

## OFFICIAL STATEMENT

**NEW ISSUES – BOOK-ENTRY ONLY**

**RATING: See “Rating” herein**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the interest on Series 2014B Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (2) the interest on the Series 2014B Bonds is exempt from income taxation by the State of Kansas; and (3) the Series 2014B Bonds have **not** been designated as “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). See “TAX MATTERS – Opinion of Bond Counsel” in this Official Statement.*

**CITY OF WICHITA, KANSAS**  
**\$12,785,000**  
**WATER AND SEWER UTILITY REVENUE BONDS**  
**SERIES 2014B**

**Dated: December 1, 2014**

**Due: as shown on the inside cover**

The above-referenced bonds (the “Series 2014B Bonds”) will be issued by the City of Wichita, Kansas (the “City” or Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2014B Bonds. Purchases of the Series 2014B Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in Series 2014B Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2014B Bonds, as nominee of DTC, references herein to the Series 2014B Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2014B Bonds. Principal will be payable at maturity or earlier redemption upon presentation and surrender of the Series 2014B Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and registrar (the “Paying Agent” and “Registrar”). Interest on each Series 2014B Bond will be payable on April 1 and October 1, commencing April 1, 2015 (the “Interest Payment Dates”) to the persons who are the registered owners of the Series 2014B Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Payment Date by check or draft of the Paying Agent mailed to such registered owner or, in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Series 2014B Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Series 2014B Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The schedule of maturity and interest payment dates, interest rates, yields, redemption provisions and security for the Series 2014B Bonds are set forth herein.

The Series 2014B Bonds are special obligations of the City, payable solely from, and secured as to the payment of principal and interest by a pledge of the Net Revenues (as defined herein) derived from the operation of the City’s Water and Sewer Utility (the “Utility”) on a parity of lien with the Parity Indebtedness (as defined herein). THE SERIES 2014B SHALL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF THE CITY NOR SHALL THEY CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION, LIMITATION OR RESTRICTION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE SERIES 2014B BONDS, EITHER AS TO PRINCIPAL OR INTEREST. See “THE SERIES 2014B BONDS – Security for the Series 2014B Bonds” herein.

The Series 2014B Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Certain other legal matters will be passed on for the City by Sharon L. Dickgrafe, Esq., Interim Director of Law and City Attorney. It is expected that the Series 2014B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 23, 2014.

**WILLIAM BLAIR & COMPANY, LLC**

*THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX C – SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.*

The date of this Official Statement is December 9, 2014.



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**C I T Y ■ O F**  
**W I C H I T A**

## MATURITY SCHEDULE

**\$12,785,000**

### Water and Sewer Utility Revenue Bonds Series 2014B

<b>Stated Maturity (October 1)</b>	<b>Principal Amount</b>	<b>Annual Rate of Interest</b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Base 967338</b>	<b>Stated Maturity (October 1)</b>	<b>Principal Amount</b>	<b>Annual Rate of Interest</b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Base 967338</b>
2015	\$510,000	2.000%	0.240%	VU 5	2025	\$660,000	2.500%	2.600%	WE 0
2016	445,000	3.000%	0.480%	VV 3	2026	680,000	2.700%	2.780%	WF 7
2017	460,000	4.000%	0.780%	VW 1	2027	695,000	2.875%	2.940%	WG 5
2018	475,000	4.000%	1.090%	VX 9	2028	715,000	2.875%	3.010%	WH 3
2019	495,000	5.000%	1.380%	VY 7	2029	735,000	3.000%	3.110%	WJ 9
2020	515,000	5.000%	1.660%	VZ 4	2030	760,000	3.100%	3.200%	WK 6
2021	545,000	5.000%	1.900%	WA 8	2031	785,000	3.200%	3.310%	WL 4
2022	570,000	5.000%	2.110%	WB 6	2032	805,000	3.250%	3.360%	WM 2
2023	605,000	5.000%	2.240%	WC 4	2033	835,000	3.300%	3.410%	WN 0
2024	630,000	5.000%	2.380%	WD 2	2034	865,000	3.300%	3.440%	WP 5

<sup>(1)</sup> CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Financial Inc., and are included solely for the convenience of the Owners of the Series 2014B Bonds. Neither the Issuer nor the Original Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

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**NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE SERIES 2014B BONDS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER.**

**IN CERTAIN INSTANCES, AS NOTED HEREIN, INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM HISTORICAL RECORDS AND SOURCES OTHER THAN THE ISSUER. ALTHOUGH THE ISSUER BELIEVES SUCH OUTSIDE SOURCES OF INFORMATION ARE RELIABLE, THE ISSUER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF INFORMATION CONTAINED HEREIN WHICH WAS OBTAINED FROM SOURCES OTHER THAN THE ISSUER.**

**THE FINANCIAL AND OTHER INFORMATION PRESENTED HEREIN IS INTENDED TO SHOW RECENT HISTORIC INFORMATION, AND IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS IN THE FINANCIAL POSITION OR OTHER AFFAIRS OF THE ISSUER. NO REPRESENTATION IS MADE THAT PAST PERFORMANCE, AS MIGHT BE SHOWN BY SUCH FINANCIAL AND OTHER INFORMATION, WILL NECESSARILY CONTINUE OR BE EXPECTED IN THE FUTURE. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE AFTER SUCH DELIVERY SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE OF THIS OFFICIAL STATEMENT.**

**THE SERIES 2014B BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SERIES 2014B BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2014B BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2014B BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.**

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C I T Y ■ O F  
W I C H I T A

**OFFICIAL STATEMENT  
OF THE  
CITY OF WICHITA, KANSAS**

**RELATING TO**

**\$12,785,000**

**WATER AND SEWER UTILITY REVENUE BONDS  
SERIES 2014B**

**INTRODUCTION**

**General Matters**

The purpose of this Official Statement is to furnish information relating to the City of Wichita, Kansas (the “Issuer” or the “City”), and the above-referenced bonds (the “Series 2014B Bonds”), which will be dated December 1, 2014 (the “Dated Date”):

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Issuer is a municipal corporation duly organized and existing under the laws of the State of Kansas (the “State”). Additional information regarding the City is contained in *APPENDIX A* to this Official Statement.

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. Except for the information expressly attributed to other sources deemed to be reliable, all information has been compiled or provided by the City. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has not assisted in the preparation nor reviewed this Official Statement, except to the extent described under the section captioned “LEGAL MATTERS,” and accordingly Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

**Definitions**

The Series 2014B Bonds will be authorized pursuant to an ordinance and resolution of the City Council of the City (the “Governing Body”), which are referred to respectively as the “Series 2014B Bond Resolution.” Other capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION - DEFINITIONS.*”

**Purpose**

The Series 2014B Bonds are being issued pursuant to the Constitution and statutes of the State of Kansas, as amended by Charter Ordinances of the City, to permanently finance a portion of multiple improvements, extensions, enlargements, repairs, alterations and reconstructions of the various facilities of the Utility (the “Projects”), to fund a bond reserve for the Series 2014B Bonds and to pay Costs of Issuance. See “*THE WATER UTILITY AND SEWER UTILITY PROJECTS*” herein for a more detailed description of the Projects. A description of the sources and uses of funds in connection with the Series 2014B Bonds are more fully described in the section of this Official Statement entitled “*SOURCES AND USES.*”

**Security**

The Series 2014B Bonds and the interest thereon will constitute special obligations of the City, payable solely from, and secured as to the payment of principal and interest by a pledge of, the net revenues of the Utility (the “Net Revenues”) as prescribed by the Act on a parity with the Parity Indebtedness. The taxing power of the City is not pledged to the payment of the Series 2014B Bonds either as to principal or interest. The 2014B Bonds shall *not* be or constitute a general obligation of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. See “*THE SERIES 2014B BONDS – Security for the Series 2014B Bonds*” herein for a more detailed discussion relating to security for the Series 2014B Bonds.

## Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. The Issuer has adopted an Omnibus Continuing Disclosure Undertaking (the “Disclosure Undertaking”) wherein the Issuer has covenanted to provide annually certain Financial Information and Operating Data of the Utility and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board (the “MSRB”). The Disclosure Undertaking modified previous undertakings the Issuer entered into pursuant to the Rule (the “Prior Undertakings”). In the Bond Resolution, hereinafter defined, the Issuer has covenanted with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Series 2014B Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Series 2014B Bonds. For the past five years the Issuer has filed its Comprehensive Annual Financial Report (the “CAFR”) within the time period prescribed by the Prior Undertaking. The CAFRs contain the audited financial statements of, and statistical information regarding, the Issuer. The Issuer’s filings for such years are set forth on the table below.

<u>Fiscal Year</u> <u>Ending December 31</u>	<u>Filing Time</u> <u>Period (Days)</u>	<u>CAFR</u> <u>Filing Date</u>
2009	180	06/28/2010*
2010	180	06/14/2011*
2011	180	06/27/2012*
2012	180	06/27/2013*
2013	180	06/26/2014

\* The CAFRs for the fiscal years 2009 through 2012, inclusive, inadvertently omitted certain information relating to the billing procedures and then-current rates of the Utility. Such information was filed on EMMA July 3, 2014. The information relating to the billing procedures and the current rates of the Utility for 2013 were included in the CAFR for fiscal year 2013 filed on June 26, 2014.

While the Issuer had the filing deficiencies referred to above, it issued Utility Indebtedness in 2009, 2010, 2011 and 2012, payable from the same source of revenue as the Series 2014B Bonds. The official statements for the Series 2009, 2010, 2011 and 2012 Bonds were filed with the MSRB, but were not incorporated by reference in the filings made by the Issuer with respect to one or more series of then outstanding Utility Indebtedness.

During the past five years, the Issuer has made filings of event notices on EMMA with respect to bond and note calls, defeasances, rating changes and updated statistical information omitted in certain CAFRs, however, during said time period, the Issuer may not have made timely filings of event notices on EMMA relating to all bond and note calls, defeasances or rating changes. The Issuer believes this information was disseminated or available through other sources. In particular, event notices were not timely filed on EMMA in connection with certain rating changes on various series of bonds resulting from changes in the ratings of the applicable bond insurers. Specific information about such rating changes was filed on EMMA on July 9, 2014 and revised on September 16, 2014. For more information regarding the Disclosure Undertaking, see “**APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE DISCLOSURE UNDERTAKING.**”

## Certification

The Issuer has authorized the distribution of this Official Statement for use in connection with the initial sale of the Series 2014B Bonds. This Official Statement does not constitute a contract between the Issuer or the Original Purchasers and any one or more of the purchasers, Owners or Beneficial Owners of the Series 2014B Bonds. As of the date of the delivery of the Series 2014B Bonds, the Original Purchaser will be furnished with a certificate signed by an officer of the Issuer stating that, to the best of such officer’s knowledge, in the Official Statement, the Issuer has not made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## Additional Information

Additional information regarding the Series 2014B Bonds may be obtained from the Department of Finance, 12th Floor, City Hall, 455 North Main, Wichita, Kansas 67202-1679, or by contacting:

Ms. Cheryl Busada  
Debt Coordinator  
Phone: (316) 268-4143  
Fax: (316) 219-6216  
Email: [cbusada@wichita.gov](mailto:cbusada@wichita.gov).

Additional copies of this Official Statement may be obtained at [www.onlinemunis.com](http://www.onlinemunis.com).

## **THE SERIES 2014B BONDS**

### **Authority for the Series 2014B Bonds**

The Series 2014B Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 10-1201 *et seq.*, as amended by Charter Ordinance No. 211 of the City (collectively the “Act”) and the Series 2014B Bond Resolution.

### **Security for the Series 2014B Bonds**

The Series 2014B Bonds shall be special obligations of the Issuer payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues derived by the Issuer from the operation of the Utility. THE SERIES 2014B BONDS SHALL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF THE CITY, NOR SHALL THEY CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION, LIMITATION OR RESTRICTION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE SERIES 2014B BONDS, EITHER AS TO PRINCIPAL OR INTEREST. The Series 2014B Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the Net Revenues and in all other respects with any Parity Indebtedness. Reference is made to “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION – DEFINITIONS*” for a listing of the Parity Indebtedness currently outstanding.

The City, in accordance with and subject to applicable legal requirements, will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the Utility as will produce Gross Revenues sufficient to: (a) pay the Current Expenses of the Utility; (b) pay the Debt Service Requirements on Utility Indebtedness as and when the same become due at the Maturity thereof or on any Interest Payment Date; (c) enable the City to have in each Fiscal Year, Net Revenues not less than 120% of the Debt Service Requirements for such Fiscal Year on all Parity Indebtedness at the time Outstanding, 100% of the Debt Service Requirements for such Fiscal Year on any Subordinate Lien Indebtedness and Utility General Obligation Indebtedness; and (d) provide reasonable and adequate reserves for the payment of the Utility Indebtedness and the interest thereon and for the protection and benefit of the Utility as provided in the Bond Resolution.

**Bond Resolution.** Reference is made to the entire text of the Series 2014B Bond Resolution for a full and complete description of the covenants of the Issuer relating to the security for the Series 2014B Bonds. A summary of the Series 2014B Bond Resolution is contained in “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION.*”

### **Description of the Series 2014B Bonds**

The Series 2014B Bonds shall consist of fully registered book-entry-only bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Series 2014B Bonds shall be dated as of the Dated Date, become due in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities as hereinafter set forth, and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid, on the Interest Payment Dates in the manner hereinafter set forth.

### **Designation of Paying Agent and Bond Registrar**

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Series 2014B Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Series 2014B Bonds and bond registrar with respect to the registration, transfer and exchange of Series 2014B Bonds.

### **Method and Place of Payment of the Series 2014B Bonds**

The principal of, or Redemption Price, and interest on the Series 2014B Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Series 2014B Bond shall be paid at Maturity to the Person in whose name such Series 2014B Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Series 2014B Bond at the principal office of the Paying Agent.

The interest payable on each Series 2014B Bond on any Interest Payment Date shall be paid to the Owner of such Series 2014B Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Series 2014B Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Series 2014B Bond shall cease to be payable to the Owner of such Series 2014B Bond on the relevant Record Date and shall be payable to the Owner in whose name such Series 2014B Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2014B Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Series 2014B Bond entitled to such notice not less than 10 days prior to such Special Record Date.

**SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES.** See “THE BONDS – Book-Entry Bonds; Securities Depository.”

### **Payments Due on Saturdays, Sundays and Holidays**

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

### **Book-Entry Bonds; Securities Depository**

The Series 2014B Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series 2014B Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Series 2014B Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Series 2014B Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under

the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Series 2014B Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2014B Bonds; or

(b) If the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Series 2014B Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Series 2014B Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2014B Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Series 2014B Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Series 2014B Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Series 2014B Bond or Series 2014B Bonds for cancellation shall cause the delivery of the Series 2014B Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Series 2014B Bond Resolution.

### **Registration, Transfer and Exchange of Series 2014B Bonds**

As long as any of the Series 2014B Bonds remain Outstanding, each Series 2014B Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Series 2014B Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Series 2014B Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Series 2014B Bond for a new Series 2014B Bond or Series 2014B Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Series 2014B Bond that was presented for transfer or exchange. Series 2014B Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Series 2014B Bonds is exercised, the Bond Registrar shall authenticate and deliver Series 2014B Bonds in accordance with the provisions of the Series 2014B Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Series 2014B Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Series 2014B Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Series 2014B Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Series 2014B Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

## **Mutilated, Lost, Stolen or Destroyed Series 2014B Bonds**

If (a) any mutilated Series 2014B Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Series 2014B Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Series 2014B Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Series 2014B Bond, a new Series 2014B Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Series 2014B Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Series 2014B Bond instead of issuing a new Series 2014B Bond. Upon the issuance of any new Series 2014B Bond, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

## **Nonpresentation of Series 2014B Bonds**

If any Series 2014B Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Series 2014B Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Series 2014B Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Series 2014B Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Series 2014B Bond Resolution or on, or with respect to, said Series 2014B Bond. If any Series 2014B Bond is not presented for payment within four (4) years following the date when such Series 2014B Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Series 2014B Bond, and such Series 2014B Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

## **Redemption Provisions**

***Optional Redemption.*** At the option of the City, the Series 2014B Bonds maturing in the years 2025 and thereafter will be subject to redemption and payment prior to maturity on October 1, 2024, and thereafter, as a whole or in part (selection of the amount of Series 2014B Bonds to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at a redemption price of 100% (expressed as percentage of the principal amount), plus accrued interest thereon to the date of redemption.

***Selection of Series 2014B Bonds to be Redeemed.*** Series 2014B Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Series 2014B Bonds are to be redeemed and paid prior to their Stated Maturity, such Series 2014B Bonds shall be redeemed in such manner as the Issuer shall determine, Series 2014B Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denominations in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Series 2014B Bonds by lot when Series 2014B Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Series 2014B Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Series 2014B Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Series 2014B Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Series 2014B Bond or Series 2014B Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2014B Bond. If the Owner of any such Series 2014B Bond fails to present such Series 2014B Bond to the Paying Agent for payment and exchange as aforesaid, such Series 2014B Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

***Notice and Effect of Call for Redemption.*** Unless waived by any Owner of Series 2014B Bonds to be redeemed, if the Issuer shall call any Series 2014B Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Series 2014B Bonds to the Bond Registrar and the Original Purchaser. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Series 2014B

Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Series 2014B Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Series 2014B Bonds, the respective principal amounts) of the Series 2014B Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Series 2014B Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Series 2014B Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Series 2014B Bonds or portions of Series 2014B Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Series 2014B Bonds or portions of Series 2014B Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Series 2014B Bonds or portion of Series 2014B Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2014B Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2014B Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Series 2014B Bond so affected, shall not affect the validity of the redemption of such Series 2014B Bond.

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Series 2014B Bond.

## **THE DEPOSITORY TRUST COMPANY**

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2014B Bonds. The Series 2014B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each scheduled maturity of the Series 2014B Bonds and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Series 2014B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014B Bonds on DTC’s records. The ownership interest of each actual purchaser of

each Series 2014B 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 Series 2014B Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014B Bonds, except in the event that use of the book-entry system for the Series 2014B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2014B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2014B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Series 2014B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014B Bond documents. For example, Beneficial Owners of Series 2014B Bonds may wish to ascertain that the nominee holding the Series 2014B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2014B Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014B Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Series 2014B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2014B Bonds 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 Issuer or Paying Agent, on the payment 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 nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2014B Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014B Bond certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2014B Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

**THE ISSUER WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY**

DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2014B BONDS; THE TRANSMITTAL TO BENEFICIAL OWNERS OR DTC PARTICIPANTS OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS OF THE SERIES 2014B BONDS UNDER THE SERIES 2014B BOND RESOLUTION; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014B BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2014B BONDS.

### **THE WATER AND SEWER UTILITY PROJECTS**

Proceeds of the Series 2014B Bonds will permanently finance a portion of multiple improvements, extensions, enlargements, repairs, alterations and reconstructions of the various facilities of the Utility (the “Projects”). Reference is made to the Description of Water Utility and Sewer Utility Projects included as *Appendix E* to this Official Statement and the Engineer’s Report and Feasibility Study included as *Appendix F* to this Official Statement for more complete descriptions of the Projects. Substitute Projects may be added to or substituted for the Projects under the terms of the Bond Resolution.

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## SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Series 2014B Bonds:

### Sources of Funds:

Principal Amount of Series 2014B Bonds	\$12,785,000.00
Accrued Interest	27,948.55
Reoffering Premium	<u>695,634.75</u>

**Total** **\$13,508,583.30**

### Uses of Funds:

Deposit to Sewer Utility Projects Fund	\$7,978,400.00
Deposit to Water Utility Projects Fund	4,891,900.00
Deposit to Series 2014B Principal and Interest Subaccount-Accrued Interest	27,948.55
Additional Deposit to Series 2014B Principal and Interest Subaccount-Excess Proceeds	4,155.73
Deposit to Series 2014B Bond Reserve Subaccount	447,140.02
Deposit to Costs of Issuance Account	90,000.00
Underwriter's Compensation	<u>69,039.00</u>

**Total** **\$13,508,583.30**

## RISK FACTORS AND INVESTMENT CONSIDERATIONS

***A PROSPECTIVE PURCHASER OF THE SERIES 2014B BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2014B BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2014B BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2014B BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE ORIGINAL PURCHASERS OF EACH SERIES OF THE SERIES 2014B BONDS.***

### Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2014B Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City or the Utility.

### Limitations on Remedies Available to Owners of Series 2014B Bonds

The enforceability of the rights and remedies of the owners of Series 2014B Bonds, and the obligations incurred by the Issuer in issuing the Series 2014B Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2014B Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

### Special Obligations

The Series 2014B Bonds are special, limited obligations of the Issuer. Neither the Series 2014B Bonds nor the interest thereon constitute a general obligation or indebtedness of, nor is the payment thereof guaranteed by, the City, or any governmental subdivision, agency or instrumentality. The Series 2014B Bonds are not payable in any manner from tax revenues.

## **Debt Service Source**

The Series 2014B Bonds are payable solely from the Net Revenues. While the future ability of the Issuer to meet its obligations under the Series 2014B Bond Resolution is based upon assumptions and business judgments which the Issuer believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that presently cannot be determined. Thus, no assurance can be given that revenues will be realized by the Issuer in amounts sufficient to pay the principal of and interest on the Series 2014B Bonds as they become due.

## **Bond Reserve Account**

Pursuant to the Series 2014B Bond Resolution, an amount equal to the greater of the interest to be paid on the Series 2014B Bonds during the next Fiscal Year or the maximum interest to be paid on the Series 2014B Bonds during any subsequent Fiscal Year (the "Bond Reserve Requirement") is required to be deposited in the Bond Reserve Subaccount for the Series 2014B Bonds (the "Bond Reserve Subaccount") of the Bond Reserve Account. The Bond Reserve Requirement may be satisfied by cash, Authorized Investments or an Alternative Credit Facility. The City will fund the Bond Reserve Subaccount with proceeds of the Series 2014B Bonds. Amounts held in the Bond Reserve Subaccount may be applied by the City to prevent default in payment of the principal of and interest on the Series 2014B Bonds in accordance with the Bond Ordinance in the event funds on hand in the Principal and Interest Subaccount for the Series 2014B Bonds are insufficient to provide funds for payments due for the Series 2014B Bonds on any Payment Date. In the event that the Bond Reserve Subaccount contains Authorized Investments and the City is required to sell such Authorized Investments for an authorized purpose, the price realized upon such sale may not equal the Bond Reserve Requirement.

In the event of a default by the City under the Series 2014B Bond Resolution, moneys deposited in the Bond Reserve Subaccount may, under certain circumstances and, ordinarily under the supervision of and under order of the Courts, be applied for purposes other than payment of the Series 2014B Bonds. Such purposes may include preservation of and security for the Utility, maintenance of insurance, payment of expenses incurred in attempting to operate the Utility and payment of other similar costs.

## **Water Supply**

The ability of the Utility to achieve Net Revenues to meet its Debt Service Requirements is contingent on a variety of factors, including the availability of an adequate supply of water. The Utility obtains raw water from several sources. Reference is made to the section of this Official Statement entitled "THE WATER AND SEWER UTILITY" for a complete description of the water supply. Conditions beyond the control of the City or the Utility may cause interruption of this water supply, including contamination of such supply, failure of electricity necessary to operate pumping stations and destruction of supply pipelines. If such events occur, the operations of the Utility will be impaired.

## **State and Federal Regulation**

The rates, fees and charges for water and sewer service provided by the Utility as currently constructed and operated are exempt from rate regulation by any Federal or State agency, including the Kansas Corporation Commission. The precise nature and extent of future governmental regulation and the resulting impact of such regulation on the operation and profitability of the Utility cannot now be determined. The City has covenanted in the Series 2014B Bond Resolution to comply with all such governmental regulations.

## **Taxation of Interest on the Series 2014B Bonds**

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2014B Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 2014B Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Series 2014B Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series 2014B Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Series 2014B Bonds. Because the existence and continuation of the excludability of the interest on the Series 2014B Bonds depends upon events occurring after the date of issuance of the Series 2014B Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is

expressed by Bond Counsel with respect to the excludability of the interest on the Series 2014B Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Series 2014B Bonds to become includable in gross income as of the date of issuance.

### **Premium on Series 2014B Bonds**

Any person who purchases a Series 2014B Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Series 2014B Bonds are subject to redemption at par under the various circumstances described under “THE SERIES 2014B BONDS – Redemption Provisions.”

### **No Additional Interest or Mandatory Redemption upon Event of Taxability**

An investment in the Series 2014B Bonds involves a certain degree of risk. The interest rate borne by the Series 2014B Bonds (as compared to prevailing interest rates on more secure tax exempt bonds such as those which constitute general obligations of fiscally sound municipalities) is intended to compensate the investor for assuming this element of risk. Furthermore, the Series 2014B Bond Resolution does not provide for the payment of additional interest or penalty on the Series 2014B Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, there is no provision for the payment of any additional interest or penalty on the Series 2014B Bonds if the interest thereon becomes subject to income taxation by the State.

### **Suitability of Investment**

The tax exempt feature of the Series 2014B Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2014B Bonds are an appropriate investment.

### **Market for the Series 2014B Bonds**

**Rating.** The Series 2014B Bonds have been assigned the financial rating set forth in the section hereof entitled “RATING.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2014B Bonds.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the Series 2014B Bonds. Prices of Series 2014B Bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Series 2014B Bonds as a result of the financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the City, or a material adverse change in the financial condition of the City, whether or not the Series 2014B Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

## **THE WICHITA WATER AND SEWER UTILITY**

### **History**

**Water.** In 1882, the City granted a franchise for the construction and operation of a central water system. This franchise was operated by a subsidiary of the American Waterworks Company until 1940 when the City assumed responsibility for the supply, transmission, and treatment of water in order to assure an excellent quality and abundant quantity of water to the residents of the City. In 1957, the City purchased the facilities owned by the American Waterworks Company with the proceeds of \$41,825,000 Waterworks Revenue Bonds.

**Sewer.** The first sewer system was constructed in the City in 1889, with primary treatment facilities constructed in 1932 and secondary treatment facilities in 1959.

**Combined Utility.** In 1987, the governing body of the City adopted an ordinance providing for the combining of the Water Utility and Sewer Utility into the Wichita Water and Sewer Utility.

## Management and Personnel

The Utility is owned and operated by the City through its Public Works & Utilities Department. The City and its Departments are managed under the Council-Manager form of government, in which the City Manager serves as the chief administrative officer and appoints qualified professional staff to operate the various Departments. The following individuals are the key senior City personnel with respect to the operation of the Utility:

**ROBERT L. LAYTON** became Wichita's City Manager on February 2, 2009. He reports to a seven-member City Council and oversee 3,100 employees, a \$500 million annual budget and a \$2.4 billion Capital Improvement Program. Mr. Layton has been involved in local government for nearly 30 years. He served as City Manager from 1984 to 2008 for Urbandale, Iowa, where he focused on planned growth, quality service delivery and sound fiscal condition. Before going to Urbandale, he was an assistant to the City Manager in Des Moines, Iowa from 1980 to 1984; prior to that he was a budget analyst and public management intern for Kansas City, MO. Bob earned a graduate degree in public administration from Syracuse University and he earned a bachelor's degree in public administration from Drake University. He is a member of the International City/County Management Association, a former president of the Iowa City/County Management Association and a former executive board member of the Iowa League of Cities.

**ALAN KING** was named Director of Public Works & Utilities for the City of Wichita on December 1, 2011. Mr. King's local government career has spanned 33 years. He served as the Public Works Director for the city and county of Broomfield, Colorado from January 2008 to July 2011. Before going to Broomfield, Colorado, he was the Assistant Utilities Director in Bellevue, Washington from October 2001 to January 2008. Alan obtained his bachelor's degree in business administration from Seattle International University/National University in 1988 and is currently pursuing his Masters of Public Administration.

**SHAWN HENNING** was appointed Director of Finance in April 2013. Ms. Henning has been involved in local government finance for over 22 years. Starting in 1991, she served as the Internal Auditor for over two years and was named Controller of the City of Wichita in 1994, where she served until 2003. From April 2003 to April 2006, Ms. Henning served as Accounting Director for Sedgwick County, Kansas. In 2006, she returned to the City of Wichita, serving as Treasurer until she was named Director of Finance in 2013. Shawn received her Bachelor's degree in Accounting and Business Administration from Kansas Newman College in 1981. She earned designation as a Certified Public Finance Officer from the Government Finance Officers Association (GFOA) in 2001. Shawn is also a Certified Public Funds Investment Manager, a member of the Government Finance Officers Association and currently serves as the President of the Kansas Government Finance Officers Association.

## Description of Water Utility

The City, many surrounding suburban areas, eight small incorporated communities, a number of major industries, a United States Air Force Base, and three Rural Water Districts are currently served by Wichita's water system.

