

MEMORANDUM

TO: Mayor and City Councilors, City of Augusta, Maine

FROM: Bonnie L. Martinolich, Bond Counsel

SUBJECT: Certain Federal Securities Law Requirements Applicable to Publicly Offered Bonds

DATE: March 25, 2019

CC: William R. Bridgeo, Raphael St. Pierre, James C. Pitney.

This memorandum provides information about two federal securities law requirements related to the public offering of the City of Augusta, Maine (the "City") 2019 bonds: 1) disclosure obligations applicable to sale of the 2019 bonds and 2) the obligation to make annual filings ("continuing disclosure") regarding the City's finances and operations until the 2019 bonds are paid off.

A. BOND ISSUE DISCLOSURE

The United States Securities and Exchange Commission ("SEC") has set forth its view of the federal securities law responsibilities of members of a governmental authority (including the City Council members) who have authorized bond issue disclosure documents (i.e., the Preliminary Official Statement and the subsequent final Official Statement (collectively, the "OS"), a draft of which is being provided to you prior to your March 28, 2019 meeting) in an SEC report concerning Orange County, California (the "Orange County Report"). The Orange County Report emphasizes the responsibilities of the Trustees under the federal securities laws and the critical role that the Trustees play with respect to the information in the OS. In particular, the Orange County Report states that:

"A public official who approves the issuance of securities and related disclosure documents may not authorize disclosure that the public official knows to be materially false or misleading; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading. When, for example, a public official has knowledge of facts bringing into question the issuer's ability to repay the securities, it is reckless for that official to approve disclosure to investors without taking steps appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts. *In this matter, such steps could have included becoming familiar with the disclosure documents and questioning the issuer's officials, employees or other agents about the disclosure of those facts.*" (emphasis added)

In addition, the Orange County Report states that:

"Despite their knowledge of the County's increasing use of interest income from the County [investment] Pools to balance the discretionary budget, the Supervisors approved the Official Statements for the various offerings without taking steps to assure disclosure of this information.

PRETI FLAHERTY

Mayor and City Councilors, City of Augusta, Maine

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They never received or asked to receive a copy of any Preliminary Official Statement once finalized, or any final Official Statement; nor did they question the County's officials, employees or other agents concerning the disclosure regarding the County's financial condition." (emphasis added)

B. CONTINUING DISCLOSURE

SEC rule 15c2-12 provides that an underwriter shall not purchase or sell the City 2019 bonds unless the underwriter has determined that the City has undertaken in a written agreement to provide certain annual financial information regarding the City, including annual audited financial statements, and notice if any one of the sixteen events listed in rule 15c2-12 occurs. Two additional reporting events were added in February of this year and are set forth in the footnote below.¹ The events include payment delinquencies, adverse tax events relating to the tax-exempt status of the 2018 bonds and any change of any rating of the 2018 bonds. The City's continuing disclosure obligations are further described in the POS under the heading "Continuing Disclosure." Included with this memorandum is a copy of the Continuing Disclosure Certificate delivered by the City in connection with the City's 2018 bonds. A substantially similar Certificate, adding the two new disclosure events, will be included as Appendix C to the POS and delivered by the City at time of the closing of the 2019 bonds.

C. COMMENTS TO THE PRELIMINARY OFFICIAL STATEMENT

The POS is substantially complete, but will undergo additional minor edits prior to being finalized and circulated to the City's rating agency and to potential investors.

We welcome the Mayor's and each Councilor's questions, comments, and concerns related to the POS. If any arise after the meeting on March 28, 2019, we respectfully ask that such items be communicated to the following person by **Monday, April 1, 2019**, so that we may address them prior to finalizing the POS.

Raphael E. St. Pierre
Assistant City Manager

ralph.stpierre@augustamaine.gov 207-626-2300

The OS will be substantially similar to the POS, but will be issued after the bond sale and will include information about the final terms of sale, including interest rates.

As they become available, the final POS and the final OS will be provided electronically to each City Council member.

Please let us know if there is any question, or if you would like additional information, regarding the subject of this memorandum. Thank you.

