

NOTICE

CITY OF LAS CRUCES, NEW MEXICO

\$5,000,000*

**Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016**

**Preliminary Official Statement, subject to completion,
dated July 12, 2016**

The Preliminary Official Statement, dated July 12, 2016 (the "Preliminary Official Statement"), relating to the above-described bonds (the "Bonds") of the City of Las Cruces, New Mexico (the "City"), has been posted as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 8.0). Although this format should replicate the Preliminary Official Statement available from the City, appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 8.0 may cause the Preliminary Official Statement that you view or print to differ in appearance from the Preliminary Official Statement.

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

For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Official Statement" that the City has deemed "final" as of its date in respect of the Bonds, except for certain information permitted by Rule 15c2-12 to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated July 12, 2016

NEW ISSUE

MOODY'S RATING: "A1";
See "RATING" herein.

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof; for federal income tax purposes, and (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Bonds will be included in the adjusted current earnings of certain corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.

CITY OF LAS CRUCES, NEW MEXICO

\$5,000,000*

**Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016**

Book-Entry Only

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico Municipal Gross Receipts Tax Revenue Bonds (Flood Control Infrastructure Projects), Series 2016 (the "Series 2016 Bonds" or the "Bonds") are being issued by the City to provide funds to pay the costs of (1) acquiring, constructing and completing various flood control projects within the City; and (2) paying expenses and costs of issuance related to the issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the "Act"), and enactments of the City Council relating to the issuance of the Bonds, including the Bond Ordinance (as defined herein).

The Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Bonds will bear interest from the delivery date and interest is payable on June 1 and December 1 of each year commencing December 1, 2016, as more fully described herein. The Paying Agent and Registrar is the City Treasurer, Las Cruces, New Mexico.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

The Bonds will be issued pursuant to a book-entry-only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") New York, New York. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates representing their beneficial ownership interests. So long as DTC or its nominee is the owner of the Bonds, disbursement of payments of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

The Bonds are maturing on and after June 1, 2025 are subject to optional redemption on and after June 1, 2024, in whole or in part at any time. See "DESCRIPTION OF THE BONDS – REDEMPTION OF BONDS" herein.

The Bonds are offered when, as and if issued by the City, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by William R. Babington, Jr., Esquire, City Attorney. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement and the sale of the Bonds. It is anticipated that the Bonds will be available for delivery on or about August 24, 2016 through the facilities of DTC, New York, New York.

Electronic bids will be opened at 9:00 a.m. prevailing Mountain Time for the Bonds on July 20, 2016 at City Hall, 700 North Main Street in Las Cruces, New Mexico 88001.

Dated: _____, 2016

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE SERIES 2016 BONDS

<u>Maturity (June 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number</u>
2017	\$635,000			
2018	665,000			
2019	710,000			
2020	740,000			
2021	280,000			
2022	280,000			
2023	280,000			
2024	280,000			
2025	280,000			
2026	280,000			
2027	280,000			
2028	290,000			

**Electronic bids will be opened at 9:00 a.m., prevailing Mountain Time, July 20, 2016 at City Hall,
700 North Main Street in Las Cruces, New Mexico 88001.**

* Preliminary, subject to change.

CITY OF LAS CRUCES, NEW MEXICO

City Hall, 700 North Main Street
P.O. Box 20000
Las Cruces, New Mexico 88001
(575) 541-2000

MAYOR

Ken Miyagishima

CITY COUNCIL

Gregory Z. Smith, Mayor Pro-Tem
Kassandra Gandara, Councilor
Greg Smith, Councilor
Olga Pedroza, Councilor
Jack Eakman, Councilor
Gill M. Sorg, Councilor
Cecelia H. Levatino, Councilor

CITY ADMINISTRATION

Daniel Avila, Interim City Manager
Victoria Fredrick, CMA, Director of Financial Services
Karin Byrum, Interim City Treasurer
Linda Lewis, City Clerk
William R. Babington, Jr., Esq., City Attorney

FINANCIAL ADVISOR

RBC Capital Markets, LLC
6301 Uptown Boulevard, N.E., Suite 110
Albuquerque, New Mexico 87110
(505) 872-5999

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W., Suite 1000
P.O. Box 2168 (87103-2168)
Albuquerque, New Mexico 87102
(505) 848-1800

PAYING AGENT AND REGISTRAR

City Treasurer, City of Las Cruces
City Hall, 700 North Main Street
P.O. Box 20000
Las Cruces, New Mexico 88001
(575) 541-2000

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by the City of Las Cruces, New Mexico (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is “deemed final” by the City for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission. The City has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

This Official Statement contains statements that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “project,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Copies of the Bond Ordinance authorizing the issuance of the Bonds are available upon request at the office of the City Clerk, City Hall, 700 North Main Street, Las Cruces, New Mexico 88001, (575) 541-2000.

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CITY OF LAS CRUCES, NEW MEXICO

\$5,000,000*

**Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016**

SUMMARY OF INFORMATION

There follows a summary of certain provisions discussed in this Official Statement. SUCH SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This Summary is only a brief statement and a full review of the entire Official Statement should be made by potential investors.

- Issuer:** The City of Las Cruces, New Mexico (the “City”) operates under a home rule charter pursuant to Article X, Section 6 of the New Mexico Constitution (the “Charter”), with a Council-Manager form of government. The City is located near the Texas and Mexico borders. Las Cruces is the second largest city in the State of New Mexico and is the commercial, service and cultural center of Southern New Mexico. See “THE CITY.”
- Dated:** Date of Delivery.
- Principal Payment:** The Bonds are registered bonds maturing on June 1 of the years set forth on the inside cover page of this Official Statement.
- Interest Payment:** Interest will be payable semiannually on June 1 and December 1, commencing December 1, 2016.
- Purpose:** The City of Las Cruces, New Mexico Municipal Gross Receipts Tax Revenue Bonds (Flood Control Infrastructure Projects), Series 2016 (the “Series 2016 Bonds” or the “Bonds”) are being issued by the City to provide funds to pay the costs of (1) acquiring, constructing and completing various flood control projects within the City; and (2) paying expenses and costs of issuance related to the issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCING” herein.
- Authorization:** The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the “Act”), the Charter and enactments of the City Council relating to the issuance of the Bonds, including the Bond Ordinance.
- Security:** The Bonds are special limited obligations. The Bonds are payable solely from and secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the revenues of the fifth one quarter of one percent municipal gross receipts tax (the “Pledged Flood Control MGRT Revenues”). See “SECURITY FOR THE BONDS” herein.

* Preliminary, subject to change.

- Special Obligations: THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES, AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.
- 2016 Reserve Fund: No deposit to the 2016 Reserve Fund will be made from the proceeds of the Series 2016 Bonds. No deposit shall be required in the 2016 Reserve Fund so long as the Pledged Flood Control MGRT Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Flood Control Bonds. If the Pledged Flood Control MGRT Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall acquire a Reserve Fund Insurance Policy in an amount equal to the 2016 Minimum Reserve or shall begin making substantially equal monthly deposits in the 2016 Reserve Fund from the first legally available Pledged Flood Control MGRT Revenues so that after 24 months an amount equal to the 2016 Minimum Reserve will be held in the 2016 Reserve Fund. After funding the 2016 Reserve Fund in an amount equal to the 2016 Minimum Reserve, no additional payments need be made into the 2016 Reserve Fund so long as the moneys therein shall equal not less than the 2016 Minimum Reserve.
- 2016 Minimum Reserve: The 2016 Minimum Reserve, if required, shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Series 2016 Bonds, (ii) the maximum annual debt service on the outstanding Series 2016 Bonds, or (iii) 125% of the average annual debt service on the outstanding Series 2016 Bonds. The 2016 Minimum Reserve shall be recalculated every year on or about June 1.
- Optional Prior Redemption: The Bonds maturing on and after June 1, 2024 are subject to prior redemption at par at the option of the City, in one or more units of principal of \$5,000 on and after June 1, 2025. If the Bonds are optionally redeemed in part, the Bonds to be so redeemed shall be selected by lot by the Registrar in such manner as the Registrar shall consider appropriate and fair. The redemption price will be the principal amount of each \$5,000 unit so redeemed, accrued interest thereon to the redemption date.
- Parity Obligations: The City has the following outstanding obligations with a parity lien on the Pledged Flood Control MGRT Revenues: (i) the Loan Agreement between the City and the New Mexico Finance Authority in the original aggregate principal

amount of \$4,563,829 and executed on December 23, 2008, authorized by City Ordinance No. 2487 adopted by the City Council on November 17, 2008 and currently outstanding in the aggregate principal amount of \$1,960,928; (ii) the “City of Las Cruces, New Mexico Municipal Gross Receipts Tax Refunding Revenue Bonds (Flood Control Projects), Series 2010B in the original aggregate principal amount of \$4,390,000, authorized by Ordinance No. 2587 adopted by the City Council on August 25, 2010 and currently outstanding in the aggregate principal amount of \$955,000; (iii) the “City of Las Cruces Municipal Gross Receipts Tax Revenue Bonds (Flood Control Projects), Series 2011” in the original aggregate principal amount of \$1,530,000, authorized by City Ordinance No. 2619 adopted by the City Council on June 8, 2011 and currently outstanding in the aggregate principal amount of \$495,000; and (iv) the “City of Las Cruces Municipal Gross Receipts Tax Revenue Bonds (Flood Control Infrastructure Projects), Series 2014B” in the original aggregate principal amount of \$1,500,000, authorized by City Ordinance No. 2717 adopted by the City Council on June 24, 2014 and currently outstanding in the aggregate principal amount of \$1,140,000.

Additional Bonds:

In addition to the Series 2016 Bonds, additional bonds may hereafter be issued and secured by and paid from the Pledged Flood Control MGRT Revenues on parity with the Series 2016 Bonds. The City will not issue additional bonds payable from the Pledged Flood Control MGRT Revenues with a lien prior and superior to the lien of the Series 2106 Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged Flood Control MGRT Revenues with a lien thereon subordinate and junior to the lien of the Series 2016 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2016 Bonds as permitted by the Bond Ordinance. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Tax Exemption:

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax for individuals, estates, trusts and corporations, but such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Bonds for certain owners of such bonds, see “TAX EXEMPTION” herein.

Secondary Market Disclosure:

The City has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the

requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, 240.15c2-12). See “CONTINUING DISCLOSURE” herein.

Delivery: The delivery of the Bonds is expected on or about August 24, 2016.

Bond Counsel: Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico

Paying Agent/Registrar: City Treasurer, Las Cruces, New Mexico.

OFFICIAL STATEMENT

CITY OF LAS CRUCES, NEW MEXICO

\$5,000,000*

**Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$5,000,000* aggregate principal amount of Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2016 (the “Series 2016 Bonds” or the “Bonds”) to be issued by the City of Las Cruces, Doña Ana County, New Mexico, pursuant to Ordinance No. _____, adopted on July 20, 2016, as supplemented and amended from time to time (the “Bond Ordinance”).

The Bonds are payable and collectible solely from the Pledged Flood Control Municipal Gross Receipts Tax Revenues (“Pledged Flood Control MGRT Revenues”).

“Pledged Flood Control MGRT Revenues” means the revenues derived from (i) the fifth one quarter of one percent (1/4%) increment of municipal gross receipts tax imposed on all persons engaging in business in the City by City Ordinance No. 1135, adopted on March 26, 1990, with an effective date of July 1, 1990, as amended by City Ordinance No. 1760, adopted on July 27, 1999, which tax equals, subject to the exemptions specified in Section 7-19D-9 NMSA 1978, one fourth of one percent (1/4%) of the gross receipts of all persons engaging in business in the City for the month in which the tax is distributed to the City and (ii) the associated Hold Harmless Flood Control MGRT Distribution; provided that the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged Flood Control MGRT Revenues” does not include the state-shared gross receipts tax or any other local option gross receipts tax income received by the City).

The Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Flood Control MGRT Revenues. See “SECURITY FOR THE BONDS” herein.

The Bonds are being issued by the City to provide funds to pay the costs of (1) acquiring, constructing and completing various flood control projects within the City; and (2) paying expenses and costs of issuance related to the issuance of the Bonds. See “THE FLOOD CONTROL IMPROVEMENT PROJECT” herein.

Pursuant to the Bond Ordinance, the City has covenanted not to repeal or amend any law, ordinance, or resolution in a manner that impairs any of the outstanding Bonds.

Additional bonds may hereafter be issued and secured by the Pledged Flood Control MGRT Revenues having a lien on the Pledged Flood Control MGRT Revenues on parity with, or subordinate and junior to, the lien on the Pledged Flood Control MGRT Revenues securing the Bonds. Additional Obligations may not be issued with a lien superior to the liens on the Pledged Flood Control MGRT Revenues securing the Bonds. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED MUNICIPAL GROSS RECEIPTS TAX REVENUES -- Parity Obligations” herein.

* Preliminary, subject to change.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Bond Ordinance.

THE FLOOD CONTROL IMPROVEMENT PROJECT

The proceeds of the Bonds will be used to (1) acquire, construct and complete various flood control projects within the City; and (2) pay expenses and costs of issuance related to the issuance of the Bonds. See “SOURCES AND USES OF PROCEEDS OF THE BONDS” herein.

SPECIAL FACTORS RELATING TO THE BONDS

The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. The Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Bonds.

Gross Receipts Tax Collections are Subject to Fluctuation

Gross receipts tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions, which influence the amount of gross receipts taxes collected. This causes gross receipts tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. The City’s economic base and the future collections of Pledged Flood Control MGRT Revenues (the “Pledged Revenues”) are directly affected by economic activities in the City. The City’s retail sales are affected by general economic circumstances.

The Pledged Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the County, the State and the region and various other factors. For the Fiscal Year ended June 30, 2016, total unaudited Pledged Flood Control MGRT Revenues were \$7,006,127, approximately 6.2% higher than for the previous fiscal year.

Bankruptcy and Foreclosure

The ability and willingness of an owner or operator of a business to pay gross receipts taxes may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner or operator of a business. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on Bonds when due.

