental or vacation rental in violation of this section.~~ **A Short-Term Rental lacking a valid Short-Term Rental registration under Section 10-14-3 and a valid transaction privilege tax license issued by the State of Arizona shall not be rented or offered for rent.**
- C. **No person or entity shall operate a Short-Term Rental or Vacation Rental in violation of this Article.**
- D. **No person or entity may receive payment or accept a fee, directly or indirectly, for facilitating the rental of a Short-Term Rental operating in violation of this Code or any other applicable law.**
- E. **Any renter who causes, permits, facilitates, aides, or abets any violation of this Article shall be subject to a civil sanction as set forth in Section 10-14-6(B).**
- F. **In accordance with A.R.S. § 9-500.39(B)(3), a Short-Term Rental may not be rented, advertised, or used for any of the following uses or purposes: housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control, or pornography, obscenity, nude or topless dancing, and other adult-oriented businesses, performances, parties, or activities in which consideration is given in exchange for an adult-oriented service. Within twenty-four (24) hours of every booking, the Owner shall perform a**

background check on every guest to ensure that there are no sex offenders at the Short-Term Rental. Failure to retain a full copy of the background check on each guest for twelve (12) months after the booking date shall be a separate violation of this section. Owners who permit a sex offender to occupy their Short-Term Rental shall be found in violation of this section.

- G. None of the following may occur where such acts may reasonably be viewed by the public, whether at ground level or from a reasonable vantage point of a nearby property, such as a deck or balcony:
 - 1. Urination or defecation;
 - 2. Nudity; or
 - 3. Sexual acts.
- H. Per Section 1007 of the Zoning Ordinance, motor homes, campers, trailers, boats, buses, and similar equipment allowed to be stored on residentially-zoned property shall not be used for sleeping or habitation purposes.
- I. Except when permitted by a Special Event permit under Article 8-8, no Short-Term Rental or Vacation Rental may be used for any Nonresidential Uses, including but not limited to, an event that requires a permit or license pursuant to a Town ordinance or State law or rule; a retail, restaurant, Banquet Space, Event Center, or other similar use, such as weddings and pop-up bars; or any use prohibited in a residentially-zoned district pursuant to the Zoning Ordinance.
- J. Any violation of an ordinance related to noise, protection of welfare, property maintenance, and other nuisance issues, where such ordinances are permitted under A.R.S. § 9-500.39(B)(2), constitutes a Nonresidential Use.

Section 10-14-5 Standards and Operating Requirements; Health and Safety

A. Standards and Operating Requirements.

- 1. **Owners or their designees shall (1) affirmatively respond to complaints in person, over the phone, or by email, and (2) abate the incident from which the complaint arose in a ~~timely manner~~ Timely Manner regardless of when the Owner receives notice of the complaint. If such a response is due within one (1) hour under this Article's definition of Timely Manner, the response is deemed necessary to protect the peace, health, safety, and welfare of the general public, and the Owner shall so respond in person. If the response is due within twenty-four (24) hours, the Owner shall respond either in person, by telephone, or by email. Failure of the Owner to respond to a complaint as provided herein is a violation of this Article.**

2. **The Owner shall meet in-person at their Short-Term Rental with their Short-Term Rental guests prior to the commencement of the occupancy or during check-in and verbally explain and describe all rules and regulations applicable to the use of the property as a Short-Term Rental including, but not limited to, parking restrictions, restrictions on noise and amplified sound, trash collection schedules, Special Event and Nonresidential Use restrictions, fire evacuation routes, and any other information, as required by this Code, applicable to the Short-Term Rental and the surrounding neighborhood. When meeting in person upon the guest's arrival at the Short-Term Rental, the Owner shall provide the booking guest with a written copy of the statement of rules and regulations acknowledged by the guest at the time of booking as required by Section 10-14-3(C)(4). The Owner shall keep a record of compliance with this section.**

3. **Trash and refuse shall not be left stored within public view, except in proper collection containers for the purpose of collection in accordance with the residential collection schedule outlined in Section 8-3-9. Containers shall not be placed for collection before 6:00 p.m. on the day preceding the date of collection, and after the containers are emptied, they shall be removed from the street and stored in a screened area by the end of the collection day.**

4. **The following notice must be completed in 14-point or larger bold font, on a laminated or otherwise similarly shielded paper, and prominently displayed on the inside of the front door and the primary door to the backyard or in a conspicuous location near each such door. The notice below shall also include information regarding the location of all fire extinguishers and Town of Paradise Valley parking and waste disposal regulations.**

NOTICE

USE OF THIS PROPERTY FOR ANY OF THE FOLLOWING PURPOSES IS PROHIBITED; VIOLATORS MAY BE SUBJECT TO SUBSTANTIAL PENALTIES:

1. **Housing sex offenders;**
2. **Operating or maintaining a sober living home;**
3. **Selling controlled substances, liquor, or pornography;**
4. **Obscenity, Nude or topless dancing, and other adult-oriented businesses, performances, parties, or activities in which value is given in exchange for an adult-oriented service;**
5. **Any uses prohibited under A.R.S. § 9-500.39, or federal, state, or local law; or**

6. Any use that disturbs neighboring properties' peace and enjoyment including, but not limited to, excessive noise, impeding traffic, obstruction of public streets by crowds or vehicles, use or possession of illegal drugs, drinking in public areas, the service of alcohol to minors or consumption of alcohol by minors, fighting, disturbing the peace, and/or littering.

UNLESS THE TOWN EXPRESSLY PERMITS SUCH A USE IN WRITING, USE OF THIS PROPERTY FOR ANY OF THE FOLLOWING PURPOSES IS PROHIBITED; VIOLATORS MAY BE SUBJECT TO SUBSTANTIAL PENALTIES:

Use for any nonresidential use, including:

1. For a special event that would otherwise require a permit or license pursuant to town ordinance or a state law or rule; or
2. Operating a retail business, restaurant, event center, banquet space, or similar use.

Your local contact person's name is _____ and can be reached by phone 24 hours a day, seven days a week, at ____-____-____.

B. Health, Safety, and Sanitation. To protect the health, safety, and general welfare of all Short-Term Rental occupants, Short-Term Rentals must meet the minimum standards for habitable structures set forth in this Code and the Zoning Ordinance and the following requirements. The Town may require inspection if it has a reason for concern that the Short-Term Rental may not be compliant with the Town of Paradise Valley's fire, building, or zoning requirements.

1. Owners shall:

- a. Have either (1) liability insurance to cover the Short-Term Rental in an amount determined appropriate by the insurance company insuring such Short-Term Rental, but in no case, an amount less than one million dollars (\$1,000,000) in the aggregate, or (2) equal or greater insurance coverage is provided for the Short-Term Rental through the Online Lodging Marketplace through which the property is booked; and
- b. Ensure their Short-Term Rental meets the requirements of this subsection B.

- 2. Smoke and carbon monoxide (CO) detection and notification system.** A working smoke alarm and carbon monoxide (CO) alarm system, which may require the installation and maintenance of several detection units, shall be present within the Short-Term Rental or Vacation Rental and maintained annually as required under NFPA 72. The Owner or Owner's designee shall keep and make available for inspection upon request by the Fire Marshal a record of all inspections and maintenance activities.
- 3. Fire extinguisher.** A portable, multi-purpose fire extinguisher shall be installed, inspected, and maintained as required under NFPA 10 in any kitchen area and on each floor of a Short-Term Rental and within 20 feet of every outdoor fire feature, fire pit, patio heater, fireplace, or other areas with fire. The extinguisher(s) shall be installed on the wall in an open common area or in an enclosed space with appropriate markings visibly showing the location of the fire extinguisher.
- 4. Fire Safety and Emergency Evacuation Map.** The Owner shall provide and prominently display a map of the Short-Term Rental showing the following information: safe routes of egress in the event of a fire or other emergency; the location of telephone(s) required under this Article; the location of fire detection and suppression equipment; and any additional information relevant to such emergency preparedness measures. Such maps shall include the full property address, emergency information (911), and Owner contact information.
- 5. Air Filters.** As applicable, all HVAC filters in the Short-Term Rental shall be changed every three (3) months or according to the manufacturer's instructions. The Owner or Owner's designee shall keep and make available for inspection upon request by the Town a record of all HVAC filter changes.
- 6. Local phone service.** At least one (1) landline telephone or modern equivalent with the ability to call 911 and receive inbound calls shall be available on every floor of the Short-Term Rental.
- 7. Cleaning.** The Owner shall have the Short-Term Rental cleaned between bookings following CDC guidelines and using household disinfectant products included on the EPA's List N: Disinfectants for Coronavirus (COVID-19), available at <https://cfpub.epa.gov/wizards/disinfectants/>.
- 8. Pest Control.** The Owner shall ensure that the Short-Term Rental receives regular (at least monthly) pest control treatments to keep the interior of all buildings and structures and exterior area of the premises free from infestation of insects, rodents, and other noxious pests where

such infestation threatens the health, safety, or welfare of a person or persons.