The Utility's sources of water supply include local groundwater allocations of 17,561 acre-feet per year, from the Arkansas River alluvium aquifer, groundwater allocations of 40,000 acre-feet per year from the Equus Beds aquifer, located approximately 25 miles northwest of the City, and 52,640 more acre-feet from Cheney Reservoir, located 25 miles west of Wichita. Current supply capacity is 180 million gallons per day (mgd) from the following: local wells - 30 mgd, Equus Beds- 70 mgd, and Cheney Reservoir-80 mgd. Additional water is available through an aquifer storage and recovery recharge credit which varies yearly and is currently 1,691 acre-feet. All water rights are provided by the State of Kansas through its Board of Agriculture, Division of Water Resources. The Water Treatment Plant capacity is 160 mgd and is currently capable of meeting demand.

Five high service pumps are located at the Cheney Reservoir Pump Station and Ozone Pretreatment facilities to provide treatment of water for taste and odor control. The supply system includes 18 miles of gathering lines in the well field and 46 miles of 36-inch, 42-inch, 48-inch and 66-inch transmission mains from the well field to the water treatment plant. A 48-inch cross tie main connecting the major 48-inch and 66-inch well field transmission mains was completed in 1991 to provide additional system reliability and bolster future collection capabilities as the number of well sites grow to produce additional water when needed by the City in the future. The system also includes 21 miles of 60-inch transmission main from Cheney Reservoir Pump Station to the treatment works. In 2004, an additional 66" transmission main (22,670 feet) was completed parallel to the existing 66" line, to provide redundancy. Total treated water storage, including at the water treatment plant, is 50.1 million gallons. Eight high service pumps are located in the Robert H. Hess Pumping Station, placed in service

in 1974. A project to replace seven of the original pumps was completed in 1998, which increased the capacity to 236 mgd, with a firm capacity of approximately 200 mgd. In 2009, the fixed speed drives were replaced with variable speed drives so all pumps could be run as variable speed, increasing efficiency of the system. The distribution system includes over 2,400 miles of lined and unlined cast and ductile iron pipe, cement-lined cast iron pipe, prestressed concrete pipe, asbestos-cement pipe, and polyvinyl chloride pipe. Mains range in size from a limited number of 2-inch to 48-inch mains. The general system minimum grid size is 8-inch diameter.

### **Condition of Water Utility**

Due to the rapid growth of the Utility's service area in the last four decades, the average age of the various components of the Water Utility is much less than in many metropolitan areas the size of Wichita. None of the water treatment or source of supply facilities existed prior to 1940. The original wells in the Equus Beds, the gathering lines for these wells, and 25 miles of 48-inch and 42-inch transmission lines were constructed in 1940. Ten additional wells and associated gathering lines were added to the Equus Beds well field in 1946, and 20 new wells and appurtenances were constructed in 1957. The 66-inch line from the well field plus a 42-inch connecting line to the existing well field transmission lines was also constructed in 1957. The original portion of the water treatment plant with a 32 mgd well water capacity was constructed in 1940. Plant additions increasing the capacity to 48 mgd, 120 mgd and 135 mgd were constructed in 1946, 1956 and 1991, respectively, and with the completion of construction in 1995, the plant's capacity reached 160 mgd.

The cost of providing service to unserved areas is paid primarily by special assessments charged against the properties in the benefit area. The average physical age of the distribution system is estimated to be approximately 25 years. All units of the Utility are in well-maintained condition, and the Department has received national recognition for its effective maintenance programs. The Department tracks its performance toward meeting maintenance targets for all valves and hydrants. Additionally, major water well, mains, valves, services and metering rehabilitation and replacement programs have been ongoing for the last three to five years to meet extraordinary drought demands, maintain system reliability and ensure accurate billings. In 2006, the City updated a Water Master Plan to guide staff in determining necessary improvements. This Water Master Plan indicates the system is in good repair.

A Cost of Services Analysis was completed in 2011 and identified a differential in the rates paid by different customer types. A five-year plan was implemented to gradually realign rates with the customer type. In addition, the ten-year annual rate planning model was improved to determine potential rate increases in the future in order to fully fund the existing capital improvement program. Wichita's customer growth is currently at a rate of 0.33% per year.

### **Drought Response Planning**

In order to increase protection from future droughts, the Utility developed a drought response plan which was approved in October 2013. The plan established four drought response stages based on the level of water in Cheney Reservoir that provides 60 percent of the Utility's water supply. Response measures to the various stages include voluntary conservation, restricting outside water usage and/or a reduction of customers' base usage.

Along with the drought response plan, the Utility continues to evaluate new water supply options to ensure an adequate long-term supply for its customers. Water supply options are being evaluated on three criteria: meeting long-term water needs, minimizing costs and reasonable conservation goals. In addition, the City is pursuing conservation options to reduce long-term water demand.

### **The Cheney Reservoir Project**

The Cheney Reservoir was constructed under a contractual agreement between the City and the United States Department of the Interior, Bureau of Reclamation. Water storage capacity of the Reservoir below the top of the flood control pool is 260,610 acre-feet, with the upper 84,499 acre-feet allocated to flood control, the next 151,788 acre-feet allocated to the City water supply, the next 15,286 acre-feet for fish and wildlife conservation and the final 600 acre-feet for flood control storage. A drainage area of 901 square miles serves the Reservoir. The Cheney Reservoir and other sources of supply provide a total water supply capability to the City which is adequate to meet the projected annual demand.

## **The Aquifer Storage and Recovery Project**

The Aquifer Storage and Recovery (ASR) Project involves pumping water out of the Little Arkansas River following periods of heavy rainfall, treating it to drinking-water quality and injecting it into the Equus Beds aquifer, a major source of Wichita's water. The water is stored in the aquifer, an underground layer of sand and gravel that can hold water until it is needed. The current scope of the project is capable of producing up to 40 million gallons of water a day from the Little Arkansas River.

The Equus Beds aquifer covers portions of Sedgwick, Harvey, McPherson and Reno counties with an area of approximately 900,000 acres. The ASR project encompasses approximately 165 square miles and extends northwest of the City of Wichita across parts of Harvey and Sedgwick counties, mostly between Bentley and Halstead. While levels in the aquifer are going down, the water needs of Wichitans are going up. The ASR project, coupled with greater use of Cheney Reservoir – the city's existing surface water supply – will help Wichita provide water in the coming years. The project will create a hydraulic barrier to slow down the intrusion of saltwater into the groundwater supply.

## **Water Treatment Facilities**

The Water Treatment Plant is designed and operated as three parallel units, each providing aeration, softening, coagulation, sedimentation, recarbonation, filtration and disinfection. The East Plant portion, constructed in 1940, can treat up to 30 mgd. The Central Plant portion, originally constructed in 1954, consists of two trains, both of which can treat up to 65 mgd for a total capacity to 160 mgd. The City has undertaken all necessary procedures to comply with all aspects of Federal Safe Drinking Water Act regulations.

## **Description of Sewer Utility**

The City's first sewer lines were installed during the 1880's and were routed to the Arkansas River, with the raw sewage being discharged directly into the River. The method of disposal continued until 1932, when the City constructed a primary treatment plant. In 1957, a secondary treatment plant was constructed consisting of 12 trickling filters, 200 feet in diameter and seven feet deep. The current Sewer Utility service area encompasses approximately 175 square miles. The collection system now includes an estimated 2,000 miles of sewers and 57 lift stations. Many of the sewer lines have been rehabilitated, replaced or paralleled to handle increased flow from growth and restore deteriorating lines.

The City currently operates five regional wastewater facilities. The oldest portions of Plant 1 were constructed in 1932 and after upgrades in 2005, primary processing at Plant 1 was abandoned. Plant 1 now only performs effluent screening. The water is then pumped to Plant 2 where primary and secondary treatment is performed. Thirty million gallons per day of Wichita's wastewater is collected at Plant 2. The oldest portion of Plant 2 was constructed in 1960. The facility has gone through several upgrades. Upgrades completed in 1988 through 1990 included secondary treatment to address ammonia removal, disinfection, and minimum dissolved oxygen level requirements. More recent upgrades included the modification and update of headworks and grit removal equipment, the addition of UV disinfection and most recently, the conversion of existing secondary treatment in the primary treatment facilities. Plant 2 also serves as the collection point for bio-solids from the City's other plants and some neighboring municipalities. The collected solids are treated by dissolved air floatation thickening and anaerobic digestion, and are dewatered using a belt filter press. After dewatering, the material is land-applied on local, privately owned, farm ground.

Wastewater flows into the treatment plants are currently within the capacity of the plants. Furthermore, the overall treatment capacity at the plants is adequate for the 20-year planning period. For Plant 2, the 2014 projected flow is 50% of its apparent available capacity. Engineering analyses of Plant 2 treatment efficiency show that 2014 projected flows will not significantly impact operating capabilities. In 1993, the City initiated an inflow and infiltration control program and is aggressively pursuing the identified sewer rehabilitations, wet weather flow retention and abatement programs included in the Sewer Master Plan. The Plant 2 facilities will be subjected to nutrient removal requirements within the next three permit cycles. The Utility is expected to commit to a project to upgrade existing treatment technology within the next fifteen years.

On April 1, 2001, the City of Wichita assumed operational and maintenance responsibility of the Four Mile Creek Sewage Treatment Plant, formerly owned by Sedgwick County. The facility is a 1.5 million gallon per day activated sludge plant utilizing chlorine gas for disinfection. Plant upgrades were completed in January 2005, increasing the capacity of this facility to 3.0 mgd. This upgrade also included the addition of biological nitrogen and phosphorus removal and aerobic solids digestion. The solids digester also serves as a gravity thickener allowing for a 47-50% reduction in the volume of treated solids.

Construction of Cowskin Creek Water Quality Reclamation Facility with a design capacity of 2 mgd, was completed in the spring of 2003. This facility was designed for total nitrogen and biological phosphorous removal and utilizes ultraviolet

light for disinfection. This facility uses mechanical thickeners to reduce solids volume and also has complete emergency backup power generation.

The fifth treatment facility located at the Wichita Mid-Continent Airport was completed and began operations in July 2010. This facility is a biological nutrient removal facility capable of treating 3 mgd. This is a scalping plant. Flow is diverted out of the collection system that was currently being directed to Plant 2 and the plant further extends the hydraulic capacity availability at Plant 2.

### **Condition of Sewer Utility**

Recent physical inspections by Burns & McDonnell, as part of their performance of the triennial Condition and Operations Report, indicate that the sewer system is adequate and the treatment facilities are in good repair and operating condition. The lift stations were found to be in good working condition.

The Utility is complying with a negotiated consent agreement with the Kansas Department of Health and Environment (KDHE) that stemmed from a 2012 discharge of partially treated sewage to the Arkansas River. The first phase of compliance was complete in 2013 when the Utility conducted a condition assessment of Plant 2. Work continues in 2014 with infrastructure improvements and a condition assessment of other wastewater assets.

### **National Pollution Discharge Elimination System (NPDES) Requirements**

The City currently holds three NPDES permits. Plant 2, as stated above, upgraded its secondary wastewater treatment facilities in 1988 to meet treated wastewater effluent discharge permit requirements of the Kansas Department of Health and Environment (KDHE) to conform to the State of Kansas Stream Water Quality Criteria. The City completed these improvements in May 1990 and now meets all Clean Water Act Standards.

Biological nutrient removal has been added as a part of the two remote facilities. This technology allows for current discharge limits for ammonia to be achieved, but will also allow the facilities to meet future limits for phosphorus and total nitrogen.

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**Bonded Indebtedness**

The following table sets forth the bonded indebtedness of the Utility (including the Series 2014B Bonds) as of December 1, 2014:

<b>Description of Indebtedness</b>	<b>Series</b>	<b>Dated Date</b>	<b>Original Principal Amount</b>	<b>Amount Outstanding</b>
Revenue Bonds	Series 2000	06/01/2000	\$ 7,220,000	\$ 3,294,733
Refunding Revenue Bonds	Series 2005B	08/17/2005	26,695,000	6,390,000
Revenue Bonds	Series 2006	12/01/2006	51,140,000	38,870,000
Revenue Bonds	Series 2008A	04/01/2008	29,460,000	24,155,000
Revenue Bonds	Series 2009A	06/30/2009	119,775,000	107,090,000
Revenue Bonds	Series 2009B	06/30/2009	12,845,000	7,240,000
Revenue Bonds	Series 2010A	10/15/2010	31,810,000	26,950,000
Revenue Bonds	Series 2010B	10/15/2010	17,090,000	14,690,000
Refunding Revenue Bonds	Series 2011A	11/01/2011	105,325,000	89,910,000
Revenue Bonds	Series 2012A	05/01/2012	17,225,000	15,780,000
Refunding Revenue Bonds	Series 2014A	08/01/2014	41,405,000	41,405,000
Revenue Bonds	Series 2014B	12/01/2014	12,785,000	<u>12,785,000</u>
Subtotal Revenue Bonds				\$388,559,733
General Obligation Bonds	Series 811	10/01/2014	135,905,000	<u>\$135,905,000*</u>
Subtotal General Obligation Bonds				<u>\$135,905,000</u>
Total				\$524,464,733

\*Portion to be repaid from revenues of the Utility

**Operating and Financial Data**

The following is selected operating data of the Utility compiled by Utility staff, which contains certain modifications from statistics contained in the City of Wichita, Kansas Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2013.

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**CITY OF WICHITA, KANSAS**

**WATER AND SEWER UTILITY STATISTICS BY CUSTOMER CLASS**

For the year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

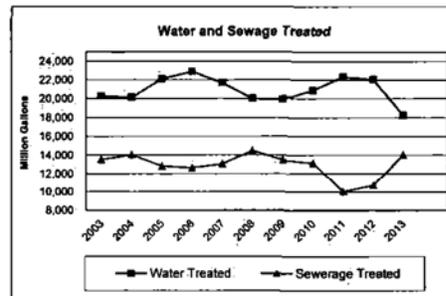
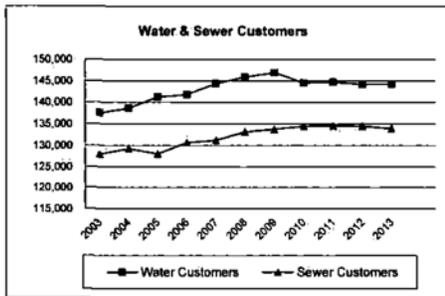
**UNAUDITED**

**WATER UTILITY STATISTICS BY CUSTOMER CLASS**

CUSTOMER CLASS	Number of Customers		Water Revenues <sup>1</sup>		Water Sales <sup>1</sup> (thousand gallons)	
	2013	2012	2013	2012	2013	2012
Residential	127,715	128,073	\$ 38,674,358	\$ 48,073,496	8,097	10,637
Commercial / Industrial	11,205	10,790	19,235,480	25,523,718	6,171	6,979
Wholesale	12	11	3,731,828	4,098,308	1,547	1,700
Lawn services	3,049	3,049	-	-	-	-
Fire protection	1,897	1,876	419,269	346,415	-	-
Contract	355	362	787,614	1,599,232	192	453
Backflow charges	-	-	241,202	238,876	-	-
Other sales	-	-	323,897	376,962	24	39
Estimated leaks	-	-	-	-	488	489
Water utility uses	28	29	-	-	322	296
Unaccounted for water	-	-	-	-	1,380	1,443
	<u>144,261</u>	<u>144,190</u>	<u>\$ 63,413,648</u>	<u>\$ 80,257,007</u>	<u>18,221</u>	<u>22,036</u>

**SEWER UTILITY STATISTICS BY CUSTOMER CLASS**

CUSTOMER CLASS	Number of Customers		Sewer Revenues <sup>1</sup>	
	2013	2012	2013	2012
Residential	122,228	122,656	\$ 28,158,960	\$ 25,470,226
Commercial	10,971	11,073	12,978,806	12,827,129
Industrial	17	16	4,542,044	4,073,295
Institutional	725	735	845,121	828,637
Wholesale	1	1	246,265	236,249
Other	-	-	21,417	21,394
Extra strength	10	10	2,132,156	1,607,617
	<u>133,952</u>	<u>134,491</u>	<u>\$ 48,924,769</u>	<u>\$ 45,064,547</u>



**REPORT IN BRIEF**

	2013	2012	Change
Number of water customers	144,261	144,190	0.05%
Number of sewer customers	133,952	134,491	-0.40%
Miles of water line	2,407	2,387	0.84%
Miles of sanitary sewer line	2,016	2,016	0.00%
Water produced (million gallons)	18,221	22,036	-17.31%
Wastewater treated (million gallons)	14,049	10,708	31.21%
Cost of treated, pressurized water per 1000 gal.	\$0.68	\$0.54	25.93%
Cost of treated wastewater per 1000 gal.	\$0.79	\$0.97	-18.56%

<sup>1</sup>Water and Sewer utility revenue and sales volume data is based on actual billing information and excludes year-end accrual entries.

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## CITY OF WICHITA, KANSAS

### WATER UTILITIES NET REVENUES AVAILABLE FOR DEBT SERVICE AND CAPITAL EXPENDITURES MADE FROM OPERATING REVENUES For the year ended December 31, 2013

UNAUDITED

	Water	Sewer	Combined
<b>REVENUES</b>			
Charges for services	\$ 64,789,466	\$ 49,753,720	\$ 114,543,186
Investment earnings	135,677	13,107	148,784
Capital contributions - cash	3,348,811	1,452,999	4,801,810
Bond discount amortization	859,176	847,116	1,706,292
Other revenues	177,085	8,797	185,882
Gross earnings	69,310,215	52,075,739	121,385,954
<b>OPERATIONS AND MAINTENANCE</b>			
Personnel services	9,549,386	9,585,333	19,134,729
Contractual services	12,646,777	7,269,935	19,916,712
Materials and supplies	4,726,101	3,440,703	8,166,804
Other expenses	761,172	459,994	1,221,166
Administrative charges	738,797	279,057	1,017,854
Contributions to the city	4,099,364	2,353,603	6,452,967
Total operations and maintenance	32,521,607	23,388,625	55,910,232
Net revenues available for debt service	\$ 36,788,608	\$ 28,687,114	\$ 65,475,722
<b>REVENUE BONDS DEBT SERVICE</b>	\$ 24,820,694	\$ 18,623,017	\$ 43,443,711
<b>DEBT SERVICE COVERAGE RATIO</b>	1.48	1.54	1.51
Gross earnings	\$ 69,310,215	\$ 52,075,739	\$ 121,385,954
Less: investment earnings	135,677	13,107	148,784
Less: capital contributions	3,348,811	1,452,999	4,801,810
Less: bond discount amortization	859,176	847,116	1,706,292
Operating revenues	\$ 64,966,551	\$ 49,762,517	\$ 114,729,068
 <b>CAPITAL EXPENDITURES FROM OPERATING REVENUES</b>	 \$ 2,805,936	 \$ 1,505,287	 \$ 4,311,223

#### Property Insurance As of December 31, 2013

Insurance Company	Coverage details	Deductible	Coverage Period
Travelers	*All risk coverage on real and personal property on a replacement cost basis, with a value limitation of \$200 million.	Per occurrence. Property- \$100,000; Hail and wind-\$2 million	01-13 to 01-14
Travelers	*Comprehensive coverage for steam boilers, air conditioners, and electric motors on a repair or replacement cost basis with a value limitation of \$75 million.	Per occurrence	01-13 to 01-14

\* Property insurance for the Utilities is included in the City's coverage. Limits shown are for the entire City.

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## UTILITY BILLING PROCEDURES AND CURRENT RATES

Customers of the Utility are billed monthly and the rates charged by the Utility are restructured to encourage water conservation. The rates provided below are those in effect on December 1, 2014.

The average monthly residential water and sewer bill in December 2014 for a customer using approximately 7,500 gallons of water per month would be \$55.32, excluding applicable fees.

Meter size (Inches)	<i>Water</i>		<i>Sewer</i>	
	Inside the City	Outside and wholesale	Inside City	Outside City
5/8	\$ 11.78	\$18.85	\$ 7.68	\$ 12.30
3/4	11.78	18.85	7.68	12.30
1	11.78	18.85	7.68	12.30
1.5	14.12	22.59	12.39	19.83
2	16.59	26.56	18.54	29.69
3	27.29	43.67	56.20	89.92
4	34.34	54.95	71.48	114.37
6	49.55	79.29	128.52	205.64
8	63.76	102.03	184.45	295.11
10	78.95	126.33	284.17	454.67
12	102.56	164.10	413.54	661.67

Rates for consumption charges in 2014 per 1,000 gallons are as follows:

Water	Inside	Outside	Wholesale
<110% of AWC	\$1.77	\$ 2.83	\$ 2.03
111%-310%	6.25	10.01	10.53
>310% of AWC	9.13	14.62	15.77

Sewer	3.01	4.82	2.30
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### Future Capital Project Plans

The major capital projects of the Sewer Utility over the next ten years include continued rehabilitation of existing sewers, including portions of the 54" interceptor under I-135; pump stations and interceptors to serve the far northeast area, assuming projected growth occurs; and biological nutrient removal at Plant 2.

The major capital projects of the Water Utility planned for the next ten years include construction of a water treatment plant in northwest Wichita; continued replacement of older water mains; and installation of mains to serve new development.

The projects will be financed using a prudent combination of cash and revenue bond financing.

## RATING

Standard & Poor's Ratings Services, a division of McGraw Hill Financial Inc., has assigned a rating of "AA-" to the Series 2014B Bonds. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any obligations, including the Series 2014B Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Series 2014B Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the

judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2014B Bonds.

## **ABSENCE OF LITIGATION**

The Issuer is a defendant in various actions pending or in process for property damages, civil rights, personal injury and other miscellaneous claims. The ultimate liability that might result from final resolution of these matters is not presently determinable. City staff and the City's Department of Law are of the opinion that the final outcome of these matters will not have an adverse material effect on the City's financial condition.

There is currently no controversy, suit or other proceeding of any kind pending, or to the knowledge of the Governing Body, City staff or the City's Department of Law, threatened which would adversely affect the validity of the Series 2014B Bonds or the ability of the Issuer to provide for the payment of the principal of and the interest on the Series 2014B Bonds in the manner described herein. Concurrently with the delivery of the Series 2014B Bonds, the Issuer will deliver an executed non-litigation certificate in the form required by State law.

## **LEGAL MATTERS**

### **Approval of Series 2014B Bonds**

All matters incident to the authorization and issuance of the Series 2014B Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas ("Bond Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE BONDS," "LEGAL MATTERS," "TAX MATTERS" and "*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS.*" Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Series 2014B Bonds. Certain other legal matters will be passed on for the City by Sharon L. Dickgrafe, Esq., Interim Director of Law and City Attorney.

## **TAX MATTERS**

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Series 2014B Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2014B Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2014B Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2014B Bonds.

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under the law existing as of the issue date of the Series 2014B Bonds:

***Federal Tax Exemption.*** The interest on the Series 2014B Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

***Alternative Minimum Tax.*** Interest on the Series 2014B Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

***Bank Qualification.*** The Series 2014B Bonds have *not* been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b).

**Kansas Tax Exemption.** The interest on the Series 2014B Bonds is exempt from income taxation by the State of Kansas.

Bond Counsel's opinions are provided as of the date of the original issue of the Series 2014B Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2014B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2014B Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014B Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2014B Bonds.

### **Other Tax Consequences**

**Original Issue Discount.** For Federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Series 2014B Bond over its issue price. The issue price of a Series 2014B Bond is the first price at which a substantial amount of the Series 2014B Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Code § 1288, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2014B Bond during any accrual period generally equals: (a) the issue price of that Series 2014B Bond, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) the yield to maturity on that Series 2014B Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period); minus (c) any interest payable on that Series 2014B Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for Federal income tax purposes, and will increase the owner's tax basis in that Series 2014B Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

**Original Issue Premium.** If a Series 2014B Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2014B Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2014B Bond. Under Code § 171, the purchaser of that Series 2014B Bond must amortize the premium over the term of the Series 2014B Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2014B Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition of the Series 2014B Bond prior to its maturity. Even though the owner's basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

**Sale, Exchange or Retirement of Series 2014B Bonds.** Upon the sale, exchange or retirement (including redemption) of a Series 2014B Bond, an owner of such Series 2014B Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2014B Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2014B Bond. To the extent the Series 2014B Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2014B Bond has been held for more than 12 months at the time of sale, exchange or retirement.

**Reporting Requirements.** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Series 2014B Bonds, and to the proceeds paid on the sale of Series 2014B Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

**Collateral Federal Income Tax Consequences.** Prospective purchasers of the Series 2014B Bonds should be aware that ownership of the Series 2014B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2014B Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2014B Bonds should consult their tax advisors

as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2014B Bonds, including the possible application of state, local, foreign and other tax laws.

## **CUSIP NUMBERS**

Any CUSIP numbers for the Series 2014B Bonds included in this Official Statement are provided for the convenience of the owners of the Series 2014B Bonds and prospective investors. The CUSIP numbers for the Series 2014B Bonds have been assigned by an organization unaffiliated with the Issuer. The Issuer is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Series 2014B Bonds or as set forth in this Official Statement. No assurance can be given that the CUSIP numbers for the Series 2014B Bonds will remain the same after the date of issuance of the Series 2014B Bonds.

## **UNDERWRITING**

The Series 2014B Bonds have been sold at public sale by the Issuer to William Blair & Company, LLC, Chicago, Illinois (the “Original Purchaser”) on the basis of lowest net interest cost. The Original Purchaser has agreed to purchase the Series 2014B Bonds at a price equal to the principal amount of the Series 2014B Bonds, plus accrued interest from the Dated Date to the Issue Date, plus a net premium of \$626,595.75.

Simultaneously with the delivery of the Series 2014B Bonds, the Original Purchaser will certify to the Issuer that the Series 2014B Bonds will be offered to the public initially at the price determined to produce the yield to maturity or applicable redemption date set forth on the inside cover page of this Official Statement. The Original Purchaser may offer and sell the Series 2014B Bonds to certain dealers (including dealers depositing the Series 2014B Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Original Purchaser may over allot or effect transactions which stabilize or maintain the market price of the Series 2014B Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **MISCELLANEOUS**

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement, they will be furnished on request. So far as any statements are made in this Official Statement involving matters of opinion, estimates, projections or forecasts, whether or not expressly stated as such, they are not to be construed as representations of fact. The information and expressions of opinion in this Official Statement are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that there has been no change in the affairs of the Issuer since the date hereof.

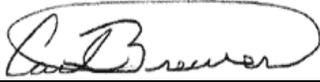
The agreement of the Issuer with the owners of the Series 2014B Bonds is fully set forth in the Series 2014B Bond Resolution, and neither any advertisement for the Series 2014B Bonds or this Official Statement is to be construed as constituting an agreement with any owner of the Series 2014B Bonds. A summary of the Series 2014B Bond Resolution is set forth in **APPENDIX C – SUMMARY OF FINANCING DOCUMENTS**; a complete copy is on file in the office of the City Clerk.

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**APPROVAL OF OFFICIAL STATEMENT**

This Official Statement, and the lawful distribution thereof, was duly approved by the City's Governing Body on December 9, 2014. Authorization to lawfully redistribute this Official Statement is hereby given, but this entire Official Statement, and not portions hereof, must be redistributed.

**CITY OF WICHITA, KANSAS**

By  \_\_\_\_\_  
Carl Brewer, Mayor

By:  \_\_\_\_\_  
Shawn Henning, Director of Finance

**APPENDIX A**

**CITY OF WICHITA, KANSAS**



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**C I T Y ■ O F  
W I C H I T A**



at-large, five council members were nominated by district and elected at-large. In November 1988, Wichita voters approved a referendum to elect a five-member City Council by pure district elections and a full-time Mayor by city-at-large elections. On February 10, 1989, Charter Ordinance 115 was adopted and provided for the five council member seats to be increased to six by subdividing the City into six districts based on the 1990 Census. The six Council members and the Mayor serve four-year terms with the Council members' terms being overlapping. The City Council and Mayor conduct all legislative functions for the City of Wichita and establish general policies, which are executed by the City Manager.

**Employees**

Total authorized positions for 2014<sup>3</sup> for the City of Wichita are as follows:

	<u>Locally Funded</u>		<u>Nonlocally Funded</u>	
	Full-Time	Full-Time Equivalents	Full-Time Equivalents	Total Full-Time Equivalents
Total Employees	3,013	3,090	108	3,198

Kansas' law prohibits strikes by public employees and provides procedures for the resolution of disputes. In the event an agreement cannot be reached between the City and a public employees union, an impasse is declared. Upon declaration of an impasse in the negotiations, the State's Public Employee Relations Board appoints an independent arbitrator. The arbitrator's recommendations are not binding upon the parties to the negotiations, and all contracts must be approved by the City Council.