Limited Obligations

The Bonds constitute a lien only on the Pledged Flood Control MGRT Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the City's receipt of the Pledged Revenues in amounts sufficient to meet the debt service requirements of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein. The Bonds and the interest thereon do not constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or laws of the State and do not give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. Further, the Bonds are not obligations of the State, and the owners of the Bonds may not look to the State for payment of the principal of or interest on the Bonds.

Additional Parity Obligations

The City may issue additional Parity Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED MUNICIPAL GROSS RECEIPTS TAX REVENUES -- Parity Obligations" herein. Parity Flood Control Obligations would have a lien on the Pledged Flood Control MGRT Revenues on parity with the lien of the Bonds. As a result, if Pledged Flood Control MGRT Revenues are insufficient to pay debt service on the Bonds and Flood Control Parity Obligations in any year, debt service will be paid on a proportionate basis.

Secondary Market

Although the Underwriter expects to maintain a secondary market in the Bonds, at this time no guarantee can be made that a secondary market for the Bonds will be maintained by the Underwriter or others. Owners of the Bonds should be prepared to hold their Bonds to maturity or prior redemption.

State Legislation

The State Legislature of the State of New Mexico (the "Legislature") may amend the laws relating to the levy, calculation and/or the distribution of or otherwise impacting the City's gross receipts tax revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of gross receipts tax revenues received by local government.

In 2004, the Legislature adopted legislation creating a deduction from gross receipts tax for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State general fund to reimburse local governments for revenues lost as a result of the new deduction. Those distributions are included within Pledged Revenues. In the same year the Legislature created a deduction from gross receipts tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions (the "Hold Harmless Distributions") are included in Pledged Revenues but, as described below, will be phased out over a 15-year period beginning July 1, 2015. See "SPECIAL FACTORS RELATING TO THE BONDS-- Gross Receipts Tax Hold Harmless Distributions", "PLEDGED REVENUES" and "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES" herein.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time and could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law

authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue “shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds.”

Gross Receipts Tax Hold Harmless Distributions

In 2013 the New Mexico Legislature enacted House Bill 641 which amended several provisions of New Mexico’s tax code, including a phased reduction in the Hold Harmless Distributions to certain municipalities and counties over 15 years starting in Fiscal Year beginning July 1, 2015. In order to offset the reduced Hold Harmless Distributions, the law allows municipalities and counties to impose a local option gross receipts tax up to 3/8ths of a percent (the “Hold Harmless Gross Receipts Tax”).

The law as currently enacted will result in annual reductions and ultimately the elimination of the Hold Harmless Distributions to the City, which began on July 1 2015, as follows:

Fiscal year beginning July 1	% of Total Hold Harmless Distribution*
2015	94%
2016	88%
2017	82%
2018	76%
2019	70%
2020	63%
2021	56%
2022	49%
2023	42%
2024	35%
2025	28%
2026	21%
2027	14%
2028	7%
2029	-0-

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

It is possible that the New Mexico Legislature will further amend the recently enacted law and provide for additional decreases in Hold Harmless Distributions in the event that a municipality or county imposes any increment of the Hold Harmless Gross Receipts Tax. The City enacted a three-eighths of one percent Hold Harmless Gross Receipts Tax in 2013, but has not pledged revenues derived therefrom to the payment of the Bonds. See “PLEGGED REVENUES” herein.

City Cannot Increase Distribution of Taxes

The City has no control over the rate at which the Pledged Revenues are distributed to the City; the rate of distribution can be increased only by action of the Legislature. Although it is possible that the Legislature will increase the rate of distribution to the City, there is currently no legislation proposed or pending to increase the rate of distribution to the City.

Bond Rating

There is no assurance that the rating assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Bonds. See the information herein under the caption “RATING.”

DESCRIPTION OF THE BONDS

General

The Series 2016 Bonds are being issued in the aggregate principal amount of \$5,000,000* for the Flood Control Improvement Project. See “PURPOSE AND PLAN OF FINANCING” herein.

The Bonds will be dated the date of delivery. The Bonds will bear interest from their dated date at the rates, and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2016. The Bonds will bear interest from the most recent interest payment date to which interest has been fully paid or duly provided for or, if no interest has been paid, from the date of issuance. The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

Payment - Regular Record Date

Principal and interest on the Bonds shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Principal shall be payable in immediately available funds at maturity or redemption thereof upon presentation and surrender of such Bond at the principal office of the Paying Agent or at the designated office of any successor Paying Agent. Upon any partial prior redemption of any Bond, the registered owner, in its discretion, may request the Registrar to authenticate a new Bond or to make a notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment. Interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof (or in such other manner as may be agreed upon by the Paying Agent and the registered owner), as shown on the registration books maintained by the Registrar at the address appearing therein on the 15th day of the calendar month next preceding the Interest Payment Date (the “Record Date”). Any interest which is not timely paid or provided for shall cease to be payable to the owner thereof (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to Bond owners not less than ten days prior thereto. If any Bond presented for payment remains unpaid at maturity or redemption, it shall continue to bear interest at the rate or rates designated in, and applicable to, such Bond from time to time. If any Bond is not presented for payment at maturity or redemption when funds available therefor have been deposited with the Paying Agent, it shall cease bearing interest on and from the date of maturity or redemption.

Optional Redemption

The Bonds maturing on or after June 1, 2024 are subject to prior redemption at the City’s option in one or more units of principal of \$5,000 on and after June 1, 2025 in whole or in part at any time, in such order of maturities as the City may determine (and by lot if less than all the Bonds of such maturity are called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal

* Preliminary, subject to change.

amount of each \$5,000 unit of principal so redeemed plus accrued interest to the redemption date. Redemption shall be made upon prior notice mailed to each registered owner of each Bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice in the manner required by the Depository or by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City shall give notice of optional redemption of the Bonds to the Registrar at least forty-five (45) days prior to the redemption date (unless such deadline is waived by the Registrar). The Registrar's failure to give such notice to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Bond is to be redeemed, the amount of such Bond to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Bond to be redeemed at the office of the Paying Agent the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Series Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Bond or Bonds so called for redemption with funds deposited with the Paying Agent by the City.

Conditional Redemption

If money or Defeasance Obligations (as defined in the Bond Ordinance) sufficient to pay the optional redemption price of the Bonds to be called for optional redemption are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Bonds called for optional redemption cannot be redeemed, the Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the City and the Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

Registration, Transfer and Exchange of Bonds

The City shall cause books for registration, transfer, and exchange of the Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any fully registered Bond at the principal office of the Registrar duly endorsed by the registered owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and duly executed, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or registered owner, as

appropriate, a new Bond or Bonds in authorized denominations, in fully registered form of the same aggregate principal amount, maturity and interest rate.

The Registrar shall not be required to transfer or exchange any Bond (i) during the period of fifteen (15) days next preceding the mailing of notice calling any Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Bonds or portion thereof for redemption. The Registrar shall close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

The person in whose name any Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either the principal of or interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative as stated in the Bond Ordinance, but such registration may be changed as provided in the Bond Ordinance. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

If any Bonds shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and such evidence, information or indemnity relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate, bearing a number or numbers not contemporaneously outstanding. If any such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, the Registrar may request the Paying Agent to pay such bond in lieu of replacement.

Book-Entry Only System

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The County undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Bonds will be printed and delivered to DTC.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

Source of Payment

The Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Flood Control MGRT Revenues. See "PLEDGED REVENUES" herein.

All of the Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of Pledged Flood Control MGRT Revenues, which are irrevocably so pledged by the applicable Bond Ordinance. The registered owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City.

Funds and Accounts

The Bond Ordinance creates or continues the following funds and accounts for the Bonds: a 2016 Acquisition Fund, Pledged Flood Control MGRT Income Fund, a 2016 Debt Service Fund, and a 2016 Reserve Fund.

Disposition of Bond Proceeds

The proceeds from the sale of the Bonds shall be applied by the City simultaneously with the delivery of the Bonds to the Purchaser in the following manner and priority:

Expenses. An amount necessary, together with other legally available funds of the City, shall be used to pay costs of issuance of the Bonds.

2016 Acquisition Fund. All remaining proceeds derived from the sale of the Series 2016 Bonds shall be deposited promptly upon the receipt thereof in the 2016 Acquisition Fund. Until the Completion Date, the money in the 2016 Acquisition Fund shall be used and paid out solely for the purpose of the Flood Control Improvement Project in compliance with applicable law.

Reserve Funds. No deposit of proceeds of the Bonds or other City moneys into the 2016 Reserve Fund shall be required on the date of issuance of the Bonds or at any time thereafter, except in the circumstances and on the conditions described in the Bond Ordinance.

Flood Control Improvement Project Completion. As soon as practicable, after the completion of the Flood Control Improvement Project, and in any event not more than 60 days after the completion of the Flood Control Improvement Project, any balance remaining in the 2016 Acquisition Fund (other than any amount retained by the City for any Flood Control Improvement Project costs not then due and payable) shall be transferred from the 2016 Acquisition Fund and deposited in the 2016 Debt Service Fund and used by the City to pay principal and interest on the Bonds as same become due.

Deposit of Pledged Revenues and Flow of Funds.

A. Pledged Flood Control MGRT Income Fund. So long as any of the Bonds are outstanding either as to principal or interest, or both, the City shall credit all Pledged Flood Control MGRT Revenues to the Pledged Flood Control MGRT Income Fund. The following payments shall be made from the Pledged Flood Control MGRT Income Fund.

B. 2016 Debt Service Fund. As a first charge on the Pledged Flood Control MGRT Income Fund, the following amounts shall be withdrawn from the 2016 Income Fund and shall be credited to the 2016 Debt Service Fund:

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds, and monthly thereafter, commencing on each Interest Payment Date, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the Bonds then outstanding.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of principal of the outstanding Bonds and monthly thereafter, commencing on each principal payment date, one-twelfth (1/12) of the amount necessary to pay the next maturing installment of principal on the Bonds then outstanding.

C. Credit. In making the deposits required to be made into the 2016 Debt Service Fund, if there are any amounts then on deposit in the 2016 Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made pursuant to paragraph (B) above shall be reduced by the amount available in such fund for such purpose.

D. Transfer of Money out of 2016 Debt Service Fund. Each payment of principal and interest becoming due on the Bonds shall be transferred from the 2016 Debt Service Fund to the Paying Agent on or before two Business Days prior to the due date of such payment.

E. 2016 Reserve Fund. No deposit shall be required in the 2016 Reserve Fund so long as the Pledged Flood Control MGRT Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Flood Control Bonds. If the Pledged Flood Control MGRT Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall acquire a Reserve Fund Insurance Policy in an amount equal to the 2016 Minimum Reserve or shall begin making substantially equal monthly deposits in the 2016 Reserve Fund from the first legally available Pledged Flood Control MGRT Revenues so that after 24 months an amount equal to the 2016 Minimum Reserve will be held in the 2016 Reserve Fund. After funding the 2016 Reserve Fund in an amount equal to the 2016 Minimum Reserve, no additional payments need be made into the 2016 Reserve Fund so long as the moneys therein shall equal not less than the 2016 Minimum Reserve. The moneys in the 2016 Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in subparagraph F below, only to prevent deficiencies in the payment of the principal of and interest on the 2016 Flood Control Bonds resulting from failure to deposit into the 2016 Debt Service Fund sufficient funds to pay the principal and interest as the same accrue.

F. Defraying Delinquencies in the 2016 Debt Service Fund and 2016 Reserve Fund. If, on any Interest Payment Date, the amount on deposit in the 2016 Debt Service Fund is insufficient to pay principal of and interest on the Bonds, an amount shall be paid into the 2016 Debt Service Fund on such date from the 2016 Reserve Fund (if moneys are then on deposit in the 2016 Reserve Fund) equal to the amount of the insufficiency. The money deposited in the 2016 Debt Service Fund from the 2016 Reserve Fund, if any, shall be replaced in the 2016 Reserve Fund in 24 substantially equal monthly deposits commencing on the first day of the first month immediately succeeding the draw on the Series 2016 Reserve Fund. Such accumulation shall be made from the Pledged Flood Control MGRT Revenues second to the payments required by paragraph (B) above. If, in any month, the City shall, for any reason, fail to pay into the 2016 Reserve Fund the full amount required, the difference between the amount paid and the amount so stipulated shall be paid therein from the first Pledged Flood Control MGRT Revenues thereafter received and not required to be otherwise applied. The moneys in the 2016 Reserve Fund shall be used solely and only for the purpose of paying any deficiencies in the payment of the principal of and the interest on the Bonds; provided, however, that any moneys at any time in excess of the 2016 Minimum Reserve in the 2016 Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the 2016 Reserve Fund shall not be invested in a manner which could cause the Bonds to become arbitrage bonds within the meaning of the Code. Any investments held in the 2016 Reserve Fund shall be valued annually, on or about June 1, at their current fair market value and, if the amount then on deposit in the 2016 Reserve Fund exceeds the 2016 Minimum Reserve, all amounts in excess of the 2016 Minimum Reserve shall be transferred to the 2016 Debt Service Fund and used to pay principal of and interest on the Bonds.

G. Payment of Parity Flood Control Obligations. Concurrently with the payment of the Pledged Flood Control MGRT Revenues required by paragraphs (B), (E) and (F) above any amounts on deposit in the Pledged Flood Control MGRT Income Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to outstanding Parity Flood Control Bonds payable from the Pledged Flood Control MGRT Revenues, as the same become due. If funds on deposit in the Pledged Flood Control MGRT Income Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any other outstanding Parity Flood Control Bonds, then the available funds in the Pledged Flood Control MGRT Income Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Parity Flood Control Bonds, for the payment of principal of and interest on all series of outstanding Parity Flood

Control Bonds and, second, to the extent of remaining available funds in the Pledged Flood Control MGRT Income Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Parity Flood Control Bonds, for the required debt service reserve fund deposits for all series of outstanding Parity Flood Control Bonds.