¹ Two new reporting events: (1) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the holders of the Bonds, if material; and (2) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

CITY OF AUGUSTA, MAINE

CONTINUING DISCLOSURE CERTIFICATE

In connection with the issuance by the City of Augusta, Maine (the "Issuer") of its \$2,326,000 2019 General Obligation Bonds (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will take the actions described in sections 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference in any future disclosure provided hereunder its Official Statement dated April __, 2019 relating to the Bonds (the "Official Statement") which is expected to be submitted, at the time of delivery of the Bonds, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB").

1. The Issuer will provide to the MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax or rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post-employment benefit obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide to the MSRB in a timely manner not in excess of nine (9) business days after the occurrence of an event listed in this section 2 notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;

- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the Issuer;¹
- m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation² of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect the holders of the Bonds, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

The Issuer from time to time may choose to provide notice of the occurrence of other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake or commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide, in a timely manner, to the MSRB notice of a failure to satisfy the requirements of section 1 herein.

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of this Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission (the "SEC") or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

² "Financial obligation" means a:

- (i) debt obligation;
- (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (iii) guarantee of clause (i) or clause (ii) above.

financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel to the Issuer), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to this Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of this Continuing Disclosure Certificate is to assist an underwriter of the Bonds in complying with the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, this Continuing Disclosure Certificate does not create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format, with identifying information, as prescribed by the MSRB, to the MSRB's Internet-based electronic submitter interface (EMMA Dataport) located at www.emma.msrb.org.

7. In the past five (5) years, the Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure, except to the extent described in the Official Statement.

8. The Issuer's Assistant City Manager for Finance and Administration, or such official's designee, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Raphael St. Pierre, Assistant City Manager for Finance and Administration, City of Augusta, 16 Cony Street, Augusta, ME 04330; Telephone: (207) 626-2300.

9. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Maine and applicable law of the United States of America.

IN TESTIMONY WHEREOF, this Certificate has been signed as of April __, 2019.

CITY OF AUGUSTA, MAINE

By: _____
Raphael St. Pierre
Assistant City Manager for Finance
and Administration

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 2, 2019

NEW ISSUE
Northeast Municipal Advisors, LLC

S&P Rating: APPLIED FOR
(See "THE BONDS – Rating" herein)

In the opinion of Preti, Flaherty, Beliveau & Pachios, LLP, bond counsel ("Bond Counsel") to the City of Augusta, Maine (the "City"), assuming compliance by the City with certain tax covenants described herein, under existing law, interest on the Bonds (as defined below) is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to section 103 of the United States Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference pursuant to section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations, although Bond Counsel observes that it is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Bond Counsel to the City is also of the opinion that interest on the Bonds is exempt from taxation within the State of Maine pursuant to 30-A MRSA §5772(9). The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code. See "THE BONDS—Tax Matters" and Appendix B herein.

CITY OF AUGUSTA, MAINE
\$2,326,000
2019 GENERAL OBLIGATION BONDS

Dated: Date of Delivery

Due: April 1, as shown below

The City of Augusta, Maine \$2,326,000 2019 General Obligation Bonds (the "Bonds") will be issued as fully-registered securities without coupons and, when issued, will be registered in the name of Cede & Co., as owner of the Bonds and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, excepting one (1) Bond in the amount of \$6,000 maturing in 2020. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—Book-Entry-Only System" herein.

Principal of and semi-annual interest on the Bonds will be paid to DTC by the City of Augusta, Maine (the "City"). Interest on the Bonds will be payable on October 1, 2019 and semi-annually on each April 1st and October 1st thereafter until maturity. As long as DTC or its nominee is the owner of the Bonds, such payments will be made directly to such owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds will be issued by the City and, unless paid from other sources, will be payable as to both principal and interest from ad valorem taxes, which are limited as to rate and amount unless certain requirements set forth in 30-A MRSA §5721-A are satisfied, upon all the property within the territorial limits of the City taxable by the City, except to any extent that the City may enter into an agreement under 30-A MRSA §5751 and following to share any portion of its assessed valuation with another municipality and except also to any extent that the City may retain all or any part of the tax increment of a tax increment financing district for the purpose of financing a development program in accordance with 30-A MRSA §5221 and following.

