



AGENDA

MANAGEMENT AND FINANCE POLICY COMMITTEE

February 23, 2021
1:00 pm
Aurora Room
15151 E. Alameda Parkway
Aurora, CO 80012

Public Participant Dialing Instructions

Dial Access Number: 1-408-418-9388

Enter Participant Code: 146-919-5639

Council Member Gardner, Chair
Council Member Johnston, Vice Chair
Council Member Gruber
Deputy City Manager Roberto Venegas
Finance Director Terri Velasquez

The Management and Finance Committee oversees the following Council goal and objectives:

PROVIDE A WELL-MANAGED AND FINANCIALLY STRONG CITY

- Ensure the delivery of high-quality services to residents in an efficient and cost-effective manner.
- Maintain superior financial reporting, financial controls, appropriate reserves, budgeting financial management, and transparency, and invest in capital and infrastructure to support efficient and effective long-term provision of services.
- Maintain a high financial credit (bond) rating, maintain debt policies and debt practices that allow the assessment of appropriate debt levels, and periodically review debt and debt service to minimize costs.
- Provide appropriate stewardship of natural resources to ensure long-term sustainability for the city.

Pages

1. **Call to Order**
2. **Approval of Minutes** 1
3. **Consent Items**
 - 3.a. **January 2021 Sales Tax Chart** 10
Greg Hay, Budget Officer (5 minutes)
4. **General Business**

4.a.	CABC Bylaw Changes	13
	Michael Westerberg, CABC Chair (10 minutes)	
4.b.	City of Aurora Debt Policy	20
	Teresa Sedmak, City Treasury (10 minutes)	
4.c.	Proposed Financing Ordinance Series 2021 First-Lien Sewer Revenue Bonds	57
	Andrew Jamison, Debt, Treasury & Investments Senior Analyst (15 minutes)	
4.d.	Proposed Financing Ordinance Series 2021 First-Lien Water Revenue Bonds	101
	Andrew Jamison, Debt, Treasury & Investments Senior Analyst (15 minutes)	
4.e.	Police Hybrid Pension Plan Update	147
	Terri Velasquez, Finance Director (10 minutes)	
5.	Internal Audit Scope in relation to City Council Activities	153
	Wayne C. Sommer, Internal Audit Manager (10 minutes)	
6.	Miscellaneous Matters for Consideration	
	<ul style="list-style-type: none">• Next meeting scheduled for March 23 at 1:00 pm, WebEx Meeting	
7.	Adjournment	

Total projected meeting time: 75 minutes

**MANAGEMENT AND FINANCE POLICY COMMITTEE
WEBEX**

Members Present: Council Member Gardner – Chair, Council Member Johnston – Vice Chair,
Council Member Gruber – Member

Others Present: CM Marcano, CM Hiltz, R. Venegas, T. Velasquez, G. Hays, T. Vaughn, W. Sommer, T. Sedmak, S. Newman, H. Hernandez, D. Giordano, D. Brotzman, B. Fillinger, A. Jamison, D. Hudson, C. Toth, K. Claspell, M. Franks and T. Hoyle

INTRODUCTIONS AND MINUTES

December 15, 2020 minutes were approved.

CONSENT ITEMS

December of 2020 was 15.8 percent higher than December of 2019. G. Hays said year-end revenues were up \$2.4M for a couple reasons. Payment of \$750,000 received from Market Place Facilitator. Other payments received were EBAY, DoorDash and GrubHub payments. A one-time payment of \$500,000 from a single IT company Mission Critical Systems. G. Hays shared a link in the chat from Common Sense Institute about sales tax revenues across Colorado cities after the start of the pandemic.

Committee Discussion

Council Member Gruber: Greg, when we were negotiating the benefits for the data centers that were being created. One of the things we mandated or redirected with the Aurora Economic Development council (AEDC) is to make sure that the purchase of the IT equipment going inside those data centers would be registered as an Aurora purchase. Even though these data centers may be controlled by a company somewhere else the IT sale shows up as an Aurora sale. The reason that it's important from the City's perspective. A data center takes up a huge amount of space and it really doesn't provide value for the space that it takes up. It also only has around 5 to 10 people not including landscapers and things like that that supports the facility itself. So, it's very important the millions of dollars of equipment that was purchased inside shows up as an Aurora purchase. So that may explain the one that you talked about. But I'm wondering about the other data centers and if those data centers are paying the IT sales tax even though it's a commercial purchase. Are we seeing that in our tax revenues?

T. Vaughn: Short answer is yes. I can tell you that we have a big audit coming in for one of them and where they didn't pay up front. They're a fairly common audit target for us. Because that software is taxable for the City, of course the equipment in there making sure that they paid use tax on that and it's taxable. So yes, it is. We do try to make sure that happens and those taxes get paid. One thing AEDC did follow up with me regards to how the taxes work on that equipment. So, to make sure that those data centers have that equipment shipped to their location in Aurora and not take possession of it in another jurisdiction that would trigger a taxable event. So, I would say in general yes were trying to make sure all that tax is getting paid to Aurora.

CM Gruber: Okay that's important. Because the incentives that we're giving are rather generous and it's important that we track that. Again, some of that might be incentivized as well, but it's still important to track it.

<https://commonsenseinstitute.org/sales-and-use-tax-revenue-in-colorado-cities-since-start-of-the-pandemic/>

Outcome

The Committee thanked staff.

Follow-up Action

No follow-up needed.

FOR AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO, AMENDING ARTICLE II OF SECTION 130 OF THE CITY CODE RELATING TO EXEMPTING FEMININE HYGIENE PRODUCES FROM SALES AND USE TAX

Summary of Issue and Discussion

Council Member Hiltz introduced the ordinance. This ordinance would exempt menstruation products from the City's sales and use tax. The reduction in revenue is estimated to be \$230,000 annually. This exemption was adopted by the City and County of Denver in 2019. A similar measure at the state failed in committee in 2017. Below is a summary of sales and use tax exemptions that the city has and the year it was adopted if known.

Summary of Sales and Use Tax Exemptions – December 2020

- Health and Athletic Club Memberships – 1994
- Precious metal bullion and collector coins - 2012
- Short term on premises rental of tangible personal property (laundromat, carwash) – 2015 *
- Admissions to a school event - 2013
- Sales benefitting a school - 2009
- Food for Home Consumption (except candy and soda) – 1974
- Food purchased with funds provided by a federal nutritional assistance program
- Manufacturing Equipment – 1963
- Commercial Packaging Material - 1971
- Recreation services by tax exempt organizations - 1987
- Seeds, feed, livestock and farm equipment purchased by agricultural producers - 1963
- Prescription drugs for humans - 1965
- Prescription drugs for animals - 1965
- Prosthetic devices - 1965
- Insulin – 1989
- Sales to governments and charities for use in their functions
- Used factory-built housing
- 48% of the purchase price of new factory-built housing
- Telecommunications and public utility equipment by a service provider for use outside the city
- Admissions to city owned facilities
- Newspapers
- Internet access - 2000
- Motor Vehicles registered outside of the city
- Gasoline and fuels subject to special fuel tax

- Items purchased for resale

*Policy exclusion rather than an exemption. Allows businesses to pay use tax on purchase rather than collect sales tax on subsequent rentals.

Does the Committee wish to forward this for full Council consideration?

Committee Discussion

CM Gardner: The only thing that I would like to mention, and it was provided in the backup. But last year IRS changed the designation for menstrual care products. To give them as a tax benefit as it pertains to flex benefit accounts. Essentially treating them as a medical device. So, I just wanted to mention that as well. One other thing I'll share, and I'll put the link in the chat. But it's interesting that Greg shared the link from the Common Sense Institute because they also released an article just a couple weeks ago. And essentially referred to what happened with COVID, and women as a 'shesession' and talking about how the significant amount of job losses impacted women more so than men. So, I thought that was interesting and I'll place that link in the chat as well. Trevor do you have anything that you would like to add.

T. Vaughn: Yes, just on the definition. This is the same definition that was adopted in Denver and this came up yesterday. What I was trying to do, is so that retailers would have consistency between jurisdictions in regard to at least what something means, so considered adopting the same definition. I know the staff in Denver weren't big fans of the definition that got adopted. It actually got changed at Council. They had originally proposed the narrower definition and instead now are narrowing it by regulations. I don't know that changing the definition would make us that much different. In some ways it probably makes sense. So, at some point there'll probably be some standardization to this definition especially if the state adopts it. But we don't have to adopt what Denver did, but that might make in some ways a little bit simpler as far as the administration by the retailers. Along those lines the state doesn't have this exemption, so this does make the overall tax code a little bit more complicated to administer. The retail council didn't seem to show too much concern about that. Just in general the more exemptions you have especially if they're not adopted across jurisdictions in a uniformed matter does make the code a little bit more difficult to administer. The revenue impact is about \$230,000 decrease in ongoing revenue. This is an item that's a particularly stable source of revenue. Which I'll just mention in regard to your overall structure when depending upon sales and use tax just as a consideration. To make sure you have a stable revenue structure there. This exemption is not completely out of line with some of the existing exemptions that are in the City code with regard to certain medical exemptions. That's all I have.

CM Gardner: Few other things that I like to mention when Trevor was talking, and it reminded me. One, was on the ease of reprogramming point of sale (POS) system. I talked to a couple of retailers. Because these products are coded separately for flex spending account purposes. They're already coded separately so it's relatively easy transition for them to do this. In addition to the Business Advisory Board (BAB) we also had Kevin Hogan from the Aurora Chambers of Commerce on yesterday. He did not have any concerns for many of his business members either. So, I just wanted to mention both of those.

T. Vaughn: CM Gardner, I just have one follow up on that. Probably the retailers that will have the most challenges with this will be the small ones. You know your local convenience stores and small

shops. We still find them having a lot of issues with regards to grocery store exemptions in general which are pretty complicated. For example, prepared salads are taxable but lettuce in a bag is not taxable. There are some of them that still struggle with getting candy and soda taxable. That's probably where you will see some challenges with regards to this rather than perhaps those that interact with the retail council.

CM Gardner: Council Members any questions or comments?

CM Johnston: I will definitely be supporting this. Thank you for the different reasons that you and CM Hiltz outlined. This is medical as you said about the IRS exemptions. Also, as CM Hiltz said some equity issues. I know that this will benefit women but also girls. I know personally in schools there's been an issue of trying to get menstrual products donated. Because some of the girls that go to school aren't able to afford that. And that makes me sad on many levels for those girls and the emotional and physical effects of that, so if we can make that easier. Again, I don't think that this is a stretch, it's consistent with IRS, it's medical. It just makes sense a majority of states are having these exemptions or even looking at that. So, we're just catching up with some of those movements as well so I definitely will be supporting.

CM Gruber: I like to go a little bit deeper into the POS programming of this. I've been searching on the side as to how the products are characterized. In other words, the idea is the definition in the ordinance is pretty tight. What I wanted to find out is that tight definition coupled with the UPR code or some other code on the product so that the POS would recognize that or is that something that would require programming. Trevor, how will that work and could you explain that?

T. Vaughn: So, yes for the big retailers it is. They have the codes on them that says what the product is. Chances are especially if they are operating in multiple jurisdictions and in other states and in Denver, they've already key coded what this is, so in some ways fairly an easy adoption for those large retailers to do this. The smaller grocery stores they're a bit different. For example, perhaps the Pacific Ocean Marketplace. Where they just have a couple stores, they don't have any in Denver. This will be more of a lift for them and its possible they even have this stuff keyed in as general merchandise into their systems. I don't know that's the right example or another store. But I have seen that particularly with some of these single store grocery retailers where they'll have a general merchandise code. They're going to have to go in and try to figure out what these items are. Where they're not or may not be using bar codes in the same way if they are a small convenience store. They may just have price tags and they just outfit it and so they'll have to kind of track that differently.

CM Gruber: Okay so what I want to make sure of and I'm good with making this happen. But at the same time, I don't want to punish any store any mom and pop or smaller store that's implementing it and so the recommendation of bringing it in. How do we hold the hands of the small stores, so they implement it as fast as possible but by the same token we don't fine them right away and could you explain that?

CM Hiltz: Can I jump in on that one really quick. Thank you. So, I intend to if this passes to work with the Business Advisory Board (BAB) on making sure that we have kind of that proper roll out. Because we certainly don't want too so make a big burden on the coding and what not within the stores and as someone who's not a retail store owner. I think they've been really great at doing some of that outreach and also providing feedback in the retailer's association, etc. on looking at what that is. Therefore, I

don't want to put an arbitrary this would be the timeline. Because I do think you raised a good point and we need to make sure that we're very thoughtful and mindful about how we go about and do that. My idea or my plan was to do if Council agrees, is to work with those associations to make sure that we are dealing this properly. Just for context that I'm not trying to make this an overnight change. I mean I would love to see an overnight change if that's possible that's great. But recognizing the smaller mom and pop shops may have some of these limitations.

CM Gruber: To follow up. Therefore, Trevor again the concerns that I have. That many of these stores aren't members of the Chambers of Commerce or members of the BAB especially the very small stores. So, could you explain how it will work from the city's Licensing point of view.

T. Vaughn: We would send out a notice to all our registered businesses that this was occurring. Experience does tell me that a lot of them still won't make the adjustment right away for whatever reason. What will happen and the good news here for those retailers is that there's not necessarily a penalty to the retailer for collecting tax when they shouldn't, as long as they remit that tax. The issue I think is that some people not implementing reduce the full effect of the exemption. I think we do our best to try to get the outreach out there. We know the big retailers and trying to target those retailers specifically that would sell these types of products. These products are probably sold in a lot of places but doing our best trying to get that outreach. But I'll tell you when the City removed the exemption for candy and soda, we had a large retailer that had missed that for a long period of time despite multiple outreach. So, it's a little bit of a concern as you have a change in tax rules and trying to get that outreach done. But as far as the penalties, as long as they remit the tax their pretty much held-harmless.

CM Johnston: Trevor, I just have a follow up. I don't know if I heard that right and I know there was an effort a few years ago to increase a soda tax but did I hear you correctly? That currently there is no tax on soda and candy?

T. Vaughn: No there is. I'm saying when the City removed the exemption. We still see a lot of retailers struggle with that one.

CM Johnston: Okay, thanks for clarifying that.

The Committee recommended that this item is moved forward unanimously.

https://gazette.com/opinion/columnists/compounding-covid-s-travails-ashecession/article_d12c6614-5ce8-11eb-b8a0-539d741035aa.html.

Outcome

The Committee recommended that the item is moved forward to Study Session.

Follow-up Action

Staff will forward the item to Study Session.

REVIEW OF AURORA 2021 DEBT PORTFOLIO

Summary of Issue and Discussion

Andrew Jamison, Debt & Treasury Senior Analyst stated each year the Management & Finance Policy Committee (M&F) is provided an overview of the City's outstanding debt. As part of the overview,

the Debt Manual is provided to members of M&F. This Manual is updated yearly to reflect the actual outstanding debt as of the end of the prior calendar year. The attached debt book illustrates the City's outstanding debt instruments as of December 31st, 2020.

2020 Financing Activity

In August 2020, the Wastewater Enterprise converted the \$13 million outstanding floating rate Series 2018B revenue bonds to a fixed-rate obligation (Series 2018B-2). The bonds mature in 2030 at a fixed interest rate of 1.231%. The Series 2018B has an authorized but not issued amount of \$15 million in variable rate bonds remaining to be issued in 2021. The bonds finance a large stormwater outfall project on the Fitzsimons campus.

In October 2020, the City, through ACLC, issued Certificates of Participation in the amount of \$33.77 million to fund construction of the Southeast Recreation Center. The bonds were sold by RBC and structured on twenty-five-year term at a fixed rate of 2.39 percent. A portion of the AMC was pledged as collateral and the new recreation center is scheduled to open in 2023. The COPs, subject to appropriation, are rated AA by S&P. Appropriations ratings are one notch below the City's AA+ General Obligation rating. In the rating report, S&P highlighted Aurora's strong economy, excellent financial management, and very strong budgetary flexibility.

Also in October 2020, Fitch ratings affirmed the AA+ rating on Aurora Water's Series 2016 \$392 million first-lien water refunding revenue bonds and revised the Rating Outlook to Positive from Stable. In the report Fitch highlighted Aurora Water's strong service area, low operating cost burden, and very strong financial profile.

Committee Discussion

CM Gardner: I want to ask so it could be explained a little bit in the minutes in case there's anyone from public looking at them. But could you talk about the General Improvement Districts that we have and what those are for and how that works. I'm asking because there's obviously some specific neighborhoods identified. So, there might be some curiosity from the public what those are.

A. Jamison: Sure. So, the districts are subdivisions often in areas that were built before the concept that a Metro District really existed in Colorado. In many ways they serve in a similar function as a metro district does to fund neighborhood improvements. One example that we could use is Peoria Park, which is somewhat close to Overland High School in Aurora. Generally, what happens is the residents of the neighborhood undergo a meeting process with the HOA. They decide to hold an election in order to assess a property tax levy for a certain project. Peoria Park decided to levy themselves to build a masonry fence on the perimeter of the neighborhood. Obviously, it's in everyone's best interest and it improves the value of their homes and et cetera. So, if the election is successful, the City would step in to help obtain financing to build the fence. Public Works then steps in to help coordinate on the construction side. They have some free legal services so we kind of help them along. The City really doesn't have much of a stake in the game. Other than to help administer it. If a neighborhood wants to improve itself, it's in our better interest as well. Besides fencing there's also sewer, street, and other improvements the neighborhood might need to get done and also finance. We then issue the debt and also handle the administration, i.e. coordinate with the county as to the property tax collections, make the debt service payments, manage maintenance and things like that.

CM Gardner: Thanks for going over that. I just have a comment or observation. I just want to point out for the sake of the minutes. If you look over both what S&P, Moody, and Fitch all said. They were very complimentary of the financial strength of our city. Which talked about things like strong financial policies and strong budgeting philosophy going back several years maintaining general fund reserves. I want to point out that at the beginning of the presentation there was talk about refinance transactions. Because of the strength of our financial position we were allowed to do those things and really take advantage of better rates and save our residents money. I think it's really important to point out these rating agencies and how complimentary they're with the financial management of the City, and obviously that reflects just a really good job that Terri and her team do.

CM Gruber: First off, I want to thank you for this and second what everything CM Gardner said. I shared in the comments a review by Government Accounting Standing Board (GASB) which looks at cities across the nation. It shows that Aurora ranked 6th in an annotation which is outstanding. The way the City runs itself it's a real tribute to Terri and the entire team, as well as Jim Twombly and all the way down. So, congratulations for that. Also, I was very impressed with the rate we have for the Southeast Rec Center. CM Johnston and I sit on the Aerotropolis Regional Transportation Authority and we sold bonds through that organization before. And what the City has done and the rates we received. It really shown as a result of the City's ability to manage funds we pay less for these major projects than other cities. So even though you're talking a \$35M dollar project and after you add the paying the debt on that. The project is actually much more expensive. However, because our debt and our ability to bring in credit is so much better than some of the other cities. We're buying that \$35M dollar building for far less than comparable cities would that aren't managed as well as we are, so that's a very important point. I do want to point out though that last night we had a presentation by the roof manager. Our insurance payments have gone up significantly from around a million and a half to two and then we added \$800,000 last night in insurance payments. I'm concern that the cloud and horizon could be this risk that we're seeing to build and the liability. I'm glad we're covered now. But I think it's very important for the Committee and for the City for the finance part of the city to keep a close track on what the Risk Manager is bringing forward on any impact that could have on our future bond ratings and future ratings by stand support and the other organization.

CM Johnston: I don't have any more to say. You both articulate those points well. Thank you again for Terri and her team. It makes our jobs a lot easier and more effective with you having such a great team so thanks.

Outcome

Information-only item

Follow-up Action

No follow-up needed.

2021 PROPOSED WORKPLAN

Summary of Issue and Discussion

Review of the 2021 proposed work plan for the Management and Finance Policy Committee.

Committee Discussion

Committee recommended:

- COVID Revenue Lost Update – May/June
- Settlements & Lawsuits Payouts Report
- City Council Purchase Card Audit

Outcome

The Committee thanked staff. Information only.

Follow-up Action

No follow-up needed.

INTERNAL AUDIT 2020 ANNUAL REPORT

Summary of Issue and Discussion

Wayne Sommer, Internal Audit Manager presented an overview of the Office's progress against the 2020 audit plan as part of their regular communications with the Audit Committee. Total output for 2020 was down (compared to previous years) as the Internal Audit Manager was reassigned for most of the year to fill the role of Recovery Manager under the City's Disaster Recovery Plan in response to the COVID-19 pandemic. As a result, the two remaining Internal Auditors had to both conduct audit engagements and perform workpaper reviews on each other's work. The Internal Audit Manager did review all final reports before they were issued. The staffing shortage impacted our productivity; however, staff were able to complete nine engagements in 2020. With nine engagements completed and three active the Office achieved a 68% combined rate for active and completed engagements.

Committee Discussion

CM Gardner: I have two questions. On the purchase card transaction review. I'm curious why it says it excludes City Council purchases. Is there a reason why we're excluded from those?

W. Sommer: It's been a sort of a long-standing position since I've been here, that we do not audit City Council. It's kind of strange to be auditing your boss's boss. Obviously, Council can change that. We have audited some Council activities at Council's request but otherwise we exclude City Council from our audit scope.

CM Gardner: The Committee can think about it and we can reconvene next month. But my initial reaction is I think those transactions should be audited. CM Gruber and CM Johnston, do you have any thoughts on that?

CM Gruber: Actually, I don't remember that was a rule. I may have heard that Wayne. But I'm kind of questioning why we would exclude Council period. Why wouldn't we audit Council just like any other part of the City?

W. Sommer: It goes back to the days when Skip was here. Prior to my arrival the Audit department had started to conduct an audit on Council travel which did not go over well at the time. We were instructed that Council was off limits in terms of our audit scope. We did however speak with the Committee at the end of last year at our last quarterly meeting and talked about looking at what that scope would be for Internal Audit's responsibilities in the City. We will be working with the City Attorney's office on the

current situation and bringing a proposal back to the Committee for them to consider an action in terms of clearly establishing those areas that internal audit has some authority over.

CM Gruber: Well, just in terms of transparency. I don't see why we would not audit ourselves.

CM Johnston: Agreed. Thank you for bringing something back to us.

W. Sommer: Sure. Going forward we'll be happy to include those transactions in our samples.

CM Gardner: I get the awkwardness of it. Obviously maybe more of a political consideration, unfortunately, that staff has to be put in that position. But I think we should be reviewing what Council does. I think that's good management practice and good finance practice. My other question is that we talked a couple times last year about an audit for our sales tax incentives. I don't think I saw that in there because I don't think it was finalized. But can you just let us know where you're at on that?

W. Sommer: If you're talking about the AEDC financial incentives that audit is coming to completion. Michelle Crawford is wrapping up as one of her last audits before she slips fully into the police auditor role. We should have something on that very soon. It needs to go through my final review and then the report will go through the various levels of management up to the City Manager before we actually issue it, but that's coming to a conclusion.

CM Gruber: The list of things you will be auditing in 2021 that's obviously not included in the 2020.

W. Sommer: Correct. Looking at the 2021 schedule. We will come back in April, July, and October. The schedule shows us bringing the annual Internal Audit plan for 2022 in December. Typically, we try to shoot for November on that, but we will be back on a quarterly basis.

Outcome

The Committee thanked staff. Information only.

Follow-up Action

No follow-up needed.

MISCELLANEOUS MATTERS FOR CONSIDERATION

Summary of Issue and Discussion

There was discussion to keep the next meeting as tentative for the new Chair to decide.

- The next meeting is on Tuesday, February 23, 2021 at 1:00 PM (WebEx)

THESE MINUTES WERE APPROVED AS SUBMITTED

Curtis Gardner, Chair of the Management & Finance (M&F) Committee

Date



CITY OF AURORA

Council Agenda Commentary

Item Title: January 2021 Sales Tax Chart
Item Initiator: Greg Hays
Staff Source/Legal Source: Greg Hay, Hans Hernandez, Assistant City Attorney
Outside Speaker: N/A
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: N/A

Regular Meeting: N/A

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
- Information Only
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Approve Item with Waiver of Reconsideration
Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: Management & Finance

Policy Committee Date: 2/23/2021

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
 - Does Not Recommend Approval
 - Forwarded Without Recommendation
 - Recommendation Report Attached
 - Minutes Attached
 - Minutes Not Available
-

HISTORY *(Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)*

Members of the M&F Committee have asked for the monthly sales tax performance chart.

ITEM SUMMARY *(Brief description of item, discussion, key points, recommendations, etc.)*

Attached is the January sales tax performance chart. January of 2021 was 12.2 percent higher than January of 2020.

QUESTIONS FOR COUNCIL

Info Only

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition and future needs of the city and make such recommendations to the council for adoption as he may deem necessary or expedient. This item is informational only. See Aurora City Charter Sec. 7-4 (f). (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain:

PRIVATE FISCAL IMPACT

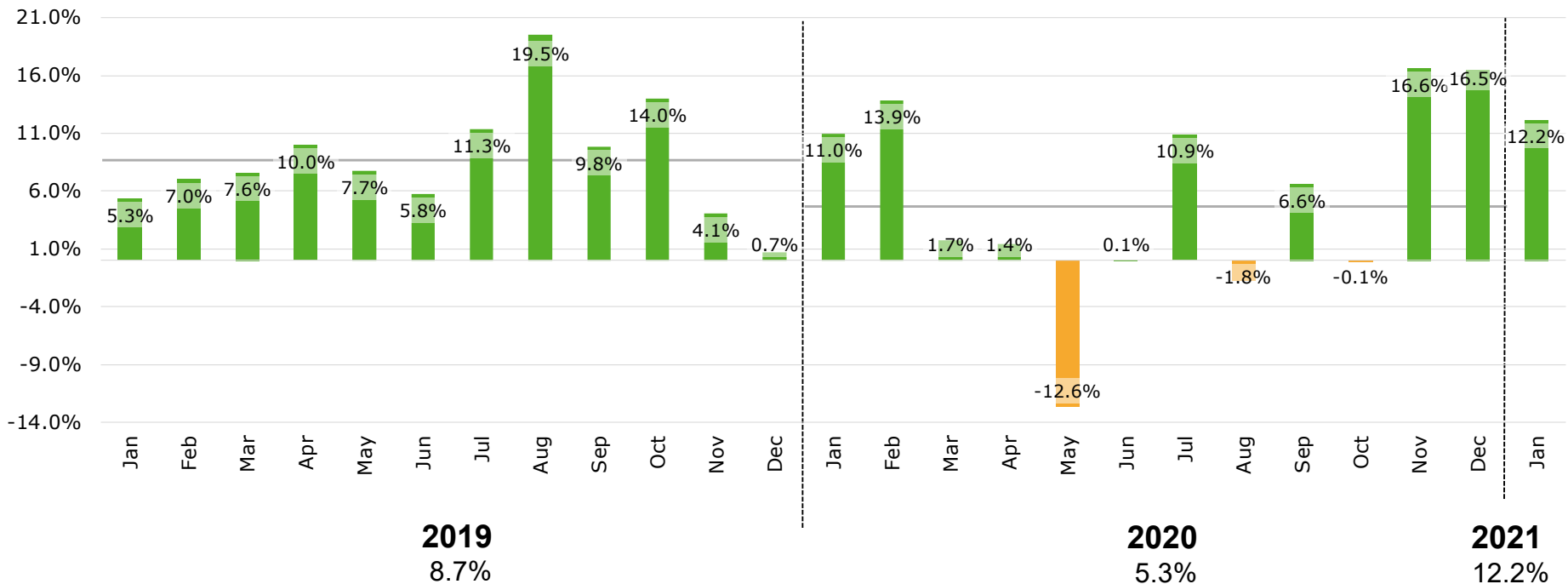
Not Applicable Significant Nominal

If Significant or Nominal, explain:

January 2021 Sales Tax Performance



Percent Change from Prior Year By Month





CITY OF AURORA

Council Agenda Commentary

Item Title: CABC Bylaw Changes
Item Initiator: Greg Hays, Budget Officer
Staff Source/Legal Source: Greg Hays / Hans Hernandez Assistant City Attorney
Outside Speaker: Michael Westerberg CABC Executive
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: n/a

Regular Meeting: n/a

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item and move forward to Study Session Information Only
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Approve Item with Waiver of Reconsideration
Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: Management & Finance

Policy Committee Date: 2/23/2021

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval Does Not Recommend Approval
- Forwarded Without Recommendation Recommendation Report Attached
- Minutes Attached Minutes Not Available
-

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

CABC has a set of rules and bylaws that govern its action. Any revision to these bylaws require the approval of Council.

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

The Aurora CABC seeks to clarify ambiguous language throughout the rules and bylaws and make said clarifying language consistent throughout the document. The CABC also desires to make three substantive changes to the rules and bylaws including: (1) moving the election of officers to January of every year, instead of December, so the entirety of the new membership can select their officers for the year term; (2) choosing to define quorum as a calculation at the beginning of each meeting that shall not change until the meeting is adjourned; and (3) adding language to allow all CABC functions to take place via electronic means.

QUESTIONS FOR COUNCIL

Does the M&F Committee approve this to go forward to full Council?

LEGAL COMMENTS

Under Section 2-627 of the city code, the Citizen’s Advisory Budget Commission (“CABC”) is empowered to create rules and regulations for the election of new officers, including a chairperson, vice-chairperson and recording secretary. The committee also has the power to promulgate rules and regulations governing the conduct of its business, which rules and regulations shall become effective upon approval by the council. The new CABC bylaws are required to be approved by Council before they can be implemented. City council shall act only by ordinance, resolution or motion. All legislative enactments must be in the form of an ordinance; all actions, except as herein provided, maybe in the form of a resolution or motions. This action is an approval of the CABC bylaws and can be taken in the form of a motion and shall be approved by a majority of council. *See also*, Section 5-1 Aurora City Charter. (Hernandez).

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: N/A

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain: N/A

**CITIZENS' ADVISORY BUDGET COMMITTEE
MISSION STATEMENT**

The mission of the Citizens' Advisory Budget Committee (CABC) is to study all phases of the budget of the City of Aurora and to make recommendations to City Council in regard to any and all budget matters.

RULES & PROPOSED CHANGES AS PRESENTED IN NORMAL MONTHLY MEETING (JANUARY 4, 2021). –TO BE ATTACHED TO THE JANUARY MEETING MINUTES.

CITIZENS' ADVISORY BUDGET COMMITTEE (CABC) RULES AND REGULATIONS

1. Election of Chair, Vice-Chair, and Recording Secretary shall be accomplished as prescribed in these rules and regulations. These three (3) officers shall constitute the Executive Committee. Should any officer resign or be unable to carry out his/her duties, an election shall be held within two regularly scheduled meetings for purposes of filling the vacancy. If the position of Chair is vacant, the Vice-Chair will be the temporary Chair until an election for Chair can be held. If all three officer positions become vacant, the member having served the longest on the CABC will serve as temporary chair until an Executive Committee can be elected. If the regular December meeting is less than 60 days from the date of vacancy, a special election need not be held.

The executive committee shall be voting members of the CABC. Members of the executive committee are encouraged to interact with other committees and city entities. One member of the executive committee shall be a member of each subcommittee with the exception of the nominating committee.