H. Termination Upon Deposits to Maturity. No payment shall be made into the 2016 Debt Service Fund or the 2016 Reserve Fund if the amounts in such funds total a sum at least equal to the entire aggregate amount due as to principal and interest, on the Series 2016 Bonds to their respective maturities, in which case moneys in the 2016 Debt Service Fund and the 2016 Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in the 2016 Debt Service Fund and the 2016 Reserve Fund may be used as provided below.

I. Payment of Subordinate Lien Obligations. Subsequent to the payments required as described in paragraphs (B), (E), (F) and (G) of this section, any balance remaining in the Pledged Flood Control MGRT Income Fund shall be used by the City for the payment of interest on and the principal of additional bonds or other obligations, if any, having a lien on any of the Pledged Flood Control MGRT Revenues subordinate to the lien thereon of the Bonds hereafter authorized, issued and payable from the Pledged Flood Control MGRT Revenues, as the same become due. Payments with respect to principal, interest and reserve funds for any such subordinate lien obligations may be made at any intervals as may be provided in the ordinance or resolution authorizing such additional obligations.

J. Surplus Revenues. After making all the payments hereinabove required to be made, the remaining Pledged Flood Control MGRT Revenues, if any, may be applied to any other lawful purpose, as the City may from time to time determine.

General Administration of Funds

The funds designated above shall be administered and invested as follows:

A. Places and Times of Deposits. The funds shall be separately maintained as a trust fund or funds for the purposes established and shall be invested in Permitted Investments or deposited in one or more bank accounts in an Insured Bank or Banks. Each fund or account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any purpose other than the designated purpose. Payments shall be made into the proper fund or account on the first day of the month except when the first day shall not be a Business Day, then payment shall be made on the next succeeding Business Day. No later than two Business Days prior to each Interest Payment Date, moneys sufficient to pay interest and principal then due on the Bonds shall be transferred to the Paying Agent. Nothing in the Bond Ordinance shall prevent the City from establishing one or more bank accounts in an Insured Bank or Banks for all the funds required by the Bond Ordinance or shall prevent the combination of such funds and accounts with any other bank account or investments for other funds and accounts of the City.

B. Investment of Moneys. Moneys in the 2016 Reserve Fund shall be invested in accordance with the Bond Ordinance and moneys in any other fund or account not immediately needed may be invested in any investment permitted by the laws of the State or the Charter. The obligations so purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any obligations so purchased as an investment of moneys in the fund or account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

C. 2016 Reserve Fund. Moneys, if any, in the 2016 Reserve Fund may be invested only in Permitted Investments with an average aggregate weighted term to maturity not greater than five years.

(1) The City shall annually on or about June 1 of each year, commencing on the first June 1 succeeding funding of the 2016 Reserve Fund, value the 2016 Reserve Fund on the basis of the current fair market value of deposits and investments credited to the 2016 Reserve Fund.

(2) If, upon any valuation, the value of the 2016 Reserve Fund exceeds the 2016 Minimum Reserve, the excess amount shall be withdrawn and deposited into the 2016 Debt Service Fund; if the value is less than the applicable requirement, the City shall replenish such amounts from the first Pledged Flood Control MGRT Revenues thereafter received not required to be otherwise applied or other monies legally available therefor.

(3) At such time as the Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the 2016 Reserve Fund may be used to pay the final installments of principal and interest on the Bonds and otherwise may be withdrawn and transferred to the City to be used for any lawful purpose.

(4) If the amounts described in subparagraph (3) above are used for a purpose other than payment of the Bonds, as applicable, there shall be delivered an opinion of nationally recognized bond counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the laws of the State and that such use shall not result in the inclusion of interest on any Bonds in gross income of the recipient thereof for federal income tax purposes.

(5) If moneys have been withdrawn from the 2016 Reserve Fund and deposited into the 2016 Debt Service Fund to prevent a default on the Bonds, then the City will pay, from Pledged Flood Control MGRT Revenues, as applicable, or other monies legally available therefor, the full amount so withdrawn or so much as shall be required to restore the 2016 Reserve Fund, as applicable, to the 2016 Minimum Reserve or the 2016 Minimum Reserve, as applicable. Such repayment shall be made as required by the Bond Ordinance.

Default, Remedies and City Duties

Each of the following events is declared in the Bond Ordinance to be an “event of default”:

(a) failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity, or by proceedings for redemption, or otherwise; or

(b) failure to pay any installment of interest when the same becomes due and payable; or

(c) if the City shall for any reason be rendered incapable of fulfilling its obligations under the Bond Ordinance; or

(d) default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in the Bond Ordinance on its part to be performed (other than a default set forth in subparagraphs (a) and (b) above), and the continuance of such default for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the holders of twenty-five percent (25%) in aggregate principal amount of the Bonds, as applicable, then outstanding; or

(e) the City (i) files a petition or application seeking reorganization or arrangement of debt under Federal Bankruptcy law, or other debtor relief under the laws of any jurisdiction, or (ii) is the subject of

such petition or application which the City does not contest or is not dismissed or discharged within sixty (60) days.

Upon the happening and continuance of any of the events of default described above, then and in every case, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds, as applicable, then outstanding, including, but not limited to, a trustee or trustees therefor, may proceed against the City, the City Council and its agents, officers and employees, but only in their official capacities, to protect and enforce the rights of any holder of Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award relating to the execution of any power herein granted for the enforcement of any legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights provided above, or to enjoin any act or thing which may be unlawful or in violation of any right of any Bondholder, or to require the City Council to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all holders of the Bonds, as applicable, then outstanding. The failure of any Bondholder so to proceed shall not relieve the City or any of its officers, agents or employees of any responsibility for failure to perform, in their official capacities, any duty. Each right or privilege of such holder (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege.

Defeasance

When all principal, interest and prior redemption premium, if any, in connection with the Bonds, as applicable, has been duly paid, the pledge and lien for the payment of the Bonds, as applicable, shall be discharged and the Bonds, as applicable, shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the City has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to their final maturities or upon designated redemption dates. Any Defeasance Obligations shall become due when needed in accordance with a schedule agreed upon between the City and such bank at the time of the creation of the escrow. Defeasance Obligations within the meaning of this Section shall include only (1) cash, (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”), and (3) obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Amendment

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds, the provisions of the Bond Ordinance may be amended with the written consent of the Purchaser with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. In addition, the Bond Ordinance may be amended without receipt by the City of any additional consideration, but with the written consent of the holders of seventy-five percent (75%) of the Bonds, as applicable, then outstanding (not including Bonds which may be held for the account of the City); but no ordinance adopted without the written consent of the holders of all outstanding Bonds, as applicable, shall have the effect of permitting:

- (a) An extension of the maturity of any Bond; or
- (b) A reduction of the principal amount or interest rate of any Bond; or

- (c) The creation of a lien upon the Pledged Flood Control MGRT Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or
- (d) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- (e) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or
- (f) The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

SECURITY FOR THE BONDS

Pledge and Security

Subject to the uses permitted by, and the priorities set forth in the Bond Ordinance, the City will pledge and grant a security interest in the Pledged Flood Control MGRT Revenues and the amounts and securities on deposit in the 2016 Debt Service Fund and the 2016 Reserve Fund and the proceeds thereof, for the payment of principal of and interest on the Bonds. The Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Flood Control MGRT Revenues, respectively, as set forth in the Bond Ordinance.

Special Limited Obligations

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the City and shall be payable and collectible solely from the Pledged Flood Control MGRT Revenues. The owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Each of the Series 2016 Bonds shall recite that it is payable and collectible solely out of the Pledged Flood Control MGRT Revenues as set forth in the Bond Ordinance, and that the holders thereof may not look to any general or other municipal fund for the payment of the principal of and interest on the Bonds. Nothing herein shall prevent the City from applying other funds of the City legally available therefor to the payment of the Bonds, in its sole discretion.

PURPOSE AND PLAN OF FINANCING

Purpose

The net proceeds received by the City from the sale of the Series 2016 Bonds, together with other available funds of the City, will be used to provide funds to acquire, construct and complete various flood control projects within the City. See “THE FLOOD CONTROL IMPROVEMENT PROJECT” herein.

Sources and Uses of Funds

The sources and uses for the Series 2016 Bonds are as follows:

SOURCES OF FUNDS

Par Amount of Series 2016 Bonds	\$5,000,000.00*
Original Issue Premium	_____
TOTAL SOURCES	\$ _____

USES OF FUNDS

Deposit to 2016 Acquisition Fund	\$ _____
Costs of Issuance for Series 2016 Bonds ⁽¹⁾	_____
Original Issue Discount	_____
Underwriter's Discount	_____
TOTAL USES	\$ _____

⁽¹⁾ Includes financial advisor fees, legal fees and other miscellaneous costs and contingencies.

* Preliminary, subject to change.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2016 through 2028 the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2016 Bonds and outstanding Parity Flood Control Obligations, as well as the debt service coverage ratio, based on Estimated Pledged Flood Control MGRT Revenues.

Year Ending June 30	Debt Service on Outstanding Parity Obligations	Series 2016 Bonds <u>Debt Service/Coverage*</u>		Estimated Pledged Flood Control MGRT Revenues ⁽¹⁾	Debt Service Coverage ⁽¹⁾	% of Estimated FY 2015 Hold Harmless Distribution
		Estimated Debt Service on Series 2016 Bonds*	Total Debt*			
2016	\$1,378,152	-	\$ 1,378,152	\$7,071,546	5.13x	94
2017	504,319	\$ 860,000	1,364,319	6,677,875	5.11x	88
2018	497,919	861,425	1,359,344	6,931,346	5.10x	82
2019	486,369	876,500	1,362,869	6,884,816	5.05x	76
2020	484,700	874,550	1,359,250	6,838,287	5.03x	70
2021	480,975	381,250	862,225	6,784,003	7.87x	63
2022	161,700	368,650	530,350	6,729,719	12.69x	56
2023	127,200	356,050	483,250	6,675,435	13.81x	49
2024	123,600	343,450	467,050	6,621,151	14.18x	42
2025	-	330,850	330,850	6,566,867	19.85x	35
2026	-	318,250	318,250	6,512,583	20.46x	28
2027	-	305,650	305,650	6,458,299	21.13x	21
2028	-	303,050	303,050	6,404,015	21.13x	14
Total	\$4,244,933	\$6,179,675	\$10,424,608			

¹⁾ Source: New Mexico Taxation and Revenue Department – Monthly Local Government Distribution Reports (RP-500). Figures are shown on a cash basis based upon distribution month. Figures include the share of Hold Harmless Distributions attributable to the fifth 0.25% increment of Municipal Gross Receipts Tax received by the City during the same period. The decline in estimated Pledged Flood Control MGRT Revenues shown for Fiscal Years 2017 through 2024 reflects the statutory phase-out of Hold Harmless Distributions that begins in Fiscal Year 2016 and culminates in Fiscal Year 2030, when the Hold Harmless Distributions are eliminated. There is no assurance that Pledged Flood Control MGRT Revenues received in the future will equal the Pledged Flood Control MGRT Revenues used in coverage computations. See “Gross Receipts Tax Hold Harmless Distributions” and “PLEDGED REVENUES-- *Flood Control Municipal Gross Receipts Tax Report*” herein.

PLEDGED REVENUES

The Series 2016 Bonds are special, limited obligations of the City, payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on Pledged Flood Control MGRT Revenues. In the Bond Ordinance “Pledged Flood Control MGRT Revenues” means the revenues derived from (i) the fifth one quarter of one percent (1/4%) increment of municipal gross receipts tax imposed on all persons engaging in business in the City by City Ordinance No. 1135, adopted on March 26, 1990, with an effective date of July 1, 1990, as amended by City Ordinance No. 1760, adopted on July 27, 1999, which tax equals, subject to the exemptions specified in Section 7-19D-9 NMSA 1978, one fourth of one percent (1/4%) of the gross receipts of all persons engaging in business in the City for the month in which the tax is distributed to the City and (ii) the associated Hold Harmless Flood Control MGRT Distribution; (provided that the City is not pledging and the

* Preliminary, subject to change.

term “Pledged Flood Control MGRT Revenues” does not include the state-shared gross receipts tax or any other local option gross receipts tax income received by the City). The Bond Ordinance defines “Hold Harmless Flood Control MGRT Distribution” as the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the fifth one quarter of one percent (1/4%) increment of municipal gross receipts tax imposed on all persons engaging in business in the City by City Ordinance No. 1135, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; provided that the percentage of such distribution decreases annually as provided in Section 7-1-6.46 NMSA 1978 each year beginning on July 1, 2015 until the distribution is eliminated after July 1, 2029. See “Gross Receipts Tax Hold Harmless Distributions” herein.

Taxed Activities. For the privilege of engaging in business in the State of New Mexico, the Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value or other consideration received from selling property in the State of New Mexico (including tangible personal property handled on consignment in the State), from leasing property employed in the State of New Mexico, from performing services in the State of New Mexico and from selling services outside New Mexico, the product of which is initially used in New Mexico. The definition excludes cash discounts allowed and taken, the Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any time or time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales of services, including legal services and certain medical services.

Legislative Changes. Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. See “SPECIAL FACTORS RELATING TO THE BONDS -State Legislation” herein.

Exemptions. Some activities and industries are exempt from the Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, certain receipts of governmental agencies and certain organizations, receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales and leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions, receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods), and receipts of licensed medical care providers from Medicare Part C. There are over fifty specified exemptions and deductions from gross receipts taxation, nevertheless, the general presumption is that all receipts of a person engaging in business in the State of New Mexico are subject to the Gross Receipts Tax.

Manner of Collection and Distribution of Gross Receipts Tax. Businesses must make their payments of Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts Tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the “Revenue Division”), pursuant to Section 7-1-6, NMSA. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less disbursements to the municipalities in the State.