The Bonds are being issued to provide funds to finance acquisition, construction, renovation, reconstruction, improvement and repair of City facilities and equipment. See "THE BONDS—Authorization and Use of Proceeds" herein.

MATURITY SCHEDULE

April 1	Amount	Interest Rate	Yield/Price	April 1	Amount	Interest Rate	Yield/Price
2020	\$191,000			2025	\$175,000		
2021	190,000			2026	175,000		
2022	185,000			2027	170,000		
2023	185,000			2028	165,000		
2024	180,000			2029	165,000		

\$420,000 ___ % Term Bond, due April 1, 2034, to Yield ___ %, CUSIP _____

\$125,000 ___ % Term Bond, due April 1, 2039, to Yield ___ %, CUSIP _____

The Bonds are subject to redemption at the option of the City prior to their stated dates of maturity as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, Bond Counsel to the City. Northeast Municipal Advisors, LLC serves as Financial Advisor to the City. It is expected that the Bonds, in definitive form, will be available for delivery to DTC in New York, New York, on or about May 1, 2019.

THIS OFFICIAL STATEMENT IS MADE AVAILABLE TO PROSPECTIVE PURCHASERS OF THE BONDS FOR REVIEW PRIOR TO PURCHASE AND IS IN A FORM DEEMED FINAL BY THE CITY AS OF ITS DATE (EXCEPT FOR PERMITTED OMISSIONS) FOR PURPOSES OF PARAGRAPH (B)(1) OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), BUT IS SUBJECT TO REVISION, AMENDMENT AND COMPLETION (AS SO REVISED, AMENDED OR COMPLETED SUCH DOCUMENT WILL BE REFERRED TO AS THE "FINAL OFFICIAL STATEMENT"). NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES THAT ARE BELIEVED BY THE CITY TO BE RELIABLE, BUT AS TO INFORMATION FROM OTHER SOURCES, IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY THE CITY. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS. THE INFORMATION RELATING TO THE DEPOSITORY TRUST COMPANY ("DTC") AND THE BOOK-ENTRY ONLY SYSTEM CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE CITY AS TO THE ADEQUACY OR ACCURACY OF SUCH INFORMATION. THE CITY HAS NOT MADE ANY INDEPENDENT INVESTIGATION OF DTC OR THE BOOK-ENTRY ONLY SYSTEM. THE COVER PAGE HEREOF, THIS PAGE AND THE APPENDICES ATTACHED HERETO ARE PART OF THIS OFFICIAL STATEMENT. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE BONDS, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS 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 OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: April 16, 2019 11:00 a.m. (Eastern Daylight Saving Time)

Issuer: City of Augusta, Maine

Issue: \$2,326,000 2019 General Obligation Bonds

Dated Date of the Bonds: Date of Delivery

Principal Due: April 1, 2020-2029 serial bonds and April 1, 2034 and 2039 term bonds

Interest Due: Each April 1 and October 1 until maturity, commencing October 1, 2019

Purpose: The Bonds will be used to finance various capital improvements and expenditures.

Redemption: The Bonds are subject to optional redemption prior to maturity. See "THE BONDS-OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

Security: The Bonds will be valid general obligations of the City of Augusta, Maine, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City subject to certain exceptions described herein.

Credit Rating: Standard & Poor's Global Services: APPLIED FOR (See "THE BONDS - Rating" herein)

Basis of Award: Lowest True Interest Cost ("TIC"), as of the date of delivery.

Tax Exemption: See "THE BONDS - Tax Matters" herein and Appendix B, "Proposed Form of Legal Opinion".

Continuing Disclosure: See "THE BONDS - Continuing Disclosure" herein.

Bank Qualification: The Bonds **WILL BE** designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the United States Internal Revenue Code of 1986, as amended.

Legal Opinion: Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine

Financial Advisor: Northeast Municipal Advisors, LLC, Portland, Maine

Paying Agent: City of Augusta, 16 Cony Street, Augusta, Maine

Delivery and Payment: Delivery of the Bonds in book-entry only form will be made to DTC on or about May 1, 2019, against payment in Federal Funds.