2. Duties of the Executive Committee: The Chair will conduct meetings of the CABC, the Vice Chair will serve as Chair in the absence of the Chair, and the Recording Secretary will take the roll and keep the minutes. The three members of the Executive Committee, with a representative of the Budget Office, will conduct a regular business meeting and set the agenda for the upcoming regularly scheduled meeting.
3. A motion for removal from office may be initiated against any or all of the officers. The motion to remove must have a second and may be discussed at that same meeting, but no vote may be taken then. The vote on a motion to remove will be taken at the next regularly scheduled meeting, with a special written notice sent to all committee members advising them of the removal vote.

The Budget Office Staff will conduct the removal vote and it shall be the first item of business at the meeting. A 3/4 majority vote of the membership appointed to the CABC is required to remove an officer; a separate vote is required for each officer to be removed. If all three officers are removed, the meeting is then immediately adjourned and the vacancy rules in Section 1 above will apply. If any officer is removed, the entire City Council will be notified by the Budget Office within 24 hours.

4. A nominating committee will be comprised of volunteers solicited by the Chair at the regularly scheduled meeting in ~~November~~ December each year. All those volunteering will serve as the nominating committee, providing that there are at least three. Should three people not volunteer, the Chair will appoint sufficient persons to make a committee of three. The nominating committee will select a spokesperson who will present the ballot to the members of CABC. No member of the Executive Committee shall be a member of the nominating committee. The slate of candidates will be included with the agenda for the ~~December~~ January meeting. At the regularly scheduled meeting in ~~December~~ January the election of officers will take place. Nominations may be made from the floor at this time. No second is required for nominations from the floor per Robert's Rules of Order. The election will be by written ballot, ~~or~~ an electronic message to the Budget Office if a member is participating by conference call, or by other electronic means approved by a majority of the Executive Committee prior to the regularly

scheduled January meeting. A nominee is elected upon receiving votes of a majority of those members participating in the meeting. If a majority is not won on the first ballot, a run-off between the two nominees receiving the largest number of votes shall be held immediately thereafter. Those elected will assume office immediately.

5. Robert's Rule of Order will be observed as the means of conducting any business that comes before the CABC. ¹
6. A majority of the members appointed shall constitute a quorum. ~~A quorum established at the beginning of the meeting constitutes a quorum for the duration of the meeting.~~ The Secretary, at the beginning of each meeting, shall announce if quorum has been met after taking the roll. A quorum established at the beginning of the meeting constitutes a quorum for the duration of the meeting, and all vote thresholds shall be based upon said quorum for the duration of the meeting (i.e., a quorum of 20 members is established making 11 votes the requirement for a majority. If three members leave before the end of the meeting, a majority vote of 11 votes is still required for the duration of that meeting). A quorum is required for any items to be put to a vote. Any disputes about quorum shall be decided by referring to these rules, or in the case of ambiguity in said rules, a vote by each member of the executive committee. A quorum is required for any items to be put to a vote.
7. Formal reports to the Council shall be made in accordance with Section 2-629² of the City Code or as otherwise required and must be approved by a majority of those present. Unsolicited reports to City Council shall be made by the Chair with the approval of a majority of the CABC membership.
8. The regularly scheduled meetings of the CABC will be at 6:30 PM the first Tuesday of each month. Special meetings may be called, or the date and/or time of any month's regularly scheduled meeting may be changed, providing that the schedule change is approved by the majority of CABC members present at a regular meeting.

Members will be notified of any meetings by email unless a member requests notification by letter, with special notice of any changes in time, date, or location of any meetings, as soon as is possible, by the Chair. All meetings will be concluded by 9:00 PM; unless a majority of members present agree to an extension.

9. Arrangements for meetings, space, clerical help, records, and other general assistance will be

¹ The most current edition of Robert's Rules of Order shall be utilized.

² Sec. 2-629. - Reports.

(a)

The citizen's advisory budget committee shall issue a formal report for each budget cycle to coincide with the council's schedule for approval of that budget. Other reports to the council shall be made as are requested of them from time to time by a majority of the council. The committee shall in its discretion be authorized to prepare and issue a report requested by an individual councilmember. Upon a majority vote of the entire committee, the committee shall be authorized to prepare and issue an unsolicited report to the council.

(b)

All reports or recommendations made by the citizen's advisory budget committee shall be advisory only to the council and shall be presented by the chairperson of the committee and shall consist of a majority report. Whenever the report is approved by less than two-thirds of the members of the committee, a minority report may also be submitted (*Code 1979, § 8-97*)

made with the City Manager or designee, as set forth in Section 2-628³ of the City Code.

10. Committee members retain all their rights to freedom of speech granted them under the federal constitution and the bill of rights. Nevertheless, when a committee member speaks to a member of the public, the committee member should be careful to emphasize the fact that the committee member is expressing his or her own views, unless the committee has formally, as a body, adopted a position on the issue being discussed.
11. It is expected that all members will satisfactorily participate on the CABC either in person or by conference call. Satisfactory participation is defined as all of the following:
 - Participation on at least one budget subcommittee per budget cycle. Attending subcommittee meetings, involvement in subcommittee recommendations and reports.
 - Having no more than two unexcused absences in a 12-month period. An excused absence is defined as notifying a member of the executive committee or budget office staff in advance (no later than close of business on the meeting date) of being unable to attend a regularly scheduled CABC meeting.
 - Conduct in accordance with the rules and regulations of this committee.

Unsatisfactory participation shall result in the following:

- After any unexcused absence, a courtesy call will take place to find out why the member was absent. After the third unexcused absence occurs, the CABC Secretary shall send written notification to the Council Member who appointed the member regarding their appointee's unsatisfactory performance.
12. CABC members, when choosing Subcommittees and voting on recommendations to Council, should be aware that the appearance of a conflict of interest could compromise the integrity of CABC recommendations and should recuse themselves.
 13. When a member resigns from the CABC, a resignation is official when it is received by the Budget Office, city clerk's office, executive committee member or their appointer via letter or email. Resigning members are strongly encouraged to consider completion of current workplan prior to resignation.
 14. The CABC may make such other rules, regulations, or changes thereto as deemed necessary. All rule and regulation changes are to be approved (by motion or resolution) by Council per Section 2-627⁴. These rules and regulations shall be reviewed annually by the CABC.

³ Sec. 2-628. - Assistance from city manager.

The city manager shall provide such records, information, supplies, clerical help, budget data, meeting space and other general assistance as is requested by the chairperson of the citizen's advisory budget committee, provided such request shall be reasonable both as to extent and content so as not to place an undue burden upon the administration of the city.
(Code 1979, § 8-96)



CITY OF AURORA

Council Agenda Commentary

Item Title: City of Aurora Debt Policy
Item Initiator: Teresa Sedmak, City Treasurer
Staff Source/Legal Source: Teresa Sedmak / Hans Hernandez, Assistant City Attorney
Outside Speaker: n/a
Council Goal: 2012: 6.3--Maintain a high financial credit (bond) rating, maintain debt policies and debt practices

COUNCIL MEETING DATES:

Study Session: 3/15/2021

Regular Meeting: 3/22/2021

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
 - Information Only
 - Approve Item and Move Forward to Regular Meeting
 - Approve Item as proposed at Regular Meeting
 - Approve Item with Waiver of Reconsideration
- Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: N/A

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
- Does Not Recommend Approval
- Forwarded Without Recommendation
- Recommendation Report Attached
- Minutes Attached
- Minutes Not Available

HISTORY *(Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)*

Existing debt policy was last updated and approved in 2012.

ITEM SUMMARY *(Brief description of item, discussion, key points, recommendations, etc.)*

This action brings forward a proposed comprehensive debt policy, inclusive of sections on swaps, disclosure and post-issuance compliance. The recommended policy is current with existing laws, rules and regulations of the U.S. Internal Revenue Service and the Securities and Exchange Commission.

QUESTIONS FOR COUNCIL

Does the Committee support advancement to study session?

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition and future needs of the city and make such recommendations to the council for adoption as he may deem necessary or expedient. This item is informational only. See Aurora City Charter Sec. 7-4 (f). (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain:

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain:

RESOLUTION NO. R2021-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AURORA,
COLORADO, ADOPTING A DEBT POLICY

WHEREAS, the City of Aurora, Colorado, (the “City”), is a home rule municipality, organized and existing under Article XX, Section 6 of the Colorado Constitution and as such the City has authority to legislate and regulate its local affairs; and

WHEREAS, it is the role of the City Council of the City to establish policies regarding the operation of the City; and

WHEREAS, the Director of Finance and the Council Management and Finance Committee reviewed the proposed “Debt Policy” (the “Policy”), and they have recommended the adoption of the Policy attached to this resolution; and

WHEREAS, the City Council finds and determines that it is in the best interests of the City and its citizens to adopt the Policy for the City for these purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO:

Section 1. The City “Debt Policy” is hereby adopted in substantially the form filed with the City Clerk and attached to this Resolution as Exhibit A, presented at this meeting, with such technical additions, deletions, and variations as the City Attorney may deem necessary or appropriate and not inconsistent with this Resolution.

Section 2. All resolutions or parts of resolutions of the City of Aurora, Colorado, in conflict herewith are hereby rescinded.

Section 3. Any reconsideration of this Resolution by the City Council of the City is hereby waived.

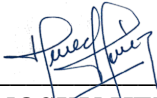
RESOLVED AND PASSED this _____ day of _____, 2021.

MIKE COFFMAN, Mayor

ATTEST:

KADEE RODRIGUEZ, City Clerk

APPROVED AS TO FORM:



RLA

HANOSKY HERNANDEZ,
Assistant City Attorney

Debt Policy
City of Aurora, Colorado



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Debt Policy

Section I. Introduction

Purpose and Overview:

The following Debt, Disclosure and Post-Issuance Policies (the “Policies”) are established by the City of Aurora, Colorado (the “City”) to help ensure that all debt is issued both prudently and cost effectively. Adherence to the Policies is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations. The Policies apply to all general obligation debt issued by the City, lease revenue debt issued by the City, lease purchase contracts, debt guaranteed by the City, direct bank loans, revenue debt issued by the City’s Enterprise funds, and any other forms of indebtedness (individually and collectively referred to as “Debt”).

Any capital financing proposal to a City Department involving the pledge or other extension of the City's credit through sale of securities, execution of loans or leases, marketing guarantees, or otherwise involving directly or indirectly the lending or pledging of the City's credit, or the City acting as a conduit for the sale of securities, shall be referred to the Finance Department for review.

Exceptions to this Policy may be allowed in extraordinary instances and only when it is deemed to be in the best interest of the City.

Policy Review and Revision

This Policy will be reviewed at least once every three years or as otherwise required to assure its relevance and coverage of matters related to federal securities laws and/or regulations or tax laws. Such a review may be initiated by the Responsible Party. In connection with such review, the City will consider whether this Policy should be amended or supplemented:

- To address particular requirements associated with any new Obligations, or
- To reflect general changes in federal securities laws and/or regulations, or
- To address modifications to federal tax law related to tax-advantaged obligations.

Any such modifications to Policy will require the review and approval of City Council.

Procedures which are outlined in the Disclosure and Post-Issuance Compliance Procedures sections of the Policy may be updated administratively with the approval of the Responsible Party, as necessary provided the changes are consistent with the substance and intent of this Policy.

Section II. Governing Principles

Creditworthiness

The City seeks to maintain the highest practical credit ratings for all categories of short- and long-term General Obligation and Revenue debt that can be achieved without compromising delivery of City services and achievement of City goals.

The City recognizes that external economic, natural, or other events may from time-to-time affect the creditworthiness of its debt. Nevertheless, the City is committed to ensuring that actions within its control are prudent and responsive.

The City will keep outstanding debt at levels consistent with its creditworthiness objectives as outlined above. In accordance with Section 11-19 of the City Charter, the total outstanding general obligation indebtedness of the City, other than water bonds, shall not at any time exceed three (3) percent of the assessed valuation of the taxable property within the City, as shown by the last preceding assessment for tax purposes.

Governing Law

In issuing and managing Debt, the City shall comply with applicable laws and regulations of the City, state, federal government and regulatory agencies. These include, but are not limited to:

- Internal Revenue Code of 1986, as amended (the “Code”)
- Articles X of the Colorado Constitution
- Article XI, Part 3 of the City Charter
- Securities Act of 1944 and Securities Exchange Act of 1934
- Applicable Securities and Exchange Commission regulations

Permitted Debt by Type

General Obligation Bonds (“GO bonds”) – The City is authorized to issue bonds or other financial obligations, including obligations negotiated directly with financial institutions, backed by its taxing authority (“General Obligation Bonds”). In accordance with Article X of the Colorado Constitution, no GO bonds shall be issued until approved by a majority of those qualified electors voting, unless the GO bonds are being issued to refund a prior issue.

Certificates of Participation (COPs) – The City is authorized to issue lease-purchase/appropriation debt in accordance with provisions set forth in Colorado Revised Statutes 29-1-103 through 29-1-106, concerning budget issues and term restrictions of lease-purchase agreements. Debt service on COPs is subject to appropriation in the City budget as it is not a general obligation of the City.

Revenue-Backed Obligations:

Enterprise Funds – The City’s Enterprise Funds are authorized to issue revenue bonds or lease-revenue bonds with the approval of City Council, but without the approval of the voters within the City, so long as, after issuance of such obligations, the Enterprise Funds remain in compliance with covenants made under prior debt authorizations.

Revenue Bonds – The City may issue revenue bonds for any public purpose without first submitting the question of their issuance to the registered electors, and may pledge the revenues therefrom to pay the bonds and interest thereon; provided that if any such bonds pledge the revenue of any other City-owned utility, property or facility, or if the said bonds are in any way made a general obligation of the City, then such bonds shall require the affirmative vote of a majority of the registered electors voting thereon before they may be issued.

Development Revenue Bonds – The City may issue and sell development revenue bonds at public or private sale for the public purpose of promoting industry and developing trade or other economic activity in such manner as provided in Colorado statute. Such bonds shall not constitute a general obligation of the City and shall be payable solely out of the revenues derived from the financing sale or leasing of the project with respect to which the bonds were issued.

Special and Local Improvement District Bonds – The City shall have the power to construct or install special or local improvements of every character within designated districts by (a) order of the council; or (b) on petition of the majority of the property owners in the designated district, subject in either event to protest by the owners of the frontage or area to be assessed. Such bonds shall not constitute a general obligation of the City and shall be payable solely out of the assessments collected from property owners.

Purpose for Borrowing

The city may issue long-term debt solely for the purpose of financing or refinancing the cost of design, acquisition, maintenance, replacement and/or construction of long-lived capital projects (including land and water rights) or to refund outstanding debt and not for operating capital. The weighted average maturity of the debt shall not exceed 120% of the weighted average useful life of the project or projects to be financed.

Section III. Roles and Responsibilities

After a favorable review of a project and financing concept by City Council or Council Committee(s), the Finance Department shall, in conjunction with the City's Bond Counsel, Financial Advisor, Office of the City Attorney, and Department benefiting from any financing, produce appropriate ordinance(s) and, if needed, bond sale documents for consideration and approval by the City Council.

Legislative Authority – It is the responsibility of the City Council to:

- Approve projects to be financed (as part of a capital plan)
- Adopt an ordinance/resolution authorizing the issuance and sale of debt and determine whether the execution of a sale will be delegated to a designated representative
- Approve and oversee the implementation of this Policy
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt obligations

Primary Administrative Authority – The primary responsibility for debt management rests with the Finance Director or his/her delegee. The Finance Director, or his/her delegee will be responsible for the remaining elements included in this Policy.

Final terms and conditions for a bond sale or other debt obligation will be specified in the enabling legislation, a Supplemental Resolution of Council or a Final Terms Certificate executed by the Director of Finance.

Section IV. Professional Services

Professional Services – The City shall procure professional services as required to execute financing transactions and to advise on non-transaction related work. Such selections shall be made via competitive means and consistent with procurement processes of the City.

Professional services may be provided by Financial Advisors, Legal Counsel (bond counsel, disclosure counsel and/or tax counsel), Underwriters and other service providers such as rating agencies, trustees, paying agents, trustees or escrow agents, printers, arbitrage rebate calculation firms, bidding agents and credit enhancement providers.

Professional services shall be monitored by the Finance Director or his/her designee. Compensation for all such services will be consistent with industry standards.

Professional services providers are outlined below.

Municipal/Financial Advisor - The City will select an advisor to assist in the issuance and of all debt. This advisor will provide a range of services in connection with the issuance of debt; must be a duly registered Municipal Advisor under the Securities and Exchange Commission (“SEC”) and Municipal Securities Rulemaking Board (“MSRB”) rules.

If it is deemed appropriate, separate or additional financial advisors may be retained for their particular expertise for a specific transaction or project. The utilization of the financial advisor for particular bond sales will be at the discretion of the Department of Finance on a case-by-case basis and pursuant to the financial advisory services contract.

Upon expiration of a contract, the City may choose to extend the existing contract or undergo a new full professional services selection process.

In general, the City's Financial Advisor shall not be allowed to participate as an underwriter in the competitive or negotiated sale of any of the City's securities for which it has acted within the prior six months as the City's Financial Advisor.

Bond Counsel – All debt obligations issued by the City shall be accompanied by a written legal opinion by a nationally recognized legal firm with extensive experience in the public finance and tax law, and with significant operations in Colorado, affirming that the City is authorized to issue the debt, that the debt creates a binding obligation, stating that the City has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal and state income tax status.

Disclosure Counsel - Every issuance of securities to the public by the City shall be made pursuant to a disclosure document prepared with the assistance of counsel of the City's choosing. Opinions of such counsel shall be addressed to the City and to the underwriter/initial purchaser of the securities, whether at negotiated or competitive sale.

Underwriters – If a negotiated sale is approved in accordance with Section 11-25 of the City Charter, the Finance Director or his/her delegee will be responsible for the competitive selection of the underwriter or underwriters. The primary role for the underwriter in a negotiated sale is to market the debt to investors and purchase debt from the City.

Underwriter's Counsel - The City may pay for underwriter's counsel as part of the Cost of Issuance or make it part of the underwriter's discount.

Arbitrage Rebate Calculation Firm – The Finance Director (or his/her designee) shall, when deemed necessary, procure the services of an arbitrage rebate calculation firm to provide arbitrage rebate compliance services in accordance with codes of the Internal Revenue Service.

Other Service Providers - The Director of Finance shall have the authority to periodically select other service providers (e.g., escrow agents, verification agents, trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and minimize net City debt costs. These services can include debt restructuring services and security or escrow purchases. The Director of Finance may select firm(s) to provide such financial services related to debt consistent with City purchasing guidelines and applicable law.

Section V. Transaction-Specific Policies

Method of Sale

The method of sale shall be determined based on that method that is most likely to achieve the lowest cost of borrowing, while taking into account the characteristics of the financing related to credit rating, security, structure, market conditions and other factors which may favor one method over the other. Unless otherwise justified and deemed necessary to minimize the cost of borrowing, the issuance and sale of fixed-rate debt shall be achieved by competitive bid. The City Council shall have the option to authorize a private/negotiated sale without advertisement

for public sale if the city manager has certified to the City Council that such sale would be to the best advantage of the city.

Competitive Bid Method - If sold through competitive sale, bids will be awarded on a true interest cost basis (TIC), provided other bidding requirements are satisfied and subject to the right of the City to waive defects and irregularities in bids, or to reject any and all bids. For all competitive sales, underwriters will be required to post a good faith deposit.

Negotiated Sale Method – When market conditions or special complexity or other features of a debt issuance may cause the debt issuance to be less suited for sale by competitive bid, the City Manager, in accordance with Section 11-25 of the City Charter, shall certify to the City Council that such sale would be to the best advantage of the City. For all negotiated sales, underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance.

The Director of Finance shall make all final determinations of selection for underwriters. The determination will be made following review of competitive bids or responses to requests for proposals (RFPs) or requests for qualifications (RFQs).

If the debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, yields, priority of orders, and underwriting or remarketing fees. The City, along with its Municipal Advisor shall evaluate the terms offered by the underwriting team in light of prevailing terms and market conditions for comparable issues. In no instance may debt be issued on a negotiated basis without the participation of the City's Municipal Advisor.

All sales of debt by negotiated sale shall be followed by a post-sale analysis and report summarizing bond pricing compared to comparable market sales on the day of pricing, comparisons to Municipal Market Data indices on the day of sale, and details of orders and allotments.

Structural Elements of Debt

Maturity - Debt will generally be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users. The weighted average maturity of the debt shall not exceed 120% of the weighted average reasonably expected economic life of the assets being financed. In accordance with Section 11-19 of the City Charter, bonds of the City, other than water bonds, shall mature in not more than fifteen (15) years from the date of issue and shall be payable in annual installments commencing not later than five (5) years after the date of issue of the bonds. Water bonds shall mature and be payable as provided by the ordinance authorizing their issuance.

Structure - Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency or importance of the capital project or asset, and the nature and type of

security provided. Moreover, to the extent possible, the City will design the repayment of its overall debt so as to recapture rapidly its debt capacity for future use.

Backloading - The City will seek to structure its debt portfolio with overall level principal and interest costs over the life of the debt. "Backloading" of costs (deferring principal and/or interest to later periods) will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of the debt prohibitive, when the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present, when such structuring is beneficial to the City's overall amortization schedule, or when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

Coupon Type – Unless otherwise justified, long-term debt will be sold with maturities paying interest on a periodic basis. If it is determined to be in the best interests of the City, securities may be issued that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions.

Redemption Features - For each transaction, the City shall evaluate the costs and benefits of call provisions.

Second Lien (Subordinate) Debt - The City may issue second lien debt only if it is financially beneficial to the City or consistent with creditworthiness objectives.

Derivatives - The City will consider the use of derivative products on a case by case basis and consistent with financial prudence. See Attachment 1, Alternative Financing Instruments.

Refundings - Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is desirable in order to modernize covenants essential to operations and management. In general, a current refunding could occur if there are any positive savings. For an advance refunding, to the extent allowed by federal tax law, an economic analysis is needed to determine the net present value savings from a conventional fixed rate refunding structure. Factors including the length of time until the call date, the structure of the refunding debt and expectations of future interest rates shall be reviewed in determining if savings are sufficient. Additional potential savings (savings that are subject to tax risk, basis risk, or similar risks) shown from a "synthetic" or "derivative" refunding structure will not be considered in determining the sufficiency of savings. Advance refundings with NPV savings of less than 3% will not be considered unless there is a compelling public policy objective.

Bond Anticipation Notes (BANs) - Use of short-term borrowing, such as (but not limited to) BANs, tax-exempt commercial paper and reverse repurchase agreements will be undertaken only if the transaction costs plus interest on the debt are less than the cost of internal financing, or available cash is insufficient to meet both capital improvements and working capital requirements.

Credit Enhancement - Credit enhancement (letters of credit, bond insurance, etc.) may be used when debt service on the bonds is reduced by more than the costs of the enhancement as determined on a net present value basis. Credit enhancement may also be considered when there is no net present value advantage if there is a compelling debt structure or public policy objective.

Section VI. Compliance

Disclosure - The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, underwriters of its securities, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis. The Finance Department shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with applicable disclosure standards promulgated by state and national regulatory bodies.

Issuance and Post-Issuance Compliance Procedures

The City, in consultation with its bond counsel and other members of the Financing Team, as appropriate, shall adopt comprehensive compliance procedures to ensure that the City complies with requirements of the Code, both at the time of issuance and post-issuance, as necessary to maintain the tax exemption for tax-exempt debt. The compliance procedures shall provide for the periodic monitoring of compliance while the debt is outstanding whether requirements of the federal arbitrage regulations and the restrictions of the federal private activity bond regulations applicable to the investment and use of proceeds of tax-exempt bond issuances, as well as the facilities financed with those proceeds, are being properly observed.

Please refer to attachment 2 for Disclosure and Post-Issuance Compliance Procedures.

Arbitrage Liability Management

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the City shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The City shall, when deemed necessary or when required, contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The City shall maintain an internal record-keeping system for tracking investments and expenditures of bond proceeds.

Section VII. Miscellaneous

Bond Fund - All payment of general obligation and general fund revenue bond debt service shall be from the City Debt Service Fund. The Finance Department shall make other debt service payments, including payments on Enterprise debt, by transferring the amounts from the appropriate accounts.

Investment of Bond Proceeds - Investments will be consistent with those authorized by applicable federal, state and local law and by the City's investment policies.

Costs and Fees - All costs and fees related to issuance of bonds will be paid out of bond proceeds or by the benefiting Department. The Finance Department may assess a fee as part of the costs of issuance on all debt instruments issued by the City sufficient to offset the internal costs of issuance and management of debt.

Attachment I Alternative Financing Instruments

Introduction

The purpose of this City of Aurora (the “City”) Swap Policy (the “Policy”) is to establish written guidelines for the City’s execution and management of interest rate swaps, forward starting swaps, options, basis swaps, rate locks, total return swaps, interest rate caps, interest rate floors, interest rate collars and other similar products (collectively, “Swap Products”).

Philosophy Regarding Use of Swap Products

The Aurora City Council (the “Council”) recognizes that Swap Products can be appropriate financial management tools. This Policy sets forth the manner in which the Authority shall enter into, modify, manage and terminate transactions involving Swap Products (“Swap Transactions”). The rationale for the use of Swap Products may include, but is not limited to:

- hedging or managing interest rate, tax, basis, and other risks;
- enhancing the relationship between risk and return with respect to debt or investments;
- changing the City’s capital structure;
- achieving an appropriate match of assets and liabilities;
- achieving savings as compared to products available in the cash market;
- synthetically creating or lessening fixed or variable rate exposure;
- locking in fixed rates for future use;
- accessing the capital markets more rapidly than may be possible with conventional debt instruments;
- providing a higher level of savings, lower level of risk, greater flexibility, or other benefits not available in the cash market;
- managing the City’s exposure to the risk of changes in the legal and regulatory tax treatment of tax-exempt bonds (e.g., income tax rate changes and other changes to the Internal Revenue Code); and
- achieving more flexibility in meeting financial objectives than can be achieved in conventional markets.

The City shall not assume risks through the use of Swap Products that would not be prudent in light of the above-stated rationales. However, the Council recognizes that unforeseen events may

produce circumstances that are not contemplated by this Policy and may require exceptions to achieve the City's goals. In these cases, flexibility is appropriate.

Delegation of Authority

The Council hereby delegates to its Finance Director (the "Authorized Representative") the ability to independently approve, execute and manage Swap Transactions and, accordingly, all matters requiring City notice, consultation, review, consideration, approval, consent or other action hereunder shall be deemed references to notice, consultation, review, consideration, approval, consent or other action by one of the City's Authorized Representatives. The actions of the City's Authorized Representatives shall be deemed binding with respect to the City with respect to Swap Transactions, and the Authorized Representative needs to execute a Swap Transaction for it to be enforceable. Notwithstanding the foregoing, no Authorized Representative shall enter into any Swap Transaction without the Council's prior approval thereof; provided that such Council approval may be in the form of a general parameters resolution leaving as much discretion with the Authorized Representative as the Council deems appropriate.

Permitted Instruments

The City may use the following, or similar, Swap Products:

- **Interest Rate Swaps:** An agreement to exchange periodic payments based upon changes in rates over a period of time. Cash flows are calculated based on a fixed or floating rate against a set "notional" amount and may begin on a current or forward basis.
- **Total Return Swaps ("TRS"):** A fixed to floating or floating to fixed swap relating to certain underlying bonds or other securities or debt. In connection with a TRS, the swap counterparty acquires the underlying securities or debt, and when the TRS is terminated, the City may be required to make the swap counterparty whole with respect to negative changes in the value thereof.
- **Options on Swaps:** An agreement in which one party has the right, but not the obligation, to enter into, cancel or modify a swap with the other party on a future date or dates or during a specific period.
- **Basis Swaps:** A floating-to-floating interest rate swap in which one floating rate is exchanged for another.
- **Rate Locks:** A form of interest rate swap with a single cash flow, which is most often used to hedge, though not necessarily reduce, the interest cost of an upcoming fixed rate issue.
- **Interest Rate Caps, Collars, Floors:** A financial contract under which a swap counterparty, in exchange for charging a set premium, will make payments to the other

swap counterparty insofar as the specified interest rate either exceeds a specified strike rate or, in the case of a floor, is less than a specified strike rate.

Execution and Ongoing Management

All Swap Transactions must be consistent with this Policy. In addition, the City shall manage its risks and benefits associated with Swap Transactions through periodic consultation with its Swap Advisor as defined below to determine if modifications would be beneficial in light of current market conditions. Such modifications may include one or more of the following:

- early termination of a Swap Product;
- partial termination of a Swap Product;
- modification of the risk of a Swap Product;
- a sale or purchase of options; and
- application of basis swaps.

Swap Advisor

The City shall select and retain a consultant (the “Swap Advisor”) to provide guidance with respect to Swap Products.

Selection Criteria: To be eligible to serve as the Swap Advisor, an entity or person must meet the requirements for a “Qualified Independent Representative,” as defined in the regulations of the U.S. Commodities Futures Trading Commission promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) and must:

- have substantial experience advising nonprofit entities and/or state and local governments with respect to Swap Products, and sufficient knowledge to evaluate the particular transaction and risks associated therewith;
- be independent from any swap counterparty or proposed swap counterparty, and not be recommended to the City by any swap counterparty or proposed swap counterparty;
- undertake a duty to act in the best interests of the City;
- not be subject to statutory disqualification under the Commodities Exchange Act or the Securities Act of 1933;
- make appropriate and timely disclosures to the City, including disclosing any known material conflicts of interest that could affect its judgment with respect to its duties as the City’s Swap Advisor;

- evaluate, consistent with any guidelines provided by the City, fair pricing and the appropriateness of any particular transaction; and comply with all applicable State and Federal laws with respect to political contributions to public officials.

The Swap Advisor shall present to the City at least annually a comprehensive review of the current status of the City's Swap Transactions. In addition the Swap Advisor shall comply with the requirements with Dodd-Frank, and shall provide representations and enter into agreements consistent with the requirements of Dodd-Frank, including any ongoing requirements, and provide prompt notice to the City and any applicable swap counterparties if any representation becomes incorrect or misleading in any material aspect.

The City will review the performance of the Swap Advisor annually to ensure compliance with this Policy. In connection with such annual review, the City shall obtain a representation from the Swap Advisor that it continues to meet the requirements of a Swap Advisor.

The City will consult with the Swap Advisor with respect to all proposed Swap Transactions. The Swap Advisor shall provide the City with its evaluation of each Swap Transaction unless waived by the City after careful consideration, including:

- **Suitability:** whether the Swap Product meets the City's stated objectives, financial limitations and complies with this Policy.
- **Fair Pricing:** the Swap Advisor shall provide or cause to be provided mid-market pricing or price quotations, and will evaluate the price being offered and obtain quotations from other dealers as necessary.
- **Risks:** evaluate the risks of the Swap Product in accordance with this Policy.

The Swap Advisor shall also consult with the City with respect to the management of the City's Swap Products outside of specific transactions including such matters as recordkeeping and compliance issues.

Risk Analysis

Prior to entering into any Swap Transaction, the City shall consult with its Swap Advisor and consider the risks presented thereby, including each of the following risks:

- **Market or Interest Rate Risk:** The risk that rates, or the spreads between rates, will increase or decrease, and the effect of such changes on the Swap Product's cash flow and market value.
- **Basis Risk:** The mismatch between the rate received under a Swap Product and the rate paid by the City on any related obligation. For example, the risk in a floating-to-fixed swap that the floating rate received by the City under the Swap Product may not at all times equal the floating rate paid by the City on the variable rate bonds that it is hedging. Basis risk may include the risk on a Swap Product where the basis of variable rates received and paid differs.