**Industry**

Wichita is a manufacturing city with a diverse economic base. The approximately 675 Wichita metropolitan area manufacturers<sup>4</sup> produce a wide variety of products from computers to aircraft. Nearly 83 percent of all manufacturing establishments are small firms employing fewer than 50 workers.<sup>5</sup> Local aircraft companies are important to the economic mix in Wichita and combine to produce a significant number of the world's general aviation and commercial aircraft. Service-related firms, particularly regional health care firms, are also an important sector for Wichita's long-term growth. These strengths, combined with a skilled labor force and the City's central location, establish Wichita's prominence as a regional market.

**Largest Industries by Employment: Wichita Metro Area<sup>6</sup>**

<b>Industry</b>	<b>Annual Average 2011</b>	<b>Annual Average 2012</b>	<b>Percent of 2012 Total</b>
Total employment, all industries	276,166	278,286	100.0%
Aerospace product and parts manufacturing	30,174	30,546	11.0%
Local government	29,168	29,233	10.5%
Food services and drinking places	21,586	21,865	7.9%
Administrative and support services	16,924	16,919	6.1%
Ambulatory health care services	13,476	13,862	5.0%
Hospitals	10,243	10,052	3.6%
Professional and technical services	9,249	9,229	3.3%
Specialty trade contractors	8,329	8,641	3.1%
Nursing and residential care facilities	7,515	7,677	2.8%
General merchandise stores	6,757	6,656	2.4%

<sup>3</sup>Source: City of Wichita 2014-2015 Adopted Budget, p. 331.

<sup>4</sup>Source: U.S. Department of Commerce, Bureau of the Census, "2011 MSA Business Patterns, NAICS."

<sup>5</sup>Source: U.S. Department of Commerce, Bureau of the Census, "2011 MSA Business Patterns, NAICS."

<sup>6</sup>Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, total employment includes private industry and government. Annual average employment for general merchandise stores in the Wichita metro area in 2011 was estimated by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

## **Largest Employers Wichita Metro Area<sup>7</sup>**

### **Company**

1. Spirit AeroSystems, Inc.
2. McConnell Air Force Base
3. Via Christi Health
4. USD 259 Wichita
5. Cessna Aircraft Co.
6. State of Kansas
7. Bombardier Learjet
8. Beechcraft Corp.
9. City of Wichita
10. Koch Industries, Inc.

## **Aircraft Manufacturing**

Wichita has a rich history in aviation and has one of the highest concentrations of aircraft manufacturing in the world. The local aircraft companies have a diversified mix between military, commercial and general aviation products and services, which are supported by divisions specializing in research and development, new production, modernization (refurbishing), training, subcontract work and computer services.

## **Agriculture**

The *South Central Kansas Farm, Crop, and Livestock District*, which includes Wichita, lies in the heart of the winter wheat belt. In 2012, Kansas ranked first in the nation in wheat exports, with a value of \$1.3 billion. That same year, the state ranked third in beef and veal exports, as well as exports of hides and skins, for a total value of \$960.8 million.<sup>8</sup> By virtue of being Kansas' largest city and transportation hub, Wichita plays an important role in the agricultural and agri-related business sector.

## **Petroleum**

Wichita is located near the center of the mid-continent petroleum field. Even though the petroleum industry is a small portion of the total economy, Wichita is the headquarters for several companies engaged in oil and natural gas production and industrial oil and grease manufacturing. Koch Industries, one of the largest privately held companies in the United States, performs a variety of petroleum-related manufacturing and transportation activities throughout the world from its Wichita headquarters.

## **Medical Care**

First class medical care is the standard in Wichita's medical community. Because of a heavy emphasis on research and training, Wichita has emerged as a nationally recognized, state-of-the-art health care center. The Wichita MSA<sup>9</sup> (Metropolitan Statistical Area) boasts 19 acute care and freestanding specialty hospitals, providing the community with approximately 2,800 licensed beds. There are approximately 125 nursing homes and assisted living facilities, more than 1,250 physicians and approximately 275 dentists in the five-county area. The health care and social assistance industry employs 38,900 people in the MSA.<sup>10</sup> In addition, there are several research institutions in the area. Numerous health care and specialty clinics provide comprehensive patient care and same-day surgery. There are at least six emergency centers in the Wichita area that provide medical care with no appointments and offer extended hours. Several medical referral services and a complete 911 emergency medical service are available throughout Sedgwick County.

## **Cultural and Recreational Facilities**

Wichita has developed into a civic center that offers many cultural and recreational opportunities. The Wichita Center for the Arts, Whittier Fine Arts Gallery, Edwin A. Ulrich Museum of Art and the Wichita Art Museum all house fine art collections. Quality theater groups such as the Wichita Community Theater, Music Theater of Wichita, Wichita Children's Theater and Dance Center, and Music Theater for Young People visit the Wichita stages throughout the year. Diverse museums such as the Wichita/Sedgwick County Historical Museum, the Mid-America All-Indian Center, the Old Cowtown Museum, the Kansas Aviation Museum, the Museum of World Treasures, the Kansas Sports Hall of Fame, and the Kansas African American Museum reveal their perspectives of the past.

<sup>7</sup>Source: Wichita Business Journal's Book of Lists, December 27, 2013.

<sup>8</sup>Source: U.S. Agricultural Exports, Commodity Detail by State, U.S. Department of Agriculture, Economic Research Service.

<sup>9</sup>The Wichita MSA is comprised of Butler, Harvey, Kingman, Sedgwick and Sumner counties. This metropolitan statistical area delineation was issued by The Office of Management and Budget in February 2013.

<sup>10</sup>Source: Kansas Department Of Labor, Current Employment Statistics data, March 2014. Employment number is for the four-county MSA.

Exploration Place, the Sedgwick County science and discovery center, celebrated its 10th anniversary in 2010. Its permanent and traveling exhibits, summer camps and Wichita Regional Science and Engineering Fairs encourage a deeper interest in science for all ages. The Wichita Art Museum celebrated an anniversary in 2010, as well. As the largest art museum in the state of Kansas, 2010 was its 75th year of preserving, collecting and promoting art.

Built in 1969, Century II is the performing arts and convention headquarters downtown. On March 26, 2013, the Wichita City Council authorized \$1.91 million in capital improvements to convention space at Century II. Another venue, the downtown INTRUST Bank arena, opened its doors to the public on January 2, 2010. On March 16, 2012, the arena hosted its 1 millionth guest. In Pollstar Magazine's 2013 Third Quarter Top 200 Arena Rankings, INTRUST Bank Arena ranked 33rd busiest based on tickets sold for shows that played in the first three quarters of 2013.<sup>11</sup>

Recreational opportunities abound in and around Wichita. Inside the city are 127 municipal parks and public open spaces covering more than 4,900 acres. The Lake Afton Observatory features astronomy displays and space-related phenomena. Botanica, the Wichita Gardens, is the city's living museum of plants and flowers. The Sedgwick County Zoo is nationally acclaimed in natural habitat design and has become one of the top zoos in the world. The city's compact size allows minimal travel time (average 30 minutes) to outlying areas with open prairie and lakes.

The American Association of Independent Professional Baseball voted the Wichita Wingnuts baseball team the 2010 Organization of the Year. Professional hockey, indoor football and indoor soccer are additional sports attractions in the Wichita area. The twin-sheet ice skating arena, Wichita Ice Center, is available for public skating, as well as figure skating, hockey lessons and league play. Wichita has five City-owned golf courses, two other golf courses for public play and four membership-only courses.

Water sports and fishing are available on two federal reservoirs and one county lake that are within 30 minutes of Wichita. Additionally, eighteen recreational areas are within a 200-mile radius of the City. Because Wichita lies within the central waterfowl flyway, huge flocks of waterfowl are a common sight in the area during the spring and fall. Deer, pheasant, quail, wild turkey and ducks are just a few examples of wild game that may be hunted in the area.

### **Public Air Transportation**

Wichita Mid-Continent Airport, the largest commercial air carrier and general aviation complex in Kansas, provides accommodations for all aircraft. Mid-Continent Airport's campus of 3,300 acres is home to more than 65 tenants including air cargo; general aviation businesses; airport concessions (restaurants, hotel, ground transportation); rental car companies; fixed-base operators; corporate hangars; government, including control tower, weather services, Federal Aviation Administration, and the Transportation Security Administration; and two aircraft manufacturers.

Col. James Jabara Airport, a general aviation airport, consists of 855 acres and includes a 6,100-foot runway, an instrument landing system, associated taxiways and aprons, four corporate hangars, as well as a first-class fixed base operation complete with T-hangar storage.

Jabara is also home for the National Center for Aviation Training (NCAT), which is located just north of the airport's campus. NCAT is a first-rate training facility focusing on general aviation manufacturing and aircraft and power plant mechanics. NCAT was made possible by the following funding sources: Sedgwick County, the State of Kansas, the U.S. Economic Development Association, the U.S. Small Business Administration, and the U.S. Department of Housing & Urban Development. The Wichita Area Technical College (WATC) serves as the managing partner for the Center, collaborating with Wichita State University's National Institute for Aviation Research (NIAR), to provide industry-driven training courses.

The local share of financing major improvements has been derived from the sale of general obligation bonds and passenger facility charges. These bonds have either been retired or are currently being repaid from airport revenues. Federal grants, general obligation bonds, and passenger facility charges, along with airport revenues, will finance the majority of planned improvements.

Passenger service in Wichita is available through the following airlines – Allegiant Air, American Airlines, Delta Air Lines, Seaport Airlines, Southwest Airlines and United Airlines. In June 2013, Southwest Airlines began service. In June 2014, Seaport Airlines began service between Great Bend and Wichita. Four major carriers, DHL, Federal Express, UPS Supply Chain Solutions, and UPS, provide cargo service.

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<sup>11</sup>INTRUST Bank Arena Ranks 33rd Busiest Arena in the United States, News & Updates, INTRUST Bank Arena, [www.intrustbankarena.com/news.asp?id=10](http://www.intrustbankarena.com/news.asp?id=10), Oct. 11, 2013.

General aviation is served by specialized retailers who provide aircraft related accessories, service, rental, storage and flight training. Since its inception, the Wichita Airport System, consisting of both Mid-Continent Airport and Colonel James Jabara Airport, has been operated and developed without local tax support.

In May 2010, Wilbur Smith Associates, Inc., with assistance from Burns & McDonnell, completed the *Kansas Aviation Economic Impact Study* for the Kansas Department of Transportation's Division of Aviation. That study revealed that Wichita Mid-Continent Airport and Col. James Jabara Airport contributed approximately \$5.6 billion to the Kansas economy in 2009 from total combined output (direct, indirect and induced) related to on-airport activities, government tenants, visitor spending and payroll spending. The number of jobs resulting from the two airports' activities totaled 23,051, with total payroll of more than \$1.2 billion.

The Wichita City Council decided in June 2011 to move forward with a new terminal at Wichita's Mid-Continent Airport. Groundbreaking began in October 2012, with the expected opening in the spring of 2015. In 2011, the proposed terminal won the "Gold Award in the Unbuilt Category" from the International Interior Design Association, an organization that strives to enhance quality of life by encouraging excellence in design. Construction of a parking garage began in early 2013 and is expected to be completed prior to the opening of the new terminal.

### **Military Installations**

McConnell Air Force Base borders southeast Wichita. The host unit is the 22nd Air Refueling Wing flying KC-135 Stratotankers, supporting worldwide air-to-air refueling and airlift. McConnell is a total force base, housing tenant units, which include the Air Force reserve's 931st Air Refueling Group and the Air National Guard's 184th Intelligence Wing. McConnell has 3,133 active-duty personnel, and total force strength of 6,731 active, guard, reserve and civilian personnel. The total impact of McConnell Air Force Base on the local economy in fiscal year 2013 was \$551.6 million, within a 50-mile radius of the base.<sup>12</sup> In May 2013, McConnell Air Force Base was selected as the preferred alternative main operating base for the KC-46A tanker. On April 23, 2014, Air Force officials announced that McConnell AFB had been selected as the first active duty led KC-46A Pegasus main operating base, clearing the way to receive 36 KC-46A aircraft.<sup>13</sup>

### **Education Institutions**

The City of Wichita is served by eight unified school districts (USDs). USD 259 Wichita Public Schools, the largest district in the area, operates approximately 85 schools, including elementary, middle and high schools, as well as alternative, magnet and special schools. In fall 2013, Wichita USD 259 had its highest enrollment since 1975, with a total of 51,169 students.

The \$370 million bond issue approved in 2008 has been used to complete or begin construction on 56 projects, including six new schools. Seventy-one percent of the projects have been completed.

In addition to the public schools, there are dozens of private and parochial schools serving preschool through high school students, as well as those needing special education. Post-secondary educational opportunities abound, including numerous private and public technical education institutions.

Twelve colleges and universities in the local area serve Wichita, including Wichita State University, University of Kansas School of Medicine, Friends University and Newman University.

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<sup>12</sup>McConnell AFB, 22nd Air Refueling Wing, *2013 Economic Impact Analysis*.

<sup>13</sup>McConnell AFB, <http://www.mcconnell.af.mil/news/story.asp?id=123408336>, Apr. 23, 2014.

## ENROLLMENT FIGURES

School Year	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
<b>USD 259<sup>14</sup></b>						
High School	12,408	12,339	12,330	12,493	13,657	12,771
Middle School	10,267	10,217	10,181	9,951	9,944	9,588
Elementary	26,243	25,915	25,476	25,355	23,690	24,926
Other <sup>15</sup>	2,251	2,168	2,116	2,234	2,367	1,861
<b>Total</b>	<b>51,169</b>	<b>50,639</b>	<b>50,103</b>	<b>50,033</b>	<b>49,658</b>	<b>49,146</b>
<b>PAROCHIAL<sup>16</sup></b>						
<b>Total</b>	<b>8,116</b>	<b>8,228</b>	<b>8,223</b>	<b>8,355</b>	<b>7,775</b>	<b>5,335</b>
<b>UNIVERSITIES<sup>17</sup></b>						
Wichita State University	14,550	14,898	15,100	14,806	14,823	14,612
Friends University	2,178	2,500	2,905	2,986	2,853	2,801
Newman University	3,736	3,108	3,021	2,746	2,557	2,435

### Growth

Increases in land area and in the number and size of manufacturing firms have contributed to the City's growth. This growth is reflected in annexations that have increased the City's total land area from 22 square miles in 1940, to 163 square miles in 2013. World War II, with its enormous demand for aircraft production, brought about a 50 percent increase in the City's population. Continued diversification of industry since then, mixed with abundant resources and a skilled labor force, have contributed to economic growth in the area.

### Demographic Trends

The metropolitan statistical area (MSA) includes Butler, Harvey, Kingman, Sedgwick and Sumner counties.<sup>18</sup> Its 2013 population totaled 637,394.<sup>19</sup> Sedgwick County represents the largest portion of the area's population with an estimated 505,415 residents in 2013.<sup>20</sup>

The city's population density has decreased by nearly 50 percent in the past few decades. Today there are approximately 2,366 persons per square mile in Wichita, compared to 4,625 per square mile in 1960 when growth within the city limits peaked. The trend of perimeter growth and the associated increase in demand for local government services is expected to continue for Wichita. In recent years, the majority of population and housing growth has occurred along the far west/northwest and far east/northeast peripheries of the city, and into the unincorporated portions of the county.

The racial and ethnic composition of Wichita's population is comparable to that of the nation. However, Wichita's population is somewhat younger than the U.S. population, as a whole. The median age in the City of Wichita is 35.1 years, older than Sedgwick County's median age of 34.5 years, but younger than the nation's 37.4 years. Among Wichita's population 25 years and over, 88.4 percent are high school graduates and 28 percent have a bachelor's degree or higher.<sup>21</sup>

In 2012, the estimated median household income in Wichita was \$43,776 and the estimated per capita income was \$24,461.<sup>22</sup> The number of families living in poverty totaled 12,434 (about 13.1 percent of families in Wichita).<sup>23</sup>

<sup>14</sup>Fall enrollment numbers from USD 259. Elementary includes grades K through 5, middle school includes grades 6 through 8 and high school includes grades 9 through 12.

<sup>15</sup>Other refers to special school enrollment.

<sup>16</sup>Parochial fall enrollment figures furnished by the Catholic School Office (7,182 for all of Sedgwick County, excluding Pre-K, and 934 for Wichita Collegiate School, including two years old through high school).

<sup>17</sup>Fall enrollment numbers.

<sup>18</sup>This metropolitan statistical area delineation was issued by The Office of Management and Budget in February 2013. At that time, Kingman County was added to the Wichita MSA.

<sup>19</sup>Source: U.S. Census Bureau, 2013 Metropolitan Statistical Area Population Estimates.

<sup>20</sup>Source: U.S. Census Bureau, 2013 County Population Estimates.

<sup>21</sup>Source: U.S. Census Bureau, 2012 American Community Survey 1-Year Estimates.

<sup>22</sup>Source: U.S. Census Bureau, 2012 American Community Survey 1-Year Estimates.

<sup>23</sup>Source: U.S. Census Bureau, 2012 American Community Survey 1-Year Estimates.

### Population Growth Trends

Year	City of Wichita	Percentage Change	Sedgwick County	Percentage Change
1950	168,300		222,300	
1960	254,700	51.3%	343,200	54.4%
1970	276,600	8.6%	350,700	2.2%
1980	279,300	1.0%	367,100	4.7%
1990	304,000	8.8%	403,700	10.0%
2000	344,300	13.3%	452,900	12.2%
2010	382,368	11.1%	498,365	10.0%

Source: U.S. Bureau of the Census, *Population of the 100 Largest Cities and Other Urban Places in the United States: 1790 to 1990*, Working Population Paper No. 27, 2000 and 2010 population counts from the respective decennial census.

### Age Distribution

	City of Wichita	Percent of Total	Sedgwick County	Percent of Total	Wichita MSA*	Percent of Total
Under 5 years	30,858	8.0%	39,274	7.8%	46,864	7.5%
Age 5 to 9	27,607	7.2%	38,587	7.7%	45,998	7.3%
Age 10 to 14	25,309	6.6%	35,886	7.1%	46,349	7.4%
Age 15 to 19	26,494	6.9%	35,025	7.0%	44,732	7.1%
Age 20 to 24	28,044	7.3%	35,397	7.0%	42,909	6.8%
Age 25 to 29	29,690	7.7%	36,784	7.3%	43,349	6.9%
Age 30 to 34	24,678	6.4%	34,264	6.8%	40,836	6.5%
Age 35 to 39	23,906	6.2%	30,737	6.1%	38,951	6.2%
Age 40 to 44	23,521	6.1%	30,233	6.0%	37,695	6.0%
Age 45 to 49	24,292	6.3%	31,745	6.3%	40,207	6.4%
Age 50 to 54	27,377	7.1%	35,776	7.1%	45,233	7.2%
Age 55 to 59	24,768	6.4%	32,206	6.4%	42,075	6.7%
Age 60 to 64	21,566	5.6%	27,158	5.4%	33,880	5.4%
Age 65 to 69	16,966	4.4%	21,163	4.2%	26,386	4.2%
Age 70 to 74	9,640	2.5%	12,597	2.5%	16,334	2.6%
Age 75 to 79	7,326	1.9%	10,582	2.1%	14,450	2.3%
Age 80 to 84	6,555	1.7%	8,566	1.7%	10,680	1.7%
Age 85 and older	6,863	1.8%	8,432	1.7%	11,399	1.8%
Total population all ages	385,586	100.0%	503,889	100.0%	628,242	100.0%
Median Age (years)	35.1		34.5		35.3	

Source: U.S. Census Bureau, 2012 American Community Survey 1-Year Estimates. Columns may not sum to totals due to rounding.

\*The Wichita MSA includes Butler, Harvey, Sedgwick and Sumner counties. In February 2013, Kingman County was added to the Wichita MSA; however, Kingman County population by age has not been added to the Wichita MSA in this table because it is not available in 2012 American Community Survey 1-Year Estimates.

## **Economic Outlook**<sup>24</sup>

### ***Introduction***<sup>25</sup>

Employment in Wichita and the rest of the United States has remained relatively stable in the wake of the 2008 recession. Both Wichita and the United States experienced modest employment growth in 2013. National employment grew by 1.7 percent in 2013, and Wichita employment grew 1.2 percent over the same time period.

The economy should continue a modest but steady recovery in 2014. A fast recovery to pre-recession levels of employment, with above average growth, should not be expected. Even the slow recovery has several potential risks that could further reduce growth. Downturns from our major trading partners abroad, tightening monetary policy, new regulation and further fiscal austerity could all darken the outlook for 2014.

Total nonfarm employment is expected to increase by 3,565 jobs in 2014, for a growth rate of 1.2 percent. Production sectors are projected to contract by 433 jobs, or 0.6 percent, with durable goods manufacturing contracting at 2.6 percent. Trade, transportation, and utilities will grow by 593 jobs, or 1.2 percent. The service sectors will provide most of the job growth for Wichita, adding 3,006 jobs, or 2.3 percent. The professional and business services sector will add 1,517 jobs, and the education and health services sector will add 912 jobs. The government sector will grow at 1.0 percent.

### ***Economic Indicators***

#### **Wichita Income and Retail Sales**

Per capita personal income in the Wichita MSA increased 3.6 percent from 2011 to 2012. This was reflected in the 3 percent increase of real taxable retail sales in 2012. Real taxable retail sales increased 2.4 percent in 2013 and are forecast to increase 0.9 percent in 2014.

#### **Consumer Confidence and Expectations**

The national Index of Consumer Confidence experienced an upward trend from 2010 through 2013, with the annual average increasing 9.3 Index points in 2010, 3.7 Index points in 2011, 8.9 Index points in 2012, and 6.1 Index points in 2013. The national Index of Consumer Expectations increased 14.3 Index points in 2010, followed by a moderate decrease of 0.9 Index points in 2011. In 2012, the Index rebounded by 5.8 Index points.

Nationally and locally, the retail trade sector has benefited from these upswings in consumer confidence and expectations. The value of new car output has been on the rise, gaining 58 percent from 2009 through 2013. Increased car sales have had a positive impact on three local car dealerships that have begun or completed new facilities since early 2012.

New national and regional retailers have moved into the Wichita area since early 2012, including The Fresh Market, Marshalls, and Academy Sports & Outdoors. Other retailers, such as Walmart and CVS pharmacies have increased their presence in Wichita, opening additional stores. A new Hobby Lobby store in east Wichita opened in October 2013 and a new Sam's Club also opened in northwest Wichita in July 2014.

#### **Wichita Wages**

The recent recession impacted total wages in the Wichita MSA significantly in 2009 with a decrease of 5.7 percent, which was followed by another decline of 1.9 percent in 2010. It was 2011 before total wages began to rebound, with a 3 percent increase that year and another 3.3 percent increase in 2012. Data from the first three quarters of 2013 show that wages over that period increased by 2.6 percent, compared to the first three quarters of 2012.

### ***Labor Market***

The Wichita MSA had an average unemployment rate of 7.9 percent in 2011, which dropped 1.0 percentage point to 6.9 percent in 2012. It fell another 0.7 percentage points to 6.2 percent in 2013. The City of Wichita had higher unemployment over this time period than the MSA, but followed a similar pattern. In 2011, the city had an average unemployment rate of 8.7 percent. In 2012, it fell 0.8 percentage points to 7.5 percent and fell further to 6.6 percent in 2013.

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<sup>24</sup>Sources: Wichita State University, W. Frank Barton School of Business, Center for Economic Development and Business Research. See their home page at <http://www.cedbr.org> for the latest economic indicators.

<sup>25</sup>Throughout this section, unless otherwise noted, the data presented are for the Wichita MSA (Metropolitan Statistical Area), which includes Butler, Harvey, Sedgwick and Sumner counties.

The total civilian labor force in 2013 for the four-county Wichita MSA was 301,192 people. Of that total, 282,453 were employed. In Wichita, the 2013 civilian labor force numbered 185,428 people, and 173,234 of them were employed.

### ***Housing and Construction***

In Wichita, the value of building permits experienced a large decline in 2012. While the value of residential permits grew by 41.8 percent, the value of non-residential permits declined by 41.4 percent. Overall, this meant the value of building permits fell by 22.3 percent in 2012. In 2013, the overall value of building permits had stronger growth, growing 27.6 percent. The value of residential permits grew by 45.6 percent, and the value of nonresidential permits grew by 14.7 percent. The Center for Economic Development and Business Research (CEDBR) forecasts that, for 2014, the value of residential permits will increase by 26.4 percent, and the value of nonresidential permits will increase by 16.2 percent. This implies the overall value of building permits will increase by 21.1 percent.

As a result of the most recent downturn, Wichita area home prices declined 0.9 percent in 2011 and 0.7 percent in 2012. Stanley Longhofer, director of the WSU Center for Real Estate, forecasts that home prices in Wichita will increase 1.5 percent in 2013 and another 2.2 percent in 2014. In his forecast, Longhofer goes on to say that home sales have risen for three consecutive years and are on pace to rise by 12.5 percent in 2013, the largest year-over-year gain on record. He expects this trend to continue into 2014, with sales rising another 2.5 percent.<sup>26</sup>

Overall, natural resources, mining and construction employment is expected to increase 5.1 percent, or 760 jobs in 2014.

### ***Manufacturing***

More workers are employed in the manufacturing sector than any other sector in the Wichita MSA. Approximately 85.9 percent of those workers manufacture durable goods, with aerospace products and parts being the largest component of the durable goods manufactured. Aerospace products and parts jobs represent about 56.5 percent of all manufacturing jobs in the Wichita area.

The manufacturing sector in the United States lost approximately 1.7 million jobs between 2008 and 2011, for a 12.5 percent decline. During that same period, the Wichita MSA lost 15,300 manufacturing jobs, for a 22.7 percent decline. The nation began its rebound in 2011; however, Wichita did not gain jobs back until 2012, when 800 jobs were added, for a 1.5 percent increase over 2011.

Manufacturing news has been mixed in Wichita the past year. Challenges have included layoffs, divestiture of assets, reorganization, and efforts to keep up with demand. The good news includes the first international delivery of the new Cessna TTx; a 47 percent increase in Beechcraft Corp. deliveries for the first three quarters of 2013, year-over-year; the rollout of the first forward fuselage for the new KC-46 refueling tanker by Spirit AeroSystems; and the addition of the Challenger 350 business aircraft by Bombardier.

Overall, manufacturing is expected to decrease 2.3 percent, or nearly 1,200 jobs in 2014. Almost all of the job losses are expected to occur in the durable goods manufacturing sector.

### ***Trade, Transportation and Utilities***

Wholesale trade declined by 116 jobs in 2013, followed by an expected increase of 67 jobs, or 0.7 percent, in 2014. Retail trade increased by 600 jobs in 2013 and is forecasted to increase by 403 jobs, or 1.3 percent, in 2014. Transportation and utilities employment gained 198 jobs in 2013 and is expected to continue to grow by adding 123 jobs in 2014, for a growth rate of 1.4 percent.

### ***Information Services***

The information industry, at both the local and national levels, has been on a downward trend. In 2008, there were 6,600 filled information positions in the Wichita MSA. By the end of 2013, the industry had lost 2,300 jobs, for a 35 percent decline. A similar pattern occurred at the national level. Employment peaked at 3.6 million jobs in 2000, but declined to 2.7 million by the end of 2011, a 26 percent loss. National employment in information services remained relatively constant in 2012 and 2013.

Information services are expected to stop their decline in 2014 in the Wichita MSA. CEDBR estimates an increase of 86 jobs, about a 2 percent increase, after a loss of 191 jobs in 2013.

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<sup>26</sup> Longhofer, Stanley, 2014 Kansas Housing Markets Forecast: Wichita Housing Forecast, Center for Real Estate, W. Frank Barton School of Business, Wichita State University.

### ***Financial Services***

The financial industry in the Wichita MSA lost 2,500 jobs from 2001 through 2012, for a 19 percent decline. The banking sector has not yet seen an improvement in employment since the recession and financial crisis. Within the banking industry there is cautious optimism, but there will likely be more bank consolidation in the Midwest, driven by continuing compliance issues.

Financial activities employment remained stable in 2013, and CEDBR estimates the sector will continue on that path, losing only a few jobs, for a loss of perhaps 0.2 percent in 2014.

### ***Professional and Business Services***

In the Wichita area, there are approximately 2,700 firms in the professional and business services sector, most of which have fewer than 10 employees. The sector reached its previous employment peak of 31,300 employees in 2008, followed by an 8.3 percent dip in 2009. By the end of 2013, the industry had regained all of the jobs lost, for a new peak of 31,500 jobs. An increase of 1,517 jobs is expected for 2014, which is a 4.8 percent increase.