Issuer Officials: Questions concerning the Official Statement should be addressed to: Mr. Ralph St. Pierre, Assistant City Manager, City of Augusta, Maine, Tel: (207) 626-2300 or Mr. Richard Ranaghan, Financial Advisor, Northeast Municipal Advisors, LLC, Tel: (207) 797-6681.

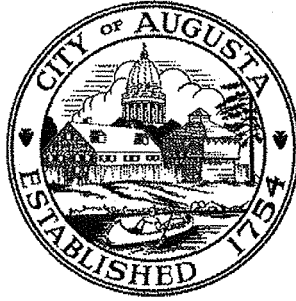
**CITY OF AUGUSTA, MAINE
\$2,326,000 2019 GENERAL OBLIGATION BONDS**

CUSIP IDENTIFICATION NUMBERS

Due <u>April 1,</u>	CUSIP
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2034	
2039	

CUSIP numbers have been assigned by an independent company not affiliated with the City and are included on this page solely for the convenience of the owners of the Bonds. The City makes no representation with respect to the accuracy of such CUSIP numbers as indicated in the above table and does not undertake any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future.

OFFICIAL STATEMENT



of the

CITY OF AUGUSTA, MAINE

Relating to

\$2,326,000

2019 GENERAL OBLIGATION BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of Augusta, Maine (the "City" or "Augusta") in connection with the issuance by the City of its \$2,326,000 2019 General Obligation Bonds (the "Bonds").

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity and, when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC" as described in "THE BONDS - Book-Entry-Only System" herein). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, excepting one (1) Bond in the amount of \$6,000 maturing in 2020. Purchasers will not receive certificates representing their interest in Bonds purchased.

The Bonds will be dated the date of their delivery and will bear interest, payable on October 1, 2019, and semi-annually thereafter on April, 1 and October, 1 of each year until maturity. The Bonds will mature annually as follows:

<u>April 1,</u>	<u>Amount</u>	<u>April 1,</u>	<u>Amount</u>
2020	\$191,000	2026	\$175,000
2021	190,000	2027	170,000
2022	185,000	2028	165,000
2023	185,000	2029	165,000
2024	180,000	2034	420,000
2025	175,000	2039	125,000

It is expected that the Bonds will be available for delivery on or about May 1, 2019.

Principal of and interest on the Bonds will be payable by the City in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to Participants (as defined below) will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as defined below) will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before April 1, 2029 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after April 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the City, on or after April 1, 2029, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at the redemption price (expressed as a percentage of the principal of the Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

Redemption Period	Redemption Price
April 1, 2029 and thereafter	100%

MANDATORY REDEMPTION

Bonds maturing in 2034 and 2038 are subject to mandatory redemption, plus accrued interest to the date of redemption thereof, on April 1 in the following years and principal amounts:

Due April 1, 2034		Due April 1, 2039	
2030	\$90,000	2035	\$25,000
2031	90,000	2036	25,000
2032	90,000	2037	25,000
2033	90,000	2038	25,000
2034	60,000	2039	25,000

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

For so long as DTC or its nominee is the holder of the Bonds, notice of redemption at the option of the City will be given by the City by sending a copy of such notice by registered or certified 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, to the address shown on the registration books kept by the City as of the close of business of the City on the fifteenth day prior to the mailing of notice. Notice having been given in the manner described, the Bond or Bonds called for redemption will become due and payable on the redemption date designated and the Bonds to be redeemed will not be deemed to be outstanding and will cease to bear interest from and after such redemption date. Upon presentation of a Bond or Bonds to be redeemed at the office of the City, the City will pay the Bond or Bonds called for redemption with funds of the City. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the bondholder actually receives such notice. The failure of the City to give notice to a bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in such notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof).

DTC or its nominee (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) as bondholder will be responsible for notifying its Participants who in turn will be responsible for notifying the Beneficial Owners of such Bonds. Any failure on the part of DTC or its nominee, or failure on the part of a nominee of a Beneficial Owner (having received notice from the City, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited by the City with DTC to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date. From and after such redemption date, no further interest shall accrue on any of such Bonds and the Bonds to be redeemed (whether or not surrendered) shall not be outstanding.