- **Tax Risk:** Basis risk stemming from changes in the value or interest cost of the City's tax-exempt bonds, as a result of the occurrence of tax events in respect of the City's bonds or of tax-exempt bonds generally, including changes in marginal income tax rates and other changes in the Federal and state tax systems.
- **Termination Risk:** The risk that a Swap Product could be terminated prior to its scheduled termination date pursuant to its terms as a result of any of several events relating to either the City or its swap counterparty. Upon an early termination, the City could owe a termination payment to the swap counterparty or receive a termination payment from the swap counterparty. Such payment would typically reflect the then-current market value of the Swap Product or Products.
- **Amortization Risk:** The risk of a mismatch between the principal amount of any obligations related to the Swap Product and the notional amount of the Swap Product.
- **Counterparty Risk:** The risk that the swap counterparty will not fulfill its obligations as specified by the terms of the Swap Product.
- **Uncommitted Funding Risk:** The risk that the term of a Swap Product exceeds the term of a letter of credit with respect to hedged variable rate demand bonds or the term of the interest rate period of the related bonds being hedged. Also the risk that related variable rate demand bonds cannot be remarketed.

Additional Considerations

The City shall note each of the following additional considerations:

- **Accounting and Covenants:** The City shall consider how the execution and performance of a Swap Transaction will be reported for accounting purposes and how the terms of the Swap Transaction may affect satisfaction by the City of its financial covenants.
- **Credit:** The Council understands that procurement and negotiation of the appropriate portfolio of Swap Products in accordance with the terms of this Policy may be dependent, in part, on its ability to secure its payments to its swap counterparties. The City may provide credit enhancement to its swap counterparties in the form of collateral, financial guaranty insurance or other credit support.

Swap Counterparties

Prior to entering into any Swap Transaction, the City shall consider the credit worthiness of its swap counterparty and consider whether it is appropriate or advisable to require such swap counterparty to post collateral upon the occurrence of certain events or to provide some form of credit enhancement, and/or for the Swap Transaction to include any ratings based termination events. The City shall have flexibility in such matters as long as it is in compliance with all applicable laws.

Compliance with Applicable Laws

Prior to entering into any Swap Transaction, the City shall consult with its counsel to determine the applicability of Section 11-59.3-103, C.R.S. (the “Colorado Swap Statute”), and any other state or federal laws governing Swap Transactions, and, to the extent applicable, confirm compliance therewith. The Colorado Swap Statute, if applicable, contains, without limitation, provisions that mandate certain ratings requirements for the swap provider, limits the maximum term of certain Swap Products and limits the notional amounts of certain Swap Products. In addition, to the extent applicable, it requires that the City receive certain information relating to the costs, risks and benefits of Swap Products, and that City take certain considerations into account, prior to entering into certain Swap Products.

Swap Documentation

The City shall endeavor to use, where practicable, but is not required to use, standard International Swap Dealers Association (“ISDA”) documentation, including the ISDA Master Agreement, the Schedule to the ISDA Master Agreement, a Confirmation of each Swap Transaction and, as applicable, the ISDA Credit Support Annex.

The Finance Director of the City or their designee shall be responsible for overseeing all records related to any of the City’s Swap Transactions. The Finance Director shall ensure that such records are (i) accessible within 5 days of any request for such records and (ii) maintained for at least 5 years after the termination of each Swap Transaction. At a minimum, the City shall maintain copies of all Swap Transaction agreements, including ISDA agreements, modifications, novations and any related agreements, as well as any correspondence with swap counterparties with respect to such agreements, including collateral demands and price quotations.

Attachment 2
Disclosure and Post-Issuance Compliance Procedures

Section I. Introduction

Background:

Internal Revenue Service (“IRS”). The IRS is responsible for enforcing compliance with the Internal Revenue Code (the “Code”) and regulations promulgated thereunder (the “Treasury Regulations”), governing certain obligations, including tax-advantaged municipal bonds.

U.S. Securities and Exchange Commission (“SEC”). The SEC is responsible for enforcing compliance with SEC Rule 15c2-12 (the “Rule”) which require government issuers to meet specific continuing disclosure standards set forth in continuing disclosure agreements (“CDAs”) entered into at the time of issuance. The CDA commits the issuer to provide certain annual financial information and material events notices (all as described later in this policy) to the public.

Purpose:

This Disclosure and Post-Issuance Compliance Procedures section of the DebtPolicy provides a framework for the City of Aurora’s compliance with primary and continuing disclosure requirements under federal securities laws and with post-issuance requirements under federal tax laws for bonds, notes and other obligations issued by the City and backed by the City’s taxing authority or system revenues or issued by third parties and secured by City revenues (“Obligations”). This section applies to all such Obligations of the City and its departments (collectively, the “City”).

The section of this document entitled “Provisions Related to Federal Tax Law” applies specifically to tax-exempt and tax-advantaged Obligations issued by the City (referred to herein as “Tax-Advantaged Obligations”). Taxable Obligations issued by the City are exempt from the regulations described therein.

Objective:

The City desires to monitor its post-issuance obligations to ensure compliance with the Code, Treasury Regulations and the Rule. This section has been issued to: (1) outline applicable federal laws and regulations related to the issuance of municipal debt obligations; (2) commit the City to the filing of accurate, timely and complete financial and operational information and notice of certain events for the benefit of investors in both the primary and secondary markets, as well as citizens, taxpayers and ratepayers; (3) summarize other post-issuance obligations of

the City related to its outstanding Obligations; and (4) define roles and responsibilities of City staff involved in primary and continuing disclosure and the monitoring thereof.

Primary Responsibility: Primary responsibility for compliance with this section of the Debt Policy shall reside with the Director of Finance or other City officials delegated the authority to approve the issuance of Obligations (in either case, the “Responsible Party”).

Section II. Securities Laws and Disclosure

Legal Background:

Anti-Fraud Rules: Statements and information put forth by public issuers, if intended to or likely to reach participants in the securities market, are subject to the anti-fraud provisions set forth in regulations of the Securities and Exchange Commission (the “SEC”). The anti-fraud provisions are included in Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities and Exchange Act of 1934, and SEC Rule 10b-5 (issued under Section 10(a) of the 34 Act) (referred to herein as the “Anti-Fraud Rules”). At their core, the Anti-Fraud Rules require that all material information relating to the offered obligations be provided to potential investors at the time of the offering and as required under Rule 15c2-12 (discussed below). The information provided to potential investors must not contain any material misstatements, and the City must not omit any material information which would be necessary to provide to investors a complete description of the Obligations and material information related to the security for the Obligations, and a thorough financial, operating, governance and management discussion of the City. In the contexts of the sale of securities and any subsequent continuing disclosure, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase or sell the securities. Under Rule 10b-5, “disclosure documents used by municipal issuers, such as official statements, are subject to the prohibition against false or misleading statements of material facts, including the omission of material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading”.

Inaccurate or incomplete disclosure can lead to adverse outcomes such as:

- Investigation by the SEC, the FBI or the US. Justice Department
- Investigation by state or local authorities, such as the State Attorney General or the County Prosecuting Attorney
- Imposition of civil fines or penalties
- In the most serious situations, criminal liability
- Civil suits for damages
- Orders imposing limits or requirements on future public offerings
- Harm to an issuer’s reputation and investor confidence
- Lack of access to public securities markets
- Rating agency downgrades

The liability for false, misleading, incomplete or fraudulent statements under the federal securities laws can fall to an issuer itself and its directors, governance boards, officers and staff, as well as advisors and other members of the financing team for an obligation.

SEC Regulations

Rule 15c2-12: Largely in response to investor complaints about the lack of disclosure following the initial issuance of debt securities, the SEC adopted Rule 15c2-12 (the “Rule”). The Rule prohibits underwriters from offering bonds unless the issuer enters into a written undertaking to provide specified ongoing disclosure (referred to herein as “Continuing Disclosure”) prescribed in the Rule, including annual financial and operating information, audited financial statements and notices of certain listed events.

Not unlike initial disclosure, Continuing Disclosure submissions are also subject to the Anti-Fraud Rules. Continuing Disclosure must be accurate, timely and complete. Additionally, the information must not omit material facts which would be important to investors in making investment decisions.

SEC Disclosure Requirements

Primary Offering Disclosure: When the City issues and sells Obligations pursuant to a public offering, it is responsible for preparing disclosure documents including a preliminary official statement which must be made available to all potential purchasers of the Obligations, and a final official statement (collectively, the preliminary official statement and the final official statement, in the remainder of this Policy, are referred to as the “OS”). The Rule requires that the preliminary OS must be in a form “deemed final” by the City (meaning that it contains all material information regarding the Obligations to be issued) with the exception of certain pricing information (such as principal amounts, maturities, interest rates, and debt service information) before it is made available to potential investors. If there are material developments after the preliminary OS was published, and before the sale date, it must be supplemented prior to the sale date. Information relating to pricing is included in the final OS and is the only permitted substantive difference between the preliminary OS and the final OS. If the debt is not being issued through a public offering, the disclosure document may be less extensive and may be referred to as an offering circular, a limited offering memorandum or a private placement memorandum, all of which are also subject to the Anti-Fraud Rules. In some circumstances, such as a direct purchase of the Obligations by a bank, a formal disclosure document may not be necessary or required.

The OS serves four major functions:

- It provides a transaction-specific description of the Obligations being issued;
- It discloses information about the issuer which may include current and historic operating and financial information, outstanding debt, key economic and demographic information,

retirement benefits funding, and other information that may be deemed necessary to comply with SEC disclosure requirements;

- It discloses risk factors particular to the Obligations; and
- It serves as a marketing tool to potential investors.

There are three primary sections included in the OS:

Part one: The front of the document generally provides an overview of the transaction which may include: maturity dates, interest rates, the specific type of financing, the purpose of the financing, the structure of the debt, redemption provisions, sources and uses of funds, source of repayment and other matters particular to the financing.

Part two: The main body of the document generally provides detail on the issuer which may include: the issuer's governance structure, financial condition, operating data, revenues, credit ratings, potential litigation concerns and a summary of the Continuing Disclosure undertaking. To the extent there is credit enhancement in the form of bond insurance, a letter of credit or similar credit facility, a detailed description of this credit enhancement is included in the OS along with material information related to the provider of the credit facility which would be necessary to provide investors with complete and accurate information related to the credit.

Part three: The third part of the OS generally consists of appendices and may include:

- Audited financial statements
- Economic/demographic information which may affect the financial condition of the issuer
- A form of opinion to be provided by bond counsel related to the legality and tax-exempt status, if applicable, of the Obligations
- Summaries or copies of legal documents related to the transaction
- Summaries or copies of credit enhancement instruments, such as a municipal bond insurance policy
- Feasibility studies, consultant reports and the like which have been prepared for inclusion in the OS

The OS is intended to provide comprehensive and accurate disclosure with regard to both the issuer and the transaction such that investors may make informed investment decisions based upon the information provided.

An issuer's disclosure obligations in connection with the initial offering do not end with the closing of the financing. Rather, they continue for as long as the underwriter holds unsold bonds which it is continuing to offer. And in a negotiated bond sale, the bond purchase agreement with the underwriter may include a contractual obligation on the part of the issuer to notify the underwriter and supplement the OS for any material developments occurring or becoming known to the issuer for 25 days or more following the closing.

Because the City, as an issuer of municipal securities, is responsible for the completeness and accuracy of the information put forth to investors in the OS, it is critical that the City provide thorough disclosure, without material misstatements or omissions, sufficient to allow a reasonable investor to make an informed investment decision. This information should include, at a minimum, material information related to the security for the Obligations, and a thorough financial, operating, governance and management discussion of the City. The procedures related to disclosure are outlined in the procedures section of this Policy.

Responsibility: while primary responsibility for compliance with the Policy shall reside with the Responsible Party, the Financing Team including subject matter experts, appropriate staff throughout the organization, and outside consultants and attorneys as further described in the attached procedures, will retain principal responsibility for drafting, editing and reviewing information contained in the OS.

Governing Board Notification: The OS, or a draft in substantially final form, shall be made available to the City Council, or other governing body, as appropriate, prior to publication. Additionally, staff may hold informational briefings at study sessions, committee meetings or other official meetings of the City Council.

Assistance of Counsel: The City may retain outside legal counsel with expertise in federal securities laws matters to assist in the preparation of the OS and will also include the assigned Assistant City Attorney.

Certification: In connection with the closing of the transaction, the Responsible Party, shall be responsible for the certification of the information included in the OS.

Governing Principles for Initial Disclosure. The following principles govern the work of the respective City officials and staff members that contribute, prepare, edit, or, review information contained in the OS:

- City officials and staff involved in the drafting, editing and/or review of the OS are responsible for being familiar with this Policy and with federal securities laws generally as they relate to disclosure.
- City officials and staff involved in the disclosure process should err on the side of raising issues or concerns when preparing or reviewing information for disclosure. City officials and staff are encouraged to consult with Bond Counsel and/or Disclosure Counsel if there are questions regarding whether an issue is material.
- Procedural processes and guidelines related to this Policy, disclosure preparation and review are attached. From time to time, the City will consider revisions to this Policy and attached procedures, as a result of experience during particular financings, because of additional SEC pronouncements or for other reasons.
- The City must take action to ensure that officials involved in the preparation of the disclosure document who have sufficient expertise and authority to, collectively,

compile accurate and complete information to allow a reasonable investor to make an informed investment decision.

Other Marketing Activities: Preparation for the marketing of securities may include activities which are separate from the preparation of the OS. For instance, the issuer may have discussions and interactions with credit rating agencies and make presentations to potential investors. The disclosure in these situations is subject to the same due diligence and Anti-Fraud Rules which pertain to the OS. Information given in these situations must be consistent with information provided to all other investors or potential investors.

SEC Rule 10b-5 prohibits the purchase or sale of a security of any issuer on the basis of material nonpublic information about that security or the issuer, often referred to as “insider information.” Thus, third parties should not be provided, orally or in writing, material nonpublic information which is not also available to all investors (or potential investors).

Formal presentations to credit rating agencies and potential investors shall be reviewed by the Responsible Party, as applicable.

Public Statements: Public statements by City officials that can reasonably be expected to reach participants in the securities market are also subject to the Anti-Fraud Rules. Thus, public statements, both verbally and in writing, should be avoided that convey inaccurate or misleading material information regarding the City.

Annual Reports: Annual reports prepared for general dissemination to the public, which typically include audited financial statements, a management discussion and analysis, statistical and other information, and cover letter, are all subject to the Anti-Fraud Rules and thus should be subject to procedures similar to those utilized for the preparation of the OS.

Training Required: Individuals holding responsibility for the issuance of Obligations, the preparation of the OS, the satisfaction of initial and continuing disclosure requirements, and the maintenance of books and records related to the financing shall be provided periodic training related to relevant federal securities and tax laws, either in-house or through third-party conferences, courses, or other programs.

Continuing Disclosure: Ongoing (continuing) disclosure is required by Rule 15c2-12 (the “Rule”), which requires the underwriter of an issue of municipal securities to obtain a commitment from the issuer to provide ongoing disclosure.

Continuing Disclosure is intended to reflect the ongoing financial and operating conditions of an issuer as they change over time, as well as specific events occurring after issuance, that can have an impact on both the ability to repay debt obligations and the market value of the City’s debt in the secondary market.

For each new issuance, the Rule requires a written undertaking between the issuer and the underwriter of the obligations which requires the issuer, for the benefit of holders of municipal securities or potential investors, to provide the following to the Municipal Securities Rulemaking Board (“MSRB”):

- Audited financial statements
- Operating data as provided for in the applicable Continuing Disclosure undertaking
- Notice of the occurrence of any of the following events, within 10 business days of the occurrence of the event:
 - Delinquency in the payment of principal of or interest on the issuer’s securities
 - Non-payment related defaults, if material
 - Unscheduled draws on debt service reserves, or on credit facilities, reflecting financial difficulties
 - Substitution of credit or liquidity providers or their failure to perform
 - Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability or Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material event affecting the tax status of the security
 - Modifications to the rights of security holders, if material
 - Bond calls, if material, and/or tender offers
 - Defeasances
 - Release, substitution, or sale of property securing repayment of the Obligations, if material
 - Ratings Changes
 - Bankruptcy, insolvency, receivership or similar event of an obligated person
 - The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantial all of the assets of the obligated person, 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
 - Appointment of a successor or additional trustee or the change of name of a trustee, if material
 - Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
 - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties
- Other notices:
 - The failure to provide annual information within the specified time

- Any change in the accounting principles applied in the preparation of the annual financial statements or in the fiscal year

All submissions will be made in electronic form through the MSRB's web-based system known as Electronic Municipal Market Access ("EMMA"), currently available at <http://www.emma.msrb.org>.

The City shall enroll on the EMMA website for annual email reminders of annual filing deadlines.

Voluntary Disclosure: Although the Rule prescribes certain annual information and event-based disclosures which must be filed, issuers may disclose additional information which would be of interest to investors. To this end, the City may choose to voluntarily disclose other information to the MSRB that goes beyond the requirements of the Rule.

Section III. IRS Regulations

Proceeds of Tax-Advantaged Obligations and certain other funds are subject to the arbitrage and rebate restrictions in Section 148 of the Code. Some funds may only be invested at a rate that does not exceed the yield on the Tax-Advantage Obligations. For funds that may be invested at an unrestricted yield, amounts earned by investing above the bond yield must be rebated to the IRS, unless the City qualifies as a small issuer or a spending exception is met. The arbitrage and rebate requirements for each Tax-Advantaged Obligation are detailed in the federal tax certificate issued in conjunction with the Obligations.

The Finance Director, or his/her designee, will monitor the investment and expenditure of the funds and accounts and will determine whether the Tax-Advantaged Obligation meets the requirement for one of the expenditure exceptions to arbitrage rebate. Arbitrage reports may be required to be prepared, and rebate may be due to the IRS.

Each year, the City, or a qualified consultant, will calculate, in accordance with IRS guidelines, rebate requirements on City obligations. Any investment earnings in excess of permitted amounts, must be paid to the U.S. Treasury.

Appendix: Disclosure and Post-Issuance Compliance Procedures

Financing Team

The Financing Team shall consist of City staff as listed below and other public finance professionals including bond counsel, disclosure counsel (discussed below), financial advisors, underwriters, and others providing professional services related to the issuance of Obligations.

City Staff:

- Director of Finance
- City Treasurer and staff members
- Controller
- Accounting Supervisor
- Budget Officer
- Assistant City Attorney
- Controller

The Financing Team shall hold primary responsibility for: the plan of finance, the financing schedule (including the identification of critical tasks and responsibilities), document review and compliance with federal law and tax regulations, the structuring and pricing of the Obligations, and the preparation rating agency material and presentations to rating agencies . In addition, members of the Financing Team may be called upon to direct the timing of issuance of Obligations; the solicitation and selection of other members of the Financing team; communication and review of financing plans; the discussion of current regulatory issues; staff training; and advising on other issues related to the issuance of Obligations.

Section I. Official Statement Preparation and Review

The following procedures put forth the steps which will be taken in preparing the Preliminary Official Statement and the Official Statement (collectively referred to herein as the OS):

Disclosure Counsel: If it is determined to be in the best interest of the City by the Responsible Party, the City, through the City Attorney or his/her designee, may retain the services of a legal firm (which may be Bond Counsel or other counsel) with a professional understanding of the disclosure requirements under federal securities laws to serve as its disclosure counsel to assist in the coordination and preparation of the OS. Disclosure Counsel has a confidential, attorney-client relationship with officials and staff of the City. Disclosure Counsel typically provides a negative assurance letter as to the disclosure set forth in the OS for each City Obligation. The letter shall be to the effect that, as a matter of fact and not opinion, no information came to the attention of the attorneys working on the transaction which caused them to believe that the OS as of its date and as of the date of their letter (except for any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and other customary exclusions), contained or contains any untrue

statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Data Sources: The Financing Team, in conjunction with subject matter experts within the City, shall advise on the identification of data and information items within the financial and operating sections of the OS and other information sufficient to allow a reasonable investor to make an informed investment decision. At a minimum, this should include a thorough description of the Obligations, a discussion of financial, operating, governance and management of the City, and risk factors related to the Obligations.

Establish a Plan and Time Schedule for the Preparation of the OS: For each financing, a sufficient amount of time shall be scheduled to allow for the City to obtain credit ratings from nationally recognized ratings organizations and the compilation of all requisite information, disclosure review and approval prior to release of the OS to the market.

Document Review Meetings: During the initial disclosure development process there shall be a formal meeting or call which includes, but is not limited to, the Financing Team, subject matter experts involved in the preparation of the OS, during which the OS is reviewed for accuracy and to obtain final comments or make other required modifications to the document.

Final Review: Prior to release of the OS, the Financing Team, along with subject matter experts, will complete a final review which may include, but not be limited to, comparing and noting any discrepancies between the City's audited financial statements and other source materials and identifying items requiring modification or correction.

Certification: In connection with the closing of the transaction, the Responsible Party shall execute a certificate under the Anti-Fraud Rules to the effect that the OS, as of its date and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the OS not misleading in light of the circumstances under which they were made. Such certification may exclude information provided by third parties, such as underwriters, securities depositories and credit enhancers.

Section II. Continuing Disclosure

Ongoing (continuing) disclosure is required by Rule 15c2-12 (the "Rule"), which requires the underwriter of an issue of municipal securities to obtain a commitment from the issuer to provide ongoing disclosure.

Continuing Disclosure is intended to reflect the ongoing financial and operating conditions of an issuer as they change over time, as well as specific events occurring after issuance, that can have an impact on both the ability to repay debt obligations and the market value of the City's debt in the secondary market.

For each new issuance, the Rule requires a written undertaking between the issuer and the underwriter of the obligations which requires the issuer, for the benefit of holders of municipal securities or potential investors, to provide the following to the Municipal Securities Rulemaking Board (“MSRB”):

- Audited financial statements
- Operating data as provided for in the applicable Continuing Disclosure undertaking
- Notice of the occurrence of any of the following events, within 10 business days of the occurrence of the event:
 - Delinquency in the payment of principal of or interest on the issuer’s securities
 - Non-payment related defaults, if material
 - Unscheduled draws on debt service reserves, or on credit facilities, reflecting financial difficulties
 - Substitution of credit or liquidity providers or their failure to perform
 - Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability or Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material event affecting the tax status of the security
 - Modifications to the rights of security holders, if material
 - Bond calls, if material, and/or tender offers
 - Defeasances
 - Release, substitution, or sale of property securing repayment of the Obligations, if material
 - Ratings Changes
 - Bankruptcy, insolvency, receivership or similar event of an obligated person
 - The consummation of a merger, consolidation, or acquisition involving an obligated persona or the sale of all or substantial all of the assets of the obligated person, 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
 - Appointment of a successor or additional trustee or the change of name of a trustee, if material
 - Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
 - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties

- Other notices:
 - The failure to provide annual information within the specified time
 - Any change in the accounting principles applied in the preparation of the annual financial statements or in the fiscal year

All submissions will be made in electronic form through the MSRB’s web-based system known as Electronic Municipal Market Access (“EMMA”), currently available at <http://www.emma.msrb.org>.

The City shall enroll on the EMMA website for annual email reminders of annual filing deadlines.

Voluntary Disclosure: Although the Rule prescribes certain annual information and event-based disclosures which must be filed, issuers may disclose additional information which would be of interest to investors. To this end, the City may choose to voluntarily disclose other information to the MSRB that goes beyond the requirements of the Rule.

Section III. Provisions Related to Federal Tax Laws

Requirements at Closing: Numerous federal tax requirements must be met in connection with an issue of Tax-Advantaged Obligations. These requirements generally are addressed in documents and certificates included in the transcript completed at closing, including in particular the federal tax certificate, and confirmed in certain respects by the legal opinions included in the transcript.

Requirements after Closing: Other federal tax requirements require on-going monitoring after the issuance of Tax-Advantaged Obligations.

Primary Responsibility. The Responsible Party will undertake primary post-issuance compliance responsibility relating to the City’s Tax-Advantaged Obligations. The Responsible Party shall be generally familiar with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations (the “Regulations”) governing the tax-exempt/advantaged status of the Obligations. The Responsible Party may delegate tasks to outside attorneys or other consultants with expertise in these areas.

Investment of Proceeds/Arbitrage Rebate Requirements. Proceeds of Tax-Advantaged Obligations and certain other funds are subject to the arbitrage and rebate restrictions in Section 148 of the Code. Some funds may only be invested at a rate that does not exceed the yield on the Tax-Advantage Obligations. For funds that may be invested at an unrestricted yield, amounts earned by investing above the bond yield must be rebated to the IRS, unless the City qualifies as a small issuer or a spending exception is met. The arbitrage and rebate requirements for each Tax-Advantaged Obligation are detailed in the federal tax certificate issued in conjunction with the Obligations.

The Finance Director, or his/her designee, will monitor the investment and expenditure of the funds and accounts and will determine whether the Tax-Advantaged Obligation meets the requirement for one of the expenditure exceptions to arbitrage rebate. Arbitrage reports may be required to be prepared, and rebate may be due to the IRS. The Finance Director or designee shall:

- During construction, monitor expenditures to confirm satisfaction of expected exceptions to rebate (such as six month exception, 18 month exception, 24 month exception)
- Make the first rebate payment, if any, which is due five years after date of issue plus 60 days
- Make succeeding rebate payments, which are due every succeeding five years, if there are unspent gross proceeds of the Tax-Advantaged Obligations
- Make the final rebate payment, which is due 60 days after early redemption or retirement of the Tax-Advantaged Obligations

Limitations on Type of Investments. Proceeds of Tax-Advantaged Obligations must be invested as permitted by the Code (as set forth in the federal tax certificate) and under state law and the City's Investment Policy, unless specifically exempted. In addition, the bond ordinance or any bond insurance agreement may further limit permitted investments.

Use of Proceeds During the Construction Period. Monitoring the expenditure of proceeds of a Tax-Advantaged Obligation is necessary to assure that the required amount of proceeds are expended for capital expenditures and that not more than 10% (5% if the private use is disproportionate or unrelated to the qualified governmental use to the extent required by the Code) of the proceeds are expended for projects that will be used in a private trade or business (including by the federal government, other governmental entities and nonprofit entities). Proceeds must be allocated to expenditures by 18 months after the later of the date of the expenditure was made or the date the project was placed in service, but not later than the earlier of 5 years after the Tax-Advantaged Obligations were issued or 60 days after the bonds are retired. The City will use a consistent application of the same methodology for all expenditures of proceeds of a particular issue of Tax-Advantaged Obligations and document this allocation.

Refundings and Defeasances.

- For refunding escrows, the City shall confirm that any scheduled purchases of State and Local Government Series or open market securities are made as scheduled.
- On the redemption date, the City shall confirm that the refunded or defeased obligations have been redeemed and cancelled.

Promptly following the redemption date, the City shall confirm that all proceeds of the Tax-Advantaged Obligations and all proceeds of the refunded obligations have been spent. The City shall verify that excess proceeds, if any, of the Tax-Advantaged Obligations do not exceed an amount permitted by the Regulations.

Use of Bond-Financed Facilities. Monitoring (and limiting) any private use of the bond-financed facility is important to maintaining the federal tax treatment of Tax-Advantaged Obligations. In general, no more than 10% (5% if the private use is disproportionate or unrelated to the qualified governmental use to the extent required by the Code) of the bond-financed facility can be used in a private trade or business (including by the federal government and nonprofit entities). Private use can arise through any of the following arrangements, either directly or indirectly.

- Selling all or a portion of the facility
- Leasing all or a portion of the facility
- Entering into a management contract or service contracts for the facility (except for qualified management contracts as set forth in the applicable Regulations)
- Use of all or a portion of the facility for research purposes under a research contract (except for qualified research contracts as set forth in the applicable Regulations)
- Entering into contracts giving “special legal entitlement” to the facility (for example, selling advertising space or naming rights)

The Responsible Party may set a schedule for diligence reviews of use of any bond-financed facility and designate the person with primary responsibility for those reviews.

The City will take the following steps to timely correct any noncompliance issues as they arise:

- Consult with bond counsel regarding any private use or proposed change in use with respect to bond-financed property.
- If noncompliance will be remediated under existing IRS remedial action provisions or tax-exempt bond closing agreement programs contained in the Regulations or other published guidance from the IRS, determine the deadline for taking action and proceed with diligence to take the required remedial actions.
- If remedial actions are unavailable, determine whether to make a submission to the IRS’ Tax Exempt Bonds Voluntary Closing Agreement Program (“VCAP”).

Reissuance. A significant modification of the bond documents may result in Tax-Advantaged Obligations being deemed refunded or “reissued.” Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new federal tax certificate. Bond counsel should be consulted in the event of modification of the bond documents.

Record Retention. The City shall retain records of accounting and monitoring the City carries out with respect to Tax-Advantaged Obligations. Records relating to the issue shall be retained for the life of the Obligations (including any refundings) plus three years.

Section IV. General Requirements Applicable to all City Obligations

Monitoring Post-Issuance Compliance: The Responsible Party may utilize industry standard compliance checklists as published by the National Association of Bond Lawyers, the Government Finance Officers' Association, or other organizations having specialized knowledge in such matters, as the City's template for monitoring its compliance with disclosure requirements in keeping with SEC requirements as well as the Code and other regulations.

The Responsible Party shall be responsible for monitoring post-issuance compliance issues and shall coordinate procedures for record retention and review of such records. Records relating to the issue shall be retained for the life of the Obligations (including any refundings) plus three years.

Documents and other records relating to Obligations shall be maintained by the City. In maintaining such documents and records, the City shall comply with applicable IRS requirements.

The City shall exercise options, as necessary, for voluntary corrections in the instance that there is a failure to comply with post-issuance compliance requirements and take corrective action when necessary and appropriate. This may include engaging bond counsel or third-party advisors to assist in any remedial actions.

Closing Transcripts and Records: Upon the closing of an issuance of Tax-Advantaged Obligations, the Responsible Party shall confirm the filing by bond counsel of applicable tax information (i.e., Form 8038, Form 8038-G or Form 8038-CP) on a timely basis.

The following documents may be maintained in connection with the issuance of each Obligation. The goal is to retain adequate records to substantiate compliance with federal tax, securities law, state law and contractual requirements applicable to the Obligations. Generally, records should be maintained for the term of the Obligations (plus the term of any refunding obligations) plus three years. The records that may be maintained include, but are not limited to, the following:

- Complete bond transcript (provided by bond counsel) in electronic form or hard copy.
- Records of investment of proceeds showing the date and amount of each investment, its interest rate and/or yield, the date any earnings are received, and the amount earned, and the date each investment matures, and if sold prior to maturity, the sale date and sale price.
- Records of expenditure of proceeds in a format showing the amount, timing and the type of expenditure.
- Records of invoices or requisitions, together with supporting documentation showing payee, payment amount and type of expenditure, particularly for projects involving multiple sources of funds.

- Records necessary to document the allocation of bond proceeds and other sources of funds to particular projects or portions of projects.
- Records documenting the final allocation of bond proceeds to expenditures, including any reallocations of bond proceeds, showing the timing and substance of the reallocation, if applicable.
- Records demonstrating compliance with arbitrage and rebate requirements, including arbitrage calculations, documentation of spending exceptions to rebate, rebate reports and related IRS filings and payments.
- Records regarding any guaranteed investment contracts, swaps or hedges with respect to the Obligations.
- Copies of contracts relating to the use of the bond-financed facilities including leases, concession agreements, management agreements and other agreements that give usage rights or legal entitlements with respect to the facility to private parties (e.g., advertising displays, cell tower leases, output contracts, and naming rights agreements).
- Copies of contracts relating to ongoing compliance with respect to the Obligations, such as Calculation Agency Agreements or filings.
- Copies of any filings or correspondence with the IRS, the SEC or other regulatory body with respect to the Obligations.
- Copies of all annual filings and notices of listed events filed with EMMA

Section V. Procedure Review and Revision

Procedures which are outlined in the Disclosure and Post-Issuance Compliance Procedures section of the Policy may be updated administratively with the approval of the Responsible Party, as necessary provided the changes are consistent with the substance and intent of the Policy.