Remedies for Delinquent Taxes. The Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the Gross Receipts Tax is paid within 10 days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent Gross Receipts Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

Flood Control Municipal Gross Receipts Tax Report. Set forth below is a 5-year history of the Flood Control Municipal Gross Receipts Tax Revenues received by the City:

Fiscal Year ended June 30*	Pledged Flood Control MGRT Rate	Pledged Flood Control MGRT Revenues ⁽¹⁾	Percent increase (decrease) ⁽²⁾
2016	0.25%	\$7,006,127	9.04%
2015	0.25%	6,424,741	1.47%
2014	0.25%	6,331,597	1.92%
2013	0.25%	6,212,439	1.32%
2012	0.25%	6,131,538	--

⁽¹⁾ Net of administrative fee imposed by the New Mexico Taxation and Revenue Department. Does not include other gross receipts taxes imposed by the City but does include Hold Harmless Distributions which, while included in Pledged Flood Control MGRT Revenues, began to be phased out over a 15-year period beginning July 1, 2015. See "Gross Receipts Tax Hold Harmless Distributions" herein.

⁽²⁾ Based on gross receipts tax remittances to the City for the current fiscal year (cash basis), the City projects a 6.2% increase in gross receipts tax revenue for Fiscal Year 2015-2016. The City attributes the increase to construction-related gross receipts over the course of the Fiscal Year.

* Unaudited.

Source: Office of Management and Budget, City of Las Cruces

Other Gross Receipts Taxes (not pledged)

Pledged Revenues consist of the 0.25% Flood Control MGRT Revenues as related to the Series 2016 Bonds. The City also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include four additional 0.25% increments of Municipal Gross Receipts Tax, a 0.25% Municipal Infrastructure Gross Receipts Tax, a 0.0625% Municipal Environmental Services Gross Receipts Tax, and a 0.375% Municipal Hold Harmless Gross Receipts Tax. The total gross receipts tax rate within the City is 8.3125% (combined State (5.1250%), County (1.2500%) and City (1.9375%) gross receipts tax rates).

Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the City by Standard Industrial Classification:

Classification	Total Taxable Gross Receipts Calendar Year ⁽¹⁾				
	2011	2012	2013	2014	2015
Agriculture, Forestry, Fishing & Hunting	\$ 2,919,143	\$ 2,762,796	\$ 2,794,552	\$ 2,831,553	\$ 3,379,858
Mining/Oil & Gas Extraction	*	*	*	*	*
Utilities	84,980,806	80,617,575	83,826,882	85,760,741	74,458,795
Construction	223,726,253	251,816,303	199,167,209	189,145,575	221,954,759
Manufacturing	31,252,379	33,134,181	31,525,378	28,243,251	33,987,416
Wholesale Trade	45,726,910	47,344,343	45,668,319	45,022,544	46,838,421
Retail Trade	768,772,261	762,033,247	775,519,889	764,206,071	780,981,717
Transportation & Warehousing	24,949,300	25,466,381	22,134,750	14,689,069	10,929,290
Information & Cultural Industries	132,103,266	132,219,400	135,254,372	137,540,762	140,531,644
Finance and Insurance	15,579,346	14,261,939	17,450,028	17,429,860	19,715,138
Real Estate, Rental & Leasing	32,408,758	34,040,298	34,565,028	35,471,258	35,283,225
Professional, Scientific & Technical Services	132,196,911	135,528,159	137,429,794	130,480,362	163,677,481
Management of Companies & Enterprises	1,553,530	1,352,595	3,126,015	2,780,138	3,409,341
Admin & Support, Waste Mgt & Remed	20,116,358	18,988,921	20,600,762	20,450,004	23,273,172
Educational Services	6,958,134	15,128,636	5,075,199	4,099,353	4,504,376
Health Care and Social Assistance	294,152,658	314,496,273	307,322,336	356,964,170	392,057,577
Arts, Entertainment & Recreation	7,656,912	8,539,525	8,594,021	8,540,327	10,320,109
Accommodation & Food Services	218,767,959	219,586,680	227,440,776	238,535,933	253,584,435
Other Services (except Public Admin)	182,574,450	192,963,775	189,774,039	177,938,434	202,821,367
Public Administration	*	*	*	19,036,595	16,059,952
Unclassified Establishments	3,444,377	1,440,845	5,459,033	9,513,273	8,045,130
TOTAL TAXABLE	\$2,249,275,848	\$2,308,576,453	\$2,272,230,007	\$2,288,692,987	\$2,446,029,113

Source: New Mexico Taxation and Revenue Department.

* Not disclosed

⁽¹⁾ Totals may not add due to rounding and/or undisclosed information for certain classifications and time periods.

Historical Total Gross Receipts Reported For City and State

The following represents the total retail gross receipts and total gross receipts reported in the City and the State. Total gross receipts and total taxable gross receipts reported in the tables below include amounts representing the sale of items which may not be subject to Gross Receipts Tax. See “PLEDGED REVENUES – Taxed Activities” and “PLEDGED REVENUES – Exemptions” herein for an explanation of activities which are subject to, or exempt from, Gross Receipts Tax.

Calendar Year	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2015	\$1,403,948,772	\$5,169,975,547	\$24,112,463,895	\$107,453,457,101
2014	1,468,362,563	5,035,306,672	25,072,496,013	110,639,143,254
2013	1,439,354,326	5,231,638,495	24,116,215,735	108,239,126,926
2012	1,411,023,755	5,425,857,422	23,910,163,876	106,632,199,576
2011	1,411,799,433	5,136,664,778	23,855,318,981	105,936,319,986

Source: New Mexico Taxation and Revenue Department.

Historical Taxable Gross Receipts Reported For City and State

Calendar Year	Taxable Gross Receipts Reported in City of Las Cruces	Taxable Gross Receipts Reported in State of New Mexico
2015	\$2,446,029,113	\$54,012,030,021
2014	2,288,692,987	54,404,290,666
2013	2,272,230,007	51,526,274,173
2012	2,308,576,453	50,416,413,731
2011	2,242,326,018	49,262,993,650

Source: New Mexico Taxation and Revenue Department.

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

Pledged Flood Control MGRT Parity Obligations

Parity Flood Control Bond Test. The Bond Ordinance does not prevent the issuance of additional Parity Flood Control Bonds payable from and constituting a lien upon the Pledged Flood Control MGRT Revenues on parity with the lien of the Series 2016 Bonds. Before any additional Parity Flood Control Bonds are actually issued, it must be determined that:

(a) The City is current in the accumulation of all amounts which are then required to be on deposit in the 2016 Debt Service Fund and the 2016 Reserve Fund (if any accumulation is then required in the 2016 Reserve Fund) in accordance with the Bond Ordinance; and

(b) The Pledged Flood Control MGRT Revenues (not including the Hold Harmless Flood Control MGRT Distribution) received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional Parity Flood Control Bonds shall have been sufficient to pay an amount representing at least 200% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Series 2016 Bonds, (2) other outstanding Parity Flood Control Bonds payable from and

constituting a lien upon the Pledged Flood Control MGRT Revenues, and (3) the Parity Flood Control Bonds proposed to be issued.

For purposes of the test set forth in paragraph (b) above, if on the date of issuance of the additional Parity Flood Control Bonds, (a) any amount of the reserve fund requirement for the additional Parity Flood Control Bonds is immediately deposited in or credited to the reserve fund for the additional Parity Flood Control Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding Parity Flood Control Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding Parity Flood Control Bonds, then the amounts on deposit in or credited to the respective reserve funds shall be deducted from the principal and interest coming due in the final Fiscal Year for the additional Parity Flood Control Bonds or any issue of outstanding Parity Flood Control Bonds for which such reserve fund was created.

Certification or Opinion Regarding Revenues. A written certificate or opinion by an Independent Accountant or the City Finance Director or Treasurer, that the Pledged Flood Control MGRT Revenues are sufficient to pay the required amounts under the test set forth above, shall conclusively determine the right of the City to issue additional Parity Flood Control Bonds. The City Finance Director or Treasurer or an Independent Accountant may utilize the results of any annual audit to the extent it covers the applicable period.

Subordinated and Superior Obligations. The City will not issue additional bonds payable from the Pledged Flood Control MGRT Revenues with a lien on the Pledged Flood Control MGRT Revenues prior and superior to the lien of the Series 2016 Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged Flood Control MGRT Revenues with a lien thereon subordinate and junior to the lien of the Series 2016 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2016 Bonds as permitted by the Bond Ordinance.

Refunding Bonds

The provisions of the Bond Ordinance described above are subject to the following exceptions:

Privilege of Issuing Refunding Obligations. If at any time the City shall find it desirable to refund any outstanding obligations constituting a lien upon the Pledged Flood Control MGRT Revenues, including the 2016 Bonds or other obligations, or any part thereof, such obligations may be refunded, but only with the consent of the holders, unless the obligations shall then mature or be callable for redemption, or the plan of refunding calls for payment of the obligations at maturity or at a redemption date, regardless of whether the lien priority is changed by the refunding except that superior obligations are prohibited as provided in the Bond Ordinance.

Limitation Upon Issuance of Parity Refunding Obligations. No refunding obligations shall be issued with a lien on the Pledged Flood Control MGRT Revenues on parity with the lien on the Series 2016 Bonds unless:

(1) The lien on the Pledged Flood Control MGRT Revenues of the outstanding obligations so refunded is on parity with the lien on the Pledged Flood Control MGRT Revenues of the Series 2016 Bonds; or

(2) The refunding obligations are issued in compliance with the requirements described above under “Pledged Flood Control MGRT Parity Obligations”.

Refunding Part of an Issue. The refunding bonds or other refunding obligations issued shall enjoy complete equality of lien with the portion of any bonds or other obligations of the same issue which is not refunded, if any; and the holder or holders of such refunding bonds or other refunding obligations shall be

subrogated to all of the rights and privileges enjoyed by the owner or owners of the same issue refunded thereby. If only a part of any issue or issues is refunded, then there may be no refunding without the consent of the holders of the unrefunded portion of such obligations, unless:

- (1) The refunding obligations do not increase the aggregate principal and interest requirements for any Fiscal Year commencing prior to the last maturity date of such unrefunded obligations; or
- (2) The lien of the refunding obligations is subordinate to the lien of any obligations not refunded; or
- (3) The refunding bonds or other refunding obligations are issued in compliance with the requirements described above under “Pledged Flood Control MGRT Parity Obligations.”

Limitation Upon Issuance of Any Refunding Obligations. Any refunding obligations payable from the Pledged Flood Control MGRT Revenues shall be issued with such details as the City Council may provide, subject to the inclusion of any such rights and privileges designated above, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Series 2016 Bonds.

CITY COVENANTS IN THE BOND ORDINANCE

The City covenants in the Bond Ordinance, among other things, that:

Use of Bond Proceeds. The City will proceed without delay to apply the proceeds of the Bonds as set forth in the Bond Ordinance.

Payment of Bonds. The City will promptly pay the principal of and the interest on every Bond at the place, on the date and in the manner specified in the Bond Ordinance and in the Bonds according to the true intent and meaning of the Bond Ordinance.

City’s Existence. The City will maintain its corporate identity and existence so long as any of the Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any owner of the Bonds.

Extension of Interest Payments. In order to prevent any accumulation of claims for interest after maturity, the City will not directly or indirectly extend or assent to the extension of time for the payment of any claim for interest on any of the Bonds, and the City will not directly or indirectly be a party to or approve any arrangements for any such extension.

Records. So long as any of the Bonds remain outstanding, proper books of record and account will be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Pledged Revenues.

Audits and Budgets. The City will, within two hundred seventy (270) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with such revenues.

Other Liens. Other than as described and identified by the Bond Ordinance, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.

Impairment of Contract. The City agrees that any law, ordinance or resolution of the City that in any manner affects the Pledged Revenues or the Bonds shall not be repealed or otherwise directly or indirectly modified, in such a manner as to impair adversely any Bonds outstanding, unless such Bonds have been discharged in full or provision has been fully made therefor or unless the required consents of the holders of the then outstanding Bonds are obtained pursuant to the Bond Ordinance.

Debt Service Funds and Reserve Funds. The Debt Service Funds and Reserve Funds shall be used solely and only, and those funds are hereby pledged, for the purposes set forth in the Bond Ordinance.

Surety Bonds. Each municipal official and employee being responsible for receiving Pledged Revenues shall be bonded at all times, which bond shall be conditioned upon the proper application of such funds.

Performing Duties. The City will faithfully and punctually perform all duties with respect to the Bonds required by the Constitution and laws of the State of New Mexico and the ordinances and resolutions of the City relating to the Bonds.

Tax Covenants. The City covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. The City covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely rebate payments to the federal government, if required, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. In furtherance of the covenants set forth above, the City established a fund separate from any other funds established and maintained under the Bond Ordinance designated as the Rebate Fund (the "Rebate Fund"). Money and investments in the Rebate Fund shall not be used for the payment of the Bonds and amounts credited to the Rebate fund shall be free and clear under any pledge under the Bond Ordinance.

Continuing Disclosure Undertaking. The officers of the City are authorized to sign such documents and to take such actions in the future with respect to the City's continuing disclosure obligations as are necessary or desirable to comply with the Continuing Disclosure Undertaking and the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Notwithstanding any other provisions of the Bond Ordinance, failure of the City to comply with the Continuing Disclosure Undertaking shall not be considered an "event of default", and holders and beneficial owners of Bonds shall be entitled to exercise only such rights with respect thereto as are provided in the Continuing Disclosure Undertaking.

THE CITY

General

The Las Cruces/Doña Ana County area borders Texas and Mexico and has a rich and colorful history, ranging from 16th century Spanish explorations to the landing of the space shuttle. Las Cruces is the second largest city in the State and is the commercial service and cultural center of southern New Mexico. The U.S. Census Bureau ranked the City in the top 30 fastest growing population areas in the country for the last decade.

The economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University,

City/County government and the Las Cruces Public School District which accounted for 15,132 jobs in the third quarter of 2015. The remaining non-agricultural jobs are in manufacturing (2,239), wholesale/retail trade (8,867), natural resources, mining and construction (3,807), transportation/warehousing/utilities (2,564), information (873), finance (1,749) and all other services (35,239).

Growth in the economy is demonstrated in the growth of gross receipts from retail trade, assessed valuation, building permits, housing prices, and median household income.

Government

The City was incorporated in 1907 and operates under a home rule charter with a Council-Manager form of government. Nonpartisan elections are held for members of the City Council of the City (the “Council”) for the election of councilors from six single-member districts and for a Mayor to be nominated and elected at large by the resident and qualified voters of the City.