Cancellation

On such redemption date, all Bonds that have been called for redemption shall be canceled by the City and a notation of such cancellation shall be made by the City in its records with respect to the Bonds.

Partial Redemption of Bonds

Bonds to be redeemed in part shall be selected by DTC in accordance with its customary procedures.

Record Date; Payment

The principal of the Bonds is payable upon surrender thereof at the principal office of the City. Payment of the interest on the Bonds will be made to the person appearing as the registered owner thereof on the registration books to be kept by the City at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the City, then on the next day preceding such fifteenth day which is a regular business day of the City, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address which may be furnished to the City in writing by the holder of the Bonds. Interest which is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the City.

BOND AUTHORIZATION AND USE OF PROCEEDS

The Bonds are being issued pursuant to (1) Order 18-133 approved by the City Council at a meeting held on August 23, 2018 and approved by a majority of the City’s voters on November 6, 2018; (2) Order 18-132 approved by the City Council on August 23, 2018. The Bonds are being issued to provide funds to finance acquisition, construction, renovation, reconstruction, improvement and repair of City facilities and equipment as more fully described below.

Amount Authorized But Unissued	Amount of this Issue	Order No.	Purpose
\$1,576,000	\$1,576,000	18-133	Reconstruction, renovation, repair and improvement of streets, sidewalks and related facilities throughout the City
660,000	660,000	18-132	Reconstruction, renovation, repair and improvement of City facilities located throughout the City
<u>90,000</u>	<u>90,000</u>	18-132	Reconstruction, renovation, repair and improvement of streets, sidewalks and related facilities throughout the City
<u>\$2,326,000</u>	<u>\$2,326,000</u>		

OPINION OF BOND COUNSEL TO THE CITY

Upon issuance and delivery of the Bonds, an opinion with respect to the Bonds will be rendered by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, bond counsel (“Bond Counsel”) to the City in substantially the form which is set forth in Appendix B hereto and which has been provided by Bond Counsel to the City. Bond Counsel to the City is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and expresses, and will express, no opinion, advice or representation to any person with respect to any statement made in this Official Statement.

SOURCE OF PAYMENT OF THE BONDS

The Bonds are general obligations of the City and their payment is not limited to a particular fund or revenue source. The City has power to levy ad valorem property taxes, which are limited as to rate and amount unless certain requirements set forth in 30-A MRSA §5721-A are satisfied, upon all the property within the territorial limits of the City taxable by the City, except to any extent that the City may enter into an agreement under 30-A MRSA §5751 and following, as amended, to share a portion of its assessed valuation with another municipality and except to the extent that the City has established, or may establish, municipal development districts as tax increment financing districts pursuant to 30-A MRSA §5221 and following, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. As more fully described under “CITY FINANCES – Tax Increment Financing” herein, the City has established certain municipal development districts and elected to retain the tax increment on the captured assessed value of the property in these districts to provide financial assistance for certain eligible projects within these districts. Within the limits established by statute, the City has the right to designate additional municipal development districts pursuant to 30-A MRSA §5221 and following, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

The City is subject to suit on the Bonds. A Maine statute provides that executions against a municipality shall be issued against certain personal property of the inhabitants of that municipality. The Maine Supreme Judicial Court has held that real estate belonging to a municipality may be attached on a writ against the municipality, under some conditions, as when it is not exempted by statute, and when it is not used by the municipality in the performance of its public functions. Another Maine statute provides that the personal property of the residents and the real estate within the boundaries of a municipality may be taken to pay any debt due from the municipality. There has been no judicial determination whether either the statutorily authorized taking of property to satisfy a debt of a municipality or the statutorily authorized execution against a municipality by issuance against certain personal property of the inhabitants of that municipality is constitutional under current due process and equal protection standards.

Funds to meet City expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants.