CITY OF AURORA

Council Agenda Commentary

Item Title: Proposed Financing Ordinance Series 2021 First-Lien Sewer Revenue Bonds
Item Initiator: Teresa Sedmak
Staff Source/Legal Source: Teresa Sedmak/Hans Hernandez
Outside Speaker: none
Council Goal: 2012: 6.1--Ensure the delivery of high quality services to residents in an efficient and cost effective manner

COUNCIL MEETING DATES:

Study Session: 3/15/2021

Regular Meeting: 3/22/2021

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
- Information Only
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Approve Item with Waiver of Reconsideration
Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date:

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
 - Does Not Recommend Approval
 - Forwarded Without Recommendation
 - Recommendation Report Attached
 - Minutes Attached
 - Minutes Not Available
-

HISTORY (*Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.*)

ITEM SUMMARY (*Brief description of item, discussion, key points, recommendations, etc.*)

The attached proposed financing ordinance provides for the issuance of Series 2021 First-Lien Sewer Revenue bonds, in an amount not to exceed \$65 million to finance the acquisition and construction of improvements to the sewer system, including the acquisition and construction of a portion of the Southeast Area Maintenance Facility (the SEAM Project).

The Southeast Area Maintenance Facility (SEAM) was a future project identified in a facility master plan in 1999 based on City growth projections. In 2016-2017, a study was completed of current facilities. The study identified the current facilities as being over-crowded and additional space needed especially for operations functions. Based on the findings of the study, the recommendation was a new facility in Southeast Aurora, where existing facilities are limited for Water, Public Works, Fleet and Parks, Recreation and Open Space employees. The SEAM facility will be located in Southeast Aurora off Quincy Road. The initial phase of the project will house Aurora Water employees, with long-term growth opportunities to expand to include other City departments such as Public Works, Fleet and Parks, Recreation and Open Space.

This ordinance will be accompanied by a draft preliminary official statement (POS) prior to study session. The POS is in preliminary form at this point, and will be significantly enhanced by early to mid April. The POS is the primary disclosure document referenced by investors and includes comprehensive information on the bonds, which is vital to investors in making their investment decisions. Assisting the City in the preparation of the POS will be Kutak Rock, the City's bond/disclosure counsel and Hilltop Securities, the City's financial advisor.

QUESTIONS FOR COUNCIL

Does the Committee support moving the proposed financing ordinance forward to Study Session?

LEGAL COMMENTS

City Council may authorize, by ordinance, without an election, the issuance of refunding bonds for the purpose of paying outstanding bonds of the City at a lower rate. Colorado Constitution Article X § 20(4)(b); City Charter § 11-21. City Council may also authorize water extension and water improvement bonds without an election. City Charter § 11-19. (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: The issuance of the Series 2021 Sewer Bonds will increase the debt service burden of the sewer system in an amount dependent upon the final interest rate and structure of the financing. At this time, assuming a \$65 million borrowing, current interest rates, a level debt service structure and a 30-year final maturity date, it is estimated that annual debt service will be approximately \$3.1 million until the bonds are fully repaid.

It is important to note that final debt service numbers will be dependent upon, among other things, market conditions on the date of issuance. It is expected that the bonds will be sold in May of this year.

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain:

**SERIES 2021 FIRST-LIEN SEWER
REVENUE BOND ORDINANCE**

CITY OF AURORA, COLORADO

acting by and through its

UTILITY ENTERPRISE

Authorizing
the issuance, sale and delivery of not to exceed
\$65,000,000
aggregate principal amount of
First-Lien Sewer Revenue Bonds
(SEAM Facility Improvement Project)
Series 2021

Effective _____, 2021

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APPENDIX A FORM OF REQUISITION

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY THE CITY OF AURORA, COLORADO, ACTING BY AND THROUGH ITS UTILITY ENTERPRISE, OF FIRST-LIEN SEWER REVENUE BONDS (SEAM FACILITY IMPROVEMENT PROJECT), SERIES 2021, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000, FOR THE PURPOSE OF FINANCING, IN WHOLE OR IN PART, THE COST OF ADDITIONS AND IMPROVEMENTS TO THE SEWER SYSTEM OPERATED BY THE UTILITY ENTERPRISE, PLEDGING CERTAIN FUNDS AND REVENUES OF THE ENTERPRISE TO THE PAYMENT OF SUCH BONDS, PRESCRIBING THE FORM OF SUCH BONDS, AND PROVIDING OTHER DETAILS IN CONNECTION THEREWITH.

WHEREAS, the City of Aurora, Colorado (the “City”) is a home rule municipality duly organized and existing pursuant to Article XX of the Constitution (the “Constitution”) of the State of Colorado (the “State”); and

WHEREAS, the City Council (the “Council”) of the City has previously acted by ordinance to recognize and confirm the existence of the Utility Enterprise of the City (the “Enterprise”), such ordinance being codified in Article II of Chapter 138 of the City Code (the “Code”) of the City; and

WHEREAS, the Code authorizes the issuance of revenue bonds for the purpose of financing additions and improvements to the utility systems operated by the Enterprise; and

WHEREAS, the Council, acting as such and as the governing body of the Enterprise, deems it necessary and appropriate to authorize the issuance of its First-Lien Sewer Revenue Bonds (SEAM Facility Improvement Project), Series 2021 (the “Series 2021 Bonds”) upon the terms described herein, for the purpose of defraying, in whole or in part, the cost of financing additions and improvements to the City’s Sewer System (the “System”); and

WHEREAS, such Series 2021 Bonds are permitted, under the Charter of the City (the “Charter”), the Code and Article X, Section 20 of the Constitution, to be issued without an election; and

WHEREAS, pursuant to Section 11-25 of the Charter the City Manager shall certify that a private negotiated sale of the Series 2021 Bonds would be to the best advantage of the City; and

WHEREAS, pursuant to Ordinance No. 2006-08 (the “General Ordinance”), adopted prior to the adoption of this Ordinance, the Council has established a consistent procedure for the issuance of revenue bonds and other obligations to finance and refinance additions and improvements to the System;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO, ACTING BY AND THROUGH THE CITY OF AURORA, COLORADO UTILITY ENTERPRISE:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings, respectively, provided in the General Ordinance. In this Series Ordinance the following additional terms have the following respective meanings unless the context clearly requires otherwise:

“*Closing*” means, in the case of Publicly Offered Series 2021 Bonds, the date of delivery of and payment for the Series 2021 Bonds and, in the case of Privately Placed Series 2021 Bonds, the date of delivery of and the first disbursement of proceeds of the Series 2021 Bonds.

“*Completion Date*” means the date as of which the City certifies that the Project is complete and no further disbursement of proceeds of the Series 2021 Bonds will be requested.

“*Continuing Disclosure Undertaking*” means, to the extent provided by Final Terms Certificate in connection with any Publicly Offered Series 2021 Bonds, the Continuing Disclosure Undertaking, if any, relating to the Official Statement and the Series 2021 Bonds, in substantially the form filed with the City Clerk at the time of introduction of this Series Ordinance.

“*General Ordinance*” means Ordinance No. 2006-08 of the City, as it may be amended from time to time.

“*Maximum Rate*” in the case of Fixed rate Series 2021 Bonds, means 5% and in the case of Variable Rate Series 2021 Bonds, means 10%.

“*Official Statement*” means, in the event that any of the Series 2021 Bonds are Publicly Offered, the Official Statement of the City relating to such Series 2021 Bonds.

“*Paying Agent*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Paying Agent hereunder.

“*Publicly Offered*” means offered to the public in an underwritten transaction.

“*Privately Placed*” means sold in a direct placement to one or more bank lenders or institutional purchasers.

“*Project*” or “*Series 2021 Project*” means the acquisition and construction of improvements to the sewer system operated by the Enterprise, including without limitation the acquisition and construction of a portion of the Southeast Area Maintenance Facility.

“*Purchaser*” means the original purchaser of the Series 2021 Bonds identified by the Final Terms Certificate, who may be either a bank lender or institutional purchaser if the Series 2021 Bonds are Privately Placed, or the underwriter if the Series 2021 Bonds are Publicly Offered.

“*Registrar*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Registrar hereunder.

“*Series Ordinance*” means this Series Ordinance.

“*Series 2021 Bonds*” means the First-Lien Sewer Revenue Bonds (SEAM Facility Improvement Project), Series 2021.

“*Series 2021 Costs of Issuance Subaccount*” means the subaccount created within the Series 2021 Construction Account and required to be maintained by Section 3.03 hereof.

“*Series 2021 Construction Account*” means the special account created and required to be maintained by Section 3.02 hereof.

“*Series 2021 Debt Service Reserve Account*” means, to the extent, if any, provided by Final Terms Certificate, the special account created and required to be maintained by Section 3.04 hereof.

“*Series 2021 Excess Investment Earnings Account*” means the special account created and required to be maintained by Section 3.05 hereof.

“*Series 2021 Reserve Requirement*” means, to the extent, if any, that a reserve account is required to be maintained pursuant to a Final Terms Certificate, initially, and except as it may be adjusted pursuant to Section 3.04 hereof, an amount equal to the least of (a) 10% of the principal amount of the Series 2021 Bonds, (b) the Maximum Annual Debt Service Requirements of the Series 2021 Bonds, or (c) 125% of the Average Annual Debt Service Requirements of the Series 2021 Bonds.

“*Tax Code*” means the Internal Revenue Code of 1986, as amended.

“*Transfer Agent*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Transfer Agent hereunder.

ARTICLE II

THE SERIES 2021 BONDS

Section 2.01. The Project. The City Council of the City hereby authorizes and directs that the Series 2021 Project be carried out with the net proceeds of the Series 2021 Bonds and any other legally available moneys of the City necessary for such purpose. The City Council of the City hereby acknowledges that a portion of the net proceeds of the Series 2021 Bonds may be applied to reimburse the City for prior expenditures made in connection with the Series 2021 Project as permitted pursuant to the City’s declaration of official intent to reimburse such expenditures from the proceeds of the Series 2021 Bonds pursuant to Section 1.150-2 of the Internal Revenue Code Regulations made as of August 4, 2020.

Section 2.02. Issuance of Series 2021 Bonds; Application of Series 2021 Bond Proceeds. The Series 2021 Bonds are authorized to be either Privately Placed or Publicly Offered, at a price, if Privately Placed, equal to the sum of the authorized disbursements of proceeds, or at a price, if Publicly Offered, not less than 96% of their aggregate principal amount plus accrued interest to the date of their delivery to the Purchaser, in either case as determined by Final Terms

Certificate. The net proceeds received by the City at Closing from the sale of the Series 2021 Bonds after deduction of costs of issuance and underwriting discount, if any, shall be applied as follows: (a) accrued interest, if any, on the Series 2021 Bonds shall be deposited in the Debt Service Account; (b) Series 2021 Bond proceeds sufficient to meet the Series 2021 Reserve Requirement, if any, shall be deposited to the Series 2021 Debt Service Reserve Account; and (c) the remaining Series 2021 Bond proceeds shall be deposited, at or after the issuance of the Series 2021 Bonds, to the extent necessary to accomplish the Series 2021 Project, into the Series 2021 Construction Account. Any excess funds remaining upon completion of the Series 2021 Project may be used for any lawful purpose of the City or the Enterprise.

Section 2.03. Authorization; Election To Apply Supplemental Public Securities Act.

The Series 2021 Bonds, payable as to all Debt Service Requirements solely out of the Net Pledged Revenues, are hereby authorized to be issued and outstanding in an aggregate principal amount not to exceed \$65,000,000. The actual amount of the Series 2021 Bonds and various other final terms of the Series 2021 Bonds, not inconsistent herewith, shall be approved by a certificate (a “Final Terms Certificate”) signed by the Director of Finance or an Authorized Officer of the City; provided however, that, to the extent the sale of the Series 2021 Bonds is completed as a negotiated sale, the City Manager shall certify to the Council that such method of sale is to the best advantage of the City in accordance with Section 11-25 of the City Charter. To the extent provided by Final Terms Certificate, amounts of principal redeemed or paid at maturity may be reborrowed, provided that the total principal amount of the obligation evidenced by the Series 2021 Bonds shall never exceed \$65,000,000. The City hereby elects to apply all provisions of the Supplemental Public Securities Act, to the extent not inconsistent herewith, to the Series 2021 Bonds. Any inconsistency between this Ordinance and the Supplemental Public Securities Act is intended as an exercise of the home rule legislative powers of the City.

Section 2.04. Bond Details.

(a) *Generally.* The provisions of the General Ordinance are hereby incorporated into this Series Ordinance. The Series 2021 Bonds shall be First-Lien Revenue Obligations within the meaning of the General Ordinance, secured by a first and prior (but not necessarily exclusive) lien upon the Net Pledged Revenues.

The Series 2021 Bonds shall be issued by the City Council of the City, as the governing body of the Enterprise, pursuant to the Code and the General Ordinance, (i) if Publicly Offered, in fully registered form in denominations of \$5,000 or any integral multiple thereof and (ii) if Privately Placed, in fully-registered form in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof; provided that no Series 2021 Bond shall be issued in any denomination larger than the aggregate principal amount of Series 2021 Bonds maturing on a single maturity date.

Pursuant to the recommendations of the Committee on Uniform Security Identification Procedures, if the Series 2021 Bonds are Publicly Offered, CUSIP numbers may be printed on the Series 2021 Bonds. If the Series 2021 Bonds are Privately Placed no CUSIP numbers shall be applied for or used.

If the Series 2021 Bonds are Publicly Offered, then, to the extent determined by Final Terms Certificate, the Series 2021 Bonds may be issued in book-entry form through the facilities of The Depository Trust Company, and the appropriate officials of the City shall thereupon be authorized to execute such documents as are necessary to issue and deliver the Series 2021 Bonds in such form. If the Series 2021 Bonds are Privately Placed they shall not be issued in book-entry form through the facilities of The Depository Trust Company or otherwise.

The Series 2021 Bonds may be issued either as Fixed Rate Obligations or Variable Rate Obligations, or any combination thereof, as shall be provided by Final Terms Certificate, provided that any Publicly Offered Series 2021 Bonds shall be Fixed Rate Obligations.

The Series 2021 Bonds shall mature on August 1 in the years and in the aggregate principal amounts provided by a Final Terms Certificate; provided that the Series 2021 Bonds may mature within any period permitted by the Charter and Code but in any event not later than August 1, 2056. From the Completion Date to the Maturity Date, principal of any Variable Rate Series 2021 Bonds shall be amortized on a substantially level-debt basis, assuming interest accruals at the Maximum Rate. The Series 2021 Bonds shall bear interest, which may accrue at fixed, split, stepped or variable rates from the date as of which they are dated or the Interest Payment Date to which interest has been paid next preceding their respective dates, whichever is later, or, in the case of Privately Placed Series 2021 Bonds, from the date proceeds are advanced by a bank lender or institutional purchaser, to their respective Maturity Dates, except if redeemed prior thereto, at rates not exceeding the Maximum Rate, all as determined by Final Terms Certificate. Amounts of proceeds drawn with respect to Variable Rate Series 2021 Bonds may accrue interest either at the rate applicable on the date of such drawing or at variable rates which are the same as and subject to the same adjustments as other Variable Rate Series 2021 Bonds.

Said interest shall be payable commencing not later than February 1, 2022, and annually, semiannually or monthly thereafter at any convenient interval determined by Final Terms Certificate. If upon presentation at maturity the principal of any Series 2021 Bond is not paid as provided therein, interest shall continue thereon at the same interest rate (in the case of a Fixed Rate Obligation) or 10% (in the case of a Variable Rate Obligation) until the principal thereof is paid in full.

The Debt Service Requirements of the Series 2021 Bonds shall be payable to the Owners of the Series 2021 Bonds in lawful money of the United States of America by the Paying Agent. The final installments of principal and interest shall be payable to the Owner of each Series 2021 Bond upon presentation and surrender thereof at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest shall be payable to the Owner of each Series 2021 Bond determined as of the close of business on the Regular Record Date irrespective of any transfer of ownership of the Series 2021 Bond subsequent to the Regular Record Date and prior to such Interest Payment Date, by check or draft mailed to such Owner at the address appearing on the registration books of the City maintained by the Registrar. Any interest not paid when due and any interest accruing after maturity shall be payable to the Owner of each Series 2021 Bond entitled to receive such

interest determined as of the close of business on the Special Record Date irrespective of any transfer of ownership of the Series 2021 Bond subsequent to the Special Record Date and prior to the date fixed by the Paying Agent for the payment of such interest, by check or draft mailed as aforesaid. Notice of the Special Record Date and of the date fixed for the payment of such interest shall be given by sending a copy thereof by certified or registered first-class, postage prepaid mail, at least 10 days prior to the special record date, to the Purchaser and to the Owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing at the address appearing on the registration books of the City. Any premium shall be payable to the Owner of each Series 2021 Bond redeemed upon presentation and surrender thereof upon prior redemption. If the date for making or giving any payment, determination or notice described herein is not a Business Day, such payment, determination or notice shall be made or given on the next succeeding Business Day.

(b) ***Redemption; Notice of Redemption.*** The Series 2021 Bonds may be made subject to optional redemption prior to their maturity at a price or prices equal to the principal amount of the Series 2021 Bonds so redeemed either without premium or plus a premium not to exceed 2% of the principal amount thereof, plus accrued interest to the date of redemption, at such times and in such manner as provided by Final Terms Certificate. The Series 2021 Bonds may also be made subject to mandatory redemption from sinking fund installments or otherwise, at such times and in such manner, at prices not exceeding the principal amount of the Series 2021 Bonds so redeemed plus accrued interest to the date of redemption, as provided by a Final Terms Certificate.

Series 2021 Bonds which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$5,000. Such Series 2021 Bonds shall be treated as representing a corresponding number of separate Bonds in the denomination of \$5,000 each. Any such Series 2021 Bond to be redeemed in part shall be surrendered for partial redemption in the manner hereinafter provided for transfers of ownership. Upon payment of the redemption price of any such Series 2021 Bond redeemed in part the Owner thereof shall receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.

Notice of redemption shall be given by the Paying Agent in the name of the City by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 30 days prior to the Redemption Date, to the Purchaser and to the Owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice, at the addresses appearing on the registration books of the City maintained by the Registrar. Such notice shall specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption and shall further state that on the Redemption Date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the Redemption Date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, any redemption notice may be given, in lieu of such mailing, by sending a

copy thereof by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the Paying Agent is hereby authorized to comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of Series 2021 Bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond shall not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond. Any Series 2021 Bonds redeemed prior to their respective maturity dates by call for prior redemption or otherwise shall not be reissued and shall be cancelled the same as Series 2021 Bonds paid at or after maturity. Any notice of redemption may state that it is conditioned upon the deposit of funds for redemption on or prior to the redemption date.

(c) ***Interest Rates.*** The maximum net effective interest rate authorized for any Privately Placed Series 2021 Bonds is 10% per annum. The maximum net effective interest rate authorized for any Publicly Offered Series 2021 Bonds is 5% per annum. The actual net effective interest rate for the Series 2021 Bonds shall be determined by Final Terms Certificate or, in the case of Variable Rate Obligations, determined based upon the maximum interest rate provided therefor by Final Terms Certificate using the assumption that all proceeds are drawn on the date of delivery of the Series 2021 Bonds.

(d) ***Execution and Authentication.*** The Series 2021 Bonds shall be executed by and on behalf of the Council as the governing body of the Enterprise, with the facsimile signature of the Mayor, shall bear a facsimile of the seal of the City, shall be attested with the facsimile signature of the City Clerk, and shall be authenticated with the manual signature of a duly authorized signatory of the Registrar. Should any officer whose facsimile signature appears on the Series 2021 Bonds cease to be such officer before delivery of the Series 2021 Bonds to the Purchaser, such facsimile signature shall nevertheless be valid and sufficient for all purposes. No Series 2021 Bond shall be valid or become obligatory for any purpose or be entitled to any security or benefit under this Series Ordinance unless and until the certificate of authentication on such Series 2021 Bond shall have been duly executed by the Registrar, and such executed certificate upon any such Series 2021 Bond shall be conclusive evidence that such Series 2021 Bond has been authenticated and delivered under this Series Ordinance. The certificate of authentication on any Series 2021 Bond shall be deemed to have been duly executed by the Registrar if signed by an authorized signatory thereof, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Series 2021 Bonds.

(e) ***Registration, Transfer and Exchange.*** Upon their execution and authentication and prior to their delivery, the Series 2021 Bonds shall be registered for the purpose of payment of principal and interest by the Registrar. Thereafter, the Series 2021 Bonds shall be transferable only upon the registration books of the City maintained by the Registrar at the request of the Owner thereof or such Owner's duly authorized attorney-in-fact or legal representative. The Transfer Agent shall accept a Series 2021 Bond for registration or transfer only if the Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, or a trust. A Series 2021 Bond may be transferred upon surrender thereof together with a written instrument of transfer

duly executed by the Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the Transfer Agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The Transfer Agent shall not be required to transfer ownership of any Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for redemption on or after the date of such mailing. The Owner of any Series 2021 Bond or Bonds may also exchange such Series 2021 Bond or Bonds for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges shall be made at the expense of the transferor or exchanger, and the Transfer Agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of any Series 2021 Bond shall be effective until entered on the registration books of the City maintained by the Registrar. In the case of every transfer or exchange, the Registrar shall authenticate and the Transfer Agent shall deliver to the new owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. New Series 2021 Bonds delivered upon any transfer or exchange shall be valid obligations, evidencing the same obligations as the Series 2021 Bonds surrendered, shall be secured by this Series Ordinance, the General Ordinance and any Final Terms Certificate and shall be entitled to all of the security and benefit hereof to the same extent as the Series 2021 Bonds surrendered. The City may deem and treat the person in whose name any Series 2021 Bond is last registered upon the books of the City as the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Series 2021 Bond and for all other purposes, and all such payments so made to such person or upon his order shall be valid and effective to satisfy and discharge the liability of the City upon such Series 2021 Bond to the extent of the sum or sums so paid, and the City shall not be affected by any notice to the contrary.

(f) ***Transfer Restrictions for Privately Placed Series 2021 Bonds.*** Notwithstanding the procedure described in paragraph (e) of this Section, no Privately Placed Series 2021 Bond shall be transferred by the Purchaser or any subsequent Owner unless: (i) the transferee shall have executed an investment letter satisfactory in form and substance to the City, and shall have provided such other evidence as the City may require in its discretion, to establish that the transferee is a Qualified Institutional Buyer within the meaning of Regulation D under the Securities Act of 1933 and that the transferee is purchasing for investment with no view to resale, participation or other distribution thereof; and (ii) the Series 2021 Bond or Bonds shall be transferred only in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. Any transfer or purported transfer of any interest in the Series 2021 Bonds in violation of the foregoing shall be void and the City shall have no obligation to recognize the ownership interest of, take any action on behalf of or make any payment to, the transferee or purported transferee.

(g) ***Resignation of Agents.*** If the Paying Agent, Registrar or Transfer Agent shall resign, or if the City shall reasonably determine that the Paying Agent, Registrar or

Transfer Agent has become incapable of fulfilling its duties hereunder, the City may, upon notice mailed to each Owner of Series 2021 Bonds at the addresses last shown on the registration books of the City, appoint a successor paying agent, registrar or transfer agent. Every such successor Paying Agent, Registrar or Transfer Agent shall be a Commercial Bank or an official of the City. It shall not be required that the same person serve as Paying Agent, Registrar and Transfer Agent hereunder, but the City shall have the right to appoint and have the same person serve as Paying Agent, Registrar and Transfer Agent hereunder.

(h) **Replacement of Series 2021 Bonds.** If any Series 2021 Bond shall have been lost, destroyed or wrongfully taken, the City shall provide for the replacement thereof upon receipt of the evidence of such loss, destruction or wrongful taking, along with an indemnity bond and reimbursement for expenses reasonably satisfactory to it.

(i) **Recitals in Bonds.** Each Series 2021 Bond shall recite in substance that such Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, that such Series 2021 Bond does not constitute a debt or an indebtedness or multiple fiscal-year debt or other financial obligation of the City within the meaning of any constitutional, Charter or statutory provision or limitation, that such Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes, and that the full faith and credit of the City is not pledged for the payment of the principal of or interest on such Series 2021 Bond. Each Series 2021 Bond shall further recite that it is issued under the authority of the Colorado Constitution, the Charter, the Code, the Supplemental Securities Act, the General Ordinance and this Series Ordinance.

Section 2.05. Form of Publicly Offered Series 2021 Bond. To the extent that the Series 2021 Bonds are Publicly Offered they shall be in substantially the form set forth in this Section, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the officials of the City executing the same (whose manual or facsimile signatures thereon shall constitute conclusive evidence of such approval). All covenants, statements, representations and agreements contained in the Series 2021 Bonds are hereby approved and adopted as the covenants, statements, representations and agreements of the City.

[FORM OF PUBLICLY OFFERED BOND]

(Text of Face)

**UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTIES OF ADAMS, ARAPAHOE AND DOUGLAS
CITY OF AURORA
UTILITY ENTERPRISE
FIRST-LIEN SEWER REVENUE BOND
(SEAM FACILITY IMPROVEMENT PROJECT)
SERIES 2021**

No. R-_____

\$_____

Interest Rate

Maturity Date

Original Date

CUSIP

REGISTERED OWNER: **CEDE & CO.**
Tax Identification Number: 13-2555119

PRINCIPAL SUM: ** _____ DOLLARS**

The City Council of the City of Aurora, in the Counties of Adams, Arapahoe and Douglas and State of Colorado, acting as the governing body of the Utility Enterprise of said City, for value received, hereby promises to pay to the Registered Owner (specified above), or registered assigns, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum (specified above) or so much thereof as has been advanced by or on behalf of the Registered Owner, in lawful money of the United States of America, on the Maturity Date (specified above), with interest thereon from [the Original Date (specified above), or the interest payment date to which interest has been paid next preceding the authentication date hereof, whichever is later], [the date or dates the proceeds hereof have been advanced] to the Maturity Date, except if redeemed prior thereto, [at the per annum Interest Rate (specified above), payable semiannually on the first day of February and the first day of August of each year], [at a variable interest rate determined in the manner provided in the Fixed Terms Certificate relating to the Series 2021 Bonds but not in excess of ___% (the "Maximum Rate") commencing on _____, 20___, or the first such date after the date hereof, whichever is later, in the manner provided herein. If upon presentation at maturity payment of the Principal Sum is not made as provided herein, interest continues at the Interest Rate [Maximum Rate] until the Principal Sum is paid in full.

[Bonds of this series maturing in the years _____ through _____ are not subject to optional redemption prior to their respective maturity dates. Bonds of this series maturing in the year _____ and thereafter are subject to optional redemption prior to their respective maturity dates, in whole or in part in inverse order of maturity and by lot within a maturity, on _____ 1, 20___, and on any interest payment date thereafter, at a price equal to the principal amount of each Series 2021 Bond so redeemed plus accrued interest thereon to the redemption date plus a premium expressed as a percentage of the principal amount of each Series 2021 Bond so redeemed, depending on the redemption date, as follows:

Redemption Dates

Premiums

Bonds of this series which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$5,000. In such case the Series 2021 Bond is to be surrendered in the manner provided for transfers of ownership. Upon

payment of the redemption price the Registered Owner is to receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.]

Notice of redemption of any Bonds of this series is to be given by the Paying Agent by sending a copy of such notice by certified or registered first-class postage prepaid mail, at least 30 days prior to the redemption date, to _____, _____, _____, the Original Purchase hereof, and to the registered owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice at the address appearing on the registration books of the City. Such notice is to specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption, and is further to state that on the redemption date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the redemption date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, such notice may be given, in lieu of such mailing, by sending a copy thereof, by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the paying agent is authorized to comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond does not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond.

The principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond are payable to the Registered Owner by _____, _____, Colorado, or its successors, as Paying Agent. The principal and the final installment of interest are payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest is payable to the Registered Owner determined as of the close of business on the regular record date, which is the fifteenth day of the calendar month next preceding the interest payment date, irrespective of any transfer of ownership hereof subsequent to the regular record date and prior to such interest payment date, by check or draft mailed to the Registered Owner at the address appearing on the registration books of the City maintained by _____, _____, Colorado, or its successors, as Registrar. Any interest hereon not paid when due and any interest hereon accruing after maturity is payable to the Registered Owner determined as of the close of business on the special record date, which is to be fixed by the paying agent for such purpose, irrespective of any transfer of ownership of this Series 2021 Bond subsequent to such special record date and prior to the date fixed by the paying agent for the payment of such interest, by check or draft mailed as aforesaid. Notice of the special record date and of the date fixed for the payment of such interest is to be given by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 10 days prior to the special record date, to _____, _____, _____, and to the registered owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing, at the addresses appearing on the registration books of the City. Any premium is payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond upon prior redemption. If the date for making or giving any payment, determination or

notice described herein is not a Business Day, such payment, determination or notice is to be made or given on the next succeeding day which is a Business Day.

Payment of the principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond is to be made solely from, and as security for such payment there are irrevocably (but not necessarily exclusively) pledged, pursuant to the Sewer System General Ordinance (the "General Ordinance") and the Series Ordinance pertaining to the Bonds of this Series (the "Series Ordinance"), as supplemented by the Final Terms Certificate (the "Final Terms Certificate") pursuant to which this Series 2021 Bond is delivered (the General Ordinance, the Series Ordinance and the Final Terms Certificate being referred to collectively as the "Ordinances"), [two/a] special account[s], thereby identified as the Debt Service Account [and the Debt Service Reserve Account], into which the City Council, acting as the governing body of the Utility Enterprise of the City, has covenanted in the Ordinances to pay, from certain revenues derived from the operation and use of and otherwise pertaining to the Sewer System (the "System") of the City (the "Income") after provision is made only for the payment of all necessary and reasonable current expenses of operating, maintaining and repairing the System (such remaining revenues being referred to as the "Net Pledged Revenues"), sums sufficient to pay when due the principal of, interest on and any premium due in connection with the redemption of the Series 2021 Bonds and any parity securities payable from such revenues[, and to accumulate and maintain a specified reserve for such purposes]. In addition, the City may at its option augment such funds with any other moneys of the City legally available for expenditure for the purposes thereof as provided in the Ordinances.

It is hereby recited, certified and warranted that for the payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond, the City has created and will maintain said special funds and will deposit the Net Pledged Revenues therein, and out of said special funds, as an irrevocable charge thereon, will pay the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond in the manner provided by the Ordinances.

The Bonds of this issue are equitably and ratably secured by a lien on the Net Pledged Revenues, and such Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, upon the Net Pledged Revenues. Bonds and other obligations, in addition to the Bonds of this issue, subject to expressed conditions, may be issued and made payable from the Net Pledged Revenues having a lien thereon subordinate and junior to the lien of the Bonds of this issue or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of such Bonds in accordance with the provisions of the Ordinances.

The City Council, acting as the governing body of the Utility Enterprise of the City, covenants and agrees with the Registered Owner hereof that it will keep and will perform all of the covenants of this Series 2021 Bond and of the Ordinances described below.