Councilors and the Mayor are elected for staggered four year terms. The Mayor and the Council and the date of expiration of their current terms are as follows:

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Ken Miyagishima	Mayor	November, 2019
Kasandra Gandara	Councilor	November, 2019
Gregory Z. Smith	Councilor	November, 2019
Olga Pedroza	Councilor	November, 2017
Jack Eakman	Councilor	November, 2019
Gill Sorg	Councilor	November, 2017
Ceil Levatino	Councilor	November, 2017

Administrative Officers

Interim City Manager Daniel Avila. _____

Financial Services Director Victoria Fredrick. Victoria Fredrick is currently the Financial Services Director and oversees operations in accounting, financial reporting, disbursements, payroll, treasury, grants and contract administration, and procurement. She started with the City in September 2010 as the Manager of Rates and Economic Analysis with Las Cruces Utilities. Prior to joining the City, she held positions as Region Controller for Securitas Security Services, Director of Finance for Fox Sports Net, both in Phoenix, AZ and Controller and Business Manager for KTVB-TV in Boise, ID.

Ms. Fredrick is a certified management accountant (CMA) and a certified government financial manager (CGFM). She holds a Master of Business Administration in Finance from Boise State University, a Bachelor of Science degree in Accounting from Metropolitan State College in Denver, Colorado and Bachelor of Arts degree in Business Management, Fort Lewis College, Durango, Colorado.

Interim City Treasurer Karin Byrum. Karin Byrum is currently interim Treasurer for the City of Las Cruces and has responsibility for the management and direction of treasury operations including short-term investment portfolio management, long and short term debt issuance, operational budgeting, bank relationship management and credit card processing. She started with the City in November 2007 and has held various positions in finance including accounting, reporting and management of debt issuance and debt service for the City. She also has over 5 years experience in private sector finance. She obtained her Certified Government

Financial Manager certification in 2012. She holds a Bachelors in Accounting from the University of Washington and a Masters in Business Administration from New Mexico State University.

Other Employees

As of March 31, 2016, the City had approximately 1,490 full time, part time and seasonal employees, 536 of which are represented by labor unions. The City believes that relations with its employees are good.

Public Employee Retirement Association

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Chapter 167, Laws of 1947, New Mexico Statutes Annotated, 1978 Compilation, as amended, requires contributions, computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The Plan requires the following contribution percentages:

TIER I PERA CONTRIBUTION RATES AS OF JULY 1, 2014

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factors per Year of Service	Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary \$20,000 or less	Annual Salary greater than \$20,000			
State Plan 3	7.42%	8.92%	16.99%	3.0%	90%
Municipal Plan 1	7.00%	8.50%	7.40%	2.0%	90%
Municipal Plan 2	9.15%	10.65%	9.55%	2.5%	90%
Municipal Plan 3	13.15%	14.65%	9.55%	3.0%	90%
Municipal Plan 4	15.65%	17.15%	12.05%	3.0%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.0%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.5%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.5%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.5%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.0%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.5%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.5%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.0%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.5%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	90%
State Plan 3 – Peace Officer	7.42%	8.92%	16.99%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	90%

TIER II PERA CONTRIBUTION RATES AS OF JULY 1, 2014

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factors per Year of Service	Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary \$20,000 or less	Annual Salary greater than \$20,000			
State Plan 3	7.42%	8.92%	16.99%	2.5%	90%
Municipal Plan 1	7.00%	8.50%	7.40%	2.0%	90%
Municipal Plan 2	9.15%	10.65%	9.55%	2.0%	90%
Municipal Plan 3	13.15%	14.65%	9.55%	2.5%	90%
Municipal Plan 4	15.65%	17.15%	12.05%	2.5%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.0%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.0%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	2.5%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.0%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.0%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.0%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.0%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	2.5%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	90%
State Plan 3 – Peace Officer	7.42%	8.92%	16.99%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	90%

Source: PERA Financial Statements for Fiscal Year Ended June 30, 2015.

Note: For more in depth information regarding Tier I, Tier II and individual plans, please see PERA Financial Statements for Fiscal Year Ended June 30, 2015, which can be accessed through PERA’s website: www.nmpera.org.

In addition to retirement benefits, the Plan provides disability benefits, surviving spouse and children’s benefits, deferred benefits option and cost of living adjustments for all eligible participants. City contributions to the Plan amounted to \$9,403,845 for the fiscal year ended June 30, 2015. The City’s liability under the Plan is limited to the periodic employer contributions, as described above, that it is required to make for its participating employees.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Actuarial information, as of June 30, 2015 is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2015**

Membership ⁽¹⁾	96,479
Actuarial Information	
Actuarial Accrued Liability ⁽²⁾	\$18,786,486,550
Actuarial Value of Assets	14,074,919,042
Unfunded Actuarial Accrued Liability	4,711,567,508
Funded Ratio	74.9%

Source: PERA Annual Actuarial Valuation

⁽¹⁾ Includes active, inactive and retired members from all divisions.

⁽²⁾ Includes accrued liability of both the retired and active members.

As of June 30, 2015, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2014. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 74.9% as of June 30, 2015 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be approximately \$4.71 billion. The PERA Board has reviewed the results of its June 30, 2015 actuarial valuation, which indicates that either additional contributions or benefit reductions will be required in order to properly fund the PERA retirement plans. In the 2013 Legislative session of the New Mexico Legislature, as part of pension reform to reduce the unfunded liability, both chambers passed Senate Bill 27, subsequently signed by the Governor, which includes various changes to both retiree benefits and employer and employee contributions. The Bill reduces the Cost of Living (COLA) percentages, it delays eligibility, it increases employer and employee contributions, and adds a new tier of benefits, among other reforms aimed at extending the plan solvency. The Legislative Finance Committee estimates that the bill will increase the funded ratio to 90% by 2042.

Post-Employment Benefits

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years. During the fiscal year ended June 30, 2015, the each participating employer within the City was required to contribute 2.0% of each participating employee's annual salary, and each participating employee was required to contribute 1.0% of the employee's annual salary. The

City remitted \$847,444 in Fiscal Year 2015, \$831,594 in Fiscal Year 2014, and \$854,248 in Fiscal Year 2013, which equaled the required contributions for each year.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis. The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd N.E., Suite 104, Albuquerque, NM 87107.

City Budgets

The City adheres to the following procedure in establishing its annual budget: the City Staff prepares a budget which is forwarded to the City Council prior to May 1 for the fiscal year commencing the following July 1; public input is sought by the City Council during the month of May through public hearings; the budget is approved by the City Council and forwarded for approval to the State of New Mexico, Local Government Division of the Department of Finance and Administration; the final budget is returned to the City with recommended changes and modifications; and the final budget is acknowledged by the City Council.

The operating budget includes proposed expenditures and the means of financing them.

The City Manager is authorized to transfer budgeted amounts between departments within any fund, but he must obtain approval of the City Council and the State prior to making revisions that alter the total expenditures of any fund. As a management control device, the City employs formal budgetary integration at the line item level.

Deficit financing is not permitted under New Mexico law. The level of classification detail at which expenditure may not legally exceed appropriation for each budget item is the fund level (i.e., General, Water, Wastewater, etc.). The proposed Fiscal Year 2017 budget continues the City's conservative practices. However, due to moderate recovery in the local economy, the City proposes increased expenditures in Fiscal Year 2017 of approximately \$1 million to fund various reserves and to invest in the City's workforce. System budgets, while not similarly reduced, have nonetheless followed a conservative status quo budget practice in response to economic conditions.

City Strategic Plan

The City has developed a strategic planning process to set long term, broad, policy-level goals to guide actions, initiatives and projects. This planning process has evolved through several stages, most recently with the completion of the 2012 plan, and now to the implementation of the 2014-2019 plan.

The 2014-2019 plan is organized into four central themes that define the main focus for the City:

- Fiscal Responsibility
- Service Delivery Excellence
- Infrastructure Development

- Quality of Life/Community Identity

Within those 4 central focal points, the Strategic Plan identifies the following objectives:

Fiscal Responsibility

(1) Foster regional collaboration and partnership to maximize mutually beneficial outcomes; (2) Develop a diverse/perpetual funding strategy for capital and operating needs; (3) Provide cost-effective municipal services.

Service Delivery Excellence

(4) Utilize multiple forums to receive and respond to customer needs; (5) Provide services and programs that are an asset to the City at large; (6) Develop employee skills to exceed customer expectations; (7) Provide reliable, consistent, clear, timely information to maximize decision-making and transparency; (8) Improve efficiencies and effectiveness through use of best practices; (9) Foster creativity and innovation; (10) Cultivate ethical conduct.

Infrastructure Development

(11) Define the City's infrastructure policy; (12) Further define "complete streets" principles; (13) Provide and maintain reliable infrastructure to support community needs; (14) Implement capital projects with respect to community impact, departmental and agency coordination; (15) Support cost-effective energy initiatives.

Quality of Life/Community Identity

(16) Increase city focus on strategic job creation; (17) Promote responsible, stable, and sustainable economic development; (18) Adopt comprehensive plan for development and re-development of the community; (19) Reduce crime and threat of crime in the community; (20) Promote Las Cruces' unique identity; (21) Provide municipal leadership across the state and region; (22) Maintain and preserve the City's natural resources; (23) Support neighborhood vitality and downtown revitalization; (24) Improve fire protection, prevention, and emergency services for the community; (25) Increase educational, recreational and cultural opportunities and amenities.

Implementation of these goals will be accomplished over a five-year period through the development of an Administrative Strategic Plan to support this concerted effort. During this time, progress will be monitored to ensure that the City stays on track to meet the needs of the community and the spirit of the Strategic Plan. The 2014 Strategic Plan includes the City's evaluation of its 2012-2013 plan accomplishments.

Community Survey

In Fiscal Year 2012-2013, the City conducted a survey of residents which included three questions to get a sense of City services that the residents would value enough to support increasing taxes to improve those services and what services should the City consider reducing if were necessary to reduce spending. As reflected in the first and second questions and corresponding responses shown in the table below, a majority of respondents would support tax increases dedicated to funding quality of life improvements and transportation needs in the City, while a majority of respondents would oppose reduced spending in streets (maintenance and traffic systems), public safety (police and fire services), parks and recreation (parks, playgrounds, pools, ball fields) and senior services (community centers, meal programs).

To what extent would you support or oppose a tax revenue increase dedicated to funding quality of life issues in Las Cruces (possibly including parks, ball fields, gymnasiums, museums, libraries, community centers, median landscaping or swimming pools)?	Percent of respondents
<i>Strongly support</i>	30%
<i>Somewhat support</i>	41%
<i>Somewhat oppose</i>	15%
<i>Strongly oppose</i>	14%

To what extent would you support or oppose a tax revenue increase to support transportation needs, including improved roads, traffic management, transit/public transportation, bicycle and pedestrian trails?	Percent of respondents
<i>Strongly support</i>	35%
<i>Somewhat support</i>	40%
<i>Somewhat oppose</i>	14%
<i>Strongly oppose</i>	11%

If the City had to reduce spending due to reduced revenues, how much you would support or oppose service reductions in each of the following areas?	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose
<i>Streets (maintenance and traffic systems)</i>	13%	22%	43%	22%
<i>Public safety (police and fire services)</i>	18%	12%	22%	48%
<i>Parks and recreation (parks, playgrounds, pools, ball fields)</i>	13%	33%	40%	15%
<i>Senior services (community centers, meal programs)</i>	19%	24%	36%	20%
<i>Transit systems (Roadrunner bus routes, dial-a-ride)</i>	17%	39%	28%	15%
<i>Museums/libraries</i>	16%	40%	26%	17%
<i>Other</i>	17%	43%	31%	9%

Industry

A combination of a well-educated labor force, favorable tax rates and a high quality of living has attracted industry to the City. The blend of industries contributing to the diversification of the City's economy include: TMC Design (DOD contractor); Pony Carburetor (manufacturer); White Sands Missile Range (U.S. Army, private industry testing facility), Mountain View Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Sapphire Energy (alternative energy production); Wal-Mart (retail); Tresco, Inc. (sheltered employment); VMC (technical support/communication); F&A Dairy Products (cheese manufacturer); and NMSU Physical Science Laboratory.

Education

The Las Cruces School District No. 2 (the "District") is the second largest school district in the State, with an enrollment of approximately 24,965 students for school year 2015-2016. The district has 41 schools: 26 elementary schools (grades pre-K-5), 9 middle schools (grades 6-8), 6 high schools (grades 9-12), and the San Andres Learning Center, which offers vocational and career technical programs for at-risk middle and high school students.

New Mexico State University

New Mexico State University (the "University"), was originally founded in 1888, and in 1889 was established as a land grant college. The University consists of its main campus in the City, with branch

campuses located in Alamogordo, Carlsbad, Grants, Doña Ana and a satellite learning center in Albuquerque. The University had a Fall 2015 enrollment of 26,055 students (including four branch campuses). The Fall 2015 enrollment for the Las Cruces campus was 15,490. 5 doctoral programs, 46 master's degree programs, and 78 undergraduate degree programs are available in the University's 8 colleges (Agriculture, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, Extended Learning, Health and Social Services and Honors) and the Graduate School.

The University's main campus encompasses approximately 3,500 acres and consists of more than 211 academic, research, and auxiliary buildings, and over 400 housing buildings. The University employs over 1,800 faculty members and over 3,000 staff of which approximately 3,750 are located on campus in Las Cruces. The University's largest single research operation is the Physical Science Laboratory. Research for engineering, space technology, and farm production and related industries are also conducted by various University departments. The University is classified as a Doctoral/Research institution as rated by the Carnegie Foundation. The University anchors the southern end of New Mexico's Rio Grande Research Corridor. The statewide Water Resources Research Institute is situated at the University and studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

The Doña Ana Community College, affiliated with the University and the area's occupational training school, offers more than 8,000 students a variety of programs designed to train students for meaningful employment. The program is designed to be flexible and can be programmed to meet the specific training needs of employers.