### ***Educational and Health Care Services***

Education employment represents 12 percent of the education and health care industry, while health care employment composes the other 88 percent. From 2000 through 2013, Wichita employment grew 22 percent in this industry. Of the health care employment, 26 percent is in the hospital industry. This growth can be attributed, to some degree, to continued population growth in the Wichita MSA, which totaled a 10 percent increase from 2000 through 2013.

Trends in health care include increased regulation, improvements in technology, uncertainty about the Affordable Care Act and an aging population that is increasing the demand for services. The one thing the industry can count on will be change, whether it comes as a result of policy, the economy, or demographics.

Overall, education and health care employment is forecast to increase 2.1 percent, or approximately 900 jobs, in 2014.

### ***Leisure and Hospitality Services***

Economic indicators for the travel and tourism industry are sending somewhat mixed messages. Transient guest taxes increased 12.8 percent in the 12 months ending in March 2014 compared to the previous 12 months. The total number of outbound passengers at Wichita's Mid-Continent Airport increased 0.7 percent for the 12 months ending in February 2014 compared to the prior 12 months, and the hotel occupancy rate increased 2.7 percentage points for the 12 months ending in January 2014 compared to the prior 12 months.

Button sales for the 2013 Wichita Riverfest were up 38 percent from the 2012 event. The 104,000 buttons sold was the largest number since the 2008 festival.<sup>27</sup>

Venues Today, an international trade publication that ranks entertainment and sports venues, ranked Wichita's INTRUST Bank Arena first in the Midwest region based on ticket sales from January 1 through December 31, 2013, for arenas with 10,001 to 15,000 seats.

Leisure and hospitality employment increased 3 percent, or 850 jobs, in 2013. Continuing growth of 1.4 percent is expected in 2014, for an increase of more than 400 jobs.

### ***Other Services***

Employment in other services reached a peak of 12,000 workers in 2004. By the end of 2012, the industry had lost 1,300 jobs, for a 10.8 percent decline. Employment increased by nine jobs in 2013, a 0.1 percent increase. For 2014, other services employment is projected to grow by 0.9 percent, adding 91 jobs.

### ***Government***

Aside from agricultural employment, government sector employment is the most difficult economic variable to predict, since employment decisions often rely on variables other than economic relationships.

Government employment reached a peak of 41,800 workers in 2010, followed by a 2.9 percent decrease, or 1,300 jobs, over the next three years. CEDBR forecasts an increase of 399 jobs in 2014, for an addition of 1 percent.

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<sup>27</sup>Community Embraces Reinvigorated Riverfest, Wichita Festivals Inc., [www.wichitariverfest.com/riverfest\\_info.php?page=news-media\\_news](http://www.wichitariverfest.com/riverfest_info.php?page=news-media_news), July 25, 2013.

Wichita MSA Forecast Summary

Wichita MSA Employment by Industry Summary*					2013-2014
	2012 (a)	2013 (a)	2014 (f)	2013-2014 Level Change	Percent Change
<b>Total Nonfarm</b>	<b>285,511</b>	<b>288,814</b>	<b>292,380</b>	<b>3,565</b>	<b>1.2%</b>
<b>Production Sectors</b>	<b>67,390</b>	<b>67,557</b>	<b>67,125</b>	<b>-433</b>	<b>-0.6%</b>
Natural Resources, Mining & Cons.	14,592	15,016	15,776	760	5.1%
Manufacturing	52,798	52,542	51,349	-1,193	-2.3%
Durable Goods	45,332	45,159	43,998	-1,161	-2.6%
Non-Durable Goods	7,466	7,383	7,351	-32	-0.4%
<b>Trade, Transportation &amp; Utilities</b>	<b>49,945</b>	<b>50,618</b>	<b>51,211</b>	<b>593</b>	<b>1.2%</b>
Wholesale Trade	9,440	9,324	9,391	67	0.7%
Retail Trade	31,610	32,200	32,603	403	1.3%
Transportation & Utilities	8,895	9,093	9,216	123	1.4%
<b>Service Sectors</b>	<b>127,463</b>	<b>130,073</b>	<b>133,078</b>	<b>3,006</b>	<b>2.3%</b>
Information	4,467	4,276	4,362	86	2.0%
Financial Activities	10,543	10,534	10,517	-17	-0.2%
Professional & Business Services	29,837	31,534	33,050	1,517	4.8%
Education & Health Services	43,522	43,777	44,689	912	2.1%
Leisure & Hospitality	28,429	29,277	29,694	417	1.4%
Other Services	10,666	10,675	10,766	91	0.9%
<b>Government</b>	<b>40,713</b>	<b>40,567</b>	<b>40,966</b>	<b>399</b>	<b>1.0%</b>
*Annual values are derived from average quarterly observations and projections.					
(a) actual (f) forecasted					

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**C I T Y ■ O F**  
**W I C H I T A**

**APPENDIX B**

**FINANCIAL INFORMATION**



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**C I T Y ■ O F  
W I C H I T A**



Department of Public Works & Utilities  
Office of the Director  
City Hall – Eighth Floor  
455 North Main  
Wichita, Kansas 67202

June 20, 2014

To our Water and Sewer Bondholders:

Please review and accept the 2013 Annual Report, presented on behalf of the City of Wichita and the Water & Sewer Utilities.

The Utilities strive to provide high-quality, reliable water and sewer service to residents of Wichita and customers in the surrounding community. The Utilities' services need to represent a good value to the customer base, which is achieved by ensuring effective and efficient operations, positive customer service, and strategic financial management.

On average, the Water and Sewer Utilities treat and distribute about 51 million gallons of potable per day. The sewer system collects and processes about 38 million gallons of wastewater per day. The Utilities serve approximately 386,000 citizens of south-central Kansas. Services include maintenance of more than 4,400 miles of sewer and water mains, operation of 57 sewer lift stations and sewage treatment plants, nearly 150,000 water meters, and an array of water treatment facilities. The Utilities also coordinate their efforts with business, industry, and developers to provide infrastructure critical to the continued success and well-being of our customers.

The Utilities continue to focus on reinvesting in the water distribution and sewer collection systems that have been aging. In 2013 fewer overall main breaks were experienced due to the increased repair and replacement efforts. The new utility rates, effective in January 2014, maintain support for the enhanced maintenance, repair and replacement focus of the aging systems.

The five-year meter replacement program that began in 2012 completed its second year. The program focused on replacing the meters that had a higher potential to result in lower accuracy based on age. A sample of the replaced meters was randomly tested, resulting in approximately 29 percent reporting lower than expected accuracy. Based on the meter testing, the meter replacement project is estimated to enhance revenues by \$1.8 million for water and \$2.8 million for sewer annually, once the project is completed.

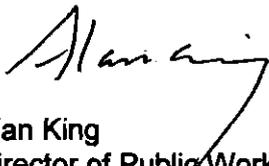
The City negotiated with Kansas Department of Health and Environment (KDHE) to make improvements to the wastewater treatment and collection system in response to a May 2012 breach. The enhancements being made under the agreement with KDHE are targeted at rehabilitating critical parts of the primary wastewater treatment facility, which was built in 1957. Additional work is being conducted to assess the condition of other system assets.

The Aquifer Storage & Recovery (ASR) project completed testing in 2013 and is now operational. The project is creating an additional water supply by treating excess flows in the Little Arkansas River and injecting the treated water into the underground aquifer. The underground aquifer that provides 40 percent of the Utility's water supply and will also provide a hydraulic barrier to slow salt intrusion into the aquifer, while insuring water for the City's use.

The Wichita region received relief from the drought with an unusual amount of rain received in July and August 2013. Concern for protecting the Utility from future droughts prompted the Utility to develop a drought response plan, which was approved by City Council in October 2013. The plan established four drought response stages based on the level of water in Cheney Reservoir that provides 60 percent of the Utility's water supply. Response measures to the various stages include voluntary conservation, restricting outside water usage and/or a reduction of customers' base usage.

In concert with the drought response plan, the Utility continues to evaluate new water supply options to ensure an adequate long-term supply for our customers. Water supply options are being evaluated on three criteria: meeting long-term water needs, minimizing costs and reasonable conservation goals. In addition, the City is pursuing conservation options to reduce long-term water demand.

Finally, it is important to recognize the hundreds of employees that make it possible to provide clean water and reliable sewer service. The Utilities meet high standards for water and sewer reliability and engage in planning efforts to ensure that the high levels of services continue. The City of Wichita is committed to continuing its responsible financial and operational management to provide a long-term, high-quality value for customers.



Alan King  
Director of Public Works & Utilities  
For the Water & Sewer Utilities  
The City of Wichita, Kansas

# CITY OF WICHITA, KANSAS

## WATER UTILITIES COMBINED STATEMENT OF NET POSITION

For the year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and temporary investments	\$ 11,064,044	\$ 10,781,821
Receivables, net	15,549,637	17,349,681
Inventories	2,608,567	2,117,514
Prepaid items	959,414	544,647
Restricted assets:		
Cash and temporary investments	28,479,808	28,889,376
Total current assets	58,661,470	59,683,039
Noncurrent assets:		
Restricted assets:		
Cash and temporary investments	117,406,017	130,981,577
Capital assets:		
Land	14,274,591	14,235,596
Buildings	173,235,756	171,729,057
Improvements other than buildings	884,032,583	849,995,576
Machinery, equipment and other assets	100,719,226	97,309,410
Construction in progress	307,268,633	307,818,800
Less accumulated depreciation	(352,794,385)	(330,227,183)
Total capital assets (net of accumulated depreciation)	1,126,736,404	1,110,861,256
Other assets	-	2,919,992
Total noncurrent assets	1,244,142,421	1,244,762,825
Total assets	1,302,803,891	1,304,445,864
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized refunding costs	6,587,119	7,179,679
Total deferred outflows of resources	6,587,119	7,179,679
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	4,135,766	4,681,923
Accrued interest payable	319,447	344,333
Temporary notes payable	160,000,000	160,000,000
Deposits	4,289,917	4,065,021
Current portion of long-term obligations:		
Compensated absences	876,464	824,829
Current liabilities payable from restricted assets:		
Accrued interest payable	4,927,507	5,052,677
Revenue bonds payable	22,489,336	23,836,699
Total current liabilities	197,038,437	198,805,482
Noncurrent liabilities:		
Revenue bonds payable	377,351,260	400,909,069
Unamortized revenue bond premium	20,853,223	22,559,515
Compensated absences	8,487	7,596
Total noncurrent liabilities	398,212,970	423,476,180
Total liabilities	595,251,407	622,281,662
<b>NET POSITION</b>		
Net investment in capital assets	561,202,948	523,328,689
Restricted for:		
Capital projects	17,745,366	16,990,443
Revenue bond covenants	117,762,729	131,942,499
Unrestricted	16,360,086	17,082,250
Total net position	\$ 713,071,129	\$ 689,343,881

The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF WICHITA, KANSAS

## WATER UTILITIES COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the year ended December 31, 2013 (with comparative totals for the year ended December 31, 2012)

	2013	2012
<b>OPERATING REVENUES</b>		
Charges for services and sales	\$ 114,484,728	\$ 126,033,130
Rentals	58,458	33,405
Other	185,882	87,100
Total operating revenues	114,729,068	126,153,635
<b>OPERATING EXPENSES</b>		
Personnel services	19,134,729	18,218,875
Contractual services	19,916,712	18,781,285
Materials and supplies	8,166,804	8,164,215
Other	1,221,166	1,022,533
Administrative charges	1,017,854	1,386,209
Franchise taxes	6,452,967	6,181,810
Depreciation	23,547,792	19,893,733
Total operating expenses	79,458,024	73,648,660
Operating income	35,271,044	52,504,975
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain on investments	-	34,670
Other revenues	192,415	(221,020)
Interest expense	(15,051,370)	(13,352,637)
Loss from sale of assets	(19)	(1,285,640)
Bond discount amortization	1,706,292	1,064,937
Total nonoperating revenues (expenses)	(13,152,682)	(13,759,690)
Income before contributions and transfers	22,118,362	38,745,285
<b>CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS</b>		
Capital contributions - cash	4,801,810	3,882,311
Capital contributions - non cash	4,027,182	593,172
Transfers to other funds	(4,300,113)	(4,108,610)
Change in net position	26,647,241	39,112,158
Net position - beginning as previously reported	689,343,881	650,231,723
Prior period adjustment	(2,919,993)	-
Net position - beginning, as restated	686,423,888	650,231,723
Net position - ending	\$ 713,071,129	\$ 689,343,881

The accompanying notes to the financial statements are an integral part of this statement.

## CITY OF WICHITA, KANSAS

### WATER UTILITIES COMBINED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 116,568,126	\$ 123,696,480
Cash payments to suppliers for goods and services	(31,774,513)	(32,166,840)
Cash payments to employees for services	(19,082,203)	(18,184,155)
Franchise taxes and payments in lieu of delinquent specials	(6,452,967)	(6,181,810)
Other operating revenues	185,882	87,100
Net cash provided by operating activities	59,444,325	67,250,775
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to other funds	(4,300,113)	(4,108,610)
Net cash used in noncapital financing activities	(4,300,113)	(4,108,610)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Issuance of temporary notes	160,000,000	-
Retirement of temporary notes	(160,000,000)	-
Issuance of capital debt	-	17,225,000
Premiums from the sale of bonds	-	576,650
Bond issuance costs paid	-	(62,525)
Additions to property, plant and equipment	(30,029,338)	(30,981,707)
Principal payment on long-term debt	(23,836,698)	(24,799,861)
Interest payment on long-term debt	(19,607,013)	(18,796,703)
Capital contributions	4,625,932	3,712,511
Net cash used in capital and related financing activities	(68,847,117)	(53,126,635)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	-	34,670
Net cash provided by investing activities	-	34,670
Net increase in cash and temporary investments	(13,702,905)	10,050,200
Cash and temporary investments - January 1	170,652,774	160,602,574
Cash and temporary investments - December 31	\$ 156,949,869	\$ 170,652,774
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income	\$ 35,271,044	\$ 52,504,975
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,547,792	19,893,733
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	1,800,044	(2,661,427)
Increase in inventory	(491,053)	252,988
Increase (decrease) in prepaid items	(414,767)	494,852
Decrease in accounts payable/accrued expenses	(546,157)	(3,560,439)
Increase in deposits	224,896	291,373
Decrease in compensated absences	52,526	34,720
Total adjustments	24,173,281	14,745,800
Net cash provided by operating activities	\$ 59,444,325	\$ 67,250,775
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Assets contributed by benefit districts	\$ 3,419,554	\$ 3,011,399
Contribution of capital assets	-	299,710
Capital contributed for capital purposes	607,628	701,112

The accompanying notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Wichita is a municipal corporation governed by an elected mayor and six-member council. The accompanying combined financial statements represent the proprietary Water Utility and Sewer Utility Funds of the municipal government. The Water Utility Fund accounts for the operation and maintenance of the water supply component of the combined utility. The Sewer Utility Fund accounts for the operation and maintenance of the sewer component of the combined utility, including wastewater treatment plants and the sewer mains and laterals.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Water and Sewer Utility (Utilities) Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services and the portion of tap fees intended for recovery of connecting new customers to the system. Operating expenses of the utilities include the cost of sales and services, administration expenses, and depreciation on capital assets.

Revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses. Consistent with Governmental Accounting Standards Board Statement Number 33, capital contributions resulting from non-exchange transactions are included in non-operating revenues.

C. Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which is managed by the Director of Finance (except for investments of the pension trust funds and those of the Wichita Public Building Commission). Information on the pooled cash and investments of the City is provided in Note 5 of the Notes to the Financial Statements.

D. Revenue Recognition

The Utilities recognize revenue on sales when services are rendered and recognize revenues for unbilled services. All users, including other City departments, are charged for services provided. Accounts receivable represent uncollected charges (both billed and unbilled) at December 31, net of amounts estimated to be uncollectible.

E. Inventories

Inventories are stated at the lower of cost or market, cost being determined by the average unit cost method for both the Water Utility and Sewer Utility.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost (if actual historical cost is not available). Donated capital assets are valued at their estimated fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Depreciation of all exhaustible capital assets, including the depreciation of capital leased assets, is charged as an expense against the utility operations. Accumulated

Assets Classification	Estimated Useful Life
Buildings and improvements	1-100 years
Improvements other than buildings	1-85 years
Equipment	1-33 years
Vehicles	1-20 years
Water/Sewer mains and drainage	75-85 years

depreciation is reported on the funds' balance sheet. Capital assets of the Utilities are depreciated using the straight line method over the estimated useful lives shown in the chart above.

**G. Payment of Franchise Taxes**

Annually, the Utilities pay franchise taxes to the General Fund of the City in an amount not to exceed five percent of gross revenues of the preceding year, which is included in the annual budget. The combined Utilities paid franchise taxes totaling \$6,452,967 in 2013 and \$6,181,810 in 2012. The payment of franchise taxes is an operating expense passed through to the Utilities' customers.

**H. Compensated Absences**

The City's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and accumulated vacation is recorded as a liability in the financial statements. A liability is not recorded for unpaid accumulated sick pay as the City does not have a policy to pay accumulated sick pay to employees at separation from service.

All permanent full-time and permanent part-time employees of the reporting entity within six months of continuous employment are eligible for vacation benefits in varying amounts. City policy provides that exempt employees may accumulate and carry forward each year, not more than 30 days of vacation leave. Non-exempt employees may accumulate and carry forward each year, not more than 240 hours of vacation leave. Sick leave benefits accrue to full-time employees at varying rates, depending on the employees' length of service to the City. A limitation has not been placed on the amount of unused sick leave that may accumulate. Upon retirement, employees may apply unused sick leave benefits to increase the employee's retirement benefit.

**I. Bond Issuance Costs**

Bond issuance costs are amortized using the straight-line method of amortization over the life of the bonds.

**2. Cash and Investments**

At December 31, 2013 and 2012, the combined cash and temporary investments in the amount of \$156,949,869 and \$170,652,774 respectively are included in the City's pooled cash and temporary investments.

The City of Wichita has adopted a formal investment policy. The primary objectives of the investment activities are, in priority order, safety, liquidity and yield. The standard of care to be used by investment officials shall be the "prudent person" standard as contemplated by K.S.A. 17-5004(1), and shall be applied in the context of managing an overall portfolio. Additional information on the City's investment policy and the pooled investments of the City is located in the Note 5 – Cash, Investments and Securities Lending located in the Financial Section, Notes to the Financial Statements of this publication.

On December 31, 2013, revenue bond proceeds for reserve funds and future capital projects of the Water and Sewer Utility were invested as follows:

Investment	Book Value	Modified Duration (years)	Percent of Bond Proceeds Investments
U.S. agency discount securities:			
Federal Home Loan Mortgage Corporation	\$ 18,644,689	0.041	100.0%
Total value	\$ 18,644,689		100.0%
Total modified duration		0.041	

Additionally, general obligation temporary note proceeds for future capital projects of the Water Utility were invested as follows:

<u>Investment</u>	<u>Book Value</u>	<u>Modified Duration (years)</u>	<u>Percent of Bond Proceeds Investments</u>
Municipal Investment Pool-Overnight*	\$ 40,105,655	-	100.0%
Total value	\$ 40,105,655		100.0%
Total modified duration		-	

\*The weighted average maturity of the Municipal Investment Pool was 60.1 days at December 31, 2013.

### 3. Capital Assets

Capital asset activity of the Water Utility and Sewer Utility for the year ended December 31, 2013 is shown as follows (expressed in thousands of dollars):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 14,235	\$ 39	\$ -	\$ -	\$ 14,274
Construction in progress	307,819	29,334	(29,884)	-	307,269
Total capital assets, not being depreciated	322,054	29,373	(29,884)	-	321,543
Capital assets, being depreciated:					
Buildings	171,729	1,517	(10)	-	173,236
Improvements other than buildings	849,996	34,486	(450)	-	884,032
Machinery, equipment and other assets	97,309	4,480	(1,070)	-	100,719
Total capital assets being depreciated	1,119,034	40,483	(1,530)	-	1,157,987
Less accumulated depreciation for:					
Buildings	(66,677)	(3,068)	-	-	(69,745)
Improvements other than buildings	(200,944)	(13,863)	-	-	(214,807)
Machinery, equipment and other assets	(62,606)	(6,616)	980	-	(68,242)
Total accumulated depreciation	(330,227)	(23,547)	980	-	(352,794)
Total capital assets, being depreciated, net	788,807	16,936	(550)	-	805,193
Total capital assets, net	\$ 1,110,861	\$ 46,309	\$ (30,434)	\$ -	\$ 1,126,736

Interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. During 2013 and 2012, total interest cost of the combined Water and Sewer Utility Fund was \$19,982,686 and \$20,419,242 of which \$4,931,316 and \$7,066,605 respectively was capitalized.

### 4. Retirement Funds

The reporting entity contributes to a defined single-employer retirement benefit plan, the Wichita Employees' Retirement System (WERS) and a single-employer defined contribution plan, the Wichita Employees' Retirement System Plan 3. Both plans are governed by the Wichita Employees' Retirement System Board of Trustees. All full-time employees of the Utilities participate in one of the retirement plans. The payroll for the Utilities'

employees covered by the systems for the years ended December 31, 2013 and December 31, 2012 was \$13,151,534 and \$12,543,435 respectively, which was also the total payroll for the Utilities.

Additional information on the retirement systems is reported in the Notes to the Financial Statements for the City of Wichita, located in the Financial Section of this publication. The Wichita Retirement System also issues a publicly available financial report that includes financial statements and required supplementary information for WERS and Wichita Police and Fire Retirement System. The financial report may be obtained by writing to the Wichita Retirement System, City Hall, 12<sup>th</sup> Floor, 455 N. Main, Wichita, KS 67202 or by calling (316) 268-4544.

The Utilities are required to contribute at an actuarially determined rate. The rate for 2013 was 12.6% of annual covered payroll for both Plans 1 and 2. The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2013, the Utility's annual pension cost of \$1,710,755 was equal to the required and actual contributions. For the year ending December 31, 2013, employee contributions to all pension plans for the Utilities totaled \$531,118 compared to \$514,872 in 2012.

## 5. Self Insurance Fund and Insurance Coverage

The City established a self insurance fund in 1987 to account for self insurance programs of workers' compensation, group life insurance, employee liability, property damage, auto liability, and general liability for the reporting entity. The Utilities participate in the self insurance programs of workers' compensation, group life insurance, group health insurance, employee liability, property damage, auto liability, and general liability. Property Insurance for the Utilities is included in the City's coverage with limits established for the entire City.

Information on the insurance programs is located in the Notes to the Comprehensive Annual Financial Report, located in the Financial Section of this report. Details of purchased insurance coverage are provided within the Additional Information Section of this report.

## 6. Long-term Debt

### A. Revenue Bonds

Revenue bonds are issued by the City of Wichita where income derived from the acquired or constructed assets is pledged to pay debt service. The bonds are payable solely from net revenues of the Utilities. Revenue bonds of the combined Utilities outstanding at December 31, 2013 are as follows (expressed in thousands of dollars):

Outstanding issue	Interest Rate	Dated Date	Final Maturity Date	Amount Outstanding
2000A Water	4.69%	6/01/2000	2021	\$ 1,354
2000B Water	4.69%	6/01/2000	2021	2,330
2005A Water & Sewer Refunding	3.71% - 3.86%	5/12/2005	2016	14,595
2005B Water & Sewer Refunding	5.00%	8/17/2005	2016	9,360
2005C Water & Sewer Refunding	4.375% - 5.125%	10/01/2005	2030	35,720
2006 Water & Sewer	4.00% - 5.00%	12/01/2006	2031	40,635
2008A Water & Sewer	3.50% - 5.00%	4/01/2008	2032	25,015
2009A Water & Sewer	3.50% - 5.00%	6/30/2009	2039	109,880
2009B Water & Sewer	4.27% - 5.36%	6/30/2009	2019	8,490
2010A Water & Sewer	1.75% - 4.00%	10/15/2010	2030	28,195
2010B Water & Sewer	3.00% - 5.35%	10/15/2010	2030	15,315
2011A Water & Sewer	4.00% - 5.00%	11/01/2011	2028	93,515
2012A Water & Sewer	2.00% - 4.00%	5/01/2012	2032	16,505
Total Water and Sewer Utility				<u>\$ 400,909</u>

Changes in the long-term liability of the Water and Sewer Utility for the combined Utilities for the year ended December 31, 2013 are summarized in the following table (expressed in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 424,746	\$ -	\$ (23,837)	\$ 400,909	\$ 23,558
Deferred amount on refunding	(7,180)	-	592	(6,588)	-
Unamortized premium	22,560	-	(1,707)	20,853	-
Total bonds payable	440,126	-	(24,952)	415,174	23,558
Compensated absences	832	52	-	884	876
Total long-term liabilities	\$ 440,958	\$ 52	\$ (24,952)	\$ 416,058	\$ 24,434

Revenue bond debt service requirements to maturity are as follows (expressed in thousands of dollars):

Year Ending December 31	Principal	Interest
2014	\$ 22,489	\$ 18,650
2015	23,558	17,723
2016	24,767	16,711
2017	22,503	15,628
2018– 2022	110,592	62,426
2023 – 2027	101,025	36,778
2028 – 2032	72,085	14,934
2033 – 2037	19,560	3,367
Thereafter	4,330	325
Totals debt service	\$ 400,909	\$ 186,542

#### B. Revenue Bond Ordinance Provisions and Reserve Requirements

Revenue bond ordinances related to the issuance of revenue bonds provide for specific deposits to debt service and other related bond reserve and maintenance accounts. At December 31, 2013 and 2012, unrestricted cash available in accordance with the revenue requirements of the bond covenants was \$11,064,044 and \$10,781,821.

	Water and Sewer Utility Restricted Cash	
	2013	2012
Principal and interest	\$ 10,377,730	\$ 10,938,011
Bond reserve	18,649,815	19,543,579
Depreciation and replacement	11,690,870	11,927,278
Improvements	105,167,410	117,462,085
	\$ 145,885,825	\$ 159,870,953

At December 31, 2013, the City was in compliance with the reserve requirements of the respective Water and Sewer Utility revenue bond covenants. Significant requirements are listed below.

Unrestricted cash: Unrestricted revenue, amount budgeted for ensuing 60 days operating expenses for utility operation, repairs, and maintenance.

**Restricted assets:** Principal and interest, an equal prorated portion of the next annual principal payment and semi-annual interest payment of various revenue bond series on the first day of each month, which is sufficient to meet the maturing bond and interest requirements.

**Bond reserve:** A sum equal to greater of the amount of interest which shall become due and payable on various revenue bond series during next fiscal year or the maximum amount of interest which shall become due and payable on various revenue bond series in any subsequent year, shall be used solely for the payment of principal and interest on revenue bond series for which funds might not otherwise be available, or to pay a like amount of final maturing series.

**Depreciation and replacement:** 15% of the operating revenues of the preceding year are accumulated for the purpose of extraordinary maintenance and repairs, capital improvements, and if other funds are not available, for the cost of operating and maintaining the Utilities.

**Improvements:** The amount remaining in the Revenue Fund on each January 1, which shall not be required for the operation and maintenance of the Utility or for the transfers required to the above accounts for a period of 90 days, shall be credited to the account. Funds may be used for (1) operational and maintenance expenses of the Utility, (2) increase amounts in any of the other accounts to cover potential deficiencies, (3) improvements, repairs or extensions of the utility, (4) redemption of bonds issued under provisions of the ordinance prior to maturity, or (5) to make transfers to the Revenue Fund.

**7. Leases**

The Sewer Utility and the Airport Authority entered into a 50-year operating lease for land which requires an annual rent payment. The following table provides future minimum rentals of the non-cancelable operating lease:

<u>Year Ending December 31</u>	<u>Minimum Rentals of Non-cancelable Operating Lease</u>
2014	\$ 48,950
2015	48,950
2016	48,950
2017	48,950
2018 – 2022	256,982
2023 – 2027	269,802
2028 – 2032	283,327
2033 – 2037	297,441
2038 – 2042	312,260
2043 – thereafter	1,052,551
<b>Total minimum future rentals</b>	<b>\$ 2,668,163</b>

**8. Segment Information**

The Utility maintains separate funds for water and sewer services. Segment information for the year ended December 31, 2013 is located in the Financial Section of this publication.