This Series 2021 Bond is authorized and issued for the purpose of defraying the cost of constructing and installing additions and improvements to the Sewer System of the City under the authority of and in full conformity with the Constitution of the State of Colorado, the City Charter, the City Code of the City, and all other applicable laws of the State of Colorado and pursuant to Ordinances, duly adopted, executed and delivered prior to the issuance of this Series 2021 Bond.

Reference is hereby made to the Ordinances for a description of the provisions, terms and conditions upon which the Bonds of this issue are issued and secured, including, without limitation, the nature and extent of the security for the Series 2021 Bonds, provisions with respect to the custody and application of the proceeds of the Series 2021 Bonds, the collection and disposition of the revenues and moneys charged with and pledged to the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, the terms and conditions on which the Series 2021 Bonds are issued, a description of the special funds referred to above and the nature and extent of the security and pledge afforded thereby for the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, and the manner of enforcement of said pledge, as well as the rights, duties, immunities and obligations of the City and the members of its Council, acting as such and as the governing body of the Utility Enterprise of the City, and also the rights and remedies of the registered owners of the Series 2021 Bonds.

To the extent and in the respects permitted by the Ordinances, the provisions thereof, or any instrument amendatory thereof or supplemental thereto, may be modified or amended by action of the City Council of the City taken in the manner and subject to the conditions and exceptions provided therein. The pledge of revenues and other obligations of the City and its Utility Enterprise under the Ordinances may be discharged at or prior to the maturity or prior redemption of the Series 2021 Bonds upon the making of provision for the payment of the Series 2021 Bonds on the terms and conditions set forth in the Ordinances.

It is hereby recited, certified and warranted that all the requirements of law have been fully complied with by the proper officers of the City and the Utility Enterprise of the City in the issuance of this Series 2021 Bond; that it is issued pursuant to and in strict conformity with the Constitution and all other laws of the State of Colorado, including the City Charter, the City Code and the Ordinances; that this Series 2021 Bond does not contravene any constitutional or statutory provision or limitation of the State of Colorado, or any provision or limitation of the City Charter; and that this Series 2021 Bond is issued under the authority of the Ordinances.

This Series 2021 Bond is issued pursuant to the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, C.R.S., and this recital shall be conclusive evidence of the validity and the regularity of issuance of this Series 2021 Bond after its delivery for value.

This Series 2021 Bond is transferable only upon the registration books of the City by _____, _____, Colorado, or his, her or its successors, as transfer agent, at the request of the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative, upon surrender hereof together with a written instrument of transfer duly executed by the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the transfer agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The transfer agent shall accept this Series 2021 Bond for registration or transfer only if the Registered Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership or a trust. The transfer agent is not required to transfer ownership of this Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for

redemption on or after the date of such mailing. The Registered Owner may also exchange this Series 2021 Bond for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges are to be made at the expense of the transferor or exchanger, and the transfer agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of this Series 2021 Bond is to be effective until entered on the registration books of the City maintained by the registrar. In the case of every transfer or exchange, the registrar shall authenticate and the transfer agent shall deliver to the new registered owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. The City may deem and treat the person in whose name this Series 2021 Bond is last registered upon the books of the City as the absolute owner hereof for the purpose of receiving payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond and for all other purposes, and all such payments so made to such owner or upon such owner's order will be valid and effective to satisfy and discharge the liability of the City upon this Series 2021 Bond to the extent of the sum or sums so paid, and the City will not be affected by any notice to the contrary.

This Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, as more specifically provided in the Ordinances. This Series 2021 Bond does not constitute a debt or an indebtedness or a multiple-fiscal year debt or other financial obligation of the City within the meaning of any constitutional, charter or statutory provision or limitation. This Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for the payment of the principal of or interest on this Series 2021 Bond.

IN WITNESS WHEREOF, the City Council of the City of Aurora, Colorado, acting as the governing body of the Utility Enterprise of said City, has caused this Series 2021 Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City, to be sealed with the facsimile seal of the City, and to be signed and attested with the facsimile signature of the City Clerk of the City.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

MIKE COFFMAN, Mayor.

ATTEST:

KADEE RODRIGUEZ City Clerk.

APPROVED AS TO FORM:

HANOSKY HERNANDEZ,
Assistant City Attorney

CERTIFICATE OF AUTHENTICATION

This Series 2021 Bond is one of the Series 2021 Bonds issued pursuant to the Ordinances herein described. [Printed on the reverse hereof][Attached hereto] is the complete text of the opinion of bond counsel, a signed copy of which, dated the date of the first delivery of the Series 2021 Bonds herein described, is on file with the undersigned.

Dated: _____

_____, as registrar

By _____
_____, Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	-	_____ Custodian _____ (Cust) (Minor)

under Uniform Gifts to Minors Act

(State)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the attached Series 2021 Bond and does hereby irrevocably constitute and appoint _____, _____, _____, or its successor, to transfer said Series 2021 Bond on the books kept for registration thereof.

Dated: _____

Signature guaranteed:

[BANK, TRUST COMPANY OR FIRM]

By _____
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the attached Series 2021 Bond in every particular without alteration or enlargement or any change whatever.

TRANSFER FEE REQUIRED

[END OF FORM OF PUBLICLY OFFERED BOND]

Section 2.06. Form of Privately Placed Series 2021 Bond. To the extent that the Series 2021 Bonds are Privately Placed they shall be in substantially the form set forth in this Section, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the officials of the City executing the same (whose manual or facsimile signatures thereon shall constitute conclusive evidence of such approval). All covenants, statements, representations and agreements contained in the Series 2021 Bonds are hereby approved and adopted as the covenants, statements, representations and agreements of the City.

[FORM OF PRIVATELY PLACED BOND]

(Text of Face)

THIS SERIES 2021 BOND WAS ISSUED AS AN EXEMPT SECURITY OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. UNDER NO CIRCUMSTANCES SHALL THIS SERIES 2021 BOND BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT IN THE MANNER PROVIDED IN SECTION 2.04(f) OF THE SERIES ORDINANCE UNDER WHICH IT IS ISSUED AND IN COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS. ANY TRANSFER OR PURPORTED TRANSFER IN VIOLATION OF SUCH SECTION 2.04(f) OR SUCH LAWS SHALL BE VOID AND OF NO EFFECT.

UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTIES OF ADAMS, ARAPAHOE AND DOUGLAS
CITY OF AURORA
UTILITY ENTERPRISE
FIRST-LIEN SEWER REVENUE BOND
(SEAM FACILITY IMPROVEMENT PROJECT)
SERIES 2021

No. R- _____ \$ _____

Interest Rate Maturity Date Original Date

[If Fixed]

REGISTERED OWNER: ** _____ **

Tax Identification Number: _____

PRINCIPAL SUM: ** _____ DOLLARS**

The City Council of the City of Aurora, in the Counties of Adams, Arapahoe and Douglas and State of Colorado, acting as the governing body of the Utility Enterprise of said City, for value received, hereby promises to pay to the Registered Owner (specified above), or registered assigns, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum (specified above), or so much thereof as has been advanced by or on behalf of the Registered Owner in lawful money of the United States of America, on the Maturity Date (specified above), with interest thereon from [the Original Date (specified above), or the interest payment date to which interest has been paid next preceding the authentication date hereof, whichever is later], [the date or dates the proceeds hereof have been advanced] to the Maturity Date, except if redeemed prior thereto, at [the per annum Interest Rate (specified above), payable semiannually on the first day of February and the first day of August of each year], [at a variable interest rate determined in the manner provided in the Final Terms Certificate relating to the Series 2021 Bonds] but not in excess of ___% (the "Maximum Rate") commencing on _____, 20____, or the first such date

after the date hereof, whichever is later, in the manner provided herein. If upon presentation at maturity payment of the Principal Sum is not made as provided herein, interest continues at the Interest Rate until the Principal Sum is paid in full.

[Bonds of this series maturing in the years _____ through _____ are not subject to optional redemption prior to their respective maturity dates. Bonds of this series maturing in the year _____ and thereafter are subject to optional redemption prior to their respective maturity dates, in whole or in part [in _____ order of maturity and _____ within a maturity,] on _____ 1, 20____, and on any interest payment date thereafter, at a price equal to the principal amount of each Series 2021 Bond so redeemed plus accrued interest thereon to the redemption date plus a premium expressed as a percentage of the principal amount of each Series 2021 Bond so redeemed, depending on the redemption date, as follows:

Redemption Dates

Premiums

Bonds of this series which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$500,000 and integral multiples of \$1,000 in excess thereof. In such case the Series 2021 Bond is to be surrendered in the manner provided for transfers of ownership. Upon payment of the redemption price the Registered Owner is to receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.]

Notice of redemption of any Bonds of this series is to be given by the Paying Agent by sending a copy of such notice by certified or registered first-class postage prepaid mail, at least 30 days prior to the redemption date, to _____, _____, _____, the Original Purchase hereof, and to the registered owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice at the address appearing on the registration books of the City. Such notice is to specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption, and is further to state that on the redemption date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the redemption date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, such notice may be given, in lieu of such mailing, by sending a copy thereof, by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the paying agent is authorized to comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond does not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond.

The principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond are payable to the Registered Owner by _____, _____, Colorado, or its successors, as Paying Agent. The principal and the final installment of interest are payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest is payable to the Registered Owner determined as of the close of business on the regular record date, which is the fifteenth day of the calendar month next preceding the interest payment date, irrespective of any transfer of ownership hereof subsequent to the regular record date and prior to such interest payment date, by check or draft mailed to the Registered Owner at the address appearing on the registration books of the City maintained by _____, _____, Colorado, or its successors, as Registrar. Any interest hereon not paid when due and any interest hereon accruing after maturity is payable to the Registered Owner determined as of the close of business on the special record date, which is to be fixed by the paying agent for such purpose, irrespective of any transfer of ownership of this Series 2021 Bond subsequent to such special record date and prior to the date fixed by the paying agent for the payment of such interest, by check or draft mailed as aforesaid. Notice of the special record date and of the date fixed for the payment of such interest is to be given by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 10 days prior to the special record date, to _____, _____, _____, and to the registered owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing, at the addresses appearing on the registration books of the City. Any premium is payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond upon prior redemption. If the date for making or giving any payment, determination or notice described herein is not a Business Day, such payment, determination or notice is to be made or given on the next succeeding day which is a Business Day.

Payment of the principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond is to be made solely from, and as security for such payment there are irrevocably (but not necessarily exclusively) pledged, pursuant to the Sewer System General Ordinance (the "General Ordinance") and the Series Ordinance pertaining to the Bonds of this Series (the "Series Ordinance"), as supplemented by the Final Terms Certificate (the "Final Terms Certificate") pursuant to which this Series 2021 Bond is delivered (the General Ordinance, the Series Ordinance and the Final Terms Certificate being referred to collectively as the "Ordinances"), [two][a] special account[s], thereby identified as the Debt Service Account [and the Debt Service Reserve Account], into which the City Council, acting as the governing body of the Utility Enterprise of the City, has covenanted in the Ordinances to pay, from certain revenues derived from the operation and use of and otherwise pertaining to the Sewer System (the "System") of the City (the "Income") after provision is made only for the payment of all necessary and reasonable current expenses of operating, maintaining and repairing the System (such remaining revenues being referred to as the "Net Pledged Revenues"), sums sufficient to pay when due the principal of, interest on and any premium due in connection with the redemption of the Series 2021 Bonds and any parity securities payable from such revenues[, and to accumulate and maintain a specified reserve for such purposes]. In addition, the City may at its option augment such funds with any other moneys of the City legally available for expenditure for the purposes thereof as provided in the Ordinances.

It is hereby recited, certified and warranted that for the payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond, the City has created and will maintain said special funds and will deposit the Net Pledged Revenues therein, and out of said special funds, as an irrevocable charge thereon, will pay the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond in the manner provided by the Ordinances.

The Bonds of this issue are equitably and ratably secured by a lien on the Net Pledged Revenues, and such Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, upon the Net Pledged Revenues. Bonds and other obligations, in addition to the Bonds of this issue, subject to expressed conditions, may be issued and made payable from the Net Pledged Revenues having a lien thereon subordinate and junior to the lien of the Bonds of this issue or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of such Bonds in accordance with the provisions of the Ordinances.

The City Council, acting as the governing body of the Utility Enterprise of the City, covenants and agrees with the Registered Owner hereof that it will keep and will perform all of the covenants of this Series 2021 Bond and of the Ordinances described below.

This Series 2021 Bond is authorized and issued for the purpose of defraying the cost of constructing and installing additions and improvements to the Sewer System of the City under the authority of and in full conformity with the Constitution of the State of Colorado, the City Charter, the City Code of the City, and all other applicable laws of the State of Colorado and pursuant to Ordinances, duly adopted, executed and delivered prior to the issuance of this Series 2021 Bond.

Reference is hereby made to the Ordinances for a description of the provisions, terms and conditions upon which the Bonds of this issue are issued and secured, including, without limitation, the nature and extent of the security for the Series 2021 Bonds, provisions with respect to the custody and application of the proceeds of the Series 2021 Bonds, the collection and disposition of the revenues and moneys charged with and pledged to the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, the terms and conditions on which the Series 2021 Bonds are issued, a description of the special funds referred to above and the nature and extent of the security and pledge afforded thereby for the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, and the manner of enforcement of said pledge, as well as the rights, duties, immunities and obligations of the City and the members of its Council, acting as such and as the governing body of the Utility Enterprise of the City, and also the rights and remedies of the registered owners of the Series 2021 Bonds.

To the extent and in the respects permitted by the Ordinances, the provisions thereof, or any instrument amendatory thereof or supplemental thereto, may be modified or amended by action of the City Council of the City taken in the manner and subject to the conditions and exceptions provided therein. The pledge of revenues and other obligations of the City and its Utility Enterprise under the Ordinances may be discharged at or prior to the maturity or prior redemption of the Series 2021 Bonds upon the making of provision for the payment of the Series 2021 Bonds on the terms and conditions set forth in the Ordinances.

It is hereby recited, certified and warranted that all the requirements of law have been fully complied with by the proper officers of the City and the Utility Enterprise of the City in the issuance of this Series 2021 Bond; that it is issued pursuant to and in strict conformity with the Constitution and all other laws of the State of Colorado, including the City Charter, the City Code and the Ordinances; that this Series 2021 Bond does not contravene any constitutional or statutory provision or limitation of the State of Colorado, or any provision or limitation of the City Charter; and that this Series 2021 Bond is issued under the authority of the Ordinances.

This Series 2021 Bond is issued pursuant to the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, C.R.S., and this recital shall be conclusive evidence of the validity and the regularity of issuance of this Series 2021 Bond after its delivery for value.

This Series 2021 Bond is transferable only upon the registration books of the City by _____, _____, Colorado, or his, her or its successors, as transfer agent, at the request of the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative, upon surrender hereof together with a written instrument of transfer duly executed by the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the transfer agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The transfer agent shall accept this Series 2021 Bond for registration or transfer only if the Registered Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership or a trust. The transfer agent is not required to transfer ownership of this Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for redemption on or after the date of such mailing. The Registered Owner may also exchange this Series 2021 Bond for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges are to be made at the expense of the transferor or exchanger, and the transfer agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of this Series 2021 Bond is to be effective until entered on the registration books of the City maintained by the registrar. In the case of every transfer or exchange, the registrar shall authenticate and the transfer agent shall deliver to the new registered owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. The City may deem and treat the person in whose name this Series 2021 Bond is last registered upon the books of the City as the absolute owner hereof for the purpose of receiving payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond and for all other purposes, and all such payments so made to such owner or upon such owner's order will be valid and effective to satisfy and discharge the liability of the City upon this Series 2021 Bond to the extent of the sum or sums so paid, and the City will not be affected by any notice to the contrary.

This Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, as more specifically provided in the Ordinances. This Series 2021 Bond does not constitute a debt or an indebtedness or a multiple-fiscal year debt or other financial obligation of the City within the

meaning of any constitutional, charter or statutory provision or limitation. This Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for the payment of the principal of or interest on this Series 2021 Bond.

IN WITNESS WHEREOF, the City Council of the City of Aurora, Colorado, acting as the governing body of the Utility Enterprise of said City, has caused this Series 2021 Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City, to be sealed with the facsimile seal of the City, and to be signed and attested with the facsimile signature of the City Clerk of the City.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

By _____
Mayor, City of Aurora, Colorado

Attest:

By _____
City Clerk, City of Aurora, Colorado

CERTIFICATE OF AUTHENTICATION

This Series 2021 Bond is one of the Series 2021 Bonds issued pursuant to the Ordinances herein described. [Printed on the reverse hereof][Attached hereto] is the complete text of the opinion of bond counsel, a signed copy of which, dated the date of the first delivery of the Series 2021 Bonds herein described, is on file with the undersigned.

Dated: _____

_____, as registrar

By _____
_____, Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	-	_____ Custodian _____ (Cust) (Minor)

under Uniform Gifts to Minors Act

(State)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the attached Series 2021 Bond and does hereby irrevocably constitute and appoint _____, _____, _____, or its successor, to transfer said Series 2021 Bond on the books kept for registration thereof.

Dated: _____

Signature guaranteed:

[BANK, TRUST COMPANY OR FIRM]

By _____
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the attached Series 2021 Bond in every particular without alteration or enlargement or any change whatever.

TRANSFER FEE REQUIRED

[END OF FORM OF PRIVATELY PLACED BOND]

Section 2.07. Series 2021 Bonds Equally Secured. The Series 2021 Bonds shall be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Net Pledged Revenues to the full extent provided in Section 5.01 of the General Ordinance, which lien shall be binding and enforceable as provided therein. The covenants and agreements herein set forth to be performed on behalf of the City and the Enterprise shall be for the equal benefit, protection and security of the Owners of any and all of the Series 2021 Bonds, all of which, regardless of the time or times of their maturity, shall be of equal rank without preference, priority

or distinction of any of the Series 2021 Bonds over any other thereof, except as otherwise expressly provided in or pursuant to this Series Ordinance.

Section 2.08. Special Obligations. All of the Series 2021 Bonds, as to all Debt Service Requirements thereof, shall be payable solely out of the Net Pledged Revenues. The Owners of the Series 2021 Bonds may not look to the general fund or any other fund of the City for the payment of the Debt Service Requirements, except the special funds and accounts pledged therefor. The Series 2021 Bonds shall not constitute a debt or indebtedness or multiple-fiscal year debt or other financial obligation of the City within the meaning of any constitutional, Charter or statutory provision or limitation, and the Series 2021 Bonds shall not be considered or held to be general obligations of the City, but shall constitute special and limited obligations of the City, acting by and through the Enterprise. The Series 2021 Bonds are not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for payment of the Series 2021 Bonds.

ARTICLE III

SPECIAL ACCOUNTS

The proceeds of the Series 2021 Bonds and the Income shall be deposited by the City in the accounts described in this Article III, to be accounted for in the manner and priority set forth in this Article III.

Neither the Purchaser nor any subsequent Owner of any Series 2021 Bonds shall be in any manner responsible for the application or disposal by the City or by any of its officers, agents or employees of the moneys derived from the sale of the Series 2021 Bonds or of any other moneys designated in this Article III.

Section 3.01. Series 2021 Debt Service Subaccounts. There are hereby established within the Debt Service Account a Series 2021 Interest Subaccount and a Series 2021 Principal Subaccount. The Series 2021 Interest Subaccount shall be used to account for funds of the Debt Service Account allocable to payments of interest on the Series 2021 Bonds, and the Series 2021 Principal Subaccount shall be used to account for funds of the Debt Service Account allocable to payments of principal of the Series 2021 Bonds. The funds in the Series 2021 Interest Subaccount and the Series 2021 Principal Account are hereby appropriated for such purposes.

Section 3.02. Series 2021 Construction Account. The net proceeds of the Series 2021 Bonds shall be held in the Series 2021 Construction Account and applied to the Project. Any funds remaining in such account after completion of the Project may be applied to other additions and improvements to the System or to the payment of principal of or interest on the Series 2021 Bonds or to any other lawful purpose of the City or the Enterprise. Proceeds of the Privately Placed Series 2021 Bonds held or committed to be loaned by the Registered Owner shall be disbursed only upon written requisitions substantially in the form of Appendix A hereto. Upon the Completion Date any moneys remaining in the Construction Account may applied to reduce the principal balance of the Series 2021 Bonds Outstanding and the schedule of principal payments may be adjusted accordingly, all as may be provided by Final Terms Certificate.

Section 3.03. Series 2021 Costs of Issuance Subaccount. The portion of the proceeds of the Series 2021 Bonds reasonably required to pay the costs of issuance thereof shall be deposited in the Series 2021 Costs of Issuance Subaccount, which is hereby established within the Series 2021 Construction Account, and used, to the extent required, for the payment of Costs of Issuance of the Series 2021 Bonds, and to the extent of any excess, for any other Costs of the Series 2021 Capital Project.

Section 3.04. Series 2021 Debt Service Reserve Account. Pursuant to Section 3.04 of the General Ordinance, but only to the extent provided by Final Terms Certificate, there shall be established in connection with the Series 2021 Bonds a Debt Service Reserve Account to be known as the Series 2021 Debt Service Reserve Account. The Series Ordinance authorizing any Series of Additional First-Lien Revenue Obligations may provide that such Additional First-Lien Revenue Obligations are secured by the Series 2021 Debt Service Reserve Account as a common reserve on the same basis and subject to the same requirements as the Series 2021 Bonds, or may provide for a separate Debt Service Reserve Account for such Additional First-Lien Revenue Obligations. Subject to the payments required by Sections 3.02 and 3.03 of the General Ordinance and except as provided in Section 3.05 thereof, from the Net Pledged Revenues or the proceeds of the Series 2021 Bonds, or both, there shall be credited from time to time to the Series 2021 Debt Service Reserve Account moneys sufficient to accumulate and maintain the Series 2021 Debt Service Reserve Account at an amount at least equal to the Series 2021 Reserve Requirement. The dollar amount of the Series 2021 Reserve Requirement may be recalculated and reduced, but not increased, from time to time by the City as necessary to apply the Series 2021 Reserve Requirement to the remaining Debt Service Requirements of the Series 2021 Bonds; provided that the Series 2021 Reserve Requirement shall not be reduced to an amount less than the lesser of (a) the Maximum Annual Debt Service Requirements of the Series 2021 Bonds, or (b) 125% of the Average Annual Debt Service Requirements of the Series 2021 Bonds. The moneys required to be deposited to the Series 2021 Debt Service Reserve Account, excluding any investment earnings which may be transferred to the Series 2021 Excess Investment Earnings Account to be rebated to the federal government, shall be set aside, accumulated and, if necessary, reaccumulated from time to time and maintained as a continuing reserve to be used, except as otherwise expressly provided in the General Ordinance or this Series Ordinance, only to prevent deficiencies in payment of the Debt Service Requirements of the Series 2021 Bonds then Outstanding resulting from failure to deposit into the Debt Service Account sufficient funds to pay such Debt Service Requirements as the same become due, and such funds are hereby appropriated for such purpose. To the extent and in the manner permitted by the General Ordinance a surety bond or other instrument issued by Credit Facility Provider may be used in lieu of cash to satisfy the Series 2021 Reserve Requirement. The amount of the Series 2021 Reserve Requirement and any other necessary details in connection with the Series 2021 Debt Service Reserve Account shall be determined by Final Terms Certificate.

Section 3.05. Series 2021 Excess Investment Earnings Account. The Director of Finance shall transfer into and pay from the Series 2021 Excess Investment Earnings Account hereby created within the Wastewater Fund the amount of required arbitrage rebate, if any, due to the federal government pursuant to Section 148(f)(2) of the Tax Code, and the applicable Treasury regulations (the "Regulations") promulgated thereunder. The Director of Finance shall determine such amounts in the manner required by said sections and related regulations and Section 4.01(f) hereof. Transfer of the required arbitrage rebate amounts shall be made from the Series 2021

Construction Account, the Debt Service Account and the Series 2021 Debt Service Reserve Account; provided, however, that required arbitrage rebate payments shall be made to the federal government from legally available funds regardless of whether there are any remaining proceeds or other funds attributable to the Series 2021 Bonds that are available for the purpose.

All amounts in the Series 2021 Excess Investment Earnings Account, including income earned from investment thereof, shall be held by the Director of Finance free and clear of any lien created by this Series Ordinance, and the Director of Finance shall remit the same to the federal government from time to time as provided in Section 4.01(f) hereof; provided that any amounts remaining in the Series 2021 Excess Investment Earnings Account after payment of, or in excess of, all arbitrage rebate payments reasonably expected to be due in connection with the Series 2021 Bonds shall be available for any lawful purpose of the Enterprise or the City. The amounts, if any, in the Series 2021 Excess Investment Earnings Account are hereby appropriated for such purposes.

Section 3.06. Reborrowing. Any reborrowing of previously paid principal shall be subject to the same provisions and limitations hereunder as other Series 2021 Bonds and shall be conditioned upon the receipt by each Registered Owner of an opinion of Bond Counsel to the effect that interest accruing on the reborrowed amount shall have the same treatment for federal and Colorado income tax purposes as interest on all other Series 2021 Bonds.

ARTICLE IV

SERIES 2021 COVENANTS

Section 4.01. Federal Income Tax Covenants. In addition to the various covenants made by it in the General Ordinance, the City covenants to and for the benefit of the Owners of the Series 2021 Bonds as follows:

(a) **General.** The City intends that the interest on the Series 2021 Bonds shall be excludable from gross income for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Tax Code, and Regulations. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Series 2021 Bonds to be includable in gross income, as defined in Section 61 of the Tax Code, for federal income tax purposes. In particular, the City covenants and agrees to comply with each requirement of this Section 4.01; provided, however, that the City shall not be required to comply with any particular requirement of this Section 4.01 if the City has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds or if the City has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Section 4.01 will satisfy the applicable requirements of the Tax Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s opinion shall constitute compliance with the corresponding requirement specified in this Section 4.01.

(b) **No Private Use or Payment and No Private Loan Financing.** The City covenants and agrees that it will make such use of the proceeds of the Series 2021 Bonds

including interest or other investment income derived from Series 2021 Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Series 2021 Bonds will not be “private activity bonds” or be deemed to finance any “private loan” within the meaning of the Tax Code and the Regulations promulgated thereunder. Moreover, the City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2021 Bonds are delivered, that the proceeds of the Series 2021 Bonds will not be used in a manner that would cause the Series 2021 Bonds to be “private activity bonds” within the meaning of Section 141 of the Tax Code and the Regulations promulgated thereunder.

(c) **No Federal Guarantee.** The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2021 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code and the applicable Regulations thereunder, except as permitted by Section 149(b)(3) of the Tax Code and such Regulations.

(d) **No Hedge Bonds.** The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2021 Bonds to be “hedge bonds” within the meaning of Section 149(g) of the Tax Code and the applicable Regulations thereunder.

(e) **No Arbitrage.** The City covenants and agrees that it will make such use of the proceeds of the Series 2021 Bonds including interest or other investment income derived from Series 2021 Bond proceeds, regulate investments of proceeds of the Series 2021 Bonds, and take such other and further action as may be required so that the Series 2021 Bonds will not be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code and the applicable Regulations promulgated thereunder. Moreover, the City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2021 Bonds are delivered, the City will reasonably expect that the proceeds of the Series 2021 Bonds will not be used in a manner that would cause the Series 2021 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code and the applicable Regulations promulgated thereunder.

(f) **Arbitrage Rebate.** If the City does not qualify for an exception to the requirements of Section 148(f) of the Tax Code relating to the required rebate to the United States of America, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Series 2021 Bonds (within the meaning of Section 148(f)(6)(B) of the Tax Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Series 2021 Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Series 2021 Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds

of any bonds of the City; (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Series 2021 Bonds which is required to be rebated to the federal government; and (iii) pay, not less often than every fifth anniversary date of the delivery of the Series 2021 Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Series 2021 Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) **Information Reporting.** The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the fifteenth day of the second calendar month after the close of the calendar quarter in which the Series 2021 Bonds are issued, an information statement concerning the Series 2021 Bonds, all under and in accordance with Section 149(e) of the Tax Code and the applicable Regulations promulgated thereunder.

(h) **Continuing Obligation.** Notwithstanding any other provision of this Series Ordinance, the City's obligations under the covenants and provisions of this Section 4.01 shall survive the defeasance and discharge of the Series 2021 Bonds.

Section 4.02. Rate Maintenance; Rate Study Requirement. Notwithstanding anything in this Ordinance or the General Ordinance, so long as the Net Pledged Revenues in any calendar year are sufficient to pay at least 100% of the Combined Annual Debt Service Requirements of all Outstanding First-Lien Revenue Obligations and 100% of the Combined Annual Debt Service Requirements of all Outstanding Subordinate Revenue Obligations, the failure to meet the rate maintenance requirements of Section 6.01 of the General Ordinance in such calendar year shall not constitute an Event of Default, so long as the City shall, within 180 days after the end of such calendar year, promptly retain and cause an Independent Accountant or a Consulting Engineer, as such terms are defined in the General Ordinance, to prepare a rate study for the purpose of recommending a schedule of rates, fees and changes for the use of the System which in the opinion of the firm conducting the study will be sufficient to provide Income to be collected in the next succeeding calendar year which will allow compliance with such rate maintenance requirements. The City shall, within three (3) months of receipt of such study, and in any event before the end of the calendar year, adopt rates, fees and charges for the use of the System, based upon the recommendations contained in such study, which will provide compliance with such rate maintenance requirements in the next succeeding calendar year.

ARTICLE V

MISCELLANEOUS

Section 5.01. Enterprise Status. The City represents that the Enterprise is currently qualified as an “enterprise” for purposes of Article X, Section 20 of the constitution and covenants that it will cause the Enterprise to maintain such status during the current fiscal year.

Section 5.02. Sale of Series 2021 Bonds. The Series 2021 Bonds shall either be Publicly Offered at negotiated or competitive sale or Privately Placed, as determined by Final Terms Certificate, in either case at a price, to be determined by a Final Terms Certificate, (a) in the case of Publicly Offered Series 2021 Bonds, not less than 96% of their principal amount plus accrued interest to the date of their delivery to the Purchaser or, (b) in the case of Privately Placed Series 2021 Bonds, 100% of the amount of proceeds advanced by the Registered Owner. The Series 2021 Bonds may either be Publicly Offered with an Official Statement or Privately Placed with one or more banks or other institutions, in which case no Official Statement or Continuing Disclosure Undertaking shall be prepared. The Mayor and the Clerk, on behalf of the Enterprise, are authorized pursuant to this Series Ordinance and a Final Terms Certificate to take all such actions as reasonably required for the purpose of specifying the terms and conditions of sale of the Series 2021 Bonds and effecting their delivery to the Purchaser.

Section 5.03. Character of Agreement. None of the covenants, agreements, representations or warranties contained herein or in the Series 2021 Bonds shall ever impose or shall be construed as imposing any liability, obligation or charge against the City (except for the special funds pledged therefor) or against the general credit of the City payable out of its general funds or out of any funds derived from its general property taxes.

Section 5.04. No Pledge of Property. The payment of the Series 2021 Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City except for the Net Pledged Revenues and other funds expressly pledged hereunder. No property of the City, subject to such exception with respect to the Net Pledged Revenues and other funds, as provided herein and in the General Ordinance, shall be liable to be forfeited or taken in payment of the Series 2021 Bonds.