Agriculture

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chili, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms (2,000 irrigated acres), and the poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to nearly 1,000.

Transportation

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). In addition, the City is served by five major U.S. highways and seven State highways. More than 20 interstate, regional, and local motor carriers serve Las Cruces; four of them operate terminals in the area.

Commuter air service and corporate and general aviation service is available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces.

Daily rail service, with piggyback and container service, is provided by the Burlington Northern Santa Fe and the Southern Pacific railroads.

Labor Force and Percent Unemployed

The following table, derived from information supplied by the New Mexico Department of Workforce Solutions, presents information on employment within the Las Cruces MSA (Doña Ana County), the State and the United States, for the periods indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year	Las Cruces MSA (Doña Ana County)		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2016*	92,906	7.0%	916,240	6.2%	5.1%
2015	93,179	7.4%	919,889	6.6%	5.3%
2014	93,499	7.4%	921,380	6.7%	6.2%
2013	93,800	7.5%	923,685	7.0%	7.4%
2012	93,925	7.3%	928,739	7.1%	8.1%
2011	93,459	7.5%	930,356	7.5%	8.9%
2010	93,661	7.7%	936,088	8.1%	9.6%
2009	90,210	7.3%	940,352	7.5%	9.3%
2008	88,893	4.7%	944,548	4.5%	5.8%
2007	86,938	4.2%	934,027	3.8%	4.6%

* Averages for January through April, 2016.

Source: New Mexico Department of Workforce Solutions.

Non-Agricultural Wage and Salary

The following is a history of nonagricultural wage and salary employment for the Las Cruces MSA. The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

Sector	2011	2012	2013	2014	2015*
Grand Total	69,100	69,246	70,377	70,732	71,252
Total Private	50,661	51,208	52,390	52,866	53,200
Agriculture, Forestry, Fishing and Hunting	3,203	3,389	3,313	3,521	3,113
Mining	45	24	20	16	13
Utilities	668	707	719	725	752
Construction	3,763	3,611	3,681	3,644	3,787
Manufacturing	3,094	2,864	2,706	2,488	2,350
Wholesale Trade	1,099	1,072	1,217	1,170	1,235
Retail Trade	7,304	7,536	7,646	7,708	7,700
Transportation and Warehousing	1,721	1,906	1,780	1,762	1,947
Information	859	922	933	915	834
Finance and Insurance	1,570	1,663	1,743	1,772	1,766
Real Estate and Rental and Leasing	708	683	703	762	791
Professional and Technical Services	3,394	3,488	4,010	3,791	3,792
Management of Companies and Enterprises	85	51	35	39	42
Administrative and Waste Services	3,964	3,176	3,309	3,571	3,138
Educational Services	10,802	10,683	10,810	10,862	11,070
Health Care and Social Assistance	11,832	12,662	12,707	13,147	14,125
Arts, Entertainment, and Recreation	1,219	1,307	1,263	1,144	1,178
Accommodation and Food Services	6,081	6,291	6,756	6,794	7,101
Other Services, ex. Public Administration	1,338	1,317	1,296	1,321	1,204
Total Government	18,439	18,038	17,987	17,866	18,325
Federal Government	4,051	3,871	3,742	3,613	3,466
State Government	5,810	5,586	5,604	5,562	5,803
Local Government	8,578	8,581	8,641	8,692	9,056

* Average, Fourth Quarter 2015.

Source: New Mexico Department of Workforce Solutions.

Major Employers

The following are the principal employers located in the City.

City of Las Cruces Principal Employers

<u>Employer Name</u>	<u>Number of Employees</u>
New Mexico State University	7,000+
White Sands Missile Range	4,500+
Las Cruces Public Schools	3,000+
Gadsden Independent Schools	1,500+
City of Las Cruces	1,500+
Memorial Medical Center	1,000+
Wal-Mart	1,000+
Doña Ana Community College	750+
Doña Ana County	750+

Source: Mesilla Valley Economic Development Authority.

Per Capita Income

The following table sets forth annual per capita personal income levels for the Las Cruces MSA, the State of New Mexico, and the United States. The Las Cruces MSA and the State's per capita income level over this period have been lower than the national average.

<u>Year</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
2014	30,593	37,091	46,049
2013	29,143	35,254	44,438
2012	29,935	35,585	44,266
2011	29,063	34,556	42,453
2010	28,376	33,019	40,277

Source: New Mexico Department of Workforce Solutions.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a three-year comparison of the estimated median household income as reported by Claritas Inc. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income, and transfer payments. Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for the Las Cruces MSA, the State of New Mexico and the United States.

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	36.1%	29.6%	23.7%
\$25,000 – 34,999	13.0%	12.7%	11.1%
\$35,000 – 49,999	13.4%	16.6%	15.5%
\$50,000 and over	16.1%	18.3%	19.5%
\$75,000 and over	21.5%	22.8%	30.2%
2013 Est. Median Household Income	\$35,983	\$43,273	\$49,297
2012 Est. Median Household Income	\$34,983	\$41,958	\$49,581
2011 Est. Median Household Income	\$35,048	\$42,030	\$49,726

Source: *Claritas Inc.*

Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State of New Mexico and the United States.

Age Group	Las Cruces	New Mexico	United States
0-17	24.0%	24.6%	23.5%
18-24	15.7%	10.1%	10.0%
25-34	14.8%	13.2%	13.4%
35-44	11.0%	11.8%	13.0%
45-54	10.8%	13.3%	14.1%
55 and Older	23.7%	27.0%	26.0%

Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates for 2014.

Population

Based on information gained from the United States Census Bureau, the following table shows the historical population data for the City of Las Cruces, Doña Ana County and the State of New Mexico.

Year	City of Las Cruces	Doña Ana County	State of New Mexico
2010	97,618	218,523	2,112,957
2000	74,267	175,524	1,821,078
1990	62,648	136,523	1,519,933
1980	45,086	96,340	1,303,933
1970	37,857	69,773	1,017,055
1960	29,367	59,948	951,023

Source: U.S. Census Bureau.

Building Permits and Assessed Valuations

The 1980s saw a relatively stable level of building activity within the City. Construction activity reached a low in 1991 and increased at a steady pace throughout the 1990s. Growth continued during the 2000s until the onset of economic and construction slow-downs in 2007.

City of Las Cruces, New Mexico Building Permits

<u>Year</u>	<u>Valuation</u>	<u>Number of Permits</u>
2015	\$136,270,075	3,570
2014	107,766,890	1,939
2013	141,830,679	2,463
2012	162,624,265	2,459
2011	144,071,482	2,420
2010	149,413,272	2,903
2009	181,846,245	2,645
2008	179,621,128	2,885
2007	225,961,099	3,451
2006	355,704,442	4,073

Source: City of Las Cruces Community Development Department and Doña Ana County Assessor's Office as of April 22, 2014

History of Assessed Values

<u>Tax Year</u>	<u>City of Las Cruces</u>	<u>Doña Ana County</u>
2015	2,165,733,246	4,106,398,168
2014	2,102,950,157	3,975,407,290
2013	2,076,068,745	3,888,811,543
2012	2,046,371,786	3,845,596,953
2011	2,003,490,667	3,743,500,833
2010	2,031,926,985	3,773,206,269
2009	1,967,709,487	3,652,222,577
2008	1,870,174,486	3,457,180,390
2007	1,695,414,748	3,150,260,440
2006	1,432,914,621	2,739,945,874

Source: City of Las Cruces Planning Department and Doña Ana County Assessor's Office.

Historical General Fund Balance Sheet

	Fiscal Year Ending June 30				
	2011	2012	2013	2014	2015
Assets					
Pooled cash and investments	\$22,711,661	\$25,848,311	\$25,034,017	\$23,680,533	\$30,057,266
Receivables, net	848,184	829,617	824,178	883,934	723,834
Due from other funds	2,848,210	3,342,228	2,415,837	2,566,180	1,303,517
Due from other governmental units	10,372,396	10,976,969	10,735,555	10,701,624	13,454,045
Inventories	1,330,306	1,531,425	1,732,121	1,607,029	1,431,060
Total assets	<u>\$38,110,757</u>	<u>\$42,528,550</u>	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts and contracts payable	\$1,821,942	\$2,745,943	\$2,833,714	\$1,393,413	\$2,353,894
Accrued liabilities	2,283,041	2,241,394	2,538,095	1,957,719	2,613,666
Unearned revenue	108,146	107,534	108,062	3,900	3,450
Total liabilities	<u>4,213,129</u>	<u>5,094,871</u>	<u>5,479,871</u>	<u>3,355,032</u>	<u>4,971,010</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	90,582	99,976
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,582</u>	<u>99,976</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,213,129</u>	<u>5,094,871</u>	<u>5,479,871</u>	<u>3,445,614</u>	<u>5,070,986</u>
Fund Balances					
Non-spendable:					
Inventories	1,330,306	1,531,425	1,732,121	1,607,029	1,431,060
Restricted for:					
Public safety programs	-	-	39,325	-	2,960
Housing and community development	80,351	26,616	42,686	15,867	20,135
Public works	-	-	-	-	26,999
Community and cultural services	-	17,378	27,885	10,787	36,943
Facilities	773,162	-	-	-	-
Committed for:					
Debt Service	5,623,677	5,142,436	6,120,361	7,464,550	-
Health-related programs	-	-	-	-	5,937,791
Public works	34,176	-	-	-	-
Facilities	151,754	-	-	-	-
Assigned to:					
Public works	126,724	126,723	126,724	-	477,974
Community development	378,660	378,660	391,108	22,448	378
Information technology	54,114	54,114	56,356	28,347	29,228
Office of emergency management reserve	50,000	50,000	50,000	50,000	50,000
Economic development	-	-	-	-	11,347
Transportation	-	1,227	610,576	333,472	78,492
Vehicle acquisition fund	3,574,977	4,206,999	5,399,520	4,217,706	2,416,329
Facilities	1,227	-	-	-	-
Unassigned:					
Unassigned	21,718,500	25,898,101	20,665,163	22,243,480	31,379,100
Total fund balances	<u>33,897,628</u>	<u>37,433,679</u>	<u>35,261,837</u>	<u>35,993,686</u>	<u>41,898,736</u>
Total liabilities, deferred inflows and fund balances	<u>\$38,110,757</u>	<u>\$42,528,550</u>	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</u>

Source: The amounts shown for each fiscal year were derived from the City's audited financial statements. Reference is made to such financial statements and related audit reports which are available upon request.

Historical General Fund Revenues, Expenditures and Changes in Fund Balance

	Fiscal Year Ending June 30				
	2011	2012	2013	2014	2015
Revenues					
Taxes	\$71,900,086	\$73,646,007	\$74,959,013	\$74,790,018	\$89,728,390
Charges for services	1,686,059	2,738,978	2,431,979	2,853,924	2,750,235
Fees and fines	1,359,075	1,148,964	1,036,984	950,956	654,159
Investment income (loss)	34,290	927,625	(992,702)	456,734	972,412
Franchise fees	2,877,685	2,742,676	2,691,014	2,700,727	2,438,470
Licenses and permits	1,358,092	1,278,941	1,266,098	1,090,909	1,072,697
Intergovernmental	66,562	52,203	2,241	24,102	7,440
Other	5,246,924	4,388,179	3,272,261	5,706,425	6,157,893
Total revenues	84,528,773	86,923,573	84,666,888	88,573,795	103,781,696
Expenditures					
Current					
General government	12,601,493	13,469,327	13,751,225	13,589,958	14,600,868
Facilities	12,253,029	-	-	-	-
Police	18,818,344	19,239,019	19,682,675	20,904,786	22,790,188
Fire	9,339,105	9,365,873	9,708,710	9,874,369	12,150,566
Community development	2,917,036	2,591,452	2,770,678	3,139,753	3,093,414
Community and cultural services	5,551,366	5,378,079	5,249,293	5,202,617	5,206,661
Public works	8,666,860	9,490,705	8,067,854	8,187,894	8,426,615
Information technology	2,795,580	2,913,463	3,575,895	3,261,809	3,307,482
Transportation	-	3,192,467	5,027,066	5,091,356	5,006,488
Parks and recreation	-	8,568,820	7,889,794	8,395,006	9,083,711
Capital outlay	1,115,938	1,726,034	2,870,694	4,163,268	5,148,122
Total expenditures	74,058,751	75,935,233	78,593,884	81,810,816	88,814,115
Revenues over (under) expenditures	10,470,022	10,988,340	6,073,004	6,762,979	14,967,581
Other Financing Sources (Uses)					
Issuance of refunding debt	-	-	-	1,600,000	104,500
Proceeds from sale of capital assets	-	212,621	941,856	159,840	87,238
Payment to agency	-	-	-	(1,600,000)	-
Transfers in	2,499,891	2,967,414	2,412,095	3,052,511	2,332,789
Transfers out	(12,473,752)	(10,632,324)	(11,598,797)	(9,243,481)	(11,587,058)
Total other financing sources (uses)	(9,973,861)	(7,452,289)	(8,244,846)	(6,031,130)	(9,062,531)
Net change in fund balances	496,161	3,536,051	(2,171,842)	731,849	5,905,050
Fund balance, beginning of year	33,401,467	33,897,628	37,433,679	35,261,837	35,993,686
Fund balances, end of year	\$33,897,628	\$37,433,679	\$35,261,837	\$35,993,686	\$41,898,736

Source: The amounts shown for each fiscal year are derived from the City's audited financial statements. Reference is made to such financial statements and related audit reports which are available upon request.

Other City Obligations

The table below summarizes all outstanding revenue bond obligations of the City as of June 30, 2015:

Category of Indebtedness	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/2015
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Other City Obligations

The table below summarizes all outstanding revenue bond obligations of the City as of June 30, 2016:

Category of Indebtedness	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/2016
Joint Utility Refunding Revenue Bonds, Series 2010	9/14/2010	24,840,000	2.000 - 4.000%	2027	23,400,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2010	9/28/2010	24,330,000	2.000 – 5.000%	2037	21,060,000
Municipal Gross Receipts Tax Refunding & Improvement Revenue Bonds (Street Projects), Series 2010A	9/28/2010	12,255,000	2.500 – 3.000%	2021	2,815,000
Municipal Gross Receipts Tax Refunding Revenue Bonds (Flood Control Projects), Series 2010B	9/28/2010	4,390,000	2.500 – 3.000%	2021	955,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2011A	7/12/2011	9,640,000	3.000 – 4.000%	2023	6,865,000
Municipal Gross Receipts Tax Revenue Bonds (Flood Control Projects), Series 2011B	7/12/2011	1,530,000	2.000 – 3.625%	2021	495,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014	7/29/2014	10,000,000	2.000 – 4.000%	2026	9,435,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Street Improvement Projects), Series 2014A	7/29/2014	8,000,000	2.000 – 4.000%	2028	5,940,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2014B	7/29/2014	1,500,000	2.000 - 3.000%	2024	1,140,000
Joint Utility Refunding Revenue Bonds, Series 2014A	8/26/2014	7,125,000	2.000 – 4.000%	2025	5,940,000
Joint Utility Improvement Revenue Bonds, Series 2014B	8/26/2014	3,425,000	3.000 – 5.000%	2034	3,190,000
State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015	3/11/2015	19,195,000	2.250 – 4.000%	2035	16,850,000

Joint Utility Refunding and Improvement Revenue Bonds, Series 2015	5/12/2015	16,895,000	2.000 – 5.000%	2035	15,850,000
Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A	10/27/2015	23,075,000	3.000 – 5.000%	2035	21,860,000
Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015B	10/27/2015	4,020,000	3.000 – 4.125%	2035	3,935,000
Joint Utility Refunding and Improvement Revenue Bonds, Series 2015A	12/16/2015	17,065,000	2.375 – 5.000%	2035	17,065,000
Taxable Subordinate Lien State Shared Gross Receipts Improvement Revenue Bonds, Series 2016	4/5/2016	<u>8,585,000</u>	3.100 – 3.750%	2031	<u>8,585,000</u>
Total Revenue Bond Obligations		<u>\$213,445,000</u>			<u>\$165,380,000</u>

Source: The City's Fiscal Year 2016 unaudited financial statements.

The table below summarizes all outstanding New Mexico Finance Authority (NMFA) and Department of Housing and Urban Development (HUD) Loan obligations of the City as of June 30, 2016:

Category of Indebtedness	Project	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/2016
2007 NMFA Note	Fire pumper trucks	11/16/2007	\$ 896,598	3.644%	2016	\$ 0
2007 NMFA Note	Vehicle Maintenance Shop	9/15/2008	1,708,775	1.90 to 3.85%	2018	400,688
2008 NMFA Note	Flood control	12/23/2008	4,563,829	3.246%	2016	0
2009 NMFA Note	Parking deck	1/23/2009	4,999,890	4.650%	2021	1,750,000
2010 NMFA Note	Fire apparatus	7/30/2010	938,875	2.108%	2020	651,802
2010 NMFA Note	Griggs Walnut	1/18/2008	1,478,799	2.000%	2012	1,257,897
2010 HUD Loan	Facilities	7/21/2010	2,000,000	1.700%	2030	1,663,000
2011 NMFA Note	Gas tax refunding	10/14/2011	2,045,000	0.919%	2016	0
2011 NMFA Note	Fire apparatus	11/18/2011	964,250	0.230%	2019	391,967
2011 NMFA Note	Solid Waste Collection Vehicles	12/16/2011	1,016,561	.32 to 2.11%	2019	423,859
2012 NMFA Note	2003 SSGRT refunding	6/1/2012	2,280,000	0.400%	2018	625,000
2014 NMFA Note	SCSWA projects	6/20/2014	2,780,000	0.250%	2028	1,855,000
2014 NMFA Note	Fire apparatus	12/12/2014	443,325	1.975%	2022	358,314
2015 NMFA Note	Solid Waste Vehicles	1/9/2015	2,775,819	.21 to 2.01%	2019	2,291,625
2015 Estate Loan	Land purchase	4/16/2015	<u>104,500</u>	0.000%	2022	<u>52,250</u>
Total NMFA/HUD Loan Obligations			<u>\$28,996,221</u>			<u>\$11,721,402</u>

Source: City's Fiscal Year 2016 unaudited financial statements.

LITIGATION AND INSURANCE

At the time of the original delivery of the Bonds, the City will deliver a certificate to the effect that no litigation or administrative action of proceedings is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Ordinance, the levying or collecting of taxes to pay the principal of and interest on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The risks of loss through damage to buildings, contents, and heavy equipment, and losses from employee defalcation are covered by commercial insurance purchased from third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City has established a self-insurance fund to manage risks related to physical damage to City vehicles, loss associated with actions of employees resulting in damage to the persons or property of others, and for employee injury losses. The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-insurance fund uses excess insurance agreements to reduce its exposure to large losses from employee on-the-job injuries.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as Financial Advisor to the City of Las Cruces in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

TRANSCRIPT AND CLOSING STATEMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under "LITIGATION AND INSURANCE") will be delivered by the City when the Bonds are delivered. The City will at that time also provide a certificate of the City relating to the accuracy and completeness of this Official Statement.

TAX EXEMPTION

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds is exempt from taxation by the State of New Mexico and any political subdivision thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includible in gross income.

Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Financial Advisor, the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the initial purchasers of the Bonds or Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative

minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

FINANCIAL STATEMENTS

The general purpose financial statements of the City as of June 30, 2015, and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Moss Adams LLP, Certified Public Accountants, Albuquerque, New Mexico, as set forth in their report thereon included in Appendix A hereto. Moss Adams LLP has not been engaged to perform, and has not performed since June 30, 2015, any procedures on the financial statements shown in the excerpt. Further, Moss Adams LLP has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement. Copies of the City's comprehensive annual financial report may be requested from the City's Finance Department, 700 North Main Street, Box 20000, Las Cruces, New Mexico 88004. The financial statements are included for informational purposes only.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Bonds and will render the opinions described above under "TAX EXEMPTION." The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as Special Counsel to the City in connection with the preparation of the Official Statement. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Bonds.

RATING

The Bonds have been assigned a rating of "A1" from Moody's Investors Services ("Moody's"). An explanation of the significance of such ratings may be obtained from Moody's.

Such rating reflects only the view of Moody's. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31st of each year, beginning March 31, 2017 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event

of Default under the Bond Ordinance. The City has previously entered into continuing disclosure undertakings (each a “Prior Undertaking” and collectively, the “Prior Undertakings”) with respect to certain other obligations of the City in accordance with Section Rule 15c2-12 and except as described below, during the last five years, the City has complied in all material respects with those Prior Undertakings.

Audited Financial Statements

As of December 31, 2011, the City filed Annual Financial Information for Fiscal Year 2011 with the MSRB’s Electronic Municipal Market Access database (“EMMA”) which, because the City’s audited financial statements for that Fiscal Year (the “FY 2011 Audit”) were not yet available, consisted of unaudited financial statements. The City did not file the FY 2011 Audit by March 31, 2012, as required by the City’s Prior Undertaking delivered in connection with its Gross Receipts Tax Revenue Bonds, Series 2005, or at the time that the FY 2011 Audit became available, as required by the continuing disclosure undertakings delivered in connection with the City’s Joint Utility Revenue Bonds, Series 2006, Joint Utility Refunding Revenue Bonds, Series 2009, Joint Utility Refunding Revenue Bonds, Series 2010, Municipal Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2010A and Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 2010B. The City filed the FY 2011 Audit with EMMA on June 11, 2014.

Event Notices

In Fiscal Year 2009, the City did not file an event notice with EMMA concerning rating upgrades resulting from rating agency recalibration for the following bond issues: Gross Receipts Tax Revenue Bonds, Series 2005, the City’s Joint Utility Revenue Bonds, Series 2006 and Joint Utility Refunding Revenue Bonds, Series 2009. The City filed notice of the recalibration on June 12, 2014. To the extent that the rating recalibration and resulting rating change is material, the City incorrectly represented that it has been in material compliance with prior continuing disclosure undertakings for the past 5 years in the official statements for the City’s Joint Utility Refunding Revenue Bonds, Series 2009, Joint Utility Refunding Revenue Bonds, Series 2010, Municipal Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2010A and Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 2010B.

Compliance with Continuing Disclosure Undertakings in Future Years

The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants, all of whom have experience and knowledge related to the City’s continuing disclosure obligations. Additionally, the City Council adopted Continuing Disclosure Procedures in 2015, which the City expects to utilize in connection with the Bonds.

ADDITIONAL INFORMATION

All of the summaries of the statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the City Clerk of the City of Las Cruces, City Hall, 700 North Main Street, P.O. Box 20000, Las Cruces, New Mexico 88004, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

OFFICIAL STATEMENT CERTIFICATION

As of the date hereof, to my knowledge and belief, this Official Statement is true, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution have been authorized by the Las Cruces City Council.

CITY OF LAS CRUCES, NEW MEXICO

By: _____
Ken Miyagishima, Mayor

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF
THE CITY OF LAS CRUCES, NEW MEXICO
FOR FISCAL YEAR ENDING JUNE 30, 2015**

The City has not requested the consent of Moss Adams LLP, which performed the audit of the City's financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements.

APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2016

City of Las Cruces
Las Cruces, New Mexico

§ _____
Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to the City of Las Cruces, New Mexico (the “City”) in connection with the issuance and sale by the City of its \$ _____ Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2016 (the “Series 2016 Bonds” or the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Ordinance No. _____, adopted on July 20 2016 (the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined those portions of the Constitution and the laws of the State and the United States of America relevant to the opinions herein, a certified transcript of proceedings of the Council, the governing body of the City (the “Transcript”), and other proceedings and documents relevant to the authorization and issuance by the City of the Bonds, including the form of the Bonds in the Bond Ordinance. As to the questions of fact material to our opinion, we have relied upon the Transcript and other representations and certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds constitute valid and binding special, limited obligations of the City under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the City and the provisions of the Bond Ordinance are valid and binding on the City.
3. As more fully described in the Bond Ordinance, the Series 2016 Bonds are payable as to principal and interest, solely from, and are secured by a first lien pledge (but not an exclusive first lien pledge) of Pledged Flood Control MGRT Revenues of the City. The owners of the Bonds have no right to have property taxes levied by the City for the payment of principal and interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.
4. The Bond Ordinance creates the lien on the Pledged Flood Control MGRT Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations. Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in Paragraph 5 above are subject to continuing compliance by the City with covenants regarding federal tax law contained in the Bond Ordinance and the proceedings and other documents relevant to the issuance by the City of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

The obligations of the City related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the City and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 5 and 6 above.

Respectfully submitted,

APPENDIX C

NOTICE OF SALE

OFFICIAL NOTICE OF BOND SALE

DATED JULY 12, 2016

relating to

\$5,000,000

**Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)**

Series 2016

PUBLIC NOTICE IS HEREBY GIVEN that the City Council of the City of Las Cruces, New Mexico (the "City Council" and the "City," respectively), will receive electronic bids at the offices of the City, 700 North Main Street, Las Cruces, New Mexico, at the hour of 9:00 a.m., prevailing Mountain Time, on the 20th day of July, 2016 (the "Bid Date"), for the purchase of City of Las Cruces, New Mexico Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2016 (the "Series 2016 Bonds" or the "Bonds"). Bids for the purchase of the Bonds will be accepted through the Grant Street Group electronic bidding web site ("Grant Street Group") at www.grantstreet.com. No other method of submitting bids will be accepted. The date and time for submitting bids will be as follows:

Bid Date: July 20, 2016

**Bid Time: Between 11:00 a.m. and 11:30 a.m. Eastern Time
(Between 9:00 a.m. and 9:30 a.m. Mountain Time)**

Submit Bid to: www.grantstreet.com

Information related to this auction can be obtained from Grant Street Group Auction Support at (412) 391-5555 (x1370).

To bid, bidders must have both (1) completed the registration form on the Grant Street Group website and (2) requested and received admission to the City's auction, as described under "TERMS OF SALE - Submission of Bids" below. The use of Grant Street Group shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto.

Neither the City, Grant Street Group, the Municipal Advisor, nor Bond Counsel shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate, or untimely bid submitted by Internet transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines, or any other cause arising from delivery by Internet transmission. Additionally, the Grant Street Group time stamp will govern the receipt of all bids. All bids will be deemed to incorporate the provisions of this Official Notice of Bond Sale.

This Official Notice of Bond Sale, and the information set forth herein, are not to be treated as a complete disclosure of all relevant information with respect to the Bonds. The information set forth herein is subject, in all respects, to a more complete description of the Bonds and the security therefore

set forth in the Preliminary Official Statement dated July 12, 2016 (the “Preliminary Official Statement”).

BOND DETAILS

The Bonds will be issued in the aggregate principal amount of \$5,000,000. The Bonds and the interest thereon are special limited obligations of the City. The City has prepared the Preliminary Official Statement, relating to the Bonds which is deemed by the City to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12 of the Securities Exchange Commission (“the Rule”), except for the omission of certain information as permitted by the Rule. Details of the Bonds, including maturities, redemption provisions, payment dates and security for payment are contained in the Preliminary Official Statement. The Preliminary Official Statement is subject to revision, amendment and completion in a Final Official Statement.

Official Statement. The Preliminary Official Statement may be viewed and downloaded from www.grantstreet.com or a physical copy may be obtained by contacting the City or the Municipal Advisor, see “Information” below.

The City will make available to the winning bidder, within seven business days after the award of the sale of the Bonds, the Final Official Statement which is to be downloaded from www.grantstreet.com. One physical copy of the Final Official Statement also will be provided to the winning bidder at that time; provided, however, the winning bidder must cooperate in providing the information required to complete the Final Official Statement. Additional copies of the Final Official Statement may be provided at the expense of the winning bidder.

The winning bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

TERMS OF SALE

Submission of Bids. All bids must be submitted only by electronic bidding on Grant Street Group at www.grantstreet.com. No other provider of bidding services and no other means of delivery (i.e. telephone, telefax or physical delivery) will be accepted. Bidding for the Bonds will begin at 11:00 a.m., Eastern Time (9:00 a.m. Mountain Time), as indicated above. The receipt of bids for the Bonds will end promptly at 11:30 a.m., Eastern Time (9:30 a.m. Mountain Time), unless extended in accordance with the two-minute rule described herein. If any bid becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such new leading bid was received by Grant Street Group. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two (2) minutes.

To bid, bidders must first visit the Grant Street Group website where, if they have never registered with Grant Street Group, they can register and then request admission to bid on the Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with Grant Street Group may call **Grant Street Group Auction Support at (412) 391-5555 (x1370)**, for their ID Number or password.

Rules of Grant Street Group. Bidders must comply with, and all bids must be made in accordance with, the Rules of Grant Street Group in addition to the requirements of this Official Notice of Bond Sale. The Rules of Grant Street Group can be viewed on the Grant Street Group website and are incorporated herein by

reference. In the event the Rules of Grant Street Group conflict with this Official Notice of Bond Sale, this Official Notice of Bond Sale shall prevail.

Bidding Parameters. Bidders are required to submit unconditional all-or-none bids specifying the rate of interest at which the bidder will purchase all of the Bonds. Interest shall be bid in multiples of 1/20th or 1/8th percentum and only one interest rate may be bid for each maturity of the Bonds. The maximum interest rate specified for any maturity of Bonds may not exceed the minimum interest rate specified for any maturity of the Bonds by more than 4 percent (4%). The maximum net effective interest rate of the Bonds shall not exceed twelve percent (12%) per annum.

Term Bonds. A bidder may elect to have all or a portion of the Bonds scheduled to mature in consecutive years issued as one or more term bonds (the "Term Bonds") scheduled to mature in the latest of the consecutive years and subject to mandatory redemption requirements consistent with the schedule of serial maturities set forth in the Preliminary Official Statement, however, not less than all Bonds of the same serial maturity shall be converted to Term Bonds with mandatory redemption requirements.

Adjustment of principal amounts, modification or clarification prior to examination of bids. The City Treasurer, in consultation with the City's financial and bond advisors, in the City Treasurer's sole discretion and prior to the examination of bids, may (i) adjust the aggregate principal amount set forth herein or may adjust the principal amount of each series without increasing the aggregate principal amount of Bonds; (ii) adjust individual maturities, and/or (iii) modify or clarify any other term hereof, including the date on which bids for the Bonds and will be received, by issuing a notification of the adjusted series, amounts, modification or clarification via Thomson Municipal News ("TM3") and/or Grant Street platform and/or Bloomberg Financial Services no later than 8:00 a.m., Mountain Time, on the Bid Date.

Adjustments to principal amounts after determination of best bid. The aggregate principal amount of the Bonds is subject to increase or reduction, and each scheduled maturity thereof is subject to increase or reduction, by the City Treasurer after the determination of the Best Bid (defined below). Such adjustments will be made within no more than two (2) hours after the end of the time of bid examination and will be in the sole discretion of the City. To cooperate with any adjustment in the principal amounts, the Purchaser is required to indicate by e-mail to Karin Byrum at kdevogel@las-cruces.org or such other address as may be indicated by the City Treasurer within one-half (1/2) hour after the end of the time of bid examination, the amount of any original issue discount or premium on any maturity of the Bonds, the initial offering price of each maturity, and the amount received from the sale of the Bonds to the public that will be retained by the Purchaser as its compensation.

The City Treasurer in consultation with the City's financial and bond advisors, may change the dollar amount bid by the Purchaser if the aggregate principal amount of the Bonds is adjusted as described below, but the interest rates specified by the Purchaser for all maturities will not change. The City Treasurer in consultation with the City's financial and bond advisors, will make every effort to ensure that the percentage net compensation to the Purchaser (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to principal amounts shown in the maturity schedule. The City will notify the Purchaser of the final principal amounts and the resulting adjusted prices no later than 12:00 p.m. Mountain Time on the day of the sale and award of the 2015A Bonds. THE PURCHASER MAY NOT WITHDRAW OR MODIFY ITS BID ONCE SUBMITTED TO THE CITY FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY INCREASE OR DECREASE IN THE FINAL PRINCIPAL AMOUNTS AND THE AGGREGATE PURCHASE PRICE OF THE BONDS.

Information Regarding Bids. Bidders may change and submit bids as many times as they wish during the bidding, provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid when compared to the immediately preceding bid of such bidder. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see its own ranking (*i.e.*, "Leader," "Cover," "3rd," etc.).

Bids Constitute an Irrevocable Offer. Each bid submitted through Grant Street Group shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Bond Sale and shall be binding upon the bidder.

Basis of Award. The Bonds will be sold to the bidder or bidders offering to purchase the same at the lowest true interest cost. The actuarial yield on the Bonds using the true interest cost method will be computed at that yield which, if used to compute the present value of all payments of principal and interest on the Bonds as of August 24, 2016, produces an amount equal to the aggregate bid price. Such calculation will be made based upon a 360-day year and a semiannual interval for compounding.

The winning bid or bids will be indicated on Grant Street Group and the auction results, as posted on such website, will be subject to verification by the City. The City will verify the auction results immediately following the close of the bidding period and notice of confirmation by the City of the winning bidder or bidders will be made by a posting on Grant Street Group stating "Auction Results Verified and Confirmed".

An award may be made by the City to any bidder in a principal amount less than the principal amount of the Bonds for which the bid is submitted. Further, in the event of an award by the City for a principal amount less than the principal amount the bidder submitted, any premium bid shall be ratably reduced. If two or more bids have the same true interest cost, the first bid submitted, as determined by reference to the time stamp displayed on Grant Street Group, shall be deemed to be the leading bid.

Sale Reservations. The City reserves the right (a) to reject any and all bids for any Bonds, (b) to reoffer any Bonds for public sale, and (c) to waive any irregularity or informality in any bid.

Good Faith Deposit Not Required to Bid. A good faith deposit will not be required in connection with the submission of any bid for the Bonds. The winning bidder will be required to submit a Bid Award Deposit (see "Bid Award Deposit" below).

Bid Award Deposit. Not later than 12:00 p.m., Mountain Time on July 20, 2016, the winning bidder for the Bonds is required to submit a Bid Award Deposit of \$100,000. All Bid Award Deposits must be made in good funds by wire transfer of the required amount to an account specified by the City Treasurer and provided to the winning bidder after the sale of the Bonds.

No interest will be paid by the City on the amount of the Bid Award Deposit. The proceeds of the Bid Award Deposit of the winning bidder for the Bonds will be applied to the purchase price of the Bonds; or in the event of the failure of a winning bidder to take up and pay for the Bonds in compliance with the terms of the bid, at the option of the City, its Bid Award Deposit may be retained as liquidated damages, as partial payment of actual damages or as security for any other remedy available to the City.

Manner and Time of Delivery. The Bonds will be delivered to DTC for the account of the respective winning bidder or bidders therefor at the expense of the City on August 24, 2016, or such later date as the City and the winning bidder may agree. Payment of the purchase price due at delivery must be made in Federal Reserve funds for immediate and unconditional credit to the City.

Continuing Disclosure Undertaking. The City has covenanted to provide, in a timely manner, on the Electronic Municipal Market Access (EMMA) Website maintained by the Municipal Securities Rulemaking Board notice of the occurrence of specified, material events. The City has not failed to comply with any of its previous undertakings under Rule 15c2-12, except as disclosed in the Preliminary Official Statement.

State Securities Laws. The City has taken no action to qualify the offer or sale of the Bonds under the securities laws of any state. Should any such qualification be necessary, the City agrees to cooperate with the winning bidder in such matters, provided that the City reserves the right not to consent to service of process outside its boundaries and expenses related to any such qualification shall be the responsibility of the winning bidder.

CUSIP Numbers. CUSIP numbers will be issued and printed on the Bonds at the expense of the City. Any error or omission in printing such numbers on the Bonds will not constitute cause for any winning bidder to refuse delivery of any Bond.

Legal Opinion, Certificates and Transcript. The validity and enforceability of the Bonds will be approved by the City's Bond Counsel. A copy of the form of the opinion of Bond Counsel is attached as an exhibit to the Preliminary Official Statement.

The respective purchasers of the Bonds will receive a certified transcript of legal proceedings which will include, among other items:

(a) a certificate of the City to the effect that, as of its date, the Preliminary Official Statement was deemed final within the meaning of Rule 15c2-12, except for the omissions permitted under Rule 15c2-12;

(b) a certificate of the City to the effect that there is no litigation pending or, to its knowledge, threatened affecting the validity of the Bonds as of the date of their delivery; and

(c) a certificate of the City to the effect that, as of the date of the Official Statement and at all times to and including the date of delivery of the Bonds, the Official Statement did not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Certification of Issue Price. Any winning bidder will be required to complete, execute, and deliver to the City (on or before the date of delivery of the Bonds) a certification as to issue price and certain other matters, substantially in the form to be furnished by Bond Counsel. By submitting its bid, each bidder agrees to complete, execute, and deliver such certificate by the date of delivery of the Bonds if its bid is accepted. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, and otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty.

Postponement of Sale. The City reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by posting on Grant Street Group prior to commencement of the bidding. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Bonds in conformity in all respects with the provision of this Official Notice of Bond Sale, except for the date and time of sale and except for any changes announced by posting on Grant Street Group at the time the sale date and time are announced.

Rating. The Bonds have been assigned a rating of "A1" by Moody's Investors Service.

Information. Copies (in reasonable quantities) of this Official Notice of Bond Sale, the Preliminary Official Statement, and other information concerning the City, the Bonds may be obtained from:

Karin Byrum, Interim City Treasurer
Las Cruces, New Mexico
P.O. Box 20000
Las Cruces, New Mexico 88004
Phone: (575) 541-2035

Erik Harrigan, Director
RBC Capital Markets
6301 Uptown Blvd., Ste.
110 Albuquerque, NM
87110
Phone: (505) 872-5999

The date of this Official Notice of Bond Sale is as of July 12, 2016.

CITY OF LAS CRUCES, NEW MEXICO

CITY OF LAS CRUCES, NEW MEXICO
Municipal Gross Receipts Tax Improvement Revenue Bonds
(Flood Control Infrastructure Projects)
Series 2016

OFFICIAL BID FORM (July 20, 2016)

City of Las Cruces, New Mexico
c/o RBC Capital Markets, LLC
6301 Uptown Boulevard NE, Suite 110
Albuquerque, New Mexico 87110

Attention: City Treasurer

Members of the City Council:

Pursuant to your "Official Notice of Bond Sale," dated July 12, 2016, relating to the City's Municipal Gross Receipts Tax Improvement Revenue Bonds, Series 2016 in the principal amount of \$5,000,000 (the "Bonds"), which by reference is made a part hereof, we submit the following bid:

For your legally issued Bonds as described in the Official Notice of Meeting and Bond Sale, we will pay you par, plus accrued interest, if any, from the date of the Bonds to the date of delivery to us, provided the Bonds bear interest per annum as follows:

Series 2016 Bonds

Maturing (June 1)	Principal Amount	Interest Rate	Yield
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			

If this bid is the best bid for the Bonds, we will send a wire transfer to the City of Las Cruces, in the amount of \$100,000 prior to the acceptance of our bid by the City Council, which wire transfer will be our good faith deposit and submitted in accordance with the terms set forth in the Official Notice of Bond Sale. We will pay the CUSIP Service Bureau charge, if any, for the assignment of CUSIP numbers.

The undersigned agrees to complete, execute, and deliver to the City a Certificate Regarding Issue Price or a similar certificate relating to the "issue price" of the Bonds, in the form attached as Exhibit A.

We understand and agree that no more than fifty (50) copies of the final Official Statement, including any amendments or supplements thereto will be supplied to us at the City's expense and that any additional copies requested will be subject to a charge to us. By accepting this bid, you agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Bond Sale, and you undertake your other obligations described therein, as contemplated by Rule 15c2-12 of the Securities and Exchange Commission.

Respectfully submitted,

By: _____
Authorized Representative

* (Strike inapplicable words)

For informational purposes only, our calculation of the True Interest Cost is as follows:

True Interest Cost: (stated as a nominal annual percentage) _____%

Additionally, for informational purposes only, the following is requested:

Gross Interest Cost: \$ _____

Less Premium Bid: \$ _____

Net Interest Cost: \$ _____

Additional Rating (if any) at Cost of Bidder:

Name of Rating Agency:

ACCEPTANCE CLAUSE

The above bid is hereby accepted by the City of Las Cruces, New Mexico, this 20th day of July, 2016.

CITY OF LAS CRUCES, NEW MEXICO

Ken Miyagishima, Mayor

Linda Lewis, City Clerk

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certifies as follows with respect to the \$5,000,000 principal amount of the City of Las Cruces, New Mexico Municipal Gross Receipts Tax Revenue Bonds, Series 2016 (the "Bonds").

1. The undersigned is the original purchaser which purchased the Bonds from the City of Las Cruces, New Mexico (the "Issuer").

2. The initial offering prices of the Bonds at which bona fide offers of sale of each maturity were made to the public are as follows:

Maturity Date (June 1)	Principal	Interest Rate	Yield	Dollar Price	Initial Offering Price
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					

3. All of the Bonds were offered to the public at the initial offering prices set forth above and we reasonably expected to sell 10% of each maturity to the public (other than to bond houses, brokers and other intermediaries) at not more than the initial offering price of each such maturity. The aggregate of the initial offering prices of each maturity of the Bonds is \$_____ (consisting of \$5,000,000 as the par amount of the Bonds, plus a net reoffering premium in the amount of \$_____).

4. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to complete the Information Return for Tax-Exempt Governmental Bond Issues (Form 8038-G), required to be filed pursuant to the Internal Revenue Code of 1986, as amended and with regard to establishing facts and circumstances relied on by the Issuer and bond counsel in connection with the issuance of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such reliance is hereby authorized and approved.

Executed and delivered this ____ day of August, 2016.

By _____
Authorized Representative