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W I C H I T A**

**APPENDIX C**

**SUMMARY OF FINANCING DOCUMENTS**



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**W I C H I T A**

## APPENDIX C

### SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions and covenants contained in the Ordinance and Bond Resolution authorizing the Series 2014B Bonds and the Disclosure Undertaking. In certain situations, the summary also summarizes the provisions of the Parity Resolutions. Such summary does not purport to be complete and is qualified in its entirety by reference to the foregoing documents.

#### THE BOND RESOLUTION

##### DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the following meanings:

**“Act”** means the Constitution and statutes of the State including K.S.A. 10-101 to 10-125, inclusive, specifically including K.S.A. 10-620 *et seq.* and K.S.A. 10-1201 *et seq.*, as amended by Charter Ordinance No. 211, all as amended and supplemented from time to time.

**“Additional Bonds”** means any bonds secured by the Gross Revenues hereafter issued pursuant to the Bond Resolution; provided that any General Obligation Indebtedness shall not constitute Additional Bonds.

**“Additional Indebtedness”** means, collectively, Additional Bonds and Additional Obligations.

**“Additional Obligations”** means any leases or other obligations of the Issuer payable from the Gross Revenues, other than the Bonds.

**“Annual Budget”** shall mean with respect to the Utility, the Issuer’s budget of estimated receipts and expenditures on account of all Funds and Accounts created under the provisions of the Bond Resolution, including a budget of Current Expenses, for any Fiscal Year and adopted pursuant to the provisions of the Bond Resolution.

**“Assured Guaranty”** means Assured Guaranty Corp., a Maryland corporation, or any successor thereto.

**“Authorized Denomination”** means \$5,000 or any integral multiples thereof.

**“Authorized Investments”** shall mean, as long as the Pre-2008 Bonds are Outstanding, any of the following securities, and to the extent the same are at the time permitted for investment of funds held by the Issuer pursuant to the Bond Resolution:

(a) obligations of any of the following Federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export - Import Bank
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration;

(b) bonds, notes or other evidences of indebtedness rated "AA " by Standard & Poor's, and "Aa2" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(c) investments in shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities in direct obligations of the United States Government or any agency thereof or obligations of the Federal National Mortgage Association, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation;

(d) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's, or any successors thereto; or (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(e) investment agreements with or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's

(f) Repurchase agreements secured by direct obligations of the United States Government or any agency thereof or obligations of the Federal National Mortgage Association, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation; and

(g) Receipts evidencing ownership interests in securities or portions thereof in direct obligations of the United States Government or any agency thereof or obligations of the Federal National Mortgage Association, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation.

***and thereafter*** shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative:

(a) investments authorized by K.S.A. 12-1675 and amendments thereto;

(b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto;

(c) direct obligations of the United States Government or any agency thereof;

(d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto;

(e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c);

(f) obligations of the federal national mortgage association, federal home loan banks or the federal home loan mortgage corporation;

(g) repurchase agreements for securities described in (c) or (f);

(h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's;

(i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f);

(j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f);

(k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same;

(l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); or

(m) other investment obligations authorized by the laws of the State and approved in writing by the Bond Insurer, all as may be further restricted or modified by amendments to applicable State law.

**“Balloon Indebtedness”** means Long-Term Indebtedness, 25% or more of the original principal amount of which becomes due (either by maturity or mandatory redemption) during any consecutive twelve-month period, if such principal amount becoming due is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period.

**“Beneficial Owner”** of Bonds includes any Owner of Bonds and any other Person who, directly or indirectly has the investment power with respect to any such Bonds.

**“Bond Counsel”** means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

**“Bond Insurance Policy”** means the municipal bond insurance policy or financial guaranty insurance policy issued by the Bond Insurer concurrently with the delivery of any Utility Indebtedness guaranteeing the scheduled payment when due of the principal of and interest on such Utility Indebtedness.

**“Bond Insurer”** means: (a) FGIC with respect to the Series 2000 Bonds and the Series 2005B Bonds; (b) FSA with respect to the Series 2006 Bonds; (c) Assured Guaranty with respect to the Series 2008A Bonds; and (d) with respect to Additional Indebtedness, the entity set forth in the supplemental resolution authorizing the Additional Indebtedness.

**“Bond Payment Date”** means any date on which principal of or interest on any Bond is payable.

**“Bond Register”** means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

**“Bond Registrar”** means: (a) with respect to the Series 2014B Bonds, the State Treasurer, and its successors and assigns; and (b) with respect to Additional Bonds, the entity designated as Bond Registrar in the supplemental resolution authorizing such Additional Bonds.

**“Bond Reserve Account”** means the Water and Sewer Utility Bond Service Reserve Account.

**“Bond Reserve Requirement”** means, collectively, the bond reserve requirement for each series of Outstanding Parity Bonds, the Series 2014B Bond Reserve Requirement and any bond reserve requirement for any subsequent series of Parity Bonds.

**“Bond Resolution”** means collectively the Outstanding Parity Bond Resolutions, the Series 2014B Bond Resolution and any supplemental resolution authorizing any Additional Indebtedness.

**“Bonds”** means, collectively, Outstanding Parity Bonds, the Series 2014B Bonds and any Additional Bonds.

**“Business Day”** means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

**“Cede & Co.”** means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

**“City”** means the City of Wichita, Kansas.

**“City Manager”** means the duly appointed and acting City Manager of the Issuer or, in the Manager's absence, the duly appointed Deputy, Assistant or Acting City Manager of the Issuer.

**“Clerk”** means the duly appointed and acting Clerk of the Issuer or, in the Clerk's absence, the duly appointed Deputy, Assistant or Acting Clerk of the Issuer.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder by the United States Department of the Treasury or applicable thereto.

**“Consultant”** means the Consulting Engineer, the Independent Accountant or an independent consultant qualified and having a favorable reputation for skill and experience in financial affairs selected by the Issuer for the purpose of carrying out the duties imposed on the Consultant by the Bond Resolution.

**“Consulting Engineer”** means an independent engineer or engineering firm or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public utilities, at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

**“Costs of Issuance”** means all costs of issuing any series of Bonds, including all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving financial ratings on any series of Bonds, and any premiums or expenses incurred in obtaining any credit enhancement.

**“Costs of Issuance Account”** means Costs of Issuance Account for Water and Sewer Utility Revenue Bonds, Series 2014B.

**“Current Expenses”** means, as applied to either component of the Utility, the Issuer’s reasonable and necessary current expenses of operation, repair and maintenance, and shall include, without limiting the generality of the foregoing, (a) all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring, (b) all administrative expenses, (c) any reasonable payments to pension or retirement funds properly chargeable to each component of the Utility, (d) insurance premiums, (e) engineering expenses relating to operation, repair and maintenance, (f) legal expenses, (g) any lawful fiscal agency commissions and expenses in connection with the payment of the principal of and the interest and any redemption premium on Outstanding Bonds, (h) any taxes which may be lawfully imposed on either component of the Utility or the income therefrom and reserves for such taxes, (i) the expenses of collecting rates, fees and charges for the use of and for the services furnished or to be furnished by the Utility, (j) if required by law, the payment of the principal of and the interest on outstanding bonds and other obligations heretofore issued by the Issuer or by improvement districts heretofore annexed by the City to pay the cost of any portion of the Utility to the extent that the special assessments and taxes pledged for the payment of such principal and interest shall be insufficient for such purposes and to the extent that such payment shall not be made from the Improvement Account, and (k) any other expenses required to be paid by the Issuer under the provisions of this Resolution or by law. “Current Expenses” shall *not* include any reserves for extraordinary maintenance or repair, or any allowance for depreciation, the Payment to the City, or any deposits or transfers to the credit of the Principal and Interest Account, the Bond Reserve Account, the Depreciation and Replacement Account or the Improvement Account.

**“Debt Service Coverage Ratio”** means, for any Fiscal Year: (a) with respect to the rate covenants, the ratio determined by dividing (i) a numerator equal to the Net Revenues Available for Debt Service for such Fiscal Year by (ii) a denominator equal to the Debt Service Requirements for such Fiscal Year; and (b) with respect to Additional Indebtedness, the ratio determined by dividing (i) a numerator equal to the average Net Revenues Available for Debt Service for the two (2) prior Fiscal Years by (ii) a denominator equal to the Maximum Annual Debt Service; provided that with respect to Additional Indebtedness that are proposed to be Parity Indebtedness, Debt Service Requirements on Subordinate Lien Obligations and General Obligation Indebtedness shall be disregarded.

**“Debt Service Requirements”** means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on any Utility Indebtedness or General Obligation Indebtedness for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

**“Defaulted Interest”** means interest on any Bond which is payable but not paid on any Interest Payment Date.

**“Defeasance Obligations”** means, so long as the Pre-2008 Bonds are Outstanding, any of the following obligations:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized by with obligations described in the following (b); or

(b) Direct obligations (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America;

*and thereafter* shall mean:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

**“Depreciation and Replacement Account”** means the Water and Sewer Utility Depreciation and Replacement Account.

**“Depreciation and Replacement Account Requirement”** means an amount equal fifteen percent (15%) of the Operating Revenues of the Utility for the preceding Fiscal Year

**“Derivative”** means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

**“Director of Finance”** means the duly appointed and acting Director of Finance of the Issuer or, in the Director's absence, the duly appointed Deputy, Assistant or Acting Director of Finance of the Issuer.

**“Disclosure Undertaking”** means the Issuer’s Omnibus Continuing Disclosure Undertaking for Utility Indebtedness relating to certain obligations contained in the SEC Rule.

**“Discount Indebtedness”** means Long-Term Indebtedness that is originally sold at a price (excluding accrued interest, but without deduction of any underwriters' discount) of less than 75% of the maturity amount including the amount of principal and interest to accrete at maturity of such Long-Term Indebtedness.

**“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, including any successor securities depository duly appointed.

**“Event of Default”** means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Utility Indebtedness shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise; or

(b) Payment of any installment of interest on any Utility Indebtedness shall not be made when the same shall become due; or

(c) The Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) Any substantial part of the Utility shall be destroyed or damaged to the extent of impairing its efficient operation or adversely affecting its Gross Revenues and the Issuer shall not within a reasonable time commence the repair, replacement or reconstruction thereof and proceed thereafter to complete with reasonable dispatch the repair, replacement or reconstruction thereof; or

(e) Final judgment for the payment of money shall be rendered against the Issuer as a result of the ownership, control or operation of the Utility and any such judgment shall not be discharged within one hundred twenty (120) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(f) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Utility or any part thereof or of the Gross Revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Issuer, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(g) Any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Net Revenues Available for Debt Service; or

(h) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in Utility Indebtedness or in the Bond Resolution (other than the covenants relating to continuing disclosure) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of Utility Indebtedness then Outstanding; or

In determining whether an Event of Default shall have occurred with respect to the due and prompt payment of the Debt Service Requirements on any Insured Bonds no effect shall be given to payments made under any Bond Insurance Policy.

**“Federal Tax Certificate”** means the Issuer's Federal Tax Certificate dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

**“FGIC”** means Financial Guaranty Insurance Company, or any successor thereto.

**“Financeable Costs”** means the amount of expenditure for a Project which has been duly authorized by action of the Governing Body to be financed by Utility Indebtedness, less: (a) the amount of any Utility Indebtedness of the Issuer which is currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

**“Fiscal Year”** means the twelve month period ending on December 31.

**“FSA”** means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto.

**“Funds and Accounts”** means funds and accounts created pursuant to or referred to in the Bond Resolution.

**“General Obligation Indebtedness”** means any of the Issuer's general obligation bonds issued for improvements to the Utility.

**“Governing Body”** means the duly elected and/or appointed and acting persons comprising the City Council of the Issuer.

**“Gross Revenues”** means all income and revenues derived and collected by the Issuer from the operation of the Utility, including investment and rental income, net proceeds from business interruption insurance and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on Utility Indebtedness, but excluding non-cash contributions capital contributions, any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

**“Improvement Account”** means the Water and Sewer Utility Improvement Account.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

**“Index Rate”** means the rate of interest set forth in *The Bond Buyer* Revenue Bond Index (or, in the event that *The Bond Buyer* does not compile such index or ceases publication, another comparable publication recognized in the municipal bond market) published for the week immediately preceding the date of determination.

**“Insured Bonds”** means any Utility Indebtedness of which the scheduled payment of principal and interest is guaranteed by a Bond Insurance Policy.

**“Interest Payment Date(s)”** means: (a) with respect to the Series 2014B Bonds, the Stated Maturity of an installment of interest on the Series 2014B Bonds which shall be April 1 and October 1 of each year, commencing April 1, 2015; (b) with respect to the Outstanding Parity Bonds, the Stated Maturity of an installment of interest on such Outstanding Parity Bond Resolutions, and (c) with respect to Additional Indebtedness, the Stated Maturity of an installment of interest on such Additional Indebtedness, as set forth in the supplemental resolution authorizing such Additional Indebtedness.

**“Interim Indebtedness”** means Utility Indebtedness having a term not less than one year, and not in excess of five years, incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

**“Issue Date”** means the date when the Issuer delivers any series of Utility Indebtedness to the Purchaser in exchange for the Purchase Price.

**“Issuer”** means the City and any successors or assigns.

**“Long-Term Indebtedness”** means Utility Indebtedness having an original stated maturity or term greater than one year, or renewable or extendible at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof.

**“Maturity”** when used with respect to any Utility Indebtedness means the date on which the principal of such Utility Indebtedness becomes due and payable as therein and herein provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

**“Mayor”** means the duly elected and acting Mayor, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of the Issuer.

**“Maximum Annual Debt Service”** means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year; provided that the Debt Service Requirements in the final Stated Maturity of any series of Utility Indebtedness shall be reduced by the value of cash and Permitted Investments on deposit in the Bond Reserve Subaccount for such series, so long as the Bond Reserve Subaccount for such Utility Indebtedness is maintained at the Bond Reserve Requirement.

**“Moody's”** means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and 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 Issuer.

**“Net Proceeds”** shall mean any insurance proceeds or condemnation awards, paid with respect to the Utility, remaining after the payment therefrom of all expenses incurred in the collection thereof.

**“Net Revenues”** means, for the period of determination, the amount of the excess of Gross Revenues deposited to the credit of the Revenue Fund, over the Current Expenses of the respective components of the Utility paid from the Revenue Fund during such period; such amount specifically excluding Debt Service Requirements paid, depreciation, amortization and capital expenditures for improvements to the Utility.

**“Net Revenues Available for Debt Service”** means the Net Revenues.

**“Official Statement”** means Issuer's Official Statement relating to the Series 2014B Bonds.

**“Operating Revenues”** shall mean the Gross Revenues, less investment income and less Current Expenses.

**“Ordinance”** means the Ordinance of the Issuer authorizing the issuance of the Series 2014B Bonds, as amended from time to time.

**“Outstanding”** means, when used with reference to any Utility Indebtedness, as of a particular date of determination, all Utility Indebtedness theretofore, authenticated and delivered, except the following Utility Indebtedness:

- (a) Utility Indebtedness theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Bond Resolution;
- (b) Utility Indebtedness deemed to be paid in accordance with the provisions of the Bond Resolution;
- (c) Utility Indebtedness in exchange for or in lieu of which other Utility Indebtedness has been authenticated and delivered under the Bond Resolution; and
- (d) Utility Indebtedness, the principal or interest of which has been paid by the Bond Insurer.

**“Outstanding Parity Bond Resolution”** means the ordinances and resolutions authorizing the issuance of the Outstanding Parity Bonds.

**“Outstanding Parity Bonds”** means the Outstanding Series 2000 Bonds, Series 2005B Bonds, Series 2006 Bonds, Series 2008A Bonds, Series 2009 Bonds, Series 2010 Bonds, Series 2011A Bonds Series 2012A Bonds and Series 2014A Bonds.

**“Owner”** when used with respect to any Utility Indebtedness means the Person in whose name such Utility Indebtedness is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Utility Indebtedness, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Utility Indebtedness.

**“Parity Bonds”** means the Outstanding Parity Bonds, the Series 2014B Bonds, and any Additional Bonds hereafter issued or incurred pursuant to the Bond Resolution and standing on a parity and equality with the Series 2014B Bonds with respect to the Net Revenues.

**“Parity Indebtedness”** means, collectively, the Parity Bonds and Parity Obligations.

**“Parity Obligations”** means any Additional Obligations hereafter issued or incurred pursuant to the Bond Resolution and standing on a parity and equality with the Parity Bonds with respect to the lien on the Net Revenues.

**“Parity Resolution”** means, collectively, the Outstanding Parity Bond Resolution, the Series 2014B Bond Resolution and the ordinances and/or resolutions under which any Additional Bonds which constitute Parity Bonds are hereafter issued.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means: (a) with respect to the Outstanding Parity Bonds and the Series 2014B Bonds, the State Treasurer, and its successors and assigns; and (b) with respect to Additional Indebtedness, the entity designated as Paying Agent in the supplemental resolution authorizing such Additional Indebtedness.

**“Payment to the City”** shall mean the payment to the City’s general fund as a payment for operation of the Utility. The amount of the annual Payment to the City shall be governed by the terms of such ordinances of the City which are then in effect with respect to the then outstanding Utility Indebtedness.

**“Person”** means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

**“Pre-2008 Bonds”** means, collectively, the Series 2000 Bonds, the Series 2005B Bonds and the Series 2006 Bonds.

**“Pre-2009 Bonds”** means, collectively, the Pre-2008 Bonds and the Series 2008A Bonds.

**“Pre-2010 Bonds”** means, collectively, the Pre-2009 Bonds and the Series 2009 Bonds.

**“Pre-2014 Bonds”** means, collectively, the Pre-2009 Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Series 2011A Bonds and the Series 2012A Bonds.

**“Principal and Interest Account”** shall mean the Water and Sewer Utility Principal and Interest Account.

**“Project Costs”** shall mean, as applied to the Projects, any and all costs and expenses incurred in connection with the acquisition or construction of the Projects, and shall include, without intending thereby to limit or restrict any proper definition of such words under the provisions of the Act, the following:

(a) Obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of the Projects, for machinery and equipment, and for the restoration of property damaged or destroyed in connection with such construction;

(b) Taxes or other municipal or governmental charges lawfully levied or assessed during construction upon the Projects or any property acquired therefor, and premiums on insurance (if any) in connection with the Projects during the construction thereof;

(c) Fees and expenses of engineers, including the Consulting Engineers, for studies, surveys and estimates, engineering, and the preparation of plans and supervision of construction, as well as for the performance of all other duties of engineers in relation to the acquisition and construction of the Projects or the issuance of financing therefor;

(d) Expenses of administration properly chargeable to the Projects, legal expenses and fees, financing charges, costs of audits and of preparing and issuing the Bonds, and all other items of expense not elsewhere in this definition specified but incident to the acquisition and construction of the Projects and the placing of the same in operation and to the acquisition of real estate, franchises and rights-of-way therefor, including abstracts of title and title insurance, and the financing thereof, including specifically the Costs of Issuance;

(e) The costs of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of award or final judgment in or any settlement or compromise of any proceedings to acquire by condemnation, such property, lands, property rights, rights-of-way, franchises, easements and other interests in land as may be deemed necessary or convenient for the acquisition or construction of the Projects, or the operation thereof, options and partial payments thereon, and the amount of any damages incident to or consequent upon the acquisition or construction of the Projects; and

(f) Any obligation or expense heretofore or hereafter incurred by the City and any amounts heretofore or hereafter advanced by the City or by any agency of the State or the Federal Government for any of the foregoing purposes, specifically including the payment and retirement of any temporary financing which may have previously been issued for any individual Project.

**“Project”** shall mean, collectively, the repairs, alterations, extensions, reconstructions, enlargements or improvements to the Utility referred to in the Series 2014B Bond Resolution and any Substitute Project.

**“Project Funds,”** with respect to the Series 2014 Bonds, shall mean, collectively, the Series 2014B Sewer Projects Fund and the Series 2014B Water Projects Fund.

**“Purchaser”** means the financial institution or investment banking firm that is original purchaser of any series of Bonds.

**“Put Indebtedness”** means Long-Term Indebtedness which is (a) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, at the option of the holder thereof, prior to its stated maturity date, or (b) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, other than at the option of the holder, prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, or other than by reason of acceleration upon the occurrence of an Event of Default under the Bond Resolution.

**“Rating Agency”** means any company, agency or entity that provides financial ratings for any Utility Indebtedness.

**“Rebate Fund”** means the Rebate Fund for Water and Sewer Revenue Bonds, Series 2014B.

**“Record Dates”** for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

**“Redemption Date”** when used with respect to any Utility Indebtedness to be redeemed means the date fixed for the redemption of such Utility Indebtedness pursuant to the terms of the Bond Resolution.

**“Redemption Price”** when used with respect to any Utility Indebtedness to be redeemed means the price at which such Utility Indebtedness is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

**“Refunding Indebtedness”** means Utility Indebtedness issued for the purpose of refunding any Outstanding Utility Indebtedness.

**“Replacement Bonds”** means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

**“Revenue Fund”** means the Water and Sewer Utility Revenue Fund.

**“SEC Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**“Securities Depository”** means, initially, DTC, and its successors and assigns.

**“Series 2000 Bond Resolution”** means the Issuer's Ordinance No. 44-663, which authorized the Series 2000 Bonds.

**“Series 2000 Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2000, dated June 1, 2000.

**“Series 2005B Bond Resolution”** means collectively the Issuer's Ordinance No. 46-634 and Resolution No. 05-406, which authorized the Series 2005B Bonds.

**“Series 2005B Bonds”** means the Issuer’s Water and Sewer Utility Refunding Revenue Bonds, Series 2005B, dated August 17, 2005.

**“Series 2006 Bond Resolution”** means collectively the Issuer's Ordinance No. 47-300 and Resolution No. 06-609, which authorized the Series 2006 Bonds.

**“Series 2006 Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2006, dated December 1, 2006.

**“Series 2008A Bond Resolution”** means collectively the Issuer's Ordinance No. 47-866 and Resolution No. 08-170, which authorized the Series 2008A Bonds.

**“Series 2008A Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2008A, dated April 1, 2008.

**“Series 2009 Bonds”** means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

**“Series 2009 Bond Resolution”** means collectively the Issuer's Ordinance No. 48-351 and Resolution No. 09-174, which authorized the Series 2009 Bonds.

**“Series 2009A Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2009A, dated June 30, 2009.

**“Series 2009B Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2009B (Taxable Under Federal Law), dated June 30, 2009.

**“Series 2010 Bond Resolution”** means collectively the Issuer's Ordinance No. 48-834 and Resolution No. 10-257, which authorized the Series 2010 Bonds.

**“Series 2010 Bonds”** means, collectively, the Series 2010A Bonds and the Series 2010B Bonds.

**“Series 2010A Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2010A, dated October 15, 2010.

**“Series 2010B Bonds”** means the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2010B (Taxable Under Federal Law), dated October 15, 2010.

**“Series 2011A Bond Resolution”** means collectively the Issuer's Ordinance No. 49-148 and Resolution No. 11-260, which authorized the Series 2011A Bonds.

**“Series 2011A Bonds”** means the Issuer’s Water and Sewer Utility Refunding Revenue Bonds, Series 2011A, dated November 17, 2011.

**“Series 2012A Bond Resolution”** means collectively the Issuer's Ordinance No. 49-266 and Resolution No. 12-090 which authorized the Series 2012A Bonds.

**“Series 2012A Bonds”** mean the Issuer’s Water and Sewer Utility Revenue Bonds, Series 2012A, dated May 1, 2012.

**“Series 2014A Bond Resolution”** means collectively the Issuer's Ordinance No. 49-786 and Resolution No. 14-188, which authorized the Series 2014A Bonds.

**“Series 2014A Bonds”** means the Issuer's Water and Sewer Utility Refunding Revenue Bonds, Series 2014A, dated August 1, 2014.

**“Series 2014B Bond Reserve Requirement”** shall mean a sum equal to greater of the amount of interest which shall become due and payable on the Series 2014B Bonds during the next Fiscal Year (determined in each year) or the maximum amount of interest which shall become due and payable on the Series 2014B Bonds in any subsequent year, except that, in no event shall the amount of the 2014B Bond Reserve Requirement ever exceed the amount which is the lesser of ten percent (10%) of the original principal amount of the Series 2014B Bonds (determined as of the date of issuance of the Series 2014B Bonds), the maximum annual principal and interest requirements on the Series 2014B Bonds (determined as of the date of issuance of the Series 2014B Bonds), or one hundred twenty-five percent (125%) of the average annual debt service on the Series 2014B Bonds (determined as of the date of issuance of the Series 2014B Bonds).

**“Series 2014B Bond Reserve Subaccount”** shall mean the Water and Sewer Utility Revenue Bonds, Series 2014B, Bond Reserve Subaccount created within the Bond Reserve Account.

**“Series 2014B Bond Resolution”** means collectively the Issuer's Ordinance and Resolution, which authorized the Series 2014B Bonds.

**“Series 2014B Bonds”** means the Issuer's Water and Sewer Utility Revenue Bonds, Series 2014B, dated August 1, 2014, authorized and issued by the Issuer pursuant to the Ordinance and the Bond Resolution.

**“Series 2014B Costs of Issuance Account”** shall mean the Water and Sewer Utility Revenue Bonds, Series 2014B, Costs of Issuance Account created by this Resolution.

**“Series 2014B Principal and Interest Subaccount”** means the Principal and Interest Subaccount for the Series 2014B Bonds.

**“Series 2014B Sewer Projects”** means the Sewer Utility projects financed, in whole or in part, by the Series 2014B Bonds, as described in the Series 2014B Bond Resolution.

**“Series 2014B Sewer Utility Projects Fund”** means the Sewer Utility Projects Fund for the Series 2014B Bonds.

**“Series 2014B Water Projects”** means the Water Utility projects financed, in whole or in part, by the Series 2014B Bonds, as described in the Series 2014B Bond Resolution.

**“Series 2014B Water Utility Projects Fund”** means the Water Utility Projects Fund for the Series 2014B Bonds.

**“Sewer Utility”** shall mean and include the sanitary sewer system now owned and operated by the City, and consisting of sewage disposal works, sewers, drains, pumping plants, force mains, service connections, canals, ponds, machinery, equipment and other property appurtenant thereto and any improvements, extensions and enlargements to the Sewer Utility hereafter constructed or acquired.

**“Short-Term Indebtedness”** means Utility Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.

**“Special Record Date”** means the date fixed by the Paying Agent for the payment of Defaulted Interest.

**“Standard & Poor's”** means Standard & Poor’s Ratings Services, a division of McGraw Hill Financial Inc., a corporation organized and existing under the laws of the State of New York, and 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, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**“State”** means the state of Kansas.

**“State Treasurer”** means the duly elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

**“Stated Maturity”** when used with respect to any Utility Indebtedness or any installment of interest thereon means the date specified in such Utility Indebtedness and the Bond Resolution as the fixed date on which the principal of such Utility Indebtedness or such installment of interest is due and payable.

**“Subordinate Indebtedness”** means, collectively the Subordinate Lien Bonds and Subordinate Lien Obligations

**“Subordinate Lien Bonds”** means any Additional Bonds payable from the Revenues, and issued on a subordinate lien basis to any Parity Bonds.

**“Subordinate Lien Obligations”** means any Additional Obligations payable from, and secured by a lien on, the Revenues, which lien is junior to that of any Parity Obligations.

**“Substitute Project”** means a substitute or additional project of the Utility authorized in the manner set forth in the Bond Resolution.

**“Term Bonds”** means any Bonds designated as Term Bonds in the Bond Resolution or in any supplemental resolution authorizing the issuance of Additional Bonds.

**“Treasurer”** means the duly appointed and/or elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

**“United States Government Obligations”** means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

**“Utility”** shall mean the combined City of Wichita, Kansas Water Utility and Sewer Utility, and any improvements, extensions and enlargements thereto hereafter constructed or acquired.

**“Utility Indebtedness”** means collectively the Bonds and any Additional Obligations which are secured by an interest in, the Gross Revenues.

**“Value”** means, for purposes of the Bond Resolution, the value of the Authorized Investments (which Value shall be determined as of the end of each month), calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*) -- the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or in *The New York Times* - the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Issuer in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; and

(c) as to certificates of deposit and bankers acceptances -- the face amount thereof, plus accrued interest.

Provided, however, that when the Pre-2010 Bonds are no longer Outstanding, “Value” shall be the amortized cost of an obligation or the market cost thereof, whichever is lower. Should the value of the Authorized Investments be required for any other legal purpose, the Value shall be calculated in accordance with the applicable laws and regulations.

**“Variable Rate Indebtedness”** means any Utility Indebtedness which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Utility Indebtedness.