Section 5.05. Delegated Duties. The officers of the City are hereby authorized and directed to enter into such agreements and take all action necessary or appropriate to effectuate the provisions of this Series Ordinance and to comply with the requirements of law, including, without limitation:

(a) ***Preparation of Series 2021 Bonds.*** The preparation of the Series 2021 Bonds, including the printing upon or attachment to each such Bond of a copy of the approving legal opinion of bond counsel, duly certified by the Registrar, and, if necessary or desirable pending delivery of printed Series 2021 Bonds, the preparation of one or more temporary typewritten Series 2021 Bonds in an aggregate principal amount equal to that of the Series 2021 Bonds, otherwise in substantially the same form and bearing the same terms, to be delivered to the Purchaser and thereafter to be exchanged by the Purchaser for printed Bonds when the same are received by the City;

(b) ***Execution, Registration and Delivery of Series 2021 Bonds.*** The execution and registration of the Series 2021 Bonds and the delivery of the Series 2021 Bonds to the Purchaser pursuant to the provisions of this Series Ordinance;

(c) ***Information.*** The assembly and dissemination of financial and other information concerning the City and the Series 2021 Bonds;

(d) ***Official Statement and Continuing Disclosure Undertaking.*** In the event that the Series 2021 Bonds are Publicly Offered, the preparation of an Official Statement for the use of prospective buyers of the Series 2021 Bonds, including, without limitation, the Purchaser, and in connection therewith, the delivery and performance of the Continuing Disclosure Undertaking; and

(e) ***Related or Ancillary Documents; Closing Certificates.*** The execution of any related or ancillary documents as provided by Final Terms Certificate, to the extent not inconsistent with this Ordinance or necessary to effectuate the transactions authorized hereby, together with such certificates as may be reasonably required by the Purchaser, relating, inter alia, to:

(i) the signing of the Series 2021 Bonds;

(ii) the tenure and identity of the officials of the City;

(iii) if in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Series 2021 Bonds;

(iv) the excludability of interest on the Series 2021 Bonds from gross income for federal income tax purposes and the exemption of such interest from State income tax;

(v) the delivery of the Series 2021 Bonds and the receipt of the Series 2021 Bond purchase price; and

(vi) the accuracy and adequacy of information provided in the Official Statement, if any, prepared for prospective buyers of Publicly Offered Series 2021 Bonds.

Section 5.06. Successors. Whenever herein the City is named or is referred to, such provision shall be deemed to include any successors of the City, whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the City contained herein shall bind and inure to the benefit of any officer, board, district, commission, authority, agency, instrumentality or other Person or Persons to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the City or of its respective successors, if any, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 5.07. Rights and Immunities. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the City, and the Owners from time to time of the Series 2021 Bonds, any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements herein contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, and any Owner of any of the Series 2021 Bonds.

No recourse shall be had for the payment of the Debt Service Requirements of the Series 2021 Bonds or for any claim based thereon or otherwise upon this Series Ordinance authorizing their issuance or any other ordinance or instrument pertaining thereto, against any individual member of the Council, or any officer or other agent of the City, past, present or future, either directly or indirectly through the City, or otherwise, whether by virtue of any constitution, statute or rule of law or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Series 2021 Bonds and as a part of the consideration of their issuance specially waived and released.

Section 5.08. Ratification. All action not inconsistent with the provisions of this Series Ordinance heretofore taken by the City or its officers, and otherwise by the City directed toward the Series 2021 Capital Project, the adoption of this Ordinance or the issuance of the Series 2021 Bonds for the purposes described herein is hereby ratified, approved and confirmed.

Section 5.09. Facsimile Signatures. Pursuant to the Uniform Facsimile Signature of public Officials Act, Part 1, Article 55, Title 11, C.R.S., as amended, the Mayor and the City Clerk shall forthwith, and in any event prior to the time the Series 2021 Bonds are delivered to the Purchaser, file with the Colorado Secretary of State their manual signatures certified by them under oath.

Section 5.10. Ordinance Irrepealable. This Series Ordinance is, and shall constitute, a legislative measure of the City and after any of the Series 2021 Bonds are issued, this Series Ordinance shall constitute an irrevocable contract between the City and the Owner or Owners of the Series 2021 Bonds; and this Series Ordinance, if any Series 2021 Bonds are in fact issued, shall be and shall remain irrepealable until the Series 2021 Bonds, as to all Debt Service Requirements, shall be fully paid, cancelled and discharged, as herein provided.

Section 5.11. Repealer. All ordinances, resolutions, bylaws, orders, and other instruments, or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any ordinance, resolution, bylaw, order, or other instrument, or part thereof, heretofore repealed.

Section 5.12. Severability. If any section, paragraph, clause or other provision of this Series Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining sections, paragraphs, clauses or provisions of this Series Ordinance.

Section 5.13. Effective Date; Expiration. This Series Ordinance shall take effect 30 days after publication following final passage. This Series Ordinance shall expire to the extent that the Series 2021 Bonds authorized herein are not issued by December 31, 2021.

Section 5.14. Publication by Reference. Pursuant to Section 5-5 of the Charter of the City and the City Code, this Series Ordinance may be published either in full or in summary form.

Section 5.15. Disposition of Ordinance. This Series Ordinance, immediately on its final passage, shall be numbered and recorded in the Book of Ordinances kept for that purpose, authenticated by the signatures of the Mayor and Clerk, and shall be published as required by law.

INTRODUCED, READ AND ORDERED PUBLISHED this ____ day of _____,
2021.

PASSED AND ORDERED PUBLISHED BY REFERENCE this ____ day of _____,
2021.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

By _____
MIKE COFFMAN, Mayor

Attest:

By _____
KADEE RODRIGUEZ, City Clerk

Approved as to Form:

By _____
HANOSKY HERNANDEZ, Assistant City Attorney

APPENDIX A

FORM OF CONSTRUCTION ACCOUNT REQUISITION

REQUISITION NO. _____

To: _____
Attention: _____

The undersigned City Representative (the “Authorized Person”) of the City of Aurora, Colorado (the “City”) hereby requisitions the following sum from the Construction Account established under City Ordinance No. 2021- __ (the “Series Ordinance”), and certifies as follows:

Amount: \$ _____

Name and Payment Instructions of Payee:

Capitalized terms used herein and not otherwise defined shall have the same meanings, respectively, as provided in the Series Ordinance.

The City further certifies that:

(a) the obligation described above has been properly incurred by the City, is a proper charge against the Construction Account and has not been the basis of any previous withdrawal or requisition;

(b) all conditions required by the Series Ordinance and the Final Terms Certificate dated as of _____, 20__ (the “Final Terms Certificate”) to be met prior to the disbursement of the above amount have been satisfied;

(c) the City is not in breach of any of the agreements contained in the Series Ordinance or the Final Terms Certificate; and

(d) no Event of Default, within the meaning of the Series Ordinance, has occurred and is continuing.

**CITY OF AURORA, COLORADO, acting by and
through its Utility Enterprise**

Date: _____ By: _____
Authorized Person

Proof of Publication

(Please see attached)



CITY OF AURORA

Council Agenda Commentary

Item Title: Proposed Financing Ordinance Series 2021 First-Lien Water Revenue Bonds
Item Initiator: Teresa Sedmak
Staff Source/Legal Source: Teresa Sedmak/ Hans Hernandez
Outside Speaker: None
Council Goal: 2012: 6.1--Ensure the delivery of high quality services to residents in an efficient and cost effective manner

COUNCIL MEETING DATES:

Study Session: 3/15/2021

Regular Meeting: 3/22/2021

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
- Information Only
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Approve Item with Waiver of Reconsideration
Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date:

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
 - Does Not Recommend Approval
 - Forwarded Without Recommendation
 - Recommendation Report Attached
 - Minutes Attached
 - Minutes Not Available
-

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

The attached proposed financing ordinance provides for the issuance of Series 2021 First-Lien Water Revenue Bonds for the purposes of (1) providing a portion of the costs of additions and improvements to the Water System, primarily related to the City's Southeast Area Maintenance Facility (the SEAM Project); and (2) to allow for the refunding of all or a portion of the City's outstanding Series 2016 First-Lien Water Revenue Bonds in order to realize economic savings.

The Southeast Area Maintenance Facility (SEAM) was a future project identified in a facility master plan in 1999 based on City growth projections. In 2016-2017, a study was completed of current facilities. The study identified the current facilities as being over-crowded and additional space needed especially for operations functions. Based on the findings of the study, the recommendation was a new facility in Southeast Aurora, where existing facilities are limited for Water, Public Works, Fleet and Parks, Recreation and Open Space employees. The SEAM facility will be located in Southeast Aurora off Quincy Road. The initial phase of the project will house Aurora Water employees, with long-term growth opportunities to expand to include other City departments such as Public Works, Fleet and Parks, Recreation and Open Space.

This ordinance will be accompanied by a draft preliminary official statement (POS) prior to study session. The POS is in preliminary form at this point, and will be significantly enhanced by early to mid April. The POS is the primary disclosure document referenced by investors and includes comprehensive information on the bonds, which is vital to investors in making their investment decisions. Assisting the City in the preparation of the POS will be Kutak Rock, the City's bond/disclosure counsel and Hilltop Securities, the City's financial advisor.

QUESTIONS FOR COUNCIL

Does the Committee support moving the proposed financing ordinance forward to Study Session?

LEGAL COMMENTS

City Council may authorize, by ordinance, without an election, the issuance of refunding bonds for the purpose of paying outstanding bonds of the City at a lower rate. Colorado Constitution Article X § 20(4)(b); City Charter § 11-21. City Council may also authorize water extension and water improvement bonds without an election. City Charter § 11-19. (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: The ordinance provides for a maximum issue size of \$539 million, which includes: (1) \$120 million in new money; and (2) up to \$419 million in refunding dollars for the redemption of the previously-issued 2016 Water bonds. It is anticipated that the bonds will be sold in May of this year.

New money: The issuance of the "new money" portion of the Series 2021 Water Bonds will increase the debt service burden of the water system in an amount dependent upon the structure, interest rate and final maturity of the financing. At this time, assuming a \$120 million borrowing, current interest rates, a level debt service structure and a 30-year final maturity date, it is estimated that annual debt service will be approximately \$5.7 million until the bonds are fully repaid.

Potential refunding of Series 2016 bonds: The refunding of \$400 million of the Series 2016 Water bonds (assuming all callable bonds are refunded) could provide an economic savings of approximately \$21.14 million (a 6.35% savings on a present value basis), which would equate to a \$1.1 million annual savings. The actual size of the refunding will be determined at a later date, as the effect of market rates on savings are established. In

accordance with City of Aurora policies, the refunding will not be consummated if savings are less than three (3) percent as compared to the interest costs of the 2016 transaction.

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain:

**SERIES 2021 FIRST-LIEN WATER
REVENUE BOND ORDINANCE**

CITY OF AURORA, COLORADO

acting by and through its

UTILITY ENTERPRISE

Authorizing
the issuance, sale and delivery of not to exceed
\$539,000,000
aggregate principal amount of
First-Lien Water Revenue Refunding and Improvement Bonds
Series 2021

Effective _____, 2021

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APPENDIX A FORM OF REQUISITION

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY THE CITY OF AURORA, COLORADO, ACTING BY AND THROUGH ITS UTILITY ENTERPRISE, OF FIRST-LIEN WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, IN ONE OR MORE SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$539,000,000, FOR THE PURPOSE OF FINANCING AND REFINANCING, IN WHOLE OR IN PART, THE COST OF ADDITIONS AND IMPROVEMENTS TO THE WATER SYSTEM OPERATED BY THE UTILITY ENTERPRISE, PLEDGING CERTAIN FUNDS AND REVENUES OF THE ENTERPRISE TO THE PAYMENT OF SUCH BONDS, PRESCRIBING THE FORM OF SUCH BONDS, AND PROVIDING OTHER DETAILS IN CONNECTION THEREWITH.

WHEREAS, the City of Aurora, Colorado (the “City”) is a home rule municipality duly organized and existing pursuant to Article XX of the Constitution (the “Constitution”) of the State of Colorado (the “State”); and

WHEREAS, the City Council (the “Council”) of the City has previously acted by ordinance to recognize and confirm the existence of the Utility Enterprise of the City (the “Enterprise”), such ordinance being codified in Article II of Chapter 138 of the City Code (the “Code”) of the City; and

WHEREAS, the Code authorizes the issuance of revenue bonds for the purpose of financing additions and improvements to the utility systems operated by the Enterprise; and

WHEREAS, the Council, acting as such and as the governing body of the Enterprise, deems it necessary and appropriate to authorize the issuance of its First-Lien Water Revenue Refunding and Improvement Bonds, Series 2021 (the “Series 2021 Bonds”) in a single series or in multiple subseries designated accordingly, upon the terms described herein, for the purpose of defraying, in whole or in part, the cost of financing additions and improvements to the City’s Water System (the “System”) as well as refunding, paying and discharging outstanding obligations previously contracted in connection with the System; and

WHEREAS, such Series 2021 Bonds are permitted, under the Charter of the City (the “Charter”), the Code and Article X, Section 20 of the Constitution, to be issued without an election; and

WHEREAS, the Council desires to authorize the designation of a portion of the Series 2021 Bonds as “Green Bonds” in accordance with the voluntary, generally accepted Green Bond Principles promulgated by the International Capital Market Association and the City is permitted to make such a voluntary designation based on the intended use of such portion of the proceeds of the Series 2021 Bonds; and

WHEREAS, the proceeds of a portion of the Series 2021 Bonds are to be allocated to the Refunding Project (as defined below), which consists of the refinancing of obligations originally

issued for the acquisition and construction of facilities and property which the Council has determined are environmentally beneficial to the City and its residents; and

WHEREAS, pursuant to Ordinance No. 2003-18 of the City, as amended by Ordinance No. 2003-70 (collectively, the “General Ordinance”), adopted prior to the adoption of this Ordinance, the Council has established a consistent procedure for the issuance of revenue bonds and other obligations to finance and refinance additions and improvements to the System;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO, ACTING BY AND THROUGH THE CITY OF AURORA, COLORADO UTILITY ENTERPRISE:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings, respectively, provided in the General Ordinance. In this Series Ordinance the following additional terms have the following respective meanings unless the context clearly requires otherwise:

“*Closing*” means, in the case of Publicly Offered Series 2021 Bonds, the date of delivery of and payment for the Series 2021 Bonds and, in the case of Privately Placed Series 2021 Bonds, the date of delivery of and the first disbursement of proceeds of the Series 2021 Bonds.

“*Completion Date*” means the date as of which the City certifies that the Improvement Project is complete and no further disbursement of proceeds of the Series 2021 Bonds will be requested.

“*Continuing Disclosure Undertaking*” means, to the extent provided by Final Terms Certificate in connection with any Publicly Offered Series 2021 Bonds, the Continuing Disclosure Undertaking, if any, relating to the Official Statement and the Series 2021 Bonds, in substantially the form filed with the City Clerk at the time of introduction of this Series Ordinance.

“*General Ordinance*” means Ordinance No. 2003-18 of the City, as amended by Ordinance No. 2003-70, as it may be amended from time to time.

“*Improvement Project*” means the acquisition and construction of improvements to the water system operated by the Enterprise, including without limitation the acquisition and construction of a portion of the Southeast Area Maintenance Facility.

“*Maximum Rate*” in the case of Fixed rate Series 2021 Bonds, means 5% and in the case of Variable Rate Series 2021 Bonds, means 10%.

“*Official Statement*” means, in the event that any of the Series 2021 Bonds are Publicly Offered, the Official Statement of the City relating to such Series 2021 Bonds.

“*Paying Agent*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Paying Agent hereunder.

“*Publicly Offered*” means offered to the public in an underwritten transaction.

“*Privately Placed*” means sold in a direct placement to one or more bank lenders or institutional purchasers.

“*Project*” or “*Series 2021 Project*” means the Improvement Project and the Refunding Project.

“*Purchaser*” means the original purchaser of the Series 2021 Bonds identified by the Final Terms Certificate, who may be either a bank lender or institutional purchaser if the Series 2021 Bonds are Privately Placed, or the underwriter if the Series 2021 Bonds are Publicly Offered.

“*Refunded Bonds*” means, collectively, all or any portion of the outstanding Series 2016 Bonds, as determined by Final Terms Certificate.

“*Refunded Bond Requirements*” means the principal, redemption premium, if any, and interest due in connection with the Refunded Bonds at maturity or upon prior redemption.

“*Refunding Escrow Account*” means the special account created and required to be maintained by Section 3.06 hereof.

“*Refunding Escrow Agreement*” means an agreement between the City and a Trust Bank having trust powers and identified by Final Terms Certificate, providing for the custody and application of proceeds of the Series 2021 Bonds to the Refunding Project in the form approved by Final Terms Certificate.

“*Refunding Project*” means the refunding, payment and discharge of all or any portion of the City’s outstanding Series 2016 Bonds previously issued for System improvements.

“*Registrar*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Registrar hereunder.

“*Series Ordinance*” means this Series Ordinance.

“*Series 2016 Bonds*” means the First-Lien Water Refunding Revenue Bonds, Series 2016.

“*Series 2021 Bonds*” means the First-Lien Water Revenue Refunding and Improvement Bonds, Series 2021.

“*Series 2021 Costs of Issuance Subaccount*” means the subaccount created within the Series 2021 Construction Account and required to be maintained by Section 3.03 hereof.

“*Series 2021 Construction Account*” means the special account created and required to be maintained by Section 3.02 hereof.

“*Series 2021 Debt Service Reserve Account*” means, to the extent, if any, provided by Final Terms Certificate, the special account created and required to be maintained by Section 3.04 hereof.

“*Series 2021 Excess Investment Earnings Account*” means the special account created and required to be maintained by Section 3.05 hereof.

“*Series 2021 Reserve Requirement*” means, to the extent, if any, that a reserve account is required to be maintained pursuant to a Final Terms Certificate, initially, and except as it may be adjusted pursuant to Section 3.04 hereof, an amount equal to the least of (a) 10% of the principal amount of the Series 2021 Bonds, (b) the Maximum Annual Debt Service Requirements of the Series 2021 Bonds, or (c) 125% of the Average Annual Debt Service Requirements of the Series 2021 Bonds.

“*Tax Code*” means the Internal Revenue Code of 1986, as amended.

“*Transfer Agent*” means a suitable institution or City official designated by Final Terms Certificate to perform the duties of Transfer Agent hereunder.

ARTICLE II

THE SERIES 2021 BONDS

Section 2.01. The Project. The City Council of the City hereby authorizes and directs that the Series 2021 Project, including the Improvement Project and the Refunding Project, be carried out with the net proceeds of the Series 2021 Bonds and any other legally available moneys of the City necessary for such purpose. The City Council of the City hereby acknowledges that a portion of the net proceeds of the Series 2021 Bonds may be applied to reimburse the City for prior expenditures made in connection with the Improvement Project as permitted pursuant to the City’s declaration of official intent to reimburse such expenditures from the proceeds of the Series 2021 Bonds pursuant to Section 1.150-2 of the Internal Revenue Code Regulations made as of August 4, 2020.

Section 2.02. Issuance of Series 2021 Bonds; Application of Series 2021 Bond Proceeds. The Series 2021 Bonds are authorized to be issued in one or more series corresponding to the time of their issuance or the respective terms and provisions thereof. In the event that the Series 2021 Bonds are issued in more than one series, the caption for each series shall contain a letter or any other appropriate means of identifying each separate series. The Series 2021 Bonds are authorized to be either Privately Placed or Publicly Offered, at a price, if Privately Placed, equal to the sum of the authorized disbursements of proceeds, or at a price, if Publicly Offered, not less than 96% of their aggregate principal amount plus accrued interest to the date of their delivery to the Purchaser, in either case as determined by Final Terms Certificate. The net proceeds received by the City at Closing from the sale of the Series 2021 Bonds after deduction of costs of issuance and underwriting discount, if any, shall be applied as follows: (a) accrued interest, if any, on the Series 2021 Bonds shall be deposited in the Debt Service Account; (b) Series 2021 Bond proceeds sufficient to meet the Series 2021 Reserve Requirement, if any, shall be deposited to the Series 2021 Debt Service Reserve Account; and (c) Series 2021 Bond proceeds sufficient, together

with the known minimum yield to be derived from the initial investment and any temporary reinvestment of the deposits therein or any part thereof in Federal Securities to pay the Refunded Bond Requirements with respect to the Refunded Bonds shall be deposited to the Refunding Escrow Account; and (d) the remaining Series 2021 Bond proceeds shall be deposited, at or after the issuance of the Series 2021 Bonds, to the extent necessary to accomplish the Improvement Project, into the Series 2021 Construction Account. Any excess funds remaining upon completion of the Series 2021 Project may be used for any lawful purpose of the City or the Enterprise.

Section 2.03. Authorization; Election To Apply Supplemental Public Securities Act.

The Series 2021 Bonds, payable as to all Debt Service Requirements solely out of the Net Pledged Revenues, are hereby authorized to be issued and outstanding in an aggregate principal amount not to exceed \$539,000,000. The actual amount of the Series 2021 Bonds and various other final terms of the Series 2021 Bonds, not inconsistent herewith, shall be approved by a certificate (a “Final Terms Certificate”) signed by the Director of Finance or an Authorized Officer of the City; provided however, that, to the extent the sale of the Series 2021 Bonds is completed as a negotiated sale, the City Manager shall certify to the Council that such method of sale is to the best advantage of the City in accordance with Section 11-25 of the City Charter. To the extent provided by Final Terms Certificate, amounts of principal redeemed or paid at maturity may be reborrowed, provided that the total principal amount of the obligation evidenced by the Series 2021 Bonds shall never exceed \$539,000,000. The City hereby elects to apply all provisions of the Supplemental Public Securities Act, to the extent not inconsistent herewith, to the Series 2021 Bonds. Any inconsistency between this Ordinance and the Supplemental Public Securities Act is intended as an exercise of the home rule legislative powers of the City.

Section 2.04. Bond Details.

(a) **Generally.** The provisions of the General Ordinance are hereby incorporated into this Series Ordinance. The Series 2021 Bonds shall be First-Lien Revenue Obligations within the meaning of the General Ordinance, secured by a first and prior (but not necessarily exclusive) lien upon the Net Pledged Revenues.

The Series 2021 Bonds shall be issued by the City Council of the City, as the governing body of the Enterprise, pursuant to the Code and the General Ordinance, (i) if Publicly Offered, in fully registered form in denominations of \$5,000 or any integral multiple thereof and (ii) if Privately Placed, in fully-registered form in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof; provided that no Series 2021 Bond shall be issued in any denomination larger than the aggregate principal amount of Series 2021 Bonds maturing on a single maturity date.

Pursuant to the recommendations of the Committee on Uniform Security Identification Procedures, if the Series 2021 Bonds are Publicly Offered, CUSIP numbers may be printed on the Series 2021 Bonds. If the Series 2021 Bonds are Privately Placed no CUSIP numbers shall be applied for or used.

If the Series 2021 Bonds are Publicly Offered, then, to the extent determined by Final Terms Certificate, the Series 2021 Bonds may be issued in book-entry form through the facilities of The Depository Trust Company, and the appropriate officials of the City

shall thereupon be authorized to execute such documents as are necessary to issue and deliver the Series 2021 Bonds in such form. If the Series 2021 Bonds are Privately Placed they shall not be issued in book-entry form through the facilities of The Depository Trust Company or otherwise.

The Series 2021 Bonds may be issued either as Fixed Rate Obligations or Variable Rate Obligations, or any combination thereof, as shall be provided by Final Terms Certificate, provided that any Publicly Offered Series 2021 Bonds shall be Fixed Rate Obligations.

The Series 2021 Bonds shall mature on August 1 in the years and in the aggregate principal amounts provided by a Final Terms Certificate; provided that the Series 2021 Bonds may mature within any period permitted by the Charter and Code but in any event not later than August 1, 2056. From the Completion Date to the Maturity Date, principal of any Variable Rate Series 2021 Bonds shall be amortized on a substantially level-debt basis, assuming interest accruals at the Maximum Rate. The Series 2021 Bonds shall bear interest, which may accrue at fixed, split, stepped or variable rates from the date as of which they are dated or the Interest Payment Date to which interest has been paid next preceding their respective dates, whichever is later, or, in the case of Privately Placed Series 2021 Bonds, from the date proceeds are advanced by a bank lender or institutional purchaser, to their respective Maturity Dates, except if redeemed prior thereto, at rates not exceeding the Maximum Rate, all as determined by Final Terms Certificate. Amounts of proceeds drawn with respect to Variable Rate Series 2021 Bonds may accrue interest either at the rate applicable on the date of such drawing or at variable rates which are the same as and subject to the same adjustments as other Variable Rate Series 2021 Bonds.

Said interest shall be payable commencing not later than February 1, 2022, and annually, semiannually or monthly thereafter at any convenient interval determined by Final Terms Certificate. If upon presentation at maturity the principal of any Series 2021 Bond is not paid as provided therein, interest shall continue thereon at the same interest rate (in the case of a Fixed Rate Obligation) or 10% (in the case of a Variable Rate Obligation) until the principal thereof is paid in full.

The Debt Service Requirements of the Series 2021 Bonds shall be payable to the Owners of the Series 2021 Bonds in lawful money of the United States of America by the Paying Agent. The final installments of principal and interest shall be payable to the Owner of each Series 2021 Bond upon presentation and surrender thereof at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest shall be payable to the Owner of each Series 2021 Bond determined as of the close of business on the Regular Record Date irrespective of any transfer of ownership of the Series 2021 Bond subsequent to the Regular Record Date and prior to such Interest Payment Date, by check or draft mailed to such Owner at the address appearing on the registration books of the City maintained by the Registrar. Any interest not paid when due and any interest accruing after maturity shall be payable to the Owner of each Series 2021 Bond entitled to receive such interest determined as of the close of business on the Special Record Date irrespective of any transfer of ownership of the Series 2021 Bond subsequent to the Special Record Date and prior to the date fixed by the Paying Agent for the payment of such interest, by check

or draft mailed as aforesaid. Notice of the Special Record Date and of the date fixed for the payment of such interest shall be given by sending a copy thereof by certified or registered first-class, postage prepaid mail, at least 10 days prior to the special record date, to the Purchaser and to the Owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing at the address appearing on the registration books of the City. Any premium shall be payable to the Owner of each Series 2021 Bond redeemed upon presentation and surrender thereof upon prior redemption. If the date for making or giving any payment, determination or notice described herein is not a Business Day, such payment, determination or notice shall be made or given on the next succeeding Business Day.

(b) ***Redemption; Notice of Redemption.*** The Series 2021 Bonds may be made subject to optional redemption prior to their maturity at a price or prices equal to the principal amount of the Series 2021 Bonds so redeemed either without premium or plus a premium not to exceed 2% of the principal amount thereof, plus accrued interest to the date of redemption, at such times and in such manner as provided by Final Terms Certificate. The Series 2021 Bonds may also be made subject to mandatory redemption from sinking fund installments or otherwise, at such times and in such manner, at prices not exceeding the principal amount of the Series 2021 Bonds so redeemed plus accrued interest to the date of redemption, as provided by a Final Terms Certificate.

Series 2021 Bonds which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$5,000. Such Series 2021 Bonds shall be treated as representing a corresponding number of separate Bonds in the denomination of \$5,000 each. Any such Series 2021 Bond to be redeemed in part shall be surrendered for partial redemption in the manner hereinafter provided for transfers of ownership. Upon payment of the redemption price of any such Series 2021 Bond redeemed in part the Owner thereof shall receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.

Notice of redemption shall be given by the Paying Agent in the name of the City by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 30 days prior to the Redemption Date, to the Purchaser and to the Owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice, at the addresses appearing on the registration books of the City maintained by the Registrar. Such notice shall specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption and shall further state that on the Redemption Date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the Redemption Date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, any redemption notice may be given, in lieu of such mailing, by sending a copy thereof by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the Paying Agent is hereby authorized to

comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of Series 2021 Bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond shall not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond. Any Series 2021 Bonds redeemed prior to their respective maturity dates by call for prior redemption or otherwise shall not be reissued and shall be cancelled the same as Series 2021 Bonds paid at or after maturity. Any notice of redemption may state that it is conditioned upon the deposit of funds for redemption on or prior to the redemption date.

(c) ***Interest Rates.*** The maximum net effective interest rate authorized for any Privately Placed Series 2021 Bonds is 10% per annum. The maximum net effective interest rate authorized for any Publicly Offered Series 2021 Bonds is 5% per annum. The actual net effective interest rate for the Series 2021 Bonds shall be determined by Final Terms Certificate or, in the case of Variable Rate Obligations, determined based upon the maximum interest rate provided therefor by Final Terms Certificate using the assumption that all proceeds are drawn on the date of delivery of the Series 2021 Bonds.

(d) ***Execution and Authentication.*** The Series 2021 Bonds shall be executed by and on behalf of the Council as the governing body of the Enterprise, with the facsimile signature of the Mayor, shall bear a facsimile of the seal of the City, shall be attested with the facsimile signature of the City Clerk, and shall be authenticated with the manual signature of a duly authorized signatory of the Registrar. Should any officer whose facsimile signature appears on the Series 2021 Bonds cease to be such officer before delivery of the Series 2021 Bonds to the Purchaser, such facsimile signature shall nevertheless be valid and sufficient for all purposes. No Series 2021 Bond shall be valid or become obligatory for any purpose or be entitled to any security or benefit under this Series Ordinance unless and until the certificate of authentication on such Series 2021 Bond shall have been duly executed by the Registrar, and such executed certificate upon any such Series 2021 Bond shall be conclusive evidence that such Series 2021 Bond has been authenticated and delivered under this Series Ordinance. The certificate of authentication on any Series 2021 Bond shall be deemed to have been duly executed by the Registrar if signed by an authorized signatory thereof, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Series 2021 Bonds.

(e) ***Registration, Transfer and Exchange.*** Upon their execution and authentication and prior to their delivery, the Series 2021 Bonds shall be registered for the purpose of payment of principal and interest by the Registrar. Thereafter, the Series 2021 Bonds shall be transferable only upon the registration books of the City maintained by the Registrar at the request of the Owner thereof or such Owner's duly authorized attorney-in-fact or legal representative. The Transfer Agent shall accept a Series 2021 Bond for registration or transfer only if the Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, or a trust. A Series 2021 Bond may be transferred upon surrender thereof together with a written instrument of transfer duly executed by the Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the Transfer Agent, containing written instructions as to the details of the transfer, along with the social security number

or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The Transfer Agent shall not be required to transfer ownership of any Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for redemption on or after the date of such mailing. The Owner of any Series 2021 Bond or Bonds may also exchange such Series 2021 Bond or Bonds for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges shall be made at the expense of the transferor or exchanger, and the Transfer Agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of any Series 2021 Bond shall be effective until entered on the registration books of the City maintained by the Registrar. In the case of every transfer or exchange, the Registrar shall authenticate and the Transfer Agent shall deliver to the new owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. New Series 2021 Bonds delivered upon any transfer or exchange shall be valid obligations, evidencing the same obligations as the Series 2021 Bonds surrendered, shall be secured by this Series Ordinance, the General Ordinance and any Final Terms Certificate and shall be entitled to all of the security and benefit hereof to the same extent as the Series 2021 Bonds surrendered. The City may deem and treat the person in whose name any Series 2021 Bond is last registered upon the books of the City as the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Series 2021 Bond and for all other purposes, and all such payments so made to such person or upon his order shall be valid and effective to satisfy and discharge the liability of the City upon such Series 2021 Bond to the extent of the sum or sums so paid, and the City shall not be affected by any notice to the contrary.