Enforcement of a claim for payment of principal of, premium if any, or interest on bonds or notes is subject to federal bankruptcy law, to the extent, if any, applicable to the City and to United States of America or the State of Maine statutes, if any, now in effect or hereafter enacted, extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Payment of the principal of or interest on the Bonds is not guaranteed by the State of Maine.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Tax Purposes

The United States Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes pursuant to section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The City will covenant to comply with the provisions of the Code applicable to the Bonds and will covenant not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income pursuant to section 103 of the Code or that would cause interest on the Bonds to be an item of tax preference pursuant to section 57 of the Code.

Assuming that the City observes its covenants with respect to compliance with the Code, Bond Counsel to the City is of the opinion that, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to section 103 of the Code and interest on the Bonds is not an item of tax preference pursuant to section 57 of the Code for purposes of computing alternative minimum tax.

Exemption of Interest on the Bonds From Taxation Within the State of Maine

In the opinion of Bond Counsel to the City, interest on the Bonds is exempt from taxation within the State of Maine pursuant to 30-A MRSA §5772(9).

Designation of Bonds as Qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code.

Original Issue Discount on the Bonds

Certain maturities of the Bonds (the "Discount Bonds") may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel to the City is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium with respect to the Bonds

Certain maturities of the Bonds (the "Premium Bonds") may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences with respect to the Bonds

In the case of certain corporate holders of the Bonds, for tax years prior to January 1, 2018, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The United States Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current Service procedures holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Federal Tax Law Affecting Tax-Exempt Bonds

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. For example, from time to time, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of any such legislative proposal. If enacted into law, any such proposal (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel to the City expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to 30-A MRSA §5772(9). Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each of the Bonds ("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 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of the Bonds is 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 Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption and interest 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 Issuer 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, Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, and 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 Issuer. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates will be printed and delivered.

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

The information in this section concerning DTC and the Book-Entry-Only System has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

On the date of delivery of the Bonds, the City will deliver a certificate of the City Manager or his designee (an "Authorized Representative") to the effect that, to the best of his knowledge and belief, as of the date of sale of the Bonds and as of the date of delivery of the Bonds, this Official Statement (excluding (a) the prices or yields of the Bonds, (b) the information pertaining to DTC and (c) the information set forth under the caption "THE BONDS – Financial Advisor") did not and does not contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

RATING

The City has applied for a rating on the Bonds from Standard & Poor's Ratings Services ("S&P"). The City has furnished S&P certain information and materials, some of which may not have been included in this Official Statement. The rating, if received, only reflects the view of S&P at the time the rating is assigned and is subject to revision or withdrawal, which could affect the market price of the Bonds. S&P should be contacted directly for their explanation of any such rating.

LEGAL MATTERS

All legal matters incidental to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bond Counsel to the City and, upon issuance and delivery of the Bonds, the approving opinion of Bond Counsel to the City will be delivered with the Bonds in substantially the form attached hereto as APPENDIX B.

CONTINUING DISCLOSURE

In order to assist an underwriter of the Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), to provide annual audited financial statements when publicly available, to provide notices of the occurrence of certain enumerated events and to provide notice of failure to provide the Annual Report. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is included in Appendix C hereto.

On March 7, 2013, the City Council approved an administrative policy intended to provide for the timely and accurate submission of certain financial and operating data, annual audited financial statements and the notices of the occurrence of certain enumerated events as set forth in the Continuing Disclosure Certificate, the proposed form of which is included as Appendix C hereto.

To the best of its knowledge, in the previous five years, the City has complied in all material respects with all previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule to provide annual financial information, annual audited financial statements and notices of material events, except as follows: (i) 2010 Filing: While under the continuing disclosure provisions in effect, the City agreed to file its annual audited financial report as soon as publicly available. The June 30, 2010 annual audited financial report was filed late on November 24, 2011. The City filed a Notice of Late Filing with the MSRB associated with this information on July 21, 2014; and (ii) Changes in Ratings of Bond Insurers: The City's 2003 Bonds were insured by Financial Guaranty Insurance Company and its 2004 Bonds and 2006 Bonds were insured by Syncora Guarantee Inc. (formerly XL Capital Assurance). Over the past several years the numerous changes in the ratings of these bond insurers were not the subject of filings by the City. The City has disclosed these rating changes and has submitted a Notice of Late Filing with the MSRB associated with this information.