**“Water Utility”** shall mean and include the waterworks system now owned and operated by the Issuer and consisting of real estate, water rights, purification and pumping plants, reservoirs, mains, wells, pipelines, meters, hydrants, service connections, machinery, equipment and other property appurtenant thereto, and any improvements, extensions and enlargements to the Water Utility hereafter constructed or acquired.

**ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS**

**Creation of Funds and Accounts.** The Bond Resolution establishes or ratifies within the treasury of the Issuer the following Funds and Accounts:

- (a) Water and Sewer Utility Revenue Fund.
- (b) Water and Sewer Utility Bond Reserve Account.
- (c) Water and Sewer Utility Depreciation and Replacement Account.
- (d) Water and Sewer Utility Improvement Account.
- (e) Principal and Interest Subaccount for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (f) Bond Reserve Subaccount for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (g) Costs of Issuance Account for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (h) Rebate Fund for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (i) Sewer Utility Projects Fund for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (j) Water Utility Projects Fund for Water and Sewer Utility Revenue Bonds, Series 2014B.
- (k) Principal and Interest Subaccounts for Outstanding Parity Bonds.
- (l) Bond Reserve Subaccounts for Outstanding Parity Bonds.

The Funds and Accounts referred to above shall be administered in accordance with the provisions of the Bond Resolution.

**Deposit of Series 2014B Bond Proceeds.** The net proceeds received from the sale of the Series 2014B Bonds and certain other moneys shall be deposited simultaneously with the delivery of the Series 2014B Bonds as follows:

- (a) Any accrued interest and excess proceeds shall be deposited into the Series 2014B Principal and Interest Subaccount.
- (b) An amount necessary to pay Costs of Issuance shall be deposited in the Series 2014B Costs of Issuance Account.
- (c) An amount necessary to bring the Series 2014B Bond Reserve Subaccount to the Series 2014B Bond Reserve Requirement shall be deposited in the 2014B Bond Reserve Subaccount.
- (d) An amount necessary to pay the costs of the Series 2014B Sewer Projects shall be deposited in the Series 2014B Sewer Utility Projects Fund.
- (e) An amount necessary to pay the costs of the Series 2014B Water Projects shall be deposited in the Series 2014B Water Utility Projects Fund.

**Application of Moneys in the Project Fund.** Moneys in the Project Fund shall be used for the sole purpose of : (a) paying Project Costs; (b) for paying Costs of Issuance, if necessary; (c) paying interest on the Series 2014B Bonds during construction of the Project, if necessary; and (d) transferring any amounts required to be deposited into the Rebate Fund. Withdrawals from the Project Fund for payment of Project Costs shall be supported by a certificate or statement of the Director of Finance that such payment is being made for a purpose within the scope of the Bond Resolution and is a proper Project Cost. Authorizations for withdrawals for other purposes shall be supported by a certificate of the Director of Finance stating that such payment is being made for a purpose within the purpose of the Bond Resolution. Upon completion of the Project, any surplus remaining in the Project Fund shall be deposited in the Series 2014B Principal and Interest Subaccount.

**Substitute Project; Reallocation of Proceeds.** The Issuer may elect for any reason to substitute or add other Utility improvements to be financed with proceeds of the Series 2014B Bonds provided the following conditions are met: (a) the Substitute Project and the issuance of Bonds to pay the cost of the Substitute Project has been duly authorized by the Governing Body in accordance with the laws of the State; (b) a resolution authorizing the use of the proceeds of the Series 2014B Bonds

to pay the Financeable Costs of the Substitute Project has been duly adopted by the Governing Body pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Series 2014B Bonds to include the Substitute Project; and (d) the use of the proceeds of the Series 2014B Bonds to pay the Financeable Cost of the Substitute Project will not adversely affect the tax status of the Series 2014B Bonds under State or federal law.

The Issuer may reallocate expenditure of Series 2014B Bond proceeds among all Projects financed by the Series 2014B Bonds; provided the following conditions are met: (a) the reallocation is approved by the Governing Body; (b) the reallocation shall not cause the proceeds of the Series 2014B Bonds allocated to any Project to exceed the Financeable Costs of the Project; and (c) the reallocation will not adversely affect the tax-exempt status of the Series 2014B Bonds under State or federal law.

***Application of Moneys in the Costs of Issuance Account.*** Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Series 2014B Costs of Issuance Subaccount, after payment of all Costs of Issuance but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Project Fund until completion of the Project and thereafter to shall be deposited into the Series 2014B Principal and Interest Subaccount.

***Application of Moneys in the Rebate Fund.*** There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money.

## **COLLECTION AND APPLICATION OF REVENUES**

***Revenue Fund.*** The Issuer covenants and agrees that from and after the delivery of the Series 2014B Bonds, and continuing as long as any of the Utility Indebtedness remain Outstanding, all of the Gross Revenues shall as and when received be paid and deposited into the Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, Funds and Accounts of the Issuer and shall not be commingled with any other moneys, revenues, Funds and Accounts of the Issuer. The Issuer shall administer and allocate all of the moneys then held in the Revenue Fund in the following order, as follows:

(a) ***Operation and Maintenance.*** The cost of Current Expenses shall be paid currently as bills accrue. Such amount as may be necessary in the opinion of the Governing Body to pay the reasonable and proper Current Expenses for the ensuing sixty (60) days may be retained and accumulated in the Revenue Fund before making transfers to other Funds and Accounts.

***Parity Resolutions.*** The following transfers shall be made on a parity of lien basis with the transfers and requirements of the Bond Resolution with respect to any Parity Indebtedness, and the term Parity Obligations shall be substituted for Bonds, as appropriate.

(b) ***Principal and Interest Account.*** There shall next be paid and credited on the first day of each month to the Principal and Interest Account, for credit to the respective Subaccounts thereof, a proportionate amount necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Parity Bonds. All amounts paid and credited to the various Principal and Interest Subaccounts shall be expended and used by the Issuer for the sole purpose of paying the Debt Service Requirements of respective Parity Bonds as and when the same become due at Maturity and on each Interest Payment Date.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Principal and Interest Account and to the subaccounts established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service accounts in proportion to the respective principal amounts of said series of Parity Bonds at the time Outstanding which are payable from the moneys in said Principal and Interest Subaccounts.

(c) ***Bond Reserve Account.*** There shall next set aside and credited monthly to the Bond Reserve Account, for the credit of the respective subaccounts thereof as appropriate, the amount, if any, required to restore the Bond Reserve Account to the Bond Reserve Requirement. Except as hereinafter provided, all amounts paid and credited to the Bond Reserve Account shall be expended and used by the Issuer solely to prevent any default in the payment of interest on or principal of the Parity Bonds on any Maturity date or Interest Payment Date if the moneys in the respective Principal and Interest Subaccounts are insufficient to pay the Debt Service Requirements of said Parity Bonds as they become due. So long as the Bond Reserve Account aggregates the Bond Reserve Requirement, no further payments into said Account shall be required, but if the Issuer is ever required to expend and use a part of the moneys in any subaccount for the purpose herein authorized and such

expenditure reduces the amount of such subaccount below the Bond Reserve Requirement for such subaccount, or if the Value of the any such subaccount is below the Bond Reserve Requirement, the Issuer shall make monthly payments into such subaccount so that such subaccount shall again aggregate the Bond Reserve Requirement within twelve (12) months of such deficiency.

(d) *Debt Service Accounts-Subordinate Lien Indebtedness.* There shall next be paid and credited monthly to the debt service account(s) for any Subordinate Lien Indebtedness, to the extent necessary to meet on each Bond Payment Date an amount equal to the payment of all interest on and principal of any Subordinate Lien Indebtedness. The amounts required to be paid and credited to the debt service account(s) for any Subordinate Lien Indebtedness shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Subordinate Lien Indebtedness.

(e) *Depreciation and Replacement Account.* There shall next be paid and credited monthly to the Depreciation and Replacement Account minimum monthly amounts to the end that the Depreciation and Replacement Account will reach the Depreciation and Replacement Account Requirement within a period of thirty (30) months from the date of the first such transfer. Except as hereinafter provided, moneys in the Depreciation and Replacement Account shall be expended and used by the Issuer for the purpose of: (1) making extraordinary maintenance and repairs to the Utility, (2) making capital improvements in and to the Utility, and (3) keeping the Utility in good repair and working order so that it may continue in effective and efficient operation. If no other funds are available therefor, moneys in the Depreciation and Replacement Account may be used to pay Current Expenses. After the Depreciation and Replacement Account aggregates the Depreciation and Replacement Account Requirement, no further payments into the Depreciation and Replacement Account shall be required, but if the Issuer is ever required to expend a part of the moneys in the Depreciation and Replacement Account for its authorized purposes and such expenditure reduces the amount of the Depreciation and Replacement Account below the Depreciation and Replacement Requirement, then the Issuer shall resume and continue minimum monthly payments into the Depreciation and Replacement Account aggregates the Depreciation and Replacement Requirement within a period of eighteen (18) months of such deficiency.

(f) *General Obligation Indebtedness.* There shall next be paid and credited monthly to such of the Issuer's funds or accounts determined by the Director of Finance, proportionate monthly amounts equal to the Debt Service Requirements on General Obligation Indebtedness accruing in the next twelve (12) months.

(g) *Payment to the City.* There shall next be paid and credited monthly to such of the Issuer's funds or accounts determined by the Director of Finance, proportionate monthly amounts equal to the next required Payment to the City.

(h) *Improvement Account.* All moneys in the Revenue Fund on each January 1 not required for payment of the Current Expenses and all transfers required by subsections (a) to (f) hereof for the next ninety (90) days shall be credited to the Improvement Account. When the Pre-2014 Bonds are no longer Outstanding, transfers from the Revenue Fund to the Improvement Fund may be made on a monthly basis in such amounts as may be determined by the Director of Finance. Moneys in the Improvement Account may be expended and used for the following purposes:

- (1) Paying the Current Expenses.
- (2) Paying the cost of extending, enlarging or improving the Utility.
- (3) Preventing default in, making payments into or increasing the amounts in any of the Funds and Accounts or other payments required by subsections (a) to (g) hereof
- (4) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the Issuer, purchasing in the open market at fair market value, any Utility Indebtedness or General Obligation Indebtedness.
- (5) Any other lawful purpose in connection with the operation of the Utility and benefiting the Utility.
- (6) To make transfers to the Revenue Fund.

(i) *Deficiency of Payments into Funds and Accounts.* If at any time the Gross Revenues are insufficient to make any payment on the date or dates hereinbefore specified, the Issuer will make good the amount of such deficiency by making additional payments or credits out of the first available Gross Revenues, such payments and credits being made and applied in the order hereinbefore specified in this Section.

***Transfer of Funds to Paying Agent.*** The Treasurer of the Issuer shall withdraw from the Principal and Interest Account, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Utility Indebtedness, from the Bond Reserve Account, and the Improvement Account, sums sufficient to pay the principal of and interest on the Utility Indebtedness as and when the same become due on any Bond Payment Date, and to forward such sums

to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date.

***Payments Due on Saturdays, Sundays and Holidays.*** In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

***Nonpresentment.*** If any Utility Indebtedness is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Utility Indebtedness have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Utility Indebtedness shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Utility Indebtedness, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Resolution or on, or with respect to, said Utility Indebtedness. If any Utility Indebtedness is not presented for payment within six years following the date when such Utility Indebtedness becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Utility Indebtedness, and such Utility Indebtedness shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

## **DEPOSIT AND INVESTMENT OF MONEYS**

***Deposits.*** Moneys in each of the Funds and Accounts shall be deposited and shall be adequately secured as provided by the laws of the State.

***Investments.*** Moneys held in any Fund or Account may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such Fund or Account was established; and provided, further, that Authorized Investments in the Bond Reserve Account shall have an average aggregate weighted term to maturity not greater than five years. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account, other than earnings required to be deposited into the Rebate Fund pursuant to the Federal Tax Certificate. All earnings on investments held in the Bond Reserve Account shall accrue to and become a part of the Bond Reserve Account until the amount on deposit in the Bond Reserve Account shall aggregate the Bond Reserve Requirement; thereafter, all such earnings shall be credited to the Principal and Interest Account. All earnings on investments held in the Depreciation and Replacement Account shall accrue to and become a part of the Depreciation and Replacement Account until the amount on deposit in the Depreciation and Replacement Account shall aggregate the Depreciation and Replacement Requirement; thereafter, all such earnings shall be credited to the Revenue Fund.

***Valuation of Investments.*** The Value of any Fund or Account shall be determined at the end of each calendar month. Such valuation shall also be made in conjunction with redemption of any Utility Indebtedness.

## **ADDITIONAL BONDS AND OBLIGATIONS**

***Prior Lien Bonds.*** So long as any of the Parity Bonds remain Outstanding, the Issuer will not issue any Utility Indebtedness payable out of the Gross Revenues which are superior to the Parity Indebtedness with respect to the lien on the Net Revenues.

***Parity Indebtedness.*** The Issuer will not issue any Utility Indebtedness which stands on a parity or equality of lien against the Net Revenues with the Parity Indebtedness unless the following conditions are met:

(a) The Issuer shall not be in default in the payment of the Debt Service Requirements on any Parity Indebtedness at the time Outstanding or in making any payment at the time required to be made into the respective Funds and Accounts created by and referred to in the Bond Resolution (unless such Utility Indebtedness is being issued to provide funds to cure such default) nor shall any other Event of Default have occurred and be continuing;

(b) The Issuer shall deliver the following:

(1) ***Long-Term Indebtedness.*** A certificate signed by the Issuer evidencing that the Debt Service Coverage Ratio for the two (2) Fiscal Years immediately preceding the issuance of such Utility Indebtedness, as reflected by information provided by the Independent Accountant, shall be not less than 1.20, including the Utility Indebtedness proposed to be issued. In the event that the Issuer has instituted any increase in rates for the use and services of the Utility

and such increase shall not have been in effect during the full two (2) Fiscal Years immediately preceding the issuance of such proposed Utility Indebtedness, the additional Net Revenues Available for Debt Service which would have resulted from the operation of the Utility during said two (2) preceding Fiscal Years had such rate increase been in effect for the entire period may be added to the stated Net Revenues for the calculation of the Debt Service Coverage Ratio, provided that such estimated additional Net Revenues shall be determined by a Consultant.

(2) *Short-Term Indebtedness.* A certificate signed by the Issuer evidencing any *one* of the following:

(i) The principal amount of all Outstanding Short-Term Indebtedness does not exceed 15% of the Gross Revenues for the most recently ended Fiscal Year for which financial information is available from the Independent Accountant;

(ii) The Short-Term Indebtedness could be incurred assuming it was Long-Term Indebtedness.

(iii) There is delivered to the Issuer a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Issuer will be able to refinance such Short-Term Indebtedness prior to its Stated Maturity and the conditions are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Short-Term Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(3) *Interim Indebtedness.* A certificate signed by the Issuer evidencing any *either* of the following:

(i) The Interim Indebtedness could be incurred assuming it was Long-Term Indebtedness.

(ii) There is delivered to the Issuer a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Issuer will be able to refinance such Interim Indebtedness prior to its Stated Maturity and the conditions are met with respect to such Interim Indebtedness when it is assumed that such Interim Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Interim Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(c) When the issuance of Utility Indebtedness of equal stature and priority is permitted by the laws of the State.

(d) With respect to the issuance of Additional Bonds, an additional deposit to the Bond Reserve Account shall be made to bring the Bond Reserve Account to an amount equal to the Bond Reserve Requirement.

(e) The ordinance and/or resolution authorizing such Utility Indebtedness shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in the Bond Resolution.

Additional Utility Indebtedness issued under the conditions hereinbefore set forth shall stand on a parity with other Parity Indebtedness and shall enjoy complete equality or lien on and claim against the Net Revenues, and the Issuer may make equal provision for paying the Debt Service Requirements on such Utility Indebtedness out of the Revenue Fund and may likewise provide for the creation of reasonable debt service accounts and debt service reserve accounts for the payment of the Debt Service Requirements on such Utility Indebtedness and the interest thereon out of moneys in the Revenue Fund.

***Subordinate Lien Indebtedness.*** Nothing shall prohibit or restrict the right of the Issuer to issue Subordinate Lien Indebtedness for any lawful purpose in connection with the operation of and benefiting the Utility and to provide that the Debt Service Requirements on such Subordinate Lien Indebtedness shall be payable out of the Net Revenues Available for Debt Service, provided at the time of the issuance of such Subordinate Lien Indebtedness the Issuer is not in default in the performance of any covenant or agreement contained in the Bond Resolution (unless such Utility Indebtedness shall be issued to cure such default and shall be junior and subordinate to the Parity Indebtedness) so that if at any time the Issuer shall be in default in paying either interest on or principal of the Parity Indebtedness, or of the Issuer is in default in payment of Current Expenses, Debt Service Requirements on Parity Indebtedness or transfers required by the Bond Resolution prior to the payment of Debt Service Requirements on Subordinate Lien Indebtedness, the Issuer shall make no payments of Debt Service Requirements on said Subordinate Lien Indebtedness until said default or defaults be cured.

**Refunding Indebtedness.** The Issuer shall have the right, without complying with the provisions relating to Parity Indebtedness above, to refund any Utility Indebtedness under the provisions of any law then available, and the Refunding Indebtedness so issued shall enjoy complete equality of pledge as did the Utility Indebtedness being refunded.

## **CALCULATION OF DEBT SERVICE REQUIREMENTS**

(a) ***Debt Service Requirements on Balloon, Put, Short-Term and Interim Indebtedness.***

(1) The principal of Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness, or Interim Indebtedness shall be deemed due and payable at its Stated Maturity; provided, however, that at the election of the Authority for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal deemed payable on Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness, or Interim Indebtedness, shall be deemed to be payable as set forth below:

(i) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated “A” or better by any Rating Agency) to refinance such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(ii) If the Issuer has entered into a binding agreement providing for the deposit by the Issuer with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated “A” or better by any Rating Agency), in trust (herein called a “Special Redemption Fund”) of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, when due from the sums so deposited and investment earnings realized thereon, then the principal amount of the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(iii) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, other than those referred to in subsections (A) and (B) above, which a Consultant in a certificate filed with the Issuer determines, taking into account the interests of the Owners of Utility Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(iv) Such Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness may be deemed to be Utility Indebtedness which, at the date of its original incurrence, was payable over a term not to exceed twenty (20) years in equal annual installments of principal and interest at the Index Rate.

A Consultant shall deliver to the Issuer a certificate stating that it is reasonable to assume that installment obligations of such term of the Issuer can be incurred and stating the interest rate then applicable to installment obligations of such term of comparable quality. Interim Indebtedness may be deemed to be Indebtedness which, at the date of its original incurrence, would meet the conditions specified in the statement of the Consultant; provided that the Consultant shall for each annual period that the Debt Service Requirement is computed, provide a supplemental statement that at such period, the certifications contained in the statement are reasonable.

(2) Interest that is payable prior to the Stated Maturity of any Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness shall be taken into account for such appropriate period in computation of Debt Service Requirements. Interest payable at maturity or early redemption on Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may either be amortized over the anticipated maturity or such longer period as is permitted or may be treated as principal payable on the principal maturity date of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness.

(3) In measuring compliance with the applicable tests hereunder in connection with incurring Put Indebtedness and generally for purposes of determining the Debt Service Requirements relating thereto, Put

Indebtedness shall be deemed to mature based upon the actual amortization requirements for the Put Indebtedness, only to the extent that the Issuer has a commitment to refinance such Put Indebtedness.

(b) ***Debt Service Requirements on Discount Indebtedness.*** At the election of the Issuer for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal and interest deemed payable on Discount Indebtedness shall be deemed to be payable as set forth below:

(1) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Discount Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Discount Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(2) If the Issuer has entered into a binding agreement providing for the deposit with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Discount Indebtedness, or a portion thereof, and providing for the payment of such principal amount when due from the sums so deposited, and investment earnings realized thereon, then the Discount Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(3) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Discount Indebtedness, other than those referred to in subsections (1) and (2) above, which a Consultant in a certificate filed with the Issuer determines, taking into account the interests of the holders of Utility Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Discount Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(4) As of any time the maturity amount represented by Discount Indebtedness shall be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

(c) ***Debt Service Requirements on Variable Rate Indebtedness.*** When calculating interest requirements on Variable Rate Indebtedness which bears a variable rate of interest for periods as to which the rate of interest has not been determined, the rate of interest on Outstanding Variable Rate Indebtedness shall be the average annual rate of interest which was payable on such Variable Rate Indebtedness during the twelve (12) months immediately preceding the date as of which the calculation is made; and the rate of interest on Variable Rate Indebtedness to be incurred (or incurred less than twelve (12) months preceding such date) shall be the average annual rate of interest which would have been payable on such Variable Rate Indebtedness had it been outstanding for a period of twelve (12) months immediately preceding the date as of which the calculation is made, as evidenced in a certificate of a Consultant, delivered to the Issuer.

## **GENERAL COVENANTS AND PROVISIONS**

***Efficient and Economical Operation.*** The Issuer will continuously own and will operate the Utility as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order.

***Rate Covenant.*** The Issuer, in accordance with and subject to applicable legal requirements, will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the Utility as will produce Gross Revenues sufficient to: (a) pay the Current Expenses; (b) pay the Debt Service Requirements on the Utility Indebtedness as and when the same become due at the Maturity thereof or on any Interest Payment Date; (c) provide reasonable and adequate reserves for the payment of the Utility Indebtedness and for the protection and benefit of the Utility as provided in the Bond Resolution; and (d) enable the Issuer to have in each Fiscal Year, a Debt Service Coverage Ratio of not less than 1.20 on all Parity Indebtedness at the time Outstanding; 1.00 on all Subordinate Lien Indebtedness at the time Outstanding; 1.00 on all General Obligation Indebtedness at the time Outstanding; and 1.00 with respect to the Payment to the City; provided however, in determining the Net Revenues Available for Debt Service, estimated additional net income to be derived from rate increases in effect and being charged prior to the end of the applicable Fiscal Year, as determined by the Consultant, may be taken into account, and that, without giving effect to any such adjustments from rate increases, the Debt Service Coverage Ratio shall be not less than 1.00 of the current Fiscal Year's Debt Service Requirements for all Utility Indebtedness.

The Issuer will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues Available for Debt Service will be sufficient to cover the obligations under the provisions of the Bond Resolution. If in any Fiscal Year, Net Revenues Available for Debt Service are an amount less than as hereinbefore provided, the Issuer will make adjustments to such rates, fees and charges to bring the Utility into compliance with this covenant.. It shall be the policy of the Issuer that the rates, fees and charges established for the Water Utility and the Sewer Utility shall each be sufficient to provide Net Revenues Available for Debt Service with respect to Utility Indebtedness issued for improvements to each such component of the Utility which meet the coverage requirements set forth herein to the extent reasonably practical.

***Restrictions on Mortgage or Sale of Utility.*** The Issuer will not mortgage, pledge or otherwise encumber the Utility or any part thereof, nor will it sell, lease or otherwise dispose of the Utility or any material part thereof; provided, however, the Issuer may dispose of certain assets in accordance with the Bond Resolution.

***Insurance.*** The Issuer will carry and maintain such reasonable amount of all risk insurance on all properties and all operations of the Utility as would be carried by a privately owned utility with similar property and performing similar functions, insofar as the properties are of an insurable nature; and in the event of loss or damage, the Issuer will use the Net Proceeds of such insurance to reconstruct or replace the damaged or destroyed property, or if such reconstruction or replacement be unnecessary, then such Net Proceeds shall be used in redeeming or paying off Outstanding Utility Indebtedness, in accordance with their call provisions. The Issuer also will carry general liability insurance in amounts not less than the then maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the State's tort claims act or other similar future law (currently \$500,000.00 per occurrence). In lieu of the foregoing, the Issuer may establish a self-insurance program which will provide substantially the same protection for the Owners.

***Books, Records and Accounts.*** The Issuer will install and maintain proper books, records and accounts in accordance with general accounting principles which complete and correct entries will be made of all dealings and transactions of or in relation to the Utility. Such accounts shall show the amount of Gross Revenues, the application of such funds, and all financial transactions in connection therewith.

***Annual Budget.*** Prior to the commencement of each Fiscal Year, the Issuer will cause to be prepared and filed with the Clerk and made available for public inspection, a budget setting forth the estimated receipts and expenditures of the Utility for the next succeeding Fiscal Year. Said annual budget shall be prepared in accordance with the requirements of the laws of the State and shall contain all information that is required by such laws.

***Annual Audit.*** Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements Utility for the preceding Fiscal Year by an Independent Accountant to be employed for that purpose and paid from the Gross Revenues. Said annual audit, which shall be completed within six-months after the end of such Fiscal Year, shall cover in reasonable detail the operation of the Utility during such Fiscal Year, and shall be filed with the Clerk and available for public inspection. As soon as possible after the completion of the annual audit, the Governing Body shall review the report of such audit, and if the audit report discloses that proper provision has not been made for all of the requirements of the Bond Resolution and the Act, the Issuer will promptly cure such deficiency and will within sixty (60) days proceed to modify the rates and charges to be charged for the use and services furnished by the Utility or take such other action as may be necessary to adequately provide for such requirements.

***Report on Utility Condition.*** The Issuer shall annually cause a qualified employee of the Issuer to make an examination of and report on the condition and operations of the Utility. Not less than every three (3) years, the Issuer will cause the Consulting Engineers to make an examination and written report on the condition and operation of the Utility, such report to include recommendations as to any changes in such operation deemed desirable. Such report shall also make references to any unusual or extraordinary items of maintenance and repair and any extensions, enlargements or improvements that may be needed in the period prior to the preparation of the next consultant's report required by this Section. A copy of such report will be filed with the Clerk.

## **DEFAULT AND REMEDIES**

***Remedies.*** The Bond Resolution and all of the provisions thereof shall constitute a contract between the Issuer, the Bond Insurer and each of the Owners of Utility Indebtedness, and any such Owner may by suit, action, mandamus, injunction or other proceeding, either at law or in equity, enforce and compel performance of all duties, obligations and conditions determined and required by the Bond Resolution, subject to the limitations of hereinafter set forth; provided however, that no Owner of Subordinate Indebtedness shall have the ability to impair the rights of Owners of Parity Indebtedness. Upon the happening and continuance of any Event of Default, then and in every such case any Owner may proceed, subject to the provisions of the Bond Resolution, to protect and enforce the rights of the Owners by a suit, action or special proceeding in equity, or at law, either for the specific performance of any covenant or agreement contained therein or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy as such Owner shall deem most

effectual to protect and enforce such rights.

Anything in the Bond Resolution to the contrary notwithstanding, if at any time moneys in the Principal and Interest Account shall not be sufficient to pay the interest on or the principal of the Utility Indebtedness as the same shall become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Section or otherwise, shall be applied as follows:

(a) If the principal of all the Parity Indebtedness shall not have become due and payable, all such moneys shall be applied:

*first:* to the payment of the persons entitled thereto of all installments of interest then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installments, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Parity Indebtedness;

*second:* to the payment to the persons entitled thereto of the unpaid principal of any of the Parity Indebtedness which shall have become due and payable (other than Parity Indebtedness called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Resolution), in the order of their due dates, with interest on the principal amount of such Parity Indebtedness at the respective rates specified therein from the respective dates upon which such Parity Indebtedness became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Parity Indebtedness due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

*third:* to the payment of the interest on and the principal of the Parity Indebtedness, to the purchase and retirement of the Parity Indebtedness and to the redemption of the Parity Indebtedness, all in accordance with the provisions of the Bond Resolution.

(b) If the principal of all of the Parity Indebtedness shall have become due and payable, all such moneys shall be applied:

*first:* to the payment to the persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Parity Indebtedness, and then to the payment of any interest due and payable after maturity on the Parity Indebtedness, ratably, to the person entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Parity Indebtedness; and

*second:* to the payment of the principal of the Parity Indebtedness, ratably, to the persons entitled thereto, without preference or priority of any Parity Indebtedness over any other Parity Indebtedness.

(c) If the principal of all the Subordinate Lien Indebtedness shall not have become due and payable, all such moneys shall be applied:

*first:* to the payment of the persons entitled thereto of all installments of interest then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installments, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Indebtedness;

*second:* to the payment to the persons entitled thereto of the unpaid principal of any of the Subordinate Lien Indebtedness which shall have become due and payable (other than Subordinate Lien Indebtedness called for redemption for the payment of which moneys are held pursuant to the provisions of the Bond Resolution), in the order of their due dates, with interest on the principal amount of such Subordinate Lien Indebtedness at the respective rates specified therein from the respective dates upon which such Subordinate Lien Indebtedness became due and payable, and, if the amount available shall not be sufficient

to pay in full the principal of the Subordinate Lien Indebtedness due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

**third:** to the payment of the interest on and the principal of the Subordinate Lien Indebtedness, to the purchase and retirement of the Subordinate Lien Indebtedness and to the redemption of the Subordinate Lien Indebtedness, all in accordance with the provisions of the Bond Resolution.