(f) ***Transfer Restrictions for Privately Placed Series 2021 Bonds.*** Notwithstanding the procedure described in paragraph (e) of this Section, no Privately Placed Series 2021 Bond shall be transferred by the Purchaser or any subsequent Owner unless: (i) the transferee shall have executed an investment letter satisfactory in form and substance to the City, and shall have provided such other evidence as the City may require in its discretion, to establish that the transferee is a Qualified Institutional Buyer within the meaning of Regulation D under the Securities Act of 1933 and that the transferee is purchasing for investment with no view to resale, participation or other distribution thereof; and (ii) the Series 2021 Bond or Bonds shall be transferred only in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. Any transfer or purported transfer of any interest in the Series 2021 Bonds in violation of the foregoing shall be void and the City shall have no obligation to recognize the ownership interest of, take any action on behalf of or make any payment to, the transferee or purported transferee.

(g) ***Resignation of Agents.*** If the Paying Agent, Registrar or Transfer Agent shall resign, or if the City shall reasonably determine that the Paying Agent, Registrar or Transfer Agent has become incapable of fulfilling its duties hereunder, the City may, upon notice mailed to each Owner of Series 2021 Bonds at the addresses last shown on the registration books of the City, appoint a successor paying agent, registrar or transfer agent.

Every such successor Paying Agent, Registrar or Transfer Agent shall be a Commercial Bank or an official of the City. It shall not be required that the same person serve as Paying Agent, Registrar and Transfer Agent hereunder, but the City shall have the right to appoint and have the same person serve as Paying Agent, Registrar and Transfer Agent hereunder.

(h) **Replacement of Series 2021 Bonds.** If any Series 2021 Bond shall have been lost, destroyed or wrongfully taken, the City shall provide for the replacement thereof upon receipt of the evidence of such loss, destruction or wrongful taking, along with an indemnity bond and reimbursement for expenses reasonably satisfactory to it.

(i) **Recitals in Bonds.** Each Series 2021 Bond shall recite in substance that such Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, that such Series 2021 Bond does not constitute a debt or an indebtedness or multiple fiscal-year debt or other financial obligation of the City within the meaning of any constitutional, Charter or statutory provision or limitation, that such Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes, and that the full faith and credit of the City is not pledged for the payment of the principal of or interest on such Series 2021 Bond. Each Series 2021 Bond shall further recite that it is issued under the authority of the Colorado Constitution, the Charter, the Code, the Supplemental Securities Act, the General Ordinance and this Series Ordinance.

Section 2.05. Form of Publicly Offered Series 2021 Bond. To the extent that the Series 2021 Bonds are Publicly Offered they shall be in substantially the form set forth in this Section, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the officials of the City executing the same (whose manual or facsimile signatures thereon shall constitute conclusive evidence of such approval). All covenants, statements, representations and agreements contained in the Series 2021 Bonds are hereby approved and adopted as the covenants, statements, representations and agreements of the City.

[FORM OF PUBLICLY OFFERED BOND]

(Text of Face)

**UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTIES OF ADAMS, ARAPAHOE AND DOUGLAS
CITY OF AURORA
UTILITY ENTERPRISE
FIRST-LIEN WATER REVENUE REFUNDING AND IMPROVEMENT BOND
(SEAM FACILITY IMPROVEMENT PROJECT)
SERIES 2021**

No. R-_____

\$_____

Interest Rate

Maturity Date

Original Date

CUSIP

REGISTERED OWNER: **CEDE & CO.**
Tax Identification Number: 13-2555119

PRINCIPAL SUM: ** _____ DOLLARS**

The City Council of the City of Aurora, in the Counties of Adams, Arapahoe and Douglas and State of Colorado, acting as the governing body of the Utility Enterprise of said City, for value received, hereby promises to pay to the Registered Owner (specified above), or registered assigns, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum (specified above) or so much thereof as has been advanced by or on behalf of the Registered Owner, in lawful money of the United States of America, on the Maturity Date (specified above), with interest thereon from [the Original Date (specified above), or the interest payment date to which interest has been paid next preceding the authentication date hereof, whichever is later], [the date or dates the proceeds hereof have been advanced] to the Maturity Date, except if redeemed prior thereto, [at the per annum Interest Rate (specified above), payable semiannually on the first day of February and the first day of August of each year], [at a variable interest rate determined in the manner provided in the Fixed Terms Certificate relating to the Series 2021 Bonds but not in excess of ___% (the "Maximum Rate") commencing on _____, 20___, or the first such date after the date hereof, whichever is later, in the manner provided herein. If upon presentation at maturity payment of the Principal Sum is not made as provided herein, interest continues at the Interest Rate [Maximum Rate] until the Principal Sum is paid in full.

[Bonds of this series maturing in the years _____ through _____ are not subject to optional redemption prior to their respective maturity dates. Bonds of this series maturing in the year _____ and thereafter are subject to optional redemption prior to their respective maturity dates, in whole or in part in inverse order of maturity and by lot within a maturity, on _____ 1, 20___, and on any interest payment date thereafter, at a price equal to the principal amount of each Series 2021 Bond so redeemed plus accrued interest thereon to the redemption date plus a premium expressed as a percentage of the principal amount of each Series 2021 Bond so redeemed, depending on the redemption date, as follows:

Redemption Dates

Premiums

Bonds of this series which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$5,000. In such case the Series 2021 Bond is to be surrendered in the manner provided for transfers of ownership. Upon

payment of the redemption price the Registered Owner is to receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.]

Notice of redemption of any Bonds of this series is to be given by the Paying Agent by sending a copy of such notice by certified or registered first-class postage prepaid mail, at least 30 days prior to the redemption date, to _____, _____, _____, the Original Purchase hereof, and to the registered owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice at the address appearing on the registration books of the City. Such notice is to specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption, and is further to state that on the redemption date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the redemption date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, such notice may be given, in lieu of such mailing, by sending a copy thereof, by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the paying agent is authorized to comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond does not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond.

The principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond are payable to the Registered Owner by _____, _____, Colorado, or its successors, as Paying Agent. The principal and the final installment of interest are payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest is payable to the Registered Owner determined as of the close of business on the regular record date, which is the fifteenth day of the calendar month next preceding the interest payment date, irrespective of any transfer of ownership hereof subsequent to the regular record date and prior to such interest payment date, by check or draft mailed to the Registered Owner at the address appearing on the registration books of the City maintained by _____, _____, Colorado, or its successors, as Registrar. Any interest hereon not paid when due and any interest hereon accruing after maturity is payable to the Registered Owner determined as of the close of business on the special record date, which is to be fixed by the paying agent for such purpose, irrespective of any transfer of ownership of this Series 2021 Bond subsequent to such special record date and prior to the date fixed by the paying agent for the payment of such interest, by check or draft mailed as aforesaid. Notice of the special record date and of the date fixed for the payment of such interest is to be given by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 10 days prior to the special record date, to _____, _____, _____, and to the registered owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing, at the addresses appearing on the registration books of the City. Any premium is payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond upon prior redemption. If the date for making or giving any payment, determination or

notice described herein is not a Business Day, such payment, determination or notice is to be made or given on the next succeeding day which is a Business Day.

Payment of the principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond is to be made solely from, and as security for such payment there are irrevocably (but not necessarily exclusively) pledged, pursuant to the Water System General Ordinance (the "General Ordinance") and the Series Ordinance pertaining to the Bonds of this Series (the "Series Ordinance"), as supplemented by the Final Terms Certificate (the "Final Terms Certificate") pursuant to which this Series 2021 Bond is delivered (the General Ordinance, the Series Ordinance and the Final Terms Certificate being referred to collectively as the "Ordinances"), [two/a] special account[s], thereby identified as the Debt Service Account [and the Debt Service Reserve Account], into which the City Council, acting as the governing body of the Utility Enterprise of the City, has covenanted in the Ordinances to pay, from certain revenues derived from the operation and use of and otherwise pertaining to the Water System (the "System") of the City (the "Income") after provision is made only for the payment of all necessary and reasonable current expenses of operating, maintaining and repairing the System (such remaining revenues being referred to as the "Net Pledged Revenues"), sums sufficient to pay when due the principal of, interest on and any premium due in connection with the redemption of the Series 2021 Bonds and any parity securities payable from such revenues[, and to accumulate and maintain a specified reserve for such purposes]. In addition, the City may at its option augment such funds with any other moneys of the City legally available for expenditure for the purposes thereof as provided in the Ordinances.

It is hereby recited, certified and warranted that for the payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond, the City has created and will maintain said special funds and will deposit the Net Pledged Revenues therein, and out of said special funds, as an irrevocable charge thereon, will pay the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond in the manner provided by the Ordinances.

The Bonds of this issue are equitably and ratably secured by a lien on the Net Pledged Revenues, and such Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, upon the Net Pledged Revenues. Bonds and other obligations, in addition to the Bonds of this issue, subject to expressed conditions, may be issued and made payable from the Net Pledged Revenues having a lien thereon subordinate and junior to the lien of the Bonds of this issue or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of such Bonds in accordance with the provisions of the Ordinances.

The City Council, acting as the governing body of the Utility Enterprise of the City, covenants and agrees with the Registered Owner hereof that it will keep and will perform all of the covenants of this Series 2021 Bond and of the Ordinances described below.

This Series 2021 Bond is authorized and issued for the purpose of defraying the cost of constructing and installing additions and improvements to the Water System of the City under the authority of and in full conformity with the Constitution of the State of Colorado, the City Charter, the City Code of the City, and all other applicable laws of the State of Colorado and pursuant to Ordinances, duly adopted, executed and delivered prior to the issuance of this Series 2021 Bond.

Reference is hereby made to the Ordinances for a description of the provisions, terms and conditions upon which the Bonds of this issue are issued and secured, including, without limitation, the nature and extent of the security for the Series 2021 Bonds, provisions with respect to the custody and application of the proceeds of the Series 2021 Bonds, the collection and disposition of the revenues and moneys charged with and pledged to the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, the terms and conditions on which the Series 2021 Bonds are issued, a description of the special funds referred to above and the nature and extent of the security and pledge afforded thereby for the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, and the manner of enforcement of said pledge, as well as the rights, duties, immunities and obligations of the City and the members of its Council, acting as such and as the governing body of the Utility Enterprise of the City, and also the rights and remedies of the registered owners of the Series 2021 Bonds.

To the extent and in the respects permitted by the Ordinances, the provisions thereof, or any instrument amendatory thereof or supplemental thereto, may be modified or amended by action of the City Council of the City taken in the manner and subject to the conditions and exceptions provided therein. The pledge of revenues and other obligations of the City and its Utility Enterprise under the Ordinances may be discharged at or prior to the maturity or prior redemption of the Series 2021 Bonds upon the making of provision for the payment of the Series 2021 Bonds on the terms and conditions set forth in the Ordinances.

It is hereby recited, certified and warranted that all the requirements of law have been fully complied with by the proper officers of the City and the Utility Enterprise of the City in the issuance of this Series 2021 Bond; that it is issued pursuant to and in strict conformity with the Constitution and all other laws of the State of Colorado, including the City Charter, the City Code and the Ordinances; that this Series 2021 Bond does not contravene any constitutional or statutory provision or limitation of the State of Colorado, or any provision or limitation of the City Charter; and that this Series 2021 Bond is issued under the authority of the Ordinances.

This Series 2021 Bond is issued pursuant to the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, C.R.S., and this recital shall be conclusive evidence of the validity and the regularity of issuance of this Series 2021 Bond after its delivery for value.

This Series 2021 Bond is transferable only upon the registration books of the City by _____, _____, Colorado, or his, her or its successors, as transfer agent, at the request of the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative, upon surrender hereof together with a written instrument of transfer duly executed by the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the transfer agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The transfer agent shall accept this Series 2021 Bond for registration or transfer only if the Registered Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership or a trust. The transfer agent is not required to transfer ownership of this Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for

redemption on or after the date of such mailing. The Registered Owner may also exchange this Series 2021 Bond for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges are to be made at the expense of the transferor or exchanger, and the transfer agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of this Series 2021 Bond is to be effective until entered on the registration books of the City maintained by the registrar. In the case of every transfer or exchange, the registrar shall authenticate and the transfer agent shall deliver to the new registered owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. The City may deem and treat the person in whose name this Series 2021 Bond is last registered upon the books of the City as the absolute owner hereof for the purpose of receiving payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond and for all other purposes, and all such payments so made to such owner or upon such owner's order will be valid and effective to satisfy and discharge the liability of the City upon this Series 2021 Bond to the extent of the sum or sums so paid, and the City will not be affected by any notice to the contrary.

This Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, as more specifically provided in the Ordinances. This Series 2021 Bond does not constitute a debt or an indebtedness or a multiple-fiscal year debt or other financial obligation of the City within the meaning of any constitutional, charter or statutory provision or limitation. This Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for the payment of the principal of or interest on this Series 2021 Bond.

IN WITNESS WHEREOF, the City Council of the City of Aurora, Colorado, acting as the governing body of the Utility Enterprise of said City, has caused this Series 2021 Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City, to be sealed with the facsimile seal of the City, and to be signed and attested with the facsimile signature of the City Clerk of the City.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

MIKE COFFMAN, Mayor.

ATTEST:

KADEE RODRIGUEZ,
City Clerk.

APPROVED AS TO FORM:

HANOSKY HERNANDEZ,
Assistant City Attorney.

CERTIFICATE OF AUTHENTICATION

This Series 2021 Bond is one of the Series 2021 Bonds issued pursuant to the Ordinances herein described. [Printed on the reverse hereof][Attached hereto] is the complete text of the opinion of bond counsel, a signed copy of which, dated the date of the first delivery of the Series 2021 Bonds herein described, is on file with the undersigned.

Dated: _____

_____, as registrar

By _____
_____, Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with the right of survivorship and not as tenants in common

- UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act

(State)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the attached Series 2021 Bond and does hereby irrevocably constitute and appoint _____, _____, _____, or its successor, to transfer said Series 2021 Bond on the books kept for registration thereof.

Dated: _____

Signature guaranteed:

[BANK, TRUST COMPANY OR FIRM]

By _____
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the attached Series 2021 Bond in every particular without alteration or enlargement or any change whatever.

TRANSFER FEE REQUIRED

[END OF FORM OF PUBLICLY OFFERED BOND]

Section 2.06. Form of Privately Placed Series 2021 Bond. To the extent that the Series 2021 Bonds are Privately Placed they shall be in substantially the form set forth in this Section, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the officials of the City executing the same (whose manual or facsimile signatures thereon shall constitute conclusive evidence of such approval). All covenants, statements, representations and agreements contained in the Series 2021 Bonds are hereby approved and adopted as the covenants, statements, representations and agreements of the City.

[FORM OF PRIVATELY PLACED BOND]

(Text of Face)

THIS SERIES 2021 BOND WAS ISSUED AS AN EXEMPT SECURITY OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. UNDER NO CIRCUMSTANCES SHALL THIS SERIES 2021 BOND BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT IN THE MANNER PROVIDED IN SECTION 2.04(f) OF THE SERIES ORDINANCE UNDER WHICH IT IS ISSUED AND IN COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS. ANY TRANSFER OR PURPORTED TRANSFER IN VIOLATION OF SUCH SECTION 2.04(f) OR SUCH LAWS SHALL BE VOID AND OF NO EFFECT.

UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTIES OF ADAMS, ARAPAHOE AND DOUGLAS
CITY OF AURORA
UTILITY ENTERPRISE
FIRST-LIEN WATER REVENUE REFUNDING AND IMPROVEMENT BOND
(SEAM FACILITY IMPROVEMENT PROJECT)
SERIES 2021

No. R- _____ \$ _____

Interest Rate Maturity Date Original Date

[If Fixed]

REGISTERED OWNER: ** _____ **
Tax Identification Number: _____

PRINCIPAL SUM: ** _____ DOLLARS**

The City Council of the City of Aurora, in the Counties of Adams, Arapahoe and Douglas and State of Colorado, acting as the governing body of the Utility Enterprise of said City, for value received, hereby promises to pay to the Registered Owner (specified above), or registered assigns, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum (specified above), or so much thereof as has been advanced by or on behalf of the Registered Owner in lawful money of the United States of America, on the Maturity Date (specified above), with interest thereon from [the Original Date (specified above), or the interest payment date to which interest has been paid next preceding the authentication date hereof, whichever is later], [the date or dates the proceeds hereof have been advanced] to the Maturity Date, except if redeemed prior thereto, at [the per annum Interest Rate (specified above), payable semiannually on the first day of February and the first day of August of each year], [at a variable interest rate determined in the manner provided in the Final Terms Certificate relating to the Series 2021 Bonds] but not in excess of ___% (the "Maximum Rate") commencing on _____, 20____, or the first such date

after the date hereof, whichever is later, in the manner provided herein. If upon presentation at maturity payment of the Principal Sum is not made as provided herein, interest continues at the Interest Rate until the Principal Sum is paid in full.

[Bonds of this series maturing in the years _____ through _____ are not subject to optional redemption prior to their respective maturity dates. Bonds of this series maturing in the year _____ and thereafter are subject to optional redemption prior to their respective maturity dates, in whole or in part [in _____ order of maturity and _____ within a maturity,] on _____ 1, 20____, and on any interest payment date thereafter, at a price equal to the principal amount of each Series 2021 Bond so redeemed plus accrued interest thereon to the redemption date plus a premium expressed as a percentage of the principal amount of each Series 2021 Bond so redeemed, depending on the redemption date, as follows:

Redemption Dates

Premiums

Bonds of this series which are redeemable prior to their respective maturity dates may be redeemed in part if issued in denominations which are integral multiples of \$500,000 and integral multiples of \$1,000 in excess thereof. In such case the Series 2021 Bond is to be surrendered in the manner provided for transfers of ownership. Upon payment of the redemption price the Registered Owner is to receive a new Series 2021 Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond surrendered.]

Notice of redemption of any Bonds of this series is to be given by the Paying Agent by sending a copy of such notice by certified or registered first-class postage prepaid mail, at least 30 days prior to the redemption date, to _____, _____, _____, the Original Purchase hereof, and to the registered owner of each of the Series 2021 Bonds being redeemed determined as of the close of business on the day preceding the first mailing of such notice at the address appearing on the registration books of the City. Such notice is to specify the number or numbers of the Series 2021 Bonds to be redeemed, whether in whole or in part, and the date fixed for redemption, and is further to state that on the redemption date there will be due and payable upon each Series 2021 Bond or part thereof so to be redeemed the principal amount or part thereof plus accrued interest thereon to the redemption date plus any premium due and that from and after such date interest will cease to accrue. For so long as the Series 2021 Bonds are in book-entry form through The Depository Trust Company or its nominee, such notice may be given, in lieu of such mailing, by sending a copy thereof, by Federal Express or other nationally recognized overnight delivery service, or by electronic means, to The Depository Trust Company or its nominee. In addition, if the Series 2021 Bonds are in book-entry form, the paying agent is authorized to comply with any operational procedures and requirements of The Depository Trust Company relating to redemption of bonds and notice thereof. Failure to mail or send any notice as aforesaid or any defect in any notice so given with respect to any Series 2021 Bond does not affect the validity of the redemption proceedings with respect to any other Series 2021 Bond.

The principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond are payable to the Registered Owner by _____, _____, Colorado, or its successors, as Paying Agent. The principal and the final installment of interest are payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond at maturity or upon prior redemption. Except as hereinbefore and hereinafter provided, the interest is payable to the Registered Owner determined as of the close of business on the regular record date, which is the fifteenth day of the calendar month next preceding the interest payment date, irrespective of any transfer of ownership hereof subsequent to the regular record date and prior to such interest payment date, by check or draft mailed to the Registered Owner at the address appearing on the registration books of the City maintained by _____, _____, Colorado, or its successors, as Registrar. Any interest hereon not paid when due and any interest hereon accruing after maturity is payable to the Registered Owner determined as of the close of business on the special record date, which is to be fixed by the paying agent for such purpose, irrespective of any transfer of ownership of this Series 2021 Bond subsequent to such special record date and prior to the date fixed by the paying agent for the payment of such interest, by check or draft mailed as aforesaid. Notice of the special record date and of the date fixed for the payment of such interest is to be given by sending a copy thereof by certified or registered first-class postage prepaid mail, at least 10 days prior to the special record date, to _____, _____, _____, and to the registered owner of each Series 2021 Bond upon which interest will be paid determined as of the close of business on the day preceding such mailing, at the addresses appearing on the registration books of the City. Any premium is payable to the Registered Owner upon presentation and surrender of this Series 2021 Bond upon prior redemption. If the date for making or giving any payment, determination or notice described herein is not a Business Day, such payment, determination or notice is to be made or given on the next succeeding day which is a Business Day.

Payment of the principal of, interest on and any premium due in connection with the redemption of this Series 2021 Bond is to be made solely from, and as security for such payment there are irrevocably (but not necessarily exclusively) pledged, pursuant to the Water System General Ordinance (the "General Ordinance") and the Series Ordinance pertaining to the Bonds of this Series (the "Series Ordinance"), as supplemented by the Final Terms Certificate (the "Final Terms Certificate") pursuant to which this Series 2021 Bond is delivered (the General Ordinance, the Series Ordinance and the Final Terms Certificate being referred to collectively as the "Ordinances"), [two][a] special account[s], thereby identified as the Debt Service Account [and the Debt Service Reserve Account], into which the City Council, acting as the governing body of the Utility Enterprise of the City, has covenanted in the Ordinances to pay, from certain revenues derived from the operation and use of and otherwise pertaining to the Water System (the "System") of the City (the "Income") after provision is made only for the payment of all necessary and reasonable current expenses of operating, maintaining and repairing the System (such remaining revenues being referred to as the "Net Pledged Revenues"), sums sufficient to pay when due the principal of, interest on and any premium due in connection with the redemption of the Series 2021 Bonds and any parity securities payable from such revenues[, and to accumulate and maintain a specified reserve for such purposes]. In addition, the City may at its option augment such funds with any other moneys of the City legally available for expenditure for the purposes thereof as provided in the Ordinances.

It is hereby recited, certified and warranted that for the payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond, the City has created and will maintain said special funds and will deposit the Net Pledged Revenues therein, and out of said special funds, as an irrevocable charge thereon, will pay the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond in the manner provided by the Ordinances.

The Bonds of this issue are equitably and ratably secured by a lien on the Net Pledged Revenues, and such Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, upon the Net Pledged Revenues. Bonds and other obligations, in addition to the Bonds of this issue, subject to expressed conditions, may be issued and made payable from the Net Pledged Revenues having a lien thereon subordinate and junior to the lien of the Bonds of this issue or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of such Bonds in accordance with the provisions of the Ordinances.

The City Council, acting as the governing body of the Utility Enterprise of the City, covenants and agrees with the Registered Owner hereof that it will keep and will perform all of the covenants of this Series 2021 Bond and of the Ordinances described below.

This Series 2021 Bond is authorized and issued for the purpose of defraying the cost of constructing and installing additions and improvements to the Water System of the City under the authority of and in full conformity with the Constitution of the State of Colorado, the City Charter, the City Code of the City, and all other applicable laws of the State of Colorado and pursuant to Ordinances, duly adopted, executed and delivered prior to the issuance of this Series 2021 Bond.

Reference is hereby made to the Ordinances for a description of the provisions, terms and conditions upon which the Bonds of this issue are issued and secured, including, without limitation, the nature and extent of the security for the Series 2021 Bonds, provisions with respect to the custody and application of the proceeds of the Series 2021 Bonds, the collection and disposition of the revenues and moneys charged with and pledged to the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, the terms and conditions on which the Series 2021 Bonds are issued, a description of the special funds referred to above and the nature and extent of the security and pledge afforded thereby for the payment of the principal of, interest on, and any premium due in connection with the redemption of the Series 2021 Bonds, and the manner of enforcement of said pledge, as well as the rights, duties, immunities and obligations of the City and the members of its Council, acting as such and as the governing body of the Utility Enterprise of the City, and also the rights and remedies of the registered owners of the Series 2021 Bonds.

To the extent and in the respects permitted by the Ordinances, the provisions thereof, or any instrument amendatory thereof or supplemental thereto, may be modified or amended by action of the City Council of the City taken in the manner and subject to the conditions and exceptions provided therein. The pledge of revenues and other obligations of the City and its Utility Enterprise under the Ordinances may be discharged at or prior to the maturity or prior redemption of the Series 2021 Bonds upon the making of provision for the payment of the Series 2021 Bonds on the terms and conditions set forth in the Ordinances.

It is hereby recited, certified and warranted that all the requirements of law have been fully complied with by the proper officers of the City and the Utility Enterprise of the City in the issuance of this Series 2021 Bond; that it is issued pursuant to and in strict conformity with the Constitution and all other laws of the State of Colorado, including the City Charter, the City Code and the Ordinances; that this Series 2021 Bond does not contravene any constitutional or statutory provision or limitation of the State of Colorado, or any provision or limitation of the City Charter; and that this Series 2021 Bond is issued under the authority of the Ordinances.

This Series 2021 Bond is issued pursuant to the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, C.R.S., and this recital shall be conclusive evidence of the validity and the regularity of issuance of this Series 2021 Bond after its delivery for value.

This Series 2021 Bond is transferable only upon the registration books of the City by _____, _____, Colorado, or his, her or its successors, as transfer agent, at the request of the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative, upon surrender hereof together with a written instrument of transfer duly executed by the Registered Owner or such Owner's duly authorized attorney-in-fact or legal representative with guaranty of signature satisfactory to the transfer agent, containing written instructions as to the details of the transfer, along with the social security number or federal employer identification number of the transferee and, if the transferee is a trust, the names and social security numbers of the settlors and the beneficiaries of the trust. The transfer agent shall accept this Series 2021 Bond for registration or transfer only if the Registered Owner is to be an individual, a corporation, a partnership, a limited liability company, a limited liability partnership or a trust. The transfer agent is not required to transfer ownership of this Series 2021 Bond during the 15 days prior to the first mailing of any notice of redemption or to transfer ownership of any Series 2021 Bond selected for redemption on or after the date of such mailing. The Registered Owner may also exchange this Series 2021 Bond for another Series 2021 Bond or Bonds of authorized denominations. Transfers and exchanges are to be made at the expense of the transferor or exchanger, and the transfer agent may also require payment of a sum sufficient to defray any tax or other governmental charge that may hereafter be imposed in connection with any transfer or exchange of Series 2021 Bonds. No transfer of this Series 2021 Bond is to be effective until entered on the registration books of the City maintained by the registrar. In the case of every transfer or exchange, the registrar shall authenticate and the transfer agent shall deliver to the new registered owner a new Series 2021 Bond or Bonds of the same aggregate principal amount, maturing in the same year, and bearing interest at the same per annum rate as the Series 2021 Bond or Bonds surrendered. Such Series 2021 Bond or Bonds shall be dated as of their date of authentication. The City may deem and treat the person in whose name this Series 2021 Bond is last registered upon the books of the City as the absolute owner hereof for the purpose of receiving payment of the principal of, interest on, and any premium due in connection with the redemption of this Series 2021 Bond and for all other purposes, and all such payments so made to such owner or upon such owner's order will be valid and effective to satisfy and discharge the liability of the City upon this Series 2021 Bond to the extent of the sum or sums so paid, and the City will not be affected by any notice to the contrary.

This Series 2021 Bond is a special and limited obligation payable solely out of and secured by an irrevocable, but not necessarily exclusive, pledge of the Net Pledged Revenues, as more specifically provided in the Ordinances. This Series 2021 Bond does not constitute a debt or an indebtedness or a multiple-fiscal year debt or other financial obligation of the City within the

meaning of any constitutional, charter or statutory provision or limitation. This Series 2021 Bond is not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for the payment of the principal of or interest on this Series 2021 Bond.

IN WITNESS WHEREOF, the City Council of the City of Aurora, Colorado, acting as the governing body of the Utility Enterprise of said City, has caused this Series 2021 Bond to be executed in its name and on its behalf with the facsimile signature of the Mayor of the City, to be sealed with the facsimile seal of the City, and to be signed and attested with the facsimile signature of the City Clerk of the City.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

By _____
Mayor, City of Aurora, Colorado

Attest:

By _____
City Clerk, City of Aurora, Colorado

CERTIFICATE OF AUTHENTICATION

This Series 2021 Bond is one of the Series 2021 Bonds issued pursuant to the Ordinances herein described. [Printed on the reverse hereof][Attached hereto] is the complete text of the opinion of bond counsel, a signed copy of which, dated the date of the first delivery of the Series 2021 Bonds herein described, is on file with the undersigned.

Dated: _____

_____, as registrar

By _____
_____, Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Series 2021 Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with the right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	-	_____ Custodian _____ (Cust) (Minor)

under Uniform Gifts to Minors Act

(State)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the attached Series 2021 Bond and does hereby irrevocably constitute and appoint _____, _____, _____, or its successor, to transfer said Series 2021 Bond on the books kept for registration thereof.

Dated: _____

Signature guaranteed:

[BANK, TRUST COMPANY OR FIRM]

By _____
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the attached Series 2021 Bond in every particular without alteration or enlargement or any change whatever.

TRANSFER FEE REQUIRED

[END OF FORM OF PRIVATELY PLACED BOND]

Section 2.07. Series 2021 Bonds Equally Secured. The Series 2021 Bonds shall be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Net Pledged Revenues to the full extent provided in Section 5.01 of the General Ordinance, which lien shall be binding and enforceable as provided therein. The covenants and agreements herein set forth to be performed on behalf of the City and the Enterprise shall be for the equal benefit, protection and security of the Owners of any and all of the Series 2021 Bonds, all of which, regardless of the time or times of their maturity, shall be of equal rank without preference, priority

or distinction of any of the Series 2021 Bonds over any other thereof, except as otherwise expressly provided in or pursuant to this Series Ordinance.

Section 2.08. Special Obligations. All of the Series 2021 Bonds, as to all Debt Service Requirements thereof, shall be payable solely out of the Net Pledged Revenues. The Owners of the Series 2021 Bonds may not look to the general fund or any other fund of the City for the payment of the Debt Service Requirements, except the special funds and accounts pledged therefor. The Series 2021 Bonds shall not constitute a debt or indebtedness or multiple-fiscal year debt or other financial obligation of the City within the meaning of any constitutional, Charter or statutory provision or limitation, and the Series 2021 Bonds shall not be considered or held to be general obligations of the City, but shall constitute special and limited obligations of the City, acting by and through the Enterprise. The Series 2021 Bonds are not payable in whole or in part from the proceeds of general property taxes or any other form of taxation, and the full faith and credit of the City is not pledged for payment of the Series 2021 Bonds.

ARTICLE III

SPECIAL ACCOUNTS

The proceeds of the Series 2021 Bonds and the Income shall be deposited by the City in the accounts described in this Article III, to be accounted for in the manner and priority set forth in this Article III.

Neither the Purchaser nor any subsequent Owner of any Series 2021 Bonds shall be in any manner responsible for the application or disposal by the City or by any of its officers, agents or employees of the moneys derived from the sale of the Series 2021 Bonds or of any other moneys designated in this Article III.

Section 3.01. Series 2021 Debt Service Subaccounts. There are hereby established within the Debt Service Account a Series 2021 Interest Subaccount and a Series 2021 Principal Subaccount. The Series 2021 Interest Subaccount shall be used to account for funds of the Debt Service Account allocable to payments of interest on the Series 2021 Bonds, and the Series 2021 Principal Subaccount shall be used to account for funds of the Debt Service Account allocable to payments of principal of the Series 2021 Bonds. The funds in the Series 2021 Interest Subaccount and the Series 2021 Principal Account are hereby appropriated for such purposes.