- C. In addition to the transaction privilege tax license number that must be included in the Short-Term Rental's listing, the Owner shall complete and prominently display the following statement in the Vacation Rental's Online Lodging Marketplace or other listing:**

You must meet in person with the owner of this property during check-in. The owner will provide you with pertinent safety information, explain your responsibilities under the Paradise Valley Town Code, and expect you to certify your compliance therewith.

You must not use this property for any of the uses identified in Paradise Valley Town Code Section 10-14-4. Any renter who causes, permits, facilitates, aides, or abets any violation thereof shall be subject to a civil infraction carrying a mandatory penalty of a minimum of \$500.00 in addition to any other penalties which the Town may impose.

The use of this short-term rental to house sex offenders is prohibited. The owner of this short-term rental is required to perform a background check on you and your guests prior to your stay.

Section 10-14-6 Enhanced Penalties

- A. The remedies herein are cumulative, and the Town may proceed under one or more such remedies.**
- B. Any Short-Term Rental Owner, agent, or renter who causes, permits, facilitates, aides, or abets any violation of any provision of this Article or who fails to perform any act or duty required by this Article is subject to the following civil sanctions:**
- 1. First offense, five hundred dollars (\$500).**
 - 2. Second offense on the property within twelve months (12), one thousand dollars (\$1,000) per offense.**
 - 3. Third and subsequent offense within twelve (12) months, one thousand five hundred dollars (\$1,500) per offense.**
- C. Notwithstanding any other provisions of the Code, the Short-Term Rental Owner, agent, or renter who causes, permits, facilitates, aides, or abets the use of the Vacation Rental in violation of any provision of the Code is subject to a civil sanction as set forth in subsection B of this section.**

- D. Any Vacation Rental Owner, agent, or renter who causes, permits, facilitates, aides, or abets any violation of any provision of this Article or fails to perform any act or duty required by this Article is guilty of a Class 1 misdemeanor.**

SECTION 11. If any section, subsection, sentence, clause, phrase, or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 12. This Ordinance shall become effective in the manner provided by law.

SECTION 13. Staff shall prepare a report regarding the implementation and effectiveness of this Ordinance and present such report for Town Council review on or after January 27, 2023.



**CITY COUNCIL
AGENDA BILL**

**AB 2759
February 8, 2022
Regular Business**

Agenda Item: 8g
Proposed Action & Subject: Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation and State budget and their potential impact on the City of Sedona.

Department	City Manager
Time to Present	10 Minutes
Total Time for Item	15 Minutes
Other Council Meetings	January 11, 2022, January 26, 2022
Exhibits	None

City Attorney Approval	1/31/22 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	N/A	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: During the course of the State Legislative Session, many bills are introduced that have a potential impact on the City of Sedona. The League of Arizona Cities and Towns, the City's legislative advocate and City staff routinely monitor bills of interest as they progress through the legislative process.

This item is scheduled to provide a summary update on relevant bills and the proposed State budget, to answer questions that the City Council may have regarding any individual bill or the budget, and to consider the need for the City Council to take a formal position in support or opposition of any particular bill.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: for informational purposes only unless there is a preference to take a position on a particular issue.



**CITY COUNCIL
AGENDA BILL**

**AB 2571
February 8, 2022
Regular Business**

Agenda Item: 8h
Proposed Action & Subject: Discussion/possible direction regarding issues surrounding the COVID-19 pandemic and the City's response.

Department	City Manager
Time to Present	10 minutes
Total Time for Item	15 minutes
Other Council Meetings	March 24, 2020, April 14, 2020, April 28, 2020, May 12, 2020, May 26, 2020, June 9, 2020, June 23, 2020, July 14, 2020, July 28, 2020, August 11, 2020, September 8, 2020, September 22, 2020, October 13, 2020, October 27, 2020, November 10, 2020, November 24, 2020, December 9, 2020, January 12, 2021, January 26, 2021, February 9, 2021, February 23, 2021, March 9, 2021, March 23, 2021, April 13, 2021, April 27, 2021, May 11, 2021, May 25, 2021, June 8, 2021, June 22, 2021, July 13, 2021, July 27, 2021, August 10, 2021, September 14, 2021, September 28, 2021, October 12, 2021, October 26, 2021, November 9, 2021, November 23, 2021, December 14, 2021, January 11, 2022, January 26, 2022
Exhibits	None

City Attorney Approval	Reviewed 1/31/22 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	For discussion and possible direction only.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: This item was added to ensure opportunity to discuss the latest updates with the COVID-19 pandemic and the City's response.

The City continues regular communication with state and county health departments, hospitals, other healthcare providers, emergency responders, emergency managers, and policy experts.

During the meeting staff will present up-to-date information on COVID-19 related data and regulatory changes.

Climate Action Plan/Sustainability Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for discussion and possible direction only.