(d) If the principal of all of the Subordinate Lien Indebtedness shall have become due and payable, all such moneys shall be applied:

**first:** to the payment to the persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Indebtedness, and then to the payment of any interest due and payable after maturity on the Subordinate Lien Indebtedness, ratably, to the person entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Indebtedness; and

**second:** to the payment of the principal of the Subordinate Lien Indebtedness, ratably, to the persons entitled thereto, without preference or priority of any Subordinate Lien Indebtedness over any other Subordinate Lien Indebtedness.

Whenever moneys are to be applied by the Issuer pursuant to the foregoing provisions, such moneys shall be applied at such times, and from time to time, as the Director of Finance, in his or her sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agent in trust for the proper purpose shall constitute proper application by the Issuer; and the Issuer shall incur no liability whatsoever to any Owner or to any other person for any delay in applying any such moneys, so long as the Issuer acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Director of Finance. Whenever the Director of Finance shall exercise such discretion in applying such moneys, she shall fix the date (which shall be an Interest Payment Date unless she shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Director of Finance shall give such notice as she may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Utility Indebtedness until the same shall be surrendered to the Paying Agent for appropriate endorsement, or for cancellation if fully paid.

In case any proceeding taken by any Owner on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the Issuer and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Owners shall continue as though no such proceedings had been taken. No Owner of any of any Utility Indebtedness shall have any right in any manner whatever to affect, disturb or prejudice the security of the Bond Resolution or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the same class of Utility Indebtedness. No remedy herein conferred on the Owners is intended to be exclusive of any other remedy or remedies, and each and every remedy conferred shall be cumulative and shall be in addition to every other remedy given hereunder and under the Act or now or hereafter existing at law or in equity or by statute. No delay or omission of any Owner to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given to the Owners may be exercised from time to time and as often as may be deemed expedient.

**Limitation on Rights of Owners.** No Owner of any Utility Indebtedness shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Resolution or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless (a) an Event of Default shall have occurred, (b) the Owners of twenty-five percent (25%) in aggregate principal amount of same class of the Utility Indebtedness then Outstanding shall have made written request to the Issuer, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (c) the Issuer shall thereafter fail or refuse to exercise the powers herein granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case, at the option of the Issuer, to be conditions precedent to the execution of the powers and trusts of the Bond Resolution, and to any action or cause of action for the enforcement of the Bond Resolution, or for the appointment of a receiver or for any other remedy hereunder, it being understood

and intended that no one or more Owners of the Utility Indebtedness shall have any right in any manner whatsoever to affect, disturb or prejudice the Bond Resolution by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of the Utility Indebtedness then Outstanding. Nothing in the Bond Resolution contained shall, however, affect or impair the right of any Owner to payment of Debt Service Requirements on any Utility Indebtedness at and after the maturity thereof or the obligation of the Issuer to pay the Debt Service Requirements on each of the Utility Indebtedness issued hereunder to the respective Owners thereof at the time, place, from the source and in the manner herein and in the Utility Indebtedness expressed.

**Remedies Cumulative.** No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. If action or proceedings taken by any Owner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or shall have been determined adversely to such Owner, then, and in every such case, the Issuer and the Owners shall be restored to their former positions and rights, respectively, and all rights, remedies, powers and duties of the Owners shall continue as if no such suit, action or other proceedings had been brought or taken.

**No Obligation to Levy Taxes.** Nothing contained in the Bond Resolution shall be construed as imposing on the Issuer any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Utility Indebtedness.

## **DEFEASANCE**

When any or all of the Utility Indebtedness, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and the pledge of the Gross Revenues hereunder and all other rights granted hereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Utility Indebtedness, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Utility Indebtedness or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Utility Indebtedness and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Utility Indebtedness, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption in compliance with the Bond Resolution. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Issuer, for the purpose of paying and discharging any of the Utility Indebtedness, shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Owners of the Utility Indebtedness, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All money and Defeasance Obligations deposited with the Paying Agent or such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions of the Bond Resolution. The Issuer shall notify the Bond Insurer of any defeasance of any Insured Bonds insured by the Bond Insurer.

Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Insured Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer and the covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

## **TAX COVENANTS**

**General Covenants.** The Issuer covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2014B Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Series 2014B Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

**Survival of Covenants.** The covenants contained in this Article and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Series 2014B Bonds pursuant to the Bond Resolution until such time as is set forth in the Federal Tax Certificate..

## CONTINUING DISCLOSURE REQUIREMENTS

**Disclosure Requirements.** In the Bond Resolution the Issuer covenants with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Undertaking and to make the provisions of the Disclosure Undertaking applicable to the Utility Indebtedness. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

**Failure to Comply with Continuing Disclosure Requirements.** In the event the Issuer fails to comply in a timely manner with its continuing disclosure covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section. Notwithstanding any other provision of the Bond Resolution, failure of the Issuer to comply with its continuing disclosure covenants contained in the Bond Resolution shall not be considered an Event of Default under the Bond Resolution.

## MISCELLANEOUS PROVISIONS

**Amendments.** The rights and duties of the Issuer and the Owners, and the terms and provisions of the Series 2014B Bonds or of the Series 2014B Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Series 2014B Bonds then Outstanding. No such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Series 2014B Bond;
- (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Series 2014B Bond;
- (c) permit preference or priority of any Series 2014B Bond over any other Series 2014B Bond;
- (d) reduce the percentage in principal amount of Series 2014B Bonds required for the written consent to any modification or alteration of the provisions of the Series 2014B Bond Resolution; or
- (e) permit the creation of a lien on the Revenues prior or equal to the lien of the Parity Indebtedness.

Any provision of the Series 2014B Bonds or of the Series 2014B Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Series 2014B Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Series 2014B Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity herein, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Project, to reallocate proceeds of the Series 2014 Bonds among Projects, to provide for a Substitute Project, to conform the Series 2014B Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Every amendment or modification of the provisions of the Series 2014B Bonds or of the Series 2014B Bond Resolution, to which the written consent of the Owners is given, as above provided, shall be expressed in a resolution adopted by the governing body of the Issuer amending or supplementing the provisions of the Series 2014B Bond Resolution and shall be deemed to be a part of the Series 2014B Bond Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of the Series 2014B Bond Resolution shall always be kept on file in the office of the Clerk, and shall be made available for inspection by the Owner of any Series 2014B Bond or a prospective purchaser or owner of any Series 2014B Bond authorized by the Series 2014B Bond Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of the Series 2014B Bond Resolution will be sent by the Clerk to any such Owner or prospective Owner.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the Clerk a copy of the resolution of the Issuer hereinabove provided for, duly certified, as well as proof of any required consent to such modification by the Owners of the Series 2014B Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Series 2014B Bonds any reference to such amendment or modification.

The Issuer shall furnish to the Paying Agent a copy of any amendment to the Series 2014B Bonds or the Series 2014B Bond Resolution which affects the duties or obligations of the Paying Agent under the Series 2014B Bond Resolution.

**Notices, Consents and Other Instruments by Owners.** Any notice, consent, request, direction, approval or other instrument to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing.

**Inconsistent Provisions.** In case any one or more of the provisions of the Series 2014B Bond Resolution or of the Utility Indebtedness issued hereunder shall for any reason be inconsistent with the provisions of the Outstanding Parity Bond Resolutions or the Parity Indebtedness: (a) the provisions of any Outstanding Parity Bond Resolution adopted prior to the Series 2014B Bond Resolution shall prevail with respect to Parity Indebtedness issued prior in time, so long as such Parity Indebtedness is Outstanding; and (b) the provisions of the Series 2014B Bond Resolution shall prevail with respect to any Parity Bond Resolution adopted subsequent to the Series 2014B Bond Resolution, so long as any Parity Indebtedness issued under the Series 2014B Bond Resolution is Outstanding.

**Electronic Transactions.** The issuance of the Series 2014B Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

**Governing Law.** The Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

## THE DISCLOSURE UNDERTAKING

The Issuer has adopted an Omnibus Continuing Disclosure Undertaking (the “Disclosure Undertaking”) in which the Issuer covenants to provide certain financial and other information with respect to its outstanding Utility Indebtedness, including the Series 2014B Bonds, in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. In the Series 2014B Bond Resolution, the Issuer covenants to apply the provisions of the Disclosure Undertaking to the Series 2014B Bonds. Such covenants are for the benefit of and enforceable by the Participating Underwriter and the Beneficial Owners. The Issuer is the only “obligated person” with responsibility for continuing disclosure with respect to the Series 2014B Bonds.

## DEFINITIONS

In addition to the definitions set forth in this “**APPENDIX C – THE BOND RESOLUTION – Definitions**” unless otherwise defined herein, the following capitalized terms shall have the following meanings:

**“Annual Report”** means any Annual Report filed by the Issuer pursuant to, and as described in the Disclosure Undertaking, which may include the Issuer’s CAFR, so long as the CAFR contains the Financial Information and Operating Data.

**“Beneficial Owner”** means, with respect to any Utility Indebtedness, any registered owner of any Utility Indebtedness of such series and any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Utility Indebtedness (including persons holding Utility Indebtedness through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Utility Indebtedness of such series for federal income tax purposes.

**“CAFR”** means the Issuer’s Comprehensive Annual Financial Report.

**“Designated Agent”** means Gilmore & Bell, P.C. or one or more other entities designated in writing by the Issuer to serve as a designated agent of the Issuer for purposes of the Disclosure Undertaking.

**“Dissemination Agent”** means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to the Disclosure Undertaking and which has filed with the Issuer a written acceptance of such designation.

**“EMMA”** means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

**“Financial Information”** means the financial information of the Utility described under the heading “**PROVISION OF ANNUAL REPORTS – Financial Information.**”

**“Material Events”** means any of the events listed under the heading “**REPORTING OF MATERIAL EVENTS.**”

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the SEC Rule.

“**Official Statement**” means collectively the Issuer's Official Statement(s) for each series of Utility Indebtedness, including all appendices and exhibits thereto.

“**Operating Data**” means the operating data of the Utility described under the heading “**PROVISION OF ANNUAL REPORTS – Operating Data.**”

“**Participating Underwriter**” means each of the original underwriters of any Utility Indebtedness required to comply with the SEC Rule in connection with the offering of such Utility Indebtedness.

“**Repository**” means the MSRB via EMMA.

“**SEC**” means the Securities and Exchange Commission of the United States.

“**Utility Indebtedness**” means all bonds, notes, installment sale agreements, leases or certificates intended to be an obligation secured by the Gross Revenues of the Utility identified in the Disclosure Undertaking, including the Series 2014B Bonds.

## **PROVISION OF ANNUAL REPORTS**

The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2014, file with the Repository the Issuer's Annual Report, consisting of the Financial Information and Operating Data, which may be contained in the CAFR, described as follows:

**Financial Information.** The audited financial statements of the Utility for such prior Fiscal Year, prepared in accordance with generally accepted auditing standards, in substantially the format contained in *Appendix B* to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain summary unaudited financial information and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The accounting basis and the method of preparation of the financial statements of the Utility are contained in *Appendix B* to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event.

**Operating Data.** Updates as of the end of the Fiscal Year of certain financial information and operating data described in that portion of the Official Statement entitled “THE WATER AND SEWER UTILITY – Bonded Indebtedness” and “THE WATER AND SEWER UTILITY – Operating and Financial Data” (with such modifications to the formatting and general presentation thereof as deemed appropriate by the Issuer).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event.

From and after such time that Section (b)(5) of the SEC Rule applies to any Utility Indebtedness, if the Annual Report is not filed within the time period specified in *subsection (a)* hereof, the Issuer shall send a notice to the Repository in a timely manner. Pursuant to Section (d)(3) of the SEC Rule, filing of an Annual Report shall not apply to any Utility Indebtedness with a stated maturity of 18 months or less.

## **REPORTING OF MATERIAL EVENTS**

No later than 10 Business Days after the occurrence of any of the following Material Events, the Issuer shall give, or cause to be given, to the Repository notice of the occurrence of any of the following Material Events with respect to the Utility Indebtedness:

- (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 Utility Indebtedness, or other material events affecting the tax status of the Utility Indebtedness;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Utility Indebtedness, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer (which shall be deemed to occur as provided in the SEC Rule);
- (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; and
- (14) appointment of a successor or additional paying agent or trustee or the change of name of the paying agent or trustee, if material.

Notwithstanding the foregoing, notice of Material Events described in (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Utility Indebtedness pursuant to its authorizing documentation.

## **DISSEMINATION AGENT**

**General.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as Dissemination Agent at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to the Disclosure Undertaking.

**Annual Reports.** If a Dissemination Agent shall be appointed, not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository; provided that an Annual Report shall not be required for any Utility Indebtedness that has a stated maturity of 18 months or less. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to the Disclosure Undertaking, stating the date it was filed, or that the Issuer has certified to the Dissemination Agent that the Issuer has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has filed an Annual Report to the Repository, by the date required in the Disclosure Undertaking, the Dissemination Agent shall send a notice to the Repository; provided such report shall not be applicable to an Issuer that has outstanding \$10 million or less of principal amount of Utility Indebtedness subject to the Rule.

### ***Material Event Notices.***

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The Issuer will promptly respond in writing to any such request. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the Issuer shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If the Issuer has determined that knowledge of an event is listed in (2), (7), (10) or (13) of the definition of a Material Event, is not material, the Issuer shall notify the Dissemination Agent in writing not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the Repository within 10 Business Days after the occurrence, with copies to the Issuer. Notwithstanding the foregoing, notice of Material Events described in

paragraphs (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Utility Indebtedness pursuant to the Bond Resolution.

***Duties, Immunities and Liabilities of Dissemination Agent.*** The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Undertaking. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer.

***Other Designated Agents.*** The Issuer may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer may revoke this designation at any time upon written notice to the Designated Agent.

## MISCELLANEOUS PROVISIONS

***Termination of Reporting Obligation.*** The Issuer's obligations under the Disclosure Undertaking for a particular Utility Indebtedness shall terminate upon the legal defeasance, prior redemption or payment in full of that Utility Indebtedness. If the Issuer's obligations hereunder are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under the Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or assumption occurs prior to the final maturity of such Utility Indebtedness, the Issuer shall give notice of such termination or assumption in the same manner as for a Material Event.

***Amendment; Waiver.*** In conjunction with the public offering of any Utility Indebtedness, the Issuer and the Dissemination Agent, if any, may amend the categories of Operating Data to be updated to conform to the operating data included in the final Official Statement for such Utility Indebtedness, in conformance with the requirements and interpretations of the SEC Rule as of the date of such final Official Statement, without further amendment to the Disclosure Undertaking. Thereafter, the Operating Data to be filed by the Issuer with the Repository with respect to the Utility Indebtedness (and all other Utility Indebtedness then subject to the Disclosure Undertaking) shall be deemed to be amended to reflect the requirements of the revised Operating Data for the new Utility Indebtedness.

The Issuer may amend and any other provision of the Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained therein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Undertaking; provided, however, that the Disclosure Undertaking, may be amended for the purpose of (a) extending the coverage of the Disclosure Undertaking to any additional Utility Indebtedness or (b) removing reference to any Utility Indebtedness for which the Issuer's reporting obligations have terminated, each without the provision of a written opinion as otherwise required by this paragraph. If a provision of the Disclosure Undertaking is amended or waived with respect to a Utility Indebtedness pursuant to this paragraph, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event; and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

***Additional Information.*** Nothing shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by the Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by the Disclosure Undertaking, the Issuer shall have no obligation under the Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

***Noncompliance.*** In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Undertaking with respect to a Utility Indebtedness, any Participating Underwriter or any Beneficial Owner of the Utility Indebtedness may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Undertaking. Noncompliance with the provisions of the Disclosure Undertaking shall not be deemed an Event of Default under the Bond Resolution or the Utility Indebtedness, and the sole remedy under the

Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Undertaking shall be an action to compel performance.

***Electronic Transactions.*** Actions taken under the Disclosure Undertaking and the arrangements described therein may be conducted and related documents may be stored by electronic means.

***Beneficiaries.*** The Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, each Participating Underwriter and Beneficial Owners from time to time with respect to a Utility Indebtedness, and shall create no rights in any other person or entity.

***Governing Law.*** The Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State.

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**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINIONS**



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*APPENDIX D*

**FORM OF BOND COUNSEL OPINION**

**GILMORE & BELL, P.C.**  
**Attorneys at Law**  
**100 N. Main Suite 800**  
**Wichita, Kansas 67202**

[December 23, 2014]

Governing Body  
City of Wichita, Kansas

William Blair & Company, LLC  
Chicago, Illinois

Re: \$12,785,000 Water and Sewer Utility Revenue Bonds, Series 2014B, of the City of Wichita, Kansas,  
Dated December 1, 2014

We have acted as Bond Counsel in connection with the issuance by the City of Wichita, Kansas (the “Issuer”), of the above-captioned bonds (the “Series 2014B Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer prescribing the details of the Series 2014B Bonds.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a city of the first class with power to adopt the Series 2014B Bond Resolution, perform the agreements on its part contained therein, and issue the Series 2014B Bonds.

2. The Series 2014B Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding special obligations of the Issuer.

3. The Series 2014B Bonds are payable solely from the Net Revenues derived by the Issuer from the Issuer’s Water and Sewer Utility (the “Utility”). The Series 2014B Bonds do not constitute general obligations of the Issuer and do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction. The taxing power of the Issuer is not pledged to the payment of the Series 2014B Bonds.

4. The Series 2014B Bond Resolution has been duly adopted by the Issuer and constitutes a valid and legally binding obligation of the Issuer enforceable against the Issuer. The Series 2014B Bond Resolution creates a valid lien on the Net Revenues pledged by the Series 2014B Bond Resolution for the security of the Series 2014B Bonds on a parity with any Parity Indebtedness issued or to be issued, as provided in the Series 2014B Bond Resolution.

4. The interest on the Series 2014B Bonds (including any original issue discount properly allocable to an owner of a Series 2014B Bond) is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Series 2014B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Series 2014B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014B Bonds. The Series 2014B Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Series 2014B Bonds.

5. The interest on the Series 2014B Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2014B Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding the perfection or priority of the lien on the Net Revenues or other funds pledged under the Series 2014B

Bond Resolution or tax consequences arising with respect to the Series 2014B Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Series 2014B Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

**GILMORE & BELL, P.C.**

**APPENDIX E**

**LIST OF UTILITY IMPROVEMENTS**



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**CITY OF WICHITA  
WATER AND SEWER UTILITY REVENUE BONDS, SERIES 2014B  
CAPITAL IMPROVEMENTS**

OCA	PROJECT	PROJECT DESCRIPTION	BOND AMOUNT
<b>SEWER</b>			
624100	652018	S-018 Sanitary Sewer 13th, Hydraulic - Oliver	\$ 1,055,600
624101	652019	S-019 Sanitary Sewer Planeview	602,300
624103	652021	S-021 Sanitary Sewer Riverside	696,800
624107	653025	S-025 Sanitary Sewer Relocation Kellogg & Webb	58,800
624109	653027	S-029 Sanitary Sewer Riverside Siphon	15,000
624110	653028	S-030 Sanitary Sewer Riverside Drainage Ditch	54,500
624111	653029	S-031 Sanitary Sewer Windemere Rehab & Lift	12,200
624094	659561	S-015 S-561 20 PARALLEL FORCE MAIN FROM Pump Station #56	1,555,700
620551	660004	S-004 RECONSTRUCTION OF OLD SANITARY SEWERS	4,219,100
SUBTOTAL SEWER PROJECTS			8,270,000
<b>WATER</b>			
635805	752027	2012 W-27 Water Line 135th W., 13th - 21st	705,600
635808	752030	2012 W-30 Water Line 3rd St. Wabash to I-135	1,482,400
635810	752031	2012 W-031 Water Line McCormick Phase II	1,010,600
635811	752033	2012 W-32 Water Line Oaklawn Phase II	1,333,100
635814	752036	2012 W-36 Water Line Central, 135th W. - 119th W.	538,300
SUBTOTAL WATER PROJECTS			5,070,000
TOTAL SERIES 2014B			\$ 13,340,000



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**APPENDIX F**

**ENGINEER'S REPORT AND FEASIBILITY STUDY**



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**W I C H I T A**

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October 31, 2014

Water & Sewer Utility  
City of Wichita  
455 North Main Street, 8th Floor  
Wichita, Kansas 67202-1677

Ladies and Gentlemen:

In accordance with our agreement with the City of Wichita, Kansas (City), Burns & McDonnell submits this Consulting Engineer's Report (Report). This Report has been prepared in connection with the issuance of \$13,340,000<sup>1</sup> Water and Sewer Utility Revenue Bonds, Series 2014B. Of this amount, approximately \$5,070,000 is for water projects and \$8,270,000 is for sewer projects. Hereinafter in this Report the bond issue is referred to as "the Bonds." The purpose of this Report is to present our findings concerning debt service coverage requirements for the issuance of additional bonds as described in the Bond Ordinance.

In conducting our studies, Burns & McDonnell has made such investigations and reviews of the facilities, books, records, and capital improvement programs of the Wichita Water and Sewer System (the Utility) and other investigations, as we deemed necessary. Revenues and revenue requirements for the Utility are presented in this Report for the historical three-year period ending December 31, 2013 and a projected five-year period ending December 31, 2018. This Report concludes with a summary of our major opinions regarding the Utility. In preparing our summary of historical information and forecasts and in forming an opinion of the debt service coverage summarized in this Report, Burns & McDonnell has made certain assumptions with respect to conditions, events, and circumstances which may occur in the future. Such assumptions and methodologies are summarized in this letter and are reasonable and appropriate for the purpose for which they are used. While Burns & McDonnell believes the assumptions are reasonable and the methodology valid, actual results may differ materially from those forecasted, as influenced by the conditions, events, and circumstances which actually occur.

The Utility staff provided historical data presented in this Report and the Comprehensive Annual Financial Reports prepared for the City. Burns & McDonnell reviewed and discussed this data with the Utility. Burns & McDonnell has prepared a summary table presenting the overall debt service coverage for the combined water and sewer systems.

## **SYSTEM DESCRIPTION**

The City currently owns and operates the water and sewer systems. The Utility serves customers within the City limits and in outlying areas. It supplies and distributes high quality water, and collects and treats wastewater for the City. Services provided include pumping and purifying

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<sup>1</sup> Preliminary, subject to change.

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Water & Sewer Utility  
City of Wichita  
October 31, 2014  
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water, maintaining the water distribution and wastewater collection systems, treating wastewater, managing facilities, and planning for future needs.

### **UTILITY ORGANIZATION**

The water and sewer utility systems operate independently of one another, with separate funding accounts. As a general statement, Burns & McDonnell found the Utility to be well-run, to have developed resources for future requirements, and to operate in a businesslike manner. To that end, the Utility completed a comprehensive financial plan and cost of service model which was finalized in 2011 and forms the basis for the currently adopted rates.

The Utility's organizational structure is sound and personnel are well prepared to keep the water and sewer systems operating in a reliable manner. Utility personnel are a part of the City Public Works & Utilities (PW&U) Department. The current Utility organization is depicted in Figure 1 on the following page. Within the current organizational structure, divisions that have direct involvement with Utility operations and support functions include Sewer Maintenance, Water Distribution, Water Systems Planning, Sewage Treatment, Water Production, and PW&U Strategic Services.

The Sewer Maintenance Division operates and maintains a sanitary sewer gravity collection system of over 2,000 miles that transports wastewater from customers to treatment plants. The Water Distribution Division operates and maintains a pipe network of over 2,400 miles that transports potable water from the Water Treatment Plant to customers in an approximate 200 square mile area, both inside and outside the City.

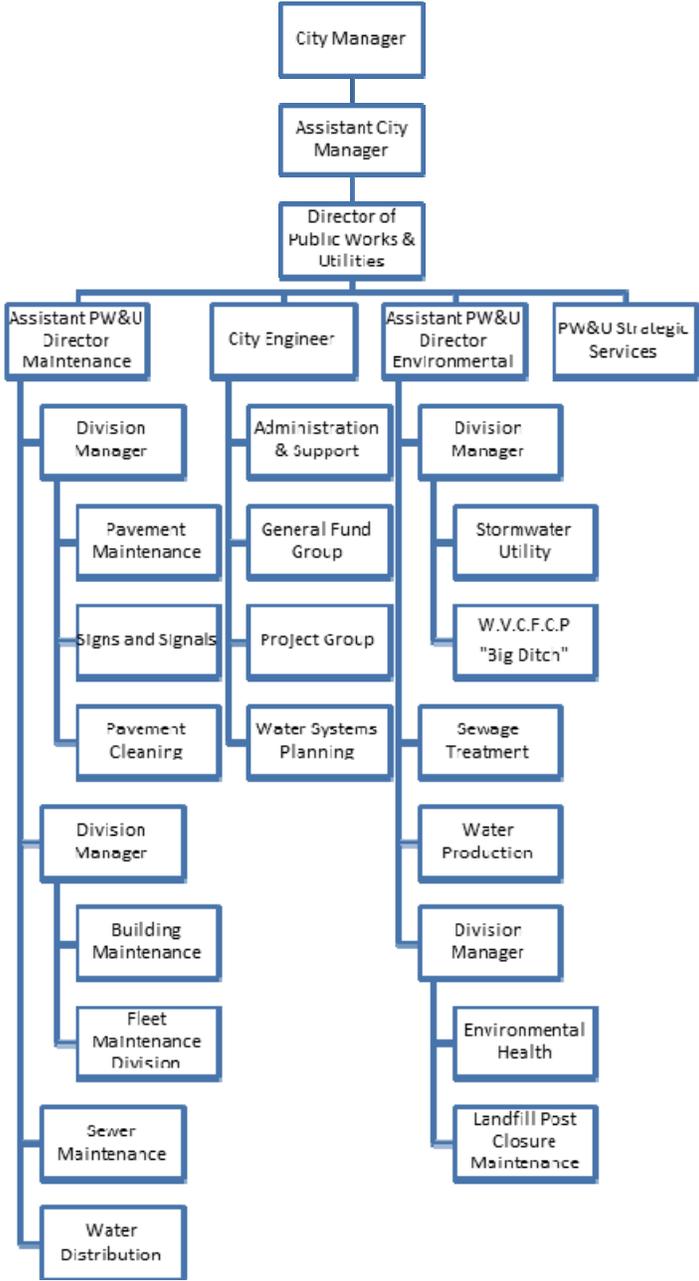
The Water Systems Planning Division provides engineering expertise for the benefit of both the water and sewer utility systems. The Sewage Treatment Division treats approximately 40 million gallons per day of sewage at its four National Pollutant Discharge Elimination System permitted facilities.

The Water Production Division monitors the raw water supply in the Equus Beds Wellfield, Cheney Reservoir, and the local wellfields. The Division also operates and maintains the delivery system that transports the raw water to the water treatment plant. Additionally, the Water Production Division operates and maintains the water treatment plant, with a treatment capacity of 160 million gallons per day, which cleans, purifies and softens the water to meet or exceed all federal drinking water standards. The Water Production Division is also responsible for pumping the water into the system and maintaining adequate water pressure throughout the service area, using several pump stations as well as ground and elevated storage reservoirs.

Water & Sewer Utility  
City of Wichita  
October 31, 2014  
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Figure 1

**WATER AND SEWER UTILITY ORGANIZATIONAL STRUCTURE**  
City of Wichita, Kansas



Water & Sewer Utility  
City of Wichita  
October 31, 2014  
Page 4

The PW&U Strategic Services Division provides direction and service for the entire utility and public works department. It also oversees the financial activity of the Utility as well as customer billing, revenue tracking, bond issuance, and debt coverage ratio projections.

## **SYSTEM CONDITION**

### **Water Utility**

Burns & McDonnell found the Water Utility to be in generally good condition. The design and operation of the system is acceptable and conforms to general accepted engineering standards. A strategic plan to meet future water demands and regulatory requirements has been prepared for the system. A ten year capital improvement plan has been developed and is periodically revised, updated, and prioritized. Major projects in the plan include improvements to the Northwest Water Treatment Plant; replacement of existing water mains; construction of new water mains for future development; a continuing program to replace water meters with automated meter reading technology; and local wellfield expansion.