FINANCIAL ADVISOR

Northeast Municipal Advisors, LLC ("NEMA") serves as financial advisor to the City. NEMA assisted the City in the preparation of this Official Statement and other matters relating to the planning, structuring and issuance of the Bonds, and provided other advice pursuant to the Municipal Securities Rulemaking Board Rules G-23 and G-42. NEMA will not submit a bid for, or participate in any underwriting of, the Bonds.

CITY OF AUGUSTA, MAINE

GENERAL

The City of Augusta was first incorporated as the Town of Harrington, then changed its name to Augusta on June 9, 1797. In 1827, the City was designated the capital of Maine, which had entered the union in 1820. Augusta was chartered as a city in 1849. The City of Augusta is a suburban community with a vibrant commercial riverfront along the Kennebec River that is supported by a strong government employment presence. The land area of Augusta encompasses 36,707 acres or 57.35 square miles, supporting a population of 18,560 residents. The Augusta downtown is located along the Kennebec River and remains a vital commercial employment and tourist area. The City of Augusta is about 30 miles from the Maine coast and 50 miles from Portland, the largest population center in Maine. As the seat of State government, the City employment base is anchored by a large State government workforce. The City is also the seat of government for Kennebec County. The City serves as the region's leading industrial, commercial, retail, educational and cultural center.

The Wabanaki Indians were present in the area when the first English explorers from the Sagadahoc or Popham Colony visited the area in 1607. In 1628, Plymouth settlers built a trading post to support agricultural and fur trade along the Kennebec River. The Plymouth Company supported the trading operations until it was abandoned around 1676. After years of conflict involving the French, Indians, and English, the Kennebec Proprietors, successors to the Plymouth Company, erected Fort Western along the Kennebec River. Fort Western is located next to the Augusta City Hall and remains as a historic museum.

GOVERNMENT

The City operates under a charter initially adopted in 1959, as amended (the "Charter"), providing for a Mayor-Council form of government with an eight-member City Council with four elected by ward and four elected at-large with the Mayor elected by the voters of the entire City. The City Council members are elected for three-years in staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the City and to authorize the issuance of debt. Through its Charter, the City Council adopts an annual budget and provides for an annual audit. The elected School Board appoints the school superintendent and controls school policy. The City Manager is appointed by the City Council and is the administrative head of the City. The City Manager is responsible to the City Council for the administrative management of all departments of the City.

PRINCIPAL MUNICIPAL OFFICIALS

Name	Title	Term Expires
David M. Rollins	Mayor	12/31/21
Linda J. Conti	Councilor, Ward 1	12/31/20
Kevin Judkins	Councilor, Ward 2	12/31/21
Harold Elliott	Councilor, Ward 3	12/31/19
Eric Lind	Councilor, Ward 4	12/31/20
Jennifer Day	Councilor, At-Large	12/31/20
Mark O'Brien	Councilor, At-Large	12/31/19
Corey Wilson	Councilor, At-Large	12/31/19
Marci Alexander	Councilor, At-Large	12/31/21
William Bridgeo	City Manager	Three year contract expiring 6/30/20
Ralph St. Pierre	Assistant City Manager	Indefinite
Tracy Roy	Deputy Finance Director	Indefinite

MUNICIPAL SERVICES

The City provides general governmental services for the territory within its boundaries, including police and fire protection, construction and maintenance of highways, streets and sidewalks, parks, recreation, health and social services, planning and zoning and general administrative services. Public education is provided for grades Kindergarten (“K”) through 12 and for applied technology education.

The Police Department operates from the Public Safety Building with a staff of consisting of a Chief, a Deputy Chief, two (2) Lieutenants, eight (8) Sergeants and thirty-two (32) Patrol Officers. The patrol officers are assigned as follows: twenty-two (22) Patrol Division and ten (10) Support Services Division. The Police Department remaining positions are nine (9) Dispatchers, one (1) Reserve Police Officer, two (2) Reserve Dispatchers, two and half (2.5) Parking Enforcement Officers, one (1) Administrative Assistant, one (1) Secretary, one and half (1.5) Clerks and one (1) Animal Control Officer.

The Augusta Fire Department is comprised of a Chief, a Deputy Chief, one (1) Administrative Assistant, one (1) Mechanic, four (4) Battalion Chiefs, four (4) Lieutenants and thirty-eight (38) full time firefighters and paramedics which are housed in four (4) stations. It is a full-service department that provides not only the obvious function of fire suppression, but is also charged with numerous other prevention and protection tasks. These tasks include emergency medical response including inter-facility transfer; public information; fire safety inspections; public education; fire training; disaster management; water, extrication and rope rescue service; fire alarm; communications; as well as facility, apparatus and equipment maintenance. EMS is also provided to the surrounding communities of Hallowell and Chelsea by contract.

The Public Works Department consists of the Central Garage, Street Maintenance Bureau, Solid Waste Bureau and the City Engineer. Central Garage is responsible for the maintenance of approximately 120 pieces of Public Works equipment and the equipment of the Solid Waste Bureau and the Parks and Cemetery Department. The Street Bureau maintains 150 miles of City streets and 200 miles of sidewalks, including repairs, snow removal and weekly curbside collection of domestic refuse and monthly curbside recycling collections. The Solid Waste Bureau operates the Hatch Hill landfill site and annually processes about 36,000 tons of waste. Fees are charged based upon the type of material and associated tipping fees. The City Engineer is responsible for managing and overseeing the design of City road projects and as applicable including providing technical support to the Planning Board.

The Greater Augusta Utility District (the “District”) provides water and wastewater service to the City’s inhabitants. The District was formed in 2007 through an act of the Maine Legislature that combined the then Augusta Water District and the Augusta Sanitary District while also expanding the wastewater operations and service to the City of Hallowell. The Board of Governance consists of seven voting members, six are from Augusta and are appointed by the Mayor of Augusta and one is from Hallowell and is appointed by the Mayor of Hallowell. There are an additional two non-voting members, one each appointed from the City of Augusta and the City of Hallowell.

PUBLIC EDUCATION

The City operates its educational program for grades Pre - Kindergarten through 12 and career technical education under its own supervision. The City’s school’s staff consists of a Superintendent, Assistant Superintendent, five full-time principals, one Capital Area Technical Center Director, one Adult Education Director and a total of 538 full and/or part time staff including substitutes, coaches and Adult Education teachers. The following table reflects October 1, 2018 enrollments:

<u>School</u>	<u>Grades</u>	<u>Estimated Capacity</u>	<u>Current Enrollment</u>
Farrington Elementary	K-6	470	299
Gilbert Elementary	PreK-6	440	355
Hussey Elementary	PreK-6	275	292
Lincoln Elementary	K-6	310	308
Cony Complex	7-12	<u>1,300</u>	<u>972</u>
		2,795	2,226

Source: Augusta School Department

The following table shows the trend of the City's school enrollments:

April 1,	-----Grades-----														Total Enrollment
	K	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-	-11-	-12-	Other	
2018	177	166	171	164	162	184	165	149	162	184	152	176	161	86	2,259
2017	168	174	168	174	180	166	150	167	160	157	177	171	130	95	2,237
2016	165	169	169	187	160	148	168	161	137	176	180	146	156	94	2,216
2015	175	168	191	164	150	166	161	154	146	195	153	166	177	93	2,259
2014	176	179	174	149	158	159	141	147	154	158	170	181	183	89	2,218
2013	198	185	163	167	159	147	155	143	129	171	192	185	192	92	2,278
2012	204	169	160	165	145	160	146	140	152	191	191	183	222	97	2,325
2011	175	164	163	149	155	151	140	141	129	180	194	219	201	62	2,227
2010	168	173	152	161	156	150	140	131	145	193	237	205	229	79	2,319
2009	188	205	179	168	158	149	142	142	155	200	244	215	252	84	2,481

Source: State of Maine, Department of Education, "April 1 Census of Students Educated at Public Expense".

Note: "Other" includes: Elementary Special, Pre-Kindergarten, Secondary Special and Post