Section 3.02. Series 2021 Construction Account. A portion of the net proceeds of the Series 2021 Bonds shall be held in the Series 2021 Construction Account and applied to the Improvement Project. Any funds remaining in such account after completion of the Improvement Project may be applied to other additions and improvements to the System or to the payment of principal of or interest on the Series 2021 Bonds or to any other lawful purpose of the City or the Enterprise. That portion of the proceeds of the Privately Placed Series 2021 Bonds held or committed to be loaned by the Registered Owner for the Improvement Project shall be disbursed only upon written requisitions substantially in the form of Appendix A hereto. Upon the Completion Date any moneys remaining in the Construction Account may applied to reduce the principal balance of the Series 2021 Bonds Outstanding and the schedule of principal payments may be adjusted accordingly, all as may be provided by Final Terms Certificate.

Section 3.03. Series 2021 Costs of Issuance Subaccount. The portion of the proceeds of the Series 2021 Bonds reasonably required to pay the costs of issuance thereof shall be deposited in the Series 2021 Costs of Issuance Subaccount, which is hereby established within the Series 2021 Construction Account, and used, to the extent required, for the payment of Costs of Issuance of the Series 2021 Bonds, and to the extent of any excess, for any other Costs of the Series 2021 Project.

Section 3.04. Series 2021 Debt Service Reserve Account. Pursuant to Section 3.04 of the General Ordinance, but only to the extent provided by Final Terms Certificate, there shall be established in connection with the Series 2021 Bonds a Debt Service Reserve Account to be known as the Series 2021 Debt Service Reserve Account. The Series Ordinance authorizing any Series of Additional First-Lien Revenue Obligations may provide that such Additional First-Lien Revenue Obligations are secured by the Series 2021 Debt Service Reserve Account as a common reserve on the same basis and subject to the same requirements as the Series 2021 Bonds, or may provide for a separate Debt Service Reserve Account for such Additional First-Lien Revenue Obligations. Subject to the payments required by Sections 3.02 and 3.03 of the General Ordinance and except as provided in Section 3.05 thereof, from the Net Pledged Revenues or the proceeds of the Series 2021 Bonds, or both, there shall be credited from time to time to the Series 2021 Debt Service Reserve Account moneys sufficient to accumulate and maintain the Series 2021 Debt Service Reserve Account at an amount at least equal to the Series 2021 Reserve Requirement. The dollar amount of the Series 2021 Reserve Requirement may be recalculated and reduced, but not increased, from time to time by the City as necessary to apply the Series 2021 Reserve Requirement to the remaining Debt Service Requirements of the Series 2021 Bonds; provided that the Series 2021 Reserve Requirement shall not be reduced to an amount less than the lesser of (a) the Maximum Annual Debt Service Requirements of the Series 2021 Bonds, or (b) 125% of the Average Annual Debt Service Requirements of the Series 2021 Bonds. The moneys required to be deposited to the Series 2021 Debt Service Reserve Account, excluding any investment earnings which may be transferred to the Series 2021 Excess Investment Earnings Account to be rebated to the federal government, shall be set aside, accumulated and, if necessary, reaccumulated from time to time and maintained as a continuing reserve to be used, except as otherwise expressly provided in the General Ordinance or this Series Ordinance, only to prevent deficiencies in payment of the Debt Service Requirements of the Series 2021 Bonds then Outstanding resulting from failure to deposit into the Debt Service Account sufficient funds to pay such Debt Service Requirements as the same become due, and such funds are hereby appropriated for such purpose. To the extent and in the manner permitted by the General Ordinance a surety bond or other instrument issued by Credit Facility Provider may be used in lieu of cash to satisfy the Series 2021 Reserve Requirement. The amount of the Series 2021 Reserve Requirement and any other necessary details in connection with the Series 2021 Debt Service Reserve Account shall be determined by Final Terms Certificate.

Section 3.05. Series 2021 Excess Investment Earnings Account. The Director of Finance shall transfer into and pay from the Series 2021 Excess Investment Earnings Account hereby created within the Water Fund the amount of required arbitrage rebate, if any, due to the federal government pursuant to Section 148(f)(2) of the Tax Code, and the applicable Treasury regulations (the "Regulations") promulgated thereunder. The Director of Finance shall determine such amounts in the manner required by said sections and related regulations and Section 4.01(f) hereof. Transfer of the required arbitrage rebate amounts shall be made from the Series 2021

Construction Account, the Debt Service Account and the Series 2021 Debt Service Reserve Account; provided, however, that required arbitrage rebate payments shall be made to the federal government from legally available funds regardless of whether there are any remaining proceeds or other funds attributable to the Series 2021 Bonds that are available for the purpose.

All amounts in the Series 2021 Excess Investment Earnings Account, including income earned from investment thereof, shall be held by the Director of Finance free and clear of any lien created by this Series Ordinance, and the Director of Finance shall remit the same to the federal government from time to time as provided in Section 4.01(f) hereof; provided that any amounts remaining in the Series 2021 Excess Investment Earnings Account after payment of, or in excess of, all arbitrage rebate payments reasonably expected to be due in connection with the Series 2021 Bonds shall be available for any lawful purpose of the Enterprise or the City. The amounts, if any, in the Series 2021 Excess Investment Earnings Account are hereby appropriated for such purposes.

Section 3.06. Refunding Escrow Account. The portion of the net proceeds of the Series 2021 Bonds allocable to the payment or redemption of outstanding obligations, together with any other funds made available by the City for such purpose, shall be either immediately applied to the payment or redemption of the Refunded Obligations or deposited pursuant to a Refunding Escrow Agreement in an escrow account with a Trust Bank identified by Final Terms Certificate, to be held pending its application for such purposes.

Section 3.07. Reborrowing. Any reborrowing of previously paid principal shall be subject to the same provisions and limitations hereunder as other Series 2021 Bonds and shall be conditioned upon the receipt by each Registered Owner of an opinion of Bond Counsel to the effect that interest accruing on the reborrowed amount shall have the same treatment for federal and Colorado income tax purposes as interest on all other Series 2021 Bonds.

ARTICLE IV

SERIES 2021 COVENANTS

Section 4.01. Federal Income Tax Covenants. In addition to the various covenants made by it in the General Ordinance, the City covenants to and for the benefit of the Owners of the Series 2021 Bonds as follows:

(a) **General.** The City intends that the interest on the Series 2021 Bonds shall be excludable from gross income for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Tax Code, and Regulations. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Series 2021 Bonds to be includable in gross income, as defined in Section 61 of the Tax Code, for federal income tax purposes. In particular, the City covenants and agrees to comply with each requirement of this Section 4.01; provided, however, that the City shall not be required to comply with any particular requirement of this Section 4.01 if the City has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds or if the City has received a Counsel’s Opinion to the

effect that compliance with some other requirement set forth in this Section 4.01 will satisfy the applicable requirements of the Tax Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's opinion shall constitute compliance with the corresponding requirement specified in this Section 4.01.

(b) ***No Private Use or Payment and No Private Loan Financing.*** The City covenants and agrees that it will make such use of the proceeds of the Series 2021 Bonds including interest or other investment income derived from Series 2021 Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Series 2021 Bonds will not be "private activity bonds" or be deemed to finance any "private loan" within the meaning of the Tax Code and the Regulations promulgated thereunder. Moreover, the City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2021 Bonds are delivered, that the proceeds of the Series 2021 Bonds will not be used in a manner that would cause the Series 2021 Bonds to be "private activity bonds" within the meaning of Section 141 of the Tax Code and the Regulations promulgated thereunder.

(c) ***No Federal Guarantee.*** The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2021 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code and the applicable Regulations thereunder, except as permitted by Section 149(b)(3) of the Tax Code and such Regulations.

(d) ***No Hedge Bonds.*** The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Series 2021 Bonds to be "hedge bonds" within the meaning of Section 149(g) of the Tax Code and the applicable Regulations thereunder.

(e) ***No Arbitrage.*** The City covenants and agrees that it will make such use of the proceeds of the Series 2021 Bonds including interest or other investment income derived from Series 2021 Bond proceeds, regulate investments of proceeds of the Series 2021 Bonds, and take such other and further action as may be required so that the Series 2021 Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code and the applicable Regulations promulgated thereunder. Moreover, the City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Series 2021 Bonds are delivered, the City will reasonably expect that the proceeds of the Series 2021 Bonds will not be used in a manner that would cause the Series 2021 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code and the applicable Regulations promulgated thereunder.

(f) ***Arbitrage Rebate.*** If the City does not qualify for an exception to the requirements of Section 148(f) of the Tax Code relating to the required rebate to the United States of America, the City will take all necessary steps to comply with the requirement

that certain amounts earned by the City on the investment of the “gross proceeds” of the Series 2021 Bonds (within the meaning of Section 148(f)(6)(B) of the Tax Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Series 2021 Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Series 2021 Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City; (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Series 2021 Bonds which is required to be rebated to the federal government; and (iii) pay, not less often than every fifth anniversary date of the delivery of the Series 2021 Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Series 2021 Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

(g) **Information Reporting.** The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the fifteenth day of the second calendar month after the close of the calendar quarter in which the Series 2021 Bonds are issued, an information statement concerning the Series 2021 Bonds, all under and in accordance with Section 149(e) of the Tax Code and the applicable Regulations promulgated thereunder.

(h) **Continuing Obligation.** Notwithstanding any other provision of this Series Ordinance, the City’s obligations under the covenants and provisions of this Section 4.01 shall survive the defeasance and discharge of the Series 2021 Bonds.

Section 4.02. Rate Maintenance; Rate Study Requirement. Notwithstanding anything in this Ordinance or the General Ordinance, so long as the Net Pledged Revenues in any calendar year are sufficient to pay at least 100% of the Combined Annual Debt Service Requirements of all Outstanding First-Lien Revenue Obligations and 100% of the Combined Annual Debt Service Requirements of all Outstanding Subordinate Revenue Obligations, the failure to meet the rate maintenance requirements of Section 6.01 of the General Ordinance in such calendar year shall not constitute an Event of Default, so long as the City shall, within 180 days after the end of such calendar year, promptly retain and cause an Independent Accountant or a Consulting Engineer, as such terms are defined in the General Ordinance, to prepare a rate study for the purpose of recommending a schedule of rates, fees and charges for the use of the System which in the opinion of the firm conducting the study will be sufficient to provide Income to be collected in the next succeeding calendar year which will allow compliance with such rate maintenance requirements. The City shall, within three (3) months of receipt of such study, and in any event before the end of the calendar year, adopt rates, fees and charges for the use of the System, based upon the

recommendations contained in such study, which will provide compliance with such rate maintenance requirements in the next succeeding calendar year.

ARTICLE V

MISCELLANEOUS

Section 5.01. Enterprise Status. The City represents that the Enterprise is currently qualified as an “enterprise” for purposes of Article X, Section 20 of the constitution and covenants that it will cause the Enterprise to maintain such status during the current fiscal year.

Section 5.02. Sale of Series 2021 Bonds. The Series 2021 Bonds shall either be Publicly Offered at negotiated or competitive sale or Privately Placed, as determined by Final Terms Certificate, in either case at a price, to be determined by a Final Terms Certificate, (a) in the case of Publicly Offered Series 2021 Bonds, not less than 96% of their principal amount plus accrued interest to the date of their delivery to the Purchaser or, (b) in the case of Privately Placed Series 2021 Bonds, 100% of the amount of proceeds advanced by the Registered Owner. The Series 2021 Bonds may either be Publicly Offered with an Official Statement or Privately Placed with one or more banks or other institutions, in which case no Official Statement or Continuing Disclosure Undertaking shall be prepared. The Mayor and the Clerk, on behalf of the Enterprise, are authorized pursuant to this Series Ordinance and a Final Terms Certificate to take all such actions as reasonably required for the purpose of specifying the terms and conditions of sale of the Series 2021 Bonds and effecting their delivery to the Purchaser.

Section 5.03. Character of Agreement. None of the covenants, agreements, representations or warranties contained herein or in the Series 2021 Bonds shall ever impose or shall be construed as imposing any liability, obligation or charge against the City (except for the special funds pledged therefor) or against the general credit of the City payable out of its general funds or out of any funds derived from its general property taxes.

Section 5.04. No Pledge of Property. The payment of the Series 2021 Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City except for the Net Pledged Revenues and other funds expressly pledged hereunder. No property of the City, subject to such exception with respect to the Net Pledged Revenues and other funds, as provided herein and in the General Ordinance, shall be liable to be forfeited or taken in payment of the Series 2021 Bonds.

Section 5.05. Delegated Duties. The officers of the City are hereby authorized and directed to enter into such agreements and take all action necessary or appropriate to effectuate the provisions of this Series Ordinance and to comply with the requirements of law, including, without limitation:

(a) ***Preparation of Series 2021 Bonds.*** The preparation of the Series 2021 Bonds, including the printing upon or attachment to each such Bond of a copy of the approving legal opinion of bond counsel, duly certified by the Registrar, and, if necessary or desirable pending delivery of printed Series 2021 Bonds, the preparation of one or more temporary typewritten Series 2021 Bonds in an aggregate principal amount equal to that of

the Series 2021 Bonds, otherwise in substantially the same form and bearing the same terms, to be delivered to the Purchaser and thereafter to be exchanged by the Purchaser for printed Bonds when the same are received by the City;

(b) ***Execution, Registration and Delivery of Series 2021 Bonds.*** The execution and registration of the Series 2021 Bonds and the delivery of the Series 2021 Bonds to the Purchaser pursuant to the provisions of this Series Ordinance;

(c) ***Information.*** The assembly and dissemination of financial and other information concerning the City and the Series 2021 Bonds;

(d) ***Official Statement and Continuing Disclosure Undertaking.*** In the event that the Series 2021 Bonds are Publicly Offered, the preparation of an Official Statement for the use of prospective buyers of the Series 2021 Bonds, including, without limitation, the Purchaser, and in connection therewith, the delivery and performance of the Continuing Disclosure Undertaking; and

(e) ***Related or Ancillary Documents; Closing Certificates.*** The execution of any related or ancillary documents as provided by Final Terms Certificate, to the extent not inconsistent with this Ordinance or necessary to effectuate the transactions authorized hereby, together with such certificates as may be reasonably required by the Purchaser, relating, inter alia, to:

(i) the signing of the Series 2021 Bonds;

(ii) the tenure and identity of the officials of the City;

(iii) if in accordance with fact, the absence of litigation, pending or threatened, affecting the validity of the Series 2021 Bonds;

(iv) the excludability of interest on the Series 2021 Bonds from gross income for federal income tax purposes and the exemption of such interest from State income tax;

(v) the delivery of the Series 2021 Bonds and the receipt of the Series 2021 Bond purchase price; and

(vi) the accuracy and adequacy of information provided in the Official Statement, if any, prepared for prospective buyers of Publicly Offered Series 2021 Bonds.

Section 5.06. Successors. Whenever herein the City is named or is referred to, such provision shall be deemed to include any successors of the City, whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the City contained herein shall bind and inure to the benefit of any officer, board, district, commission, authority, agency, instrumentality or other Person or Persons to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the City or of its respective successors, if any, the possession of which is necessary or appropriate in order

to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 5.07. Rights and Immunities. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the City, and the Owners from time to time of the Series 2021 Bonds, any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements herein contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, and any Owner of any of the Series 2021 Bonds.

No recourse shall be had for the payment of the Debt Service Requirements of the Series 2021 Bonds or for any claim based thereon or otherwise upon this Series Ordinance authorizing their issuance or any other ordinance or instrument pertaining thereto, against any individual member of the Council, or any officer or other agent of the City, past, present or future, either directly or indirectly through the City, or otherwise, whether by virtue of any constitution, statute or rule of law or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Series 2021 Bonds and as a part of the consideration of their issuance specially waived and released.

Section 5.08. Ratification. All action not inconsistent with the provisions of this Series Ordinance heretofore taken by the City or its officers, and otherwise by the City directed toward the Series 2021 Project, the adoption of this Ordinance or the issuance of the Series 2021 Bonds for the purposes described herein is hereby ratified, approved and confirmed.

Section 5.09. Facsimile Signatures. Pursuant to the Uniform Facsimile Signature of public Officials Act, Part 1, Article 55, Title 11, C.R.S., as amended, the Mayor and the City Clerk shall forthwith, and in any event prior to the time the Series 2021 Bonds are delivered to the Purchaser, file with the Colorado Secretary of State their manual signatures certified by them under oath.

Section 5.10. Ordinance Irrepealable. This Series Ordinance is, and shall constitute, a legislative measure of the City and after any of the Series 2021 Bonds are issued, this Series Ordinance shall constitute an irrevocable contract between the City and the Owner or Owners of the Series 2021 Bonds; and this Series Ordinance, if any Series 2021 Bonds are in fact issued, shall be and shall remain irrepealable until the Series 2021 Bonds, as to all Debt Service Requirements, shall be fully paid, cancelled and discharged, as herein provided.

Section 5.11. Repealer. All ordinances, resolutions, bylaws, orders, and other instruments, or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any ordinance, resolution, bylaw, order, or other instrument, or part thereof, heretofore repealed.

Section 5.12. Severability. If any section, paragraph, clause or other provision of this Series Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any of the remaining sections, paragraphs, clauses or provisions of this Series Ordinance.

Section 5.13. Effective Date; Expiration. This Series Ordinance shall take effect 30 days after publication following final passage. This Series Ordinance shall expire to the extent that the Series 2021 Bonds authorized herein are not issued by December 31, 2021.

Section 5.14. Publication by Reference. Pursuant to Section 5-5 of the Charter of the City and the City Code, this Series Ordinance may be published either in full or in summary form.

Section 5.15. Green Bond Designation. The Council hereby authorizes the Finance Director to designate that portion of the Series 2021 Bonds issued for the Refunding Project by Final Terms Certificate as “Green Bonds” pursuant to the voluntary, generally accepted Green Bond Principles promulgated by the International Capital Market Association. The Green Bond Principles provide that “Green Bonds” include any type of bond instrument the proceeds of which will be exclusively allocated to finance or refinance in part or in full new and/or existing eligible “Green Projects” which promote progress on environmentally sustainable activities. All of the proceeds of that portion of the Series 2021 Bonds issued for the Refunding Project are to be allocated to the Refunding Project immediately following the issuance of such Series 2021 Bonds. The City does not intend to undertake any further tracking of or reporting on the use of such proceeds.

Section 5.16. Disposition of Ordinance. This Series Ordinance, immediately on its final passage, shall be numbered and recorded in the Book of Ordinances kept for that purpose, authenticated by the signatures of the Mayor and Clerk, and shall be published as required by law.

INTRODUCED, READ AND ORDERED PUBLISHED this ____ day of _____,
2021.

PASSED AND ORDERED PUBLISHED BY REFERENCE this ____ day of _____,
2021.

[SEAL]

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS UTILITY
ENTERPRISE

By _____
MIKE COFFMAN, Mayor

Attest:

By _____
KADEE RODRIGUEZ, City Clerk

Approved as to Form:

By _____
HANOSKY HERNANDEZ, Assistant City Attorney

APPENDIX A

FORM OF CONSTRUCTION ACCOUNT REQUISITION

REQUISITION NO. _____

To: _____
Attention: _____

The undersigned City Representative (the “Authorized Person”) of the City of Aurora, Colorado (the “City”) hereby requisitions the following sum from the Construction Account established under City Ordinance No. 2021- __ (the “Series Ordinance”), and certifies as follows:

Amount: \$ _____

Name and Payment Instructions of Payee:

Capitalized terms used herein and not otherwise defined shall have the same meanings, respectively, as provided in the Series Ordinance.

The City further certifies that:

(a) the obligation described above has been properly incurred by the City, is a proper charge against the Construction Account and has not been the basis of any previous withdrawal or requisition;

(b) all conditions required by the Series Ordinance and the Final Terms Certificate dated as of _____, 20__ (the “Final Terms Certificate”) to be met prior to the disbursement of the above amount have been satisfied;

(c) the City is not in breach of any of the agreements contained in the Series Ordinance or the Final Terms Certificate; and

(d) no Event of Default, within the meaning of the Series Ordinance, has occurred and is continuing.

**CITY OF AURORA, COLORADO, acting by and
through its Utility Enterprise**

Date: _____ By: _____
Authorized Person

Proof of Publication

(Please see attached)



CITY OF AURORA

Council Agenda Commentary

Item Title: Police Hybrid Pension Plan Update
Item Initiator: Terri Velasquez, Finance Director
Staff Source/Legal Source: Terri Velasquez/Han Hernandez, Assistant City Attorney
Outside Speaker: Cindy Birley, Esq. Partner, Davis Graham & Stubbs LLP
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: n/a

Regular Meeting: n/a

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
- Information Only
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Approve Item with Waiver of Reconsideration
Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: n/a

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
 - Does Not Recommend Approval
 - Forwarded Without Recommendation
 - Recommendation Report Attached
 - Minutes Attached
 - Minutes Not Available
-

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

On February 8, 2020, at the Winter Workshop, an update was provided on the progress of the development of a hybrid defined benefit option. City Council directed staff to draft the plan document and to continue the 12% employee and 12% employer contribution in an ongoing manner. This was incorporated into the 2021 budget.

At the July 28, 2020 Management and Finance Policy Committee meeting, Cindy Birley, Esq. Partner, Davis Graham Stubbs, LLP presented the draft Police Hybrid Pension Plan document in detail to the Committee and provided an update regarding the timeline for implementation of the plan.

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

This item provides an updated timeline and review of the steps to implement the Police Hybrid Pension option.

QUESTIONS FOR COUNCIL

Informational Only

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition and future needs of the city and make such recommendations to the council for adoption as the city manager may deem necessary or expedient. This item provides information on an ongoing project regarding the Aurora Police Pension Plan. See Aurora City Charter Sec. 7-4 (f). (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: In 2020, \$290,000 was appropriated to fund the Police Hybrid plan design. As of December 21, 2020, approximately \$64,800 is remaining of the 2020 funds. It is anticipated that \$368,500 additional funds will be required to complete the implementation process of the Police Hybrid option as outlined in the timeline. Since the forfeiture funds of the Aurora Police Money Purchase Pension Plan reduce the employer contribution from the City, we estimate that \$154,000 of the forfeiture money is indirectly available to help offset these costs. These cost will be part of a future 2021 supplemental appropriation. In addition, seed money for the defined benefit option is estimated at \$6 million and may be funded over multiple years starting in 2022 and may be included in future budgets.

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain: n/a

AURORA POLICE HYBRID PLAN ESTIMATED TIMELINE

Action	Responsible Party	Date
1. Review Plan, Memorandum of Understanding with FPPA (“MOU”) and seed money requirements	DGS, Milliman	June 9, 2020 (8:00 am to 10:00 am)
2. Review Plan, MOU, and seed money requirements	DGS, Milliman	July 8, 2020 (9:00 am to 11:00 am)
3. Prepare final drafts of Hybrid Plan and MOU	DGS	July 22, 2020
4. Present Plan, MOU, and seed money requirements to Management and Finance Policy Committee	Hybrid Plan Team	July 28, 2020 (1:00 pm to 5:00 pm)
5. Hybrid Team Meeting (Pre-City Council Prep Meeting)	Hybrid Plan Team	August 12, 2020 (9:00 am to 11:00 am)
6. Present Plan, MOU, and seed money requirements to City Council Meeting	Hybrid Plan Team	August 17, 2020
7. Hybrid Team Meeting	Hybrid Plan Team	September 9, 2020 (9:00 am to 11:00 am)
8. Educate MPPP plan participants regarding the DB option	Innovest, Aurora Police Board	September 14, 2020 – September 30, 2020
9. Hybrid Team Meeting	Hybrid Plan Team	October 14, 2020 (9:00 am to 11:00 am)
10. Conduct participant vote to allow DB option plan modification	Innovest, Aurora Police Board	October 2020
11. Hybrid Team Meeting	Hybrid Plan Team	November 12, 2020 (1:00 pm to 3:00 pm)
12. Amendment to MPPP to accommodate increased contribution	Aurora, Aurora Police Board	December 9, 2020
13. Hybrid Team Meeting	Hybrid Plan Team	December 10, 2020 (1:00 pm to 3:00 pm)

Action	Responsible Party	Date
14. Revise DGS/Milliman Agreement, DGS/Innovest Agreement, and DGS Agreements with the City of Aurora and the Board of Trustees of the MPPP and Trust	Aurora, Milliman, Innovest, Aurora Police Board	December 15, 2020
15. Present timeline and discuss Hybrid Plan and trustee roles with Aurora Police Board	Milliman, DGS, Aurora, Innovest	January 5, 2021
16. Hybrid Team Meeting	Hybrid Plan Team	January 13, 2021 1:00 PM to 3:00 PM
17. Modify DB Plan to accommodate revised purchase of service design and tax law changes	DGS	January 2021
18. Hybrid Team Meeting	Hybrid Plan Team	February 3, 2021 9:00-11:00 AM
19. Meeting with Social Security Administrator (Dean Conder)	Cindy Birley, Terri Velasquez and Jared Martin	February 11, 2021 10:00 to 11:00 AM
20. Management and Finance Policy Committee	Hybrid Plan Team	February 23, 2021 1:00 PM to 3:00 PM
21. Hybrid Team Meeting	Hybrid Plan Team	March 10, 2021 10:00 AM to 12:00 PM
22. Participant communication regarding Hybrid Plan	Innovest	Q1 - 2021
23. Modify existing MPPP to accommodate new design	DGS	Q1 - 2021
24. Engage Innovest as DB Administrative TPA and Investment Consultant, Milliman as actuary, and DB Software TPA	Aurora, Aurora Police Board	Q2
25. Provide new vendor with employee specific data to calculate years of service options; execute confidentiality/NDA	Empower/DB Software TPA/Innovest	June 2021
26. Review fiduciary insurance	Aurora, Aurora Police Board	Q2 - 2021

PRIVILEGED AND CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION AND/OR WORK PRODUCT

Action	Responsible Party	Date
27. Prepare select administrative forms and SPD	Milliman, DGS, Innovest	Q2 - 2021
28. Set up Pension codes Contribution code and Deduction for Hybrid plan and On-going Money Purchase Plan	Payroll	June 1, 2021
29. Set up DROP codes for employee	Payroll	June 1, 2021
30. Set up new GL accounts	Payroll, Accounting	July 1, 2021
31. Conduct RFP regarding Custodian for Plan	Aurora, Innovest, Aurora Police Board	July 2021
32. Select Custodian for Hybrid Plan	Aurora, Innovest, Aurora Police Board	July 2021
33. Conduct informational meetings for Police Officers with years of service calculations specific to Police Officer	Innovest	July through September 2021
34. Determine seed money	Milliman, Aurora	Q3 - 2021
35. Trustee education	Aurora Police Board	Q3 - 2021
36. Finalize and execute MOU with FPPA	DGS, Aurora, FPPA	Q3 - 2021
37. Prepare pick-up and adoption resolutions for final DB Plan and Trust and MPPP amendments	DGS	Q3 - 2021
38. Adopt Resolutions, DB Plan Trust and MPPP amendments	City Council, Aurora Police Board	Q4 - 2021
39. Engage DGS as attorney	Aurora, Aurora Police Board	Q4 - 2021
40. Begin completing pension plan election forms	Police Officers	October 2021
41. File for IRS Determination Letter	DGS	Q4 - 2021/Q1 - 2022
42. File for IRS Private Letter Ruling	DGS	Q4 - 2021/Q1 - 2022
43. Start Hybrid Plan	Aurora, Aurora Police Board	January 1, 2022

Action	Responsible Party	Date
44. Transferred officer's information available on DB Software TPA's platform	DB Software TPA	January 4, 2022
45. First file upload of payroll data for payroll to custodian portal	Payroll	January 5, 2022
46. First wire transfer to new custodian	Payroll	January 7, 2022
47. Begin purchasing years of service	Police Officers, Custodian, Payroll, DB Software TPA, DB Administrative TPA	January 2023



CITY OF AURORA

Council Agenda Commentary

Item Title: Internal Audit Scope in relation to City Council Activities
Item Initiator: Wayne C. Sommer, Internal Audit Manager
Staff Source/Legal Source: Wayne C. Sommer, Internal Audit Manager, Hans Hernandez, Assistant City Attorney
Outside Speaker: NA
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: NA

Regular Meeting: NA

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item as proposed at Study Session
 - Information Only
 - Approve Item and Move Forward to Regular Meeting
 - Approve Item as proposed at Regular Meeting
 - Approve Item with Waiver of Reconsideration
- Why is a waiver needed?[Click or tap here to enter text.](#)

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date:

Action Taken/Follow-up: *(Check all that apply)*

- Recommends Approval
- Does Not Recommend Approval
- Forwarded Without Recommendation
- Recommendation Report Attached
- Minutes Attached
- Minutes Not Available

HISTORY *(Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)*

The Office of the Internal Auditor has been granted specific powers under the Charter and Ordinances of the City. These powers are not limiting but in order for the department to audit any activity outside of the scope of their current legal authority it would require a specific approval from council. Activities of the City Council are not currently within the scope of the Office's specific powers.

At a recent M&F meeting, the Internal Audit Manager stated that the reason Council purchasing card transactions had been passed over in a recent engagement was that it was his understanding that Internal Audit did not have the authority to audit City Council activities.

The M&F Committee, acting as the audit committee, has asked to revisit this issue.

ITEM SUMMARY *(Brief description of item, discussion, key points, recommendations, etc.)*

M&F desires to discuss Internal Audit's scope of authority.

QUESTIONS FOR COUNCIL

What next steps does the Committee wish to recommend?

LEGAL COMMENTS

Under the City Charter and ordinances, the office of the internal auditor shall be an independent staff function reporting to the city manager on all audit matters. The auditor shall conduct financial and performance audits of all departments, boards, activities and agencies of the city. All city officers and employees shall furnish the auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions and methods of business required to conduct an independent evaluation. See Sec. 2-66 Aurora City Charter. (Hernandez)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: N/A

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain: N/A

Scope and Responsibilities of the Office of the Internal Auditor in Respect to City Council Activities

The Office of the Internal Auditor is established and guided by Aurora City Code Section 2-66 *Office of the Internal Auditor*. The Section reads as follows:

Sec. 2-66. - Office of internal auditor.

The office of the internal auditor shall be an independent staff function reporting to the city manager on all audit matters. The auditor shall conduct financial and performance audits of all departments, boards, activities and agencies of the city. All city officers and employees shall furnish the auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions and methods of business required to conduct an independent evaluation.

(Code 1979, § 2-5)

The Office of the Internal Auditor is also guided by Administrative Policy Memorandum (APM) 2-5, signed by City Manager Skip Noe in October 2011. Relevant sections of the APM mirror the language of the Code section referenced above.

Neither of these sources grant the Office of the Internal Auditor the authority to audit the activities of City Council. Accordingly, unless so requested¹, the Office of the Internal Auditor has not included City Council activities, purchases, or other actions in their annual audit scope or in any engagement test sample.

According to the City Attorney's office: *The Audit Department has been granted specific powers under the Charter and Ordinances of the City. These powers are not limiting but in order for the department to audit any activity outside of the scope of their current legal authority it would require a specific approval from council.*

¹ Internal Audit was once asked to audit specific travel expenses of Council Member Charlie Richardson at the Council Member's request. Additionally, prior to the formation of the current audit team, Internal Audit sought to audit the City Council's travel expenditures. The engagement was ended on the basis of being outside of Internal Audit's scope.