### **Sewer Utility**

In general we consider the sewer system to be in good condition and to be performing as designed. In 2012 the sewer system experienced a wastewater spill that resulted in a Consent Agreement (CA) with the KDHE. In accordance with that CA, the Utility is proceeding with certain projects to reduce the risk of similar events occurring in the future. The design and operation of the system is acceptable and conforms to general accepted engineering standards. A strategic plan to meet future wastewater demands and regulatory requirements has been prepared for the system. A ten year capital improvement plan has been developed and is periodically revised, updated, and prioritized. Major projects included in the plan over the next few years include future nutrient removal at Plant 2; a program to rehabilitate or replace existing sewer mains; and construction of new sewer mains to serve new development.

## **PURPOSE OF THE BONDS**

The Bonds are being issued for the purpose of covering costs associated with a number of capital projects that are partially or fully complete. These projects are proceeding on schedule and no problems are currently anticipated that would keep the Utility from completing the desired work. Projects include water main replacements and sewer rehabilitation and replacement, including the construction of a parallel force main and a 2-mile sewer main replacement along 13<sup>th</sup> Street.

Water & Sewer Utility  
City of Wichita  
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## **FINANCIAL FEASIBILITY FOR THE BONDS**

The financial data used in the analysis presented herein were obtained from the financial records of the Utility. The 2011, 2012 and 2013 financial reports have been audited by Allen, Gibbs & Houlik, L.C., Certified Public Accountants and are maintained in conformity with generally accepted accounting principles for governmentally owned water utilities.

### **SALES REVENUES**

Sales revenue of the Utility is derived primarily from water sales and treatment of sewage flows. Annual water customers, sales and sales revenues for the historical period 2011 through 2013 are presented in Table 1. The number of water customers has remained relatively consistent. Water sales were influenced by relatively hot and dry conditions in 2011 and 2012 and wet weather conditions in 2013. Total water sales revenue was \$77.8 million in 2011, \$80.3 million in 2012, and \$63.4 million in 2013. Water revenues reflect rate increases which became effective on January 1 of 2011, 2012, and 2013.

Annual sewer customers and sales revenues for the historical period 2011 through 2013 are presented in Table 2. Total sewer sales revenue was \$42.6 million in 2011, \$45.1 million in 2012, and \$48.9 million in 2013. Sewer customers decreased slightly from 2011 to 2013. The sewer revenues reflect rate increases which became effective on January 1 of 2011, 2012, and 2013. An additional rate increase was implemented on January 1, 2014 for both water and sewer utilities.

Projected water customers, sales, and sales revenues are presented in Table 3. For the purpose of this study, customer counts were assumed to remain consistent with 2013 results through 2018. In light of the atypical weather patterns experience from 2011 to 2013, water volume sales were forecasted assuming average demand rates more commensurate with normal weather conditions. Projected water sales revenues for the Utility are expected to remain stable over the forecast period at approximately \$76.6 million.

Projected sewer customers and sales revenues are presented in Table 4. Projected sewer customers and sales revenues are expected to remain stable over the forecast period, with revenues forecasted to be approximately \$51.3 million.

Table 1

**HISTORICAL WATER CUSTOMERS, SALES, AND REVENUES**  
 Year Ended December 31  
 City of Wichita, Kansas

Customer Classification	Customers		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	128,032	128,073	127,715
Commercial/Industrial	11,415	10,790	11,205
Wholesale	12	11	12
Lawn Service	3,040	3,049	3,049
Fire Protection	1,823	1,876	1,897
Contract	359	362	355
Water Utility Uses	29	29	28
<b>Total Customers</b>	<b>144,710</b>	<b>144,190</b>	<b>144,261</b>

Water Sales - Million Gallons			
Residential	10,438	10,637	8,097
Commercial/Industrial	7,092	6,979	6,171
Wholesale	1,776	1,700	1,547
Contract	476	453	192
Other Sales	41	39	24
Estimated Leaks	113	489	488
Water Utility Uses	296	296	322
Unaccounted for Water	2,076	1,443	1,380
<b>Total Sales</b>	<b>22,308</b>	<b>22,036</b>	<b>18,221</b>

Water Sales Revenues			
Residential	\$ 49,079,715	\$ 48,073,496	\$ 38,674,358
Commercial/Industrial	22,683,249	25,523,718	19,235,480
Wholesale	3,740,208	4,098,308	3,731,828
Fire Protection	290,341	346,415	419,269
Contract	1,422,871	1,599,232	787,614
Backflow Charges	233,716	238,876	241,202
Other Sales	385,854	376,962	323,897
<b>Total Sales Revenues</b>	<b>\$ 77,835,954</b>	<b>\$ 80,257,007</b>	<b>\$ 63,413,648</b>

(1) Water and Sewer Utility revenue and sales volume data is based on actual billing information and excludes year-end accrual entries.

Table 2

**HISTORICAL SEWER CUSTOMERS AND REVENUES**

Year Ended December 31  
 City of Wichita, Kansas

Customer Classification	Customers		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	122,635	122,656	122,228
Commercial	11,122	11,073	10,971
Industrial	18	16	17
Institutional	747	735	725
Wholesale	1	1	1
Extra Strength	11	10	10
Total Customers	<u>134,534</u>	<u>134,491</u>	<u>133,952</u>

Sewer Sales Revenues			
Residential	\$ 24,461,681	\$ 25,470,226	\$ 28,158,960
Commercial	11,905,537	12,827,129	12,978,806
Industrial	3,595,247	4,073,295	4,542,044
Institutional	823,644	828,637	845,121
Wholesale	220,351	236,249	246,265
Extra Strength	1,609,976	1,607,617	2,132,156
Other	<u>21,712</u>	<u>21,394</u>	<u>21,417</u>
Total Sales Revenues	\$ <u>42,638,148</u>	\$ <u>45,064,547</u>	\$ <u>48,924,769</u>

(1) Water and Sewer Utility revenue and sales volume data is based on actual billing information and excludes year-end accrual entries.

Water & Sewer Utility  
 City of Wichita  
 October 31, 2014  
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Table 3

**PROJECTED WATER CUSTOMERS, SALES, AND REVENUES**

Year Ended December 31  
 City of Wichita, Kansas

Customer Classification	Customers				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	127,715	127,715	127,715	127,715	127,715
Commercial/Industrial	11,205	11,205	11,205	11,205	11,205
Wholesale	12	12	12	12	12
Lawn Service	3,049	3,049	3,049	3,049	3,049
Fire Protection	1,897	1,897	1,897	1,897	1,897
Contract	355	355	355	355	355
Water Utility Uses	28	28	28	28	28
Total Customers	144,261	144,261	144,261	144,261	144,261

Water Sales - Million Gallons

Residential	9,540	9,540	9,540	9,540	9,540
Commercial/Industrial	6,600	6,600	6,600	6,600	6,600
Wholesale	1,650	1,650	1,650	1,650	1,650
Contract	330	330	330	330	330
Estimated Leaks	490	490	490	490	490
Water Utility Uses	320	320	320	320	320
Unaccounted for Water	1,380	1,380	1,380	1,380	1,380
Total Sales	20,310	20,310	20,310	20,310	20,310

Water Sales Revenues

Residential	\$ 48,300,700	\$ 48,300,700	\$ 48,300,700	\$ 48,300,700	\$ 48,300,700
Commercial/Industrial	21,807,100	21,807,100	21,807,100	21,807,100	21,807,100
Wholesale	4,219,100	4,219,100	4,219,100	4,219,100	4,219,100
Fire Protection	419,300	419,300	419,300	419,300	419,300
Contract	1,353,700	1,353,700	1,353,700	1,353,700	1,353,700
Backflow Charges	259,100	259,100	259,100	259,100	259,100
Other Sales	262,000	262,000	262,000	262,000	262,000
Total Sales Revenues	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000

Table 4

**PROJECTED SEWER CUSTOMERS AND REVENUES**

Year Ended December 31  
 City of Wichita, Kansas

Customer Classification	Customers				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	122,228	122,228	122,228	122,228	122,228
Commercial	10,971	10,971	10,971	10,971	10,971
Industrial	17	17	17	17	17
Institutional	725	725	725	725	725
Wholesale	1	1	1	1	1
Extra Strength	10	10	10	10	10
Total Customers	133,952	133,952	133,952	133,952	133,952

Sewer Sales Revenues					
Residential	\$ 29,566,900	\$ 29,566,900	\$ 29,566,900	\$ 29,566,900	\$ 29,566,900
Commercial	13,627,700	13,627,700	13,627,700	13,627,700	13,627,700
Industrial	4,769,100	4,769,100	4,769,100	4,769,100	4,769,100
Institutional	887,400	887,400	887,400	887,400	887,400
Wholesale	258,600	258,600	258,600	258,600	258,600
Extra Strength	2,132,200	2,132,200	2,132,200	2,132,200	2,132,200
Other	21,400	21,400	21,400	21,400	21,400
Total Sales Revenues	\$ 51,263,300	\$ 51,263,300	\$ 51,263,300	\$ 51,263,300	\$ 51,263,300

Water & Sewer Utility  
 City of Wichita  
 October 31, 2014  
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**OPERATION AND MAINTENANCE EXPENSES**

Annual operation and maintenance expenses of the Utility for the historical period from 2011 through 2013 are presented in Table 5. These expenses consist of personal services, contractual services, materials and supplies, other, and administrative charges. The total water operation and maintenance expenses for the Utility for the historical period were \$25.8 million in 2011, \$27.3 million in 2012, and \$28.4 million in 2013. The total sewer operation and maintenance expenses for the Utility for the historical period were \$19.8 million in 2011, \$20.3 million in 2012, and \$21.0 million in 2013.

Table 5

**HISTORICAL OPERATION AND MAINTENANCE EXPENSES**

Year Ended December 31  
 City of Wichita, Kansas

Description	Water		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Personal Services	\$ 8,792,575	\$ 9,190,191	\$ 9,549,396
Contractual Services	11,457,368	11,581,018	12,646,777
Materials and Supplies	4,273,204	4,846,906	4,726,101
Other	252,764	554,363	761,172
Administrative Charges	1,062,181	1,095,996	738,797
Total O&M Expenses	<u>25,838,092</u>	<u>27,268,474</u>	<u>28,422,243</u>

Description	Sewer		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Personal Services	\$ 9,240,876	\$ 9,028,684	\$ 9,585,333
Contractual Services	6,484,813	7,200,267	7,269,935
Materials and Supplies	2,836,511	3,317,309	3,440,703
Other	948,125	468,170	459,994
Administrative Charges	317,290	290,213	279,057
Total O&M Expenses	<u>19,827,615</u>	<u>20,304,643</u>	<u>21,035,022</u>

Water & Sewer Utility  
 City of Wichita  
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The projected operation and maintenance expenses for the Utility for the period 2014 through 2018 are presented in Table 6. The 2014 and 2015 water operation and maintenance expenses are based on the revised 2014 Budget and the proposed 2015 Budget provided by the City. Operation and maintenance costs are projected to increase about 2.60 percent annually thereafter. Total water operation and maintenance expenses are expected to increase from approximately \$28.9 million in 2014 to approximately \$31.6 million in 2018.

Table 6

**PROJECTED OPERATION AND MAINTENANCE EXPENSES**  
 Year Ended December 31  
 City of Wichita, Kansas

Description	Water				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Personal Services	\$ 9,692,400	\$ 9,856,100	\$ 10,112,400	\$ 10,375,300	\$ 10,645,100
Contractual Services	12,188,400	12,341,800	12,662,700	12,991,900	13,329,700
Materials and Supplies	5,442,900	5,444,400	5,586,000	5,731,200	5,880,200
Other	781,000	801,300	822,100	843,500	865,400
Administrative Charges	<u>758,000</u>	<u>777,700</u>	<u>797,900</u>	<u>818,600</u>	<u>839,900</u>
Total O&M Expenses	28,862,700	29,221,300	29,981,100	30,760,500	31,560,300

Description	Sewer				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Personal Services	\$ 9,990,900	\$ 10,157,900	\$ 10,422,000	\$ 10,693,000	\$ 10,971,000
Contractual Services	9,282,600	7,902,000	8,107,500	8,318,300	8,534,600
Materials and Supplies	4,039,400	4,035,600	4,140,500	4,248,200	4,358,700
Other	472,000	484,300	496,900	509,800	523,100
Administrative Charges	<u>286,300</u>	<u>293,700</u>	<u>301,300</u>	<u>309,100</u>	<u>317,100</u>
Total O&M Expenses	24,071,200	22,873,500	23,468,200	24,078,400	24,704,500

The 2014 and 2015 sewer operation and maintenance expenses are based on the 2014 revised Budget and the proposed 2015 Budget provided by the City. In 2014, wastewater treatment facility repairs are anticipated to temporarily increase contractual services costs. Contractual services are projected to return to levels commensurate with historical levels in 2015. Beyond 2015, overall operation and maintenance costs are projected to increase about 2.6 percent annually. Total sewer operation and maintenance expenses are expected to increase from approximately \$24.1 million in 2014 to approximately \$24.7 million in 2018.

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## **PROJECTED CASH FLOW**

The projected Utility cash flow is shown in Table 7. User charge revenues forecasted for each utility are based on the projections shown previously on Tables 3 and 4. Other revenues include late payment penalties, account origination fees, and other miscellaneous charges. Investment earnings are not expected to be material due to the historically low yields experienced in recent years. Cash capital contributions are consistent with historical levels. Total revenues for 2014 through 2018 are projected to remain stable under current rates implemented in 2014.

Operation and maintenance expenses are projected to increase as shown previously in Table 6.

Debt service for existing and proposed revenue bond debt issues is also shown in Table 7. Debt service related to the proposed Series 2014B revenue bonds is estimated based on equal annual payments over a 20 year term and an average coupon rate of 4.50 percent.

The Annual Operating Balance shown on Table 7 reflects Total Revenues less Total Operating Expenses. As indicated in Table 7, the Annual Operating Balance is projected to range from a low of approximately \$37.5 million in 2016 to a high of approximately \$39.1 million in 2017. A positive Annual Operating Balance indicates operating expenses and debt service payments are projected to be fully funded throughout the study period.

On an annual basis, debt service coverage based on net operating revenues is anticipated to range from 1.89 to 2.01 throughout the forecast period, in excess of the minimum annual target of 1.20. Results shown in Table 7 do not include funding requirements for projects beyond those funded by the proposed Series 2014B revenue bonds. The Utility has indicated future recommended Utility revenue increases for 2015 to 2022 are anticipated to range from approximately 3.0 to 6.0 percent annually. The City has demonstrated a willingness to implement rate adjustments necessary to meet its obligations and sustain the financial and operational integrity of the system.

In accordance with rate covenants, the City is also required to achieve a coverage ratio of at least 1.00 with respect to G.O. Indebtedness and the Payment to the City. As shown in Table 7, projected coverage of the G.O. Indebtedness exceeds the minimum annual target, ranging from 3.12 to 4.06 during the forecast period. The Payment to the City also exceeds the minimum annual target, ranging from 4.35 to 4.61 during the forecast period.

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Table 7

**PROJECTED CASH FLOW**  
Year Ended December 31  
City of Wichita, Kansas

Description	2014	2015	2016	2017	2018
Revenue from Water Sales	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000	\$ 76,621,000
Revenue from Sewer Volumes	51,263,300	51,263,300	51,263,300	51,263,300	51,263,300
Other Revenues	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Investment Earnings (1)	-	-	-	-	-
Cash Capital Contributions (1)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Total Revenues</b>	<b>132,884,300</b>	<b>132,884,300</b>	<b>132,884,300</b>	<b>132,884,300</b>	<b>132,884,300</b>
Operation and Maintenance Expenses	\$ 52,933,900	\$ 52,094,800	\$ 53,449,300	\$ 54,838,900	\$ 56,264,800
Outstanding Debt Service	41,139,200	40,734,000	40,938,700	37,885,300	37,961,900
Proposed Debt Service	-	1,025,500	1,025,500	1,025,500	1,025,500
<b>Total Debt Service</b>	<b>41,139,200</b>	<b>41,759,500</b>	<b>41,964,200</b>	<b>38,910,800</b>	<b>38,987,400</b>
<b>Total Operating Expenses</b>	<b>94,073,100</b>	<b>93,854,300</b>	<b>95,413,500</b>	<b>93,749,700</b>	<b>95,252,200</b>
<b>Annual Operating Balance</b>	<b>\$ 38,811,200</b>	<b>\$ 39,030,000</b>	<b>\$ 37,470,800</b>	<b>\$ 39,134,600</b>	<b>\$ 37,632,100</b>
<u>Debt Service Coverage</u>					
Net Operating Revenues Available for Debt Service (2)	\$ 79,950,400	\$ 80,789,500	\$ 79,435,000	\$ 78,045,400	\$ 76,619,500
Annual Debt Service	\$ 41,139,200	\$ 41,759,500	\$ 41,964,200	\$ 38,910,800	\$ 38,987,400
Debt Service Coverage Based on Net Operating Revenues	1.94	1.93	1.89	2.01	1.97
<u>Coverage for G.O. Indebtedness</u>					
Net Operating Revenues Available (3)	\$ 38,811,200	\$ 39,030,000	\$ 37,470,800	\$ 39,134,600	\$ 37,632,100
G.O. Debt Service	\$ 12,425,900	\$ 9,651,400	\$ 9,648,700	\$ 9,639,700	\$ 9,633,900
Coverage Based on Net Operating Revenues (3)	3.12	4.04	3.88	4.06	3.91
<u>Coverage for City Payment</u>					
Net Operating Revenues Available (4)	\$ 26,385,300	\$ 29,378,600	\$ 27,822,100	\$ 29,494,900	\$ 27,998,200
Payment to the City	\$ 5,717,400	\$ 6,538,500	\$ 6,394,300	\$ 6,394,300	\$ 6,394,300
Coverage Based on Net Operating Revenues (4)	4.61	4.49	4.35	4.61	4.38

(1) Based on 2013 levels of Investment Earnings and Cash Capital Contributions.

(2) Reflects Total Revenues less Operation and Maintenance Expenses.

(3) Reflects Total Revenues less Operation and Maintenance Expenses and Parity Indebtedness

(4) Reflects Total Revenues less Operation and Maintenance Expenses, Parity Indebtedness, and G.O. Indebtedness.

**ADDITIONAL BOND COVERAGE REQUIREMENT**

The City may issue additional parity lien bonds for the Utility to finance extensions, enlargements and improvements only if and when the debt service coverage calculation as described in the Bond Ordinance (see excerpt below) equals or exceeds 120 percent:

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“...the Debt Service Coverage Ratio for the two (2) Fiscal Years immediately preceding the issuance of such Utility Indebtedness, as reflected by information provided by the Independent Accountant, shall be not less than 1.20, including the Utility Indebtedness proposed to be issued. In the event that the Issuer has instituted any increase in rates for the use and services of the Utility and such increase shall not have been in effect during the full two (2) Fiscal Years immediately preceding the issuance of such proposed Utility Indebtedness, the additional Net Revenues Available for Debt Service which would have resulted from the operation of the Utility during said two (2) preceding Fiscal Years had such rate increase been in effect for the entire period may be added to the stated Net Revenues for the calculation of the Debt Service Coverage Ratio, provided that such estimated additional Net Revenues shall be determined by a Consultant.”

The Debt Service Coverage Ratio is defined as:

“For any Fiscal Year: (a) with respect to the rate covenants, the ratio determined by dividing (i) a numerator equal to the Net Revenues Available for Debt Service for such Fiscal Year by (ii) a denominator equal the Debt Service Requirements for such Fiscal Year; and (b) with respect to Additional Indebtedness, the ratio determined by dividing (i) a numerator equal to the average Net Revenues Available for Debt Service for the two (2) prior Fiscal Years by (ii) a denominator equal to the Maximum Annual Debt Service; provided that with respect to Additional Indebtedness that are proposed to be Parity Indebtedness, Debt Service Requirements on Subordinate Lien Obligations and General Obligation Indebtedness shall be disregarded.”

## **COVERAGE**

Burns & McDonnell, acting as the consulting engineer, has completed an analysis of the debt service coverage. Based on our analysis, Burns & McDonnell believes the coverage covenant described above is fully met. The calculated coverage has been developed pursuant to the bond ordinance and is provided in summary in Table 8 and in additional detail in Table 9 of this Report.

The amounts shown for revenue and expenses are based on the average of actual 2012 and 2013 amounts for the water and sewer system. Revenues have been adjusted to reflect rate increases put in to place in subsequent periods. In January 2013, the Utility implemented a water rate increase of 5.0 percent and a sewer rate increase of 7.0 percent. The Utility also implemented an increase of 6.0 percent to water and an increase of 5.0 percent to sewer, which took effect on January 1, 2014.

Table 8

**ADDITIONAL BONDS TEST CALCULATION**

Year Ended December 31  
 City of Wichita, Kansas

Description	Utility 2-Year <u>Average</u>	
<b>Revenues</b>		
Water Sales	\$ 78,823,748	
Sewer Charges for Service	51,870,313	
Investment Earnings	17,335	
Capital Contributions	4,342,061	
Bond Discount Amortization	1,385,615	
Other	<u>389,841</u>	
Total Revenues	\$ 136,828,913	
<b><u>Operation and Maintenance Expenses</u></b>		
Personal Services	\$ 18,676,802	
Contractual Services	19,348,999	
Materials and Supplies	8,165,510	
Other	1,121,850	
Administrative Charges	<u>1,202,032</u>	
Total Operation and Maintenance Expenses	\$ 48,515,193	
<b>Net Revenue Available for Debt Service</b>	<b>\$ 88,313,720</b>	
Maximum Annual Debt Service	\$ 41,964,185 (1)	
Calculated Coverage	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">210%</td></tr></table>	210%
210%		
"Additional Bonds" Required Coverage	120%	

(1) As provided by the City, see Table 11 for additional information.

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The water and sewer service revenues for 2012 and 2013, as shown in Table 9 and in more detail in Table 10, reflect the impact of revenue increases implemented in 2013 and 2014. These adjusted revenues were used to calculate debt coverage.

Table 9

**ADDITIONAL BONDS: DETERMINATION OF 2-YEAR AVERAGE RESULTS**

Year Ended December 31  
 City of Wichita, Kansas

Description	Water 2012 (1)	Water 2013 (2)	Sewer 2012 (1)	Sewer 2013 (2)	Utility 2-Year Average
<b>Revenues</b>					
Water Service Revenues (3)	\$ 89,087,129	\$ 68,560,366			\$ 78,823,748
Sewer Service Revenues (3)			\$ 51,541,706	\$ 52,198,920	\$ 51,870,313
Investment Earnings	34,670	-	-	-	\$ 17,335
Capital Contributions- Cash	2,681,400	3,348,811	1,200,911	1,452,999	\$ 4,342,061
Bond Discount Amortization	554,847	859,176	510,090	847,116	\$ 1,385,615
Other	377,888	357,794	23,497	20,503	\$ 389,841
Total Revenues	\$ 92,735,934	\$ 73,126,147	\$ 53,276,204	\$ 54,519,538	\$ 136,828,913
<b>Operation and Maintenance Expenses</b>					
Personal Services	\$ 9,190,191	\$ 9,549,396	\$ 9,028,684	\$ 9,585,333	\$ 18,676,802
Contractual Services	11,581,018	12,646,777	7,200,267	7,269,935	\$ 19,348,999
Materials and Supplies	4,846,906	4,726,101	3,317,309	3,440,703	\$ 8,165,510
Other	554,363	761,172	468,170	459,994	\$ 1,121,850
Administrative Charges	1,095,996	738,797	290,213	279,057	\$ 1,202,032
Total Operation and Maintenance Expenses	\$ 27,268,474	\$ 28,422,243	\$ 20,304,643	\$ 21,035,022	\$ 48,515,193
Net Revenue Available for Coverage	\$ 65,467,460	\$ 44,703,904	\$ 32,971,561	\$ 33,484,516	\$ 88,313,720
Maximum Annual Revenue Bond Debt Service					\$ 41,964,185 (4)
Calculated Coverage for the Additional Bonds Test					210%
Coverage Needed to Meet Additional Bonds Test					120%

(1) Source: 2012 Comprehensive Annual Financial Report.  
 (2) Source: 2013 Comprehensive Annual Financial Report.  
 (3) Revenues are adjusted to reflect appropriate rate and customer charge adjustments, see Table 10.  
 (4) Determination of Maximum Annual Debt Service presented in Table 11.

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Table 10

**REVENUE ADJUSTMENT DETERMINATION**

Year Ended December 31  
City of Wichita, Kansas

Description	<u>2012</u>	<u>2013</u>
Total Water Sales Revenues	\$ 80,257,007	\$ 63,413,648
Year End Accruals and Auditor's Adjustments	(169,378)	1,375,818
Total Water Sales Revenues	80,087,629	64,789,466
Other Adjustments		
January 1, 2013 Rate Increase Adjustment (5%)	3,982,100	-
January 1, 2014 Rate Increase Adjustment (6%)	5,017,400	3,770,900
<b>Total Adjusted Water Sales Revenues</b>	<b>\$ 89,087,129</b>	<b>\$ 68,560,366</b>
Total Sewer Sales Revenues	\$ 45,064,547	\$ 48,924,769
Year End Accruals and Auditor's Adjustments	914,359	828,951
Total Sewer Sales Revenues	45,978,906	49,753,720
Other Adjustments		
January 1, 2013 Rate Increase Adjustment (7%)	3,153,000	-
January 1, 2014 Rate Increase Adjustment (5%)	2,409,800	2,445,200
<b>Total Adjusted Sewer Sales Revenues</b>	<b>\$ 51,541,706</b>	<b>\$ 52,198,920</b>
<b>Total Combined Adjusted Sales Revenue</b>	<b>\$ 140,628,835</b>	<b>\$ 120,759,286</b>

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Table 11 shows annual debt service for existing Utility bonds and the debt service for the proposed Bonds. The determination of maximum annual debt service of \$41,964,185 occurs in 2016.

Table 11

**MAXIMUM ANNUAL DEBT SERVICE**  
 City of Wichita, Kansas

	<b>Existing Water &amp; Sewer Debt Service Payments (1)</b>	<b>Series 2014B Water and Sewer Debt Service Payments (1)</b>	<b>TOTAL Water &amp; Sewer Debt Service Payments</b>
2014	41,139,151	-	41,139,151
2015	40,734,007	1,025,528	41,759,535
2016	40,938,658	1,025,528	41,964,185
2017	37,885,327	1,025,528	38,910,854
2018	37,961,905	1,025,528	38,987,432
2019	34,146,158	1,025,528	35,171,685
2020	33,529,017	1,025,528	34,554,544
2021	33,411,936	1,025,528	34,437,463
2022	32,755,029	1,025,528	33,780,557
2023	32,660,739	1,025,528	33,686,266
2024	27,118,387	1,025,528	28,143,914
2025	27,306,562	1,025,528	28,332,089
2026	25,396,649	1,025,528	26,422,176
2027	24,097,422	1,025,528	25,122,949
2028	24,016,379	1,025,528	25,041,907
2029	19,001,106	1,025,528	20,026,634
2030	18,921,230	1,025,528	19,946,758
2031	13,470,787	1,025,528	14,496,315
2032	10,877,075	1,025,528	11,902,603
2033	7,624,500	1,025,528	8,650,028
2034	7,508,000	1,025,528	8,533,528
2035	2,706,250	-	2,706,250
2036	2,598,000	-	2,598,000
2037	2,489,750	-	2,489,750
2038	2,381,500	-	2,381,500
2039	2,273,249	-	2,273,249
Maximum Annual Debt Service			<u>\$ 41,964,185</u>

(1) Debt service information provided by City.

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## **OPINIONS**

As a result of our investigations and analysis of the Utility's records, the reviews, studies, and analyses we have discussed in this Report, and based upon our continuing studies of the Utility operations, it is Burns & McDonnell's opinion that:

1. The Utility properties are and have been maintained, preserved, and kept in good working order and condition, and the City makes, as necessary, proper repairs, replacements, and renewals.
2. The assumptions used in preparing the additional bonds test calculation are reasonable. The debt service coverage covenant is fully met.
3. Based on the analysis included herein, the Utility can meet its existing debt service obligations including the obligations for the Series 2014B Bonds.

## **BURNS & McDONNELL QUALIFICATIONS**

Burns & McDonnell has specialized in providing engineering, operations, and financial consulting services to water, wastewater, electric, and gas utilities throughout our history of over 100 years. With over 4,500 employee-owners, consisting of specialists from all engineering disciplines and business functions, Burns & McDonnell offers a comprehensive package of experience and skills for performing rate and financial analyses, feasibility studies, and negotiation services. In addition, the firm has extensive experience in assisting utilities with the issuance of debt and with management and financial aspects of their operations.

Sincerely,

BURNS & McDONNELL

David F. Naumann  
Project Manager, Business & Technology Services

Sara K. Worrall  
Senior Analyst, Business & Technology Services

DFN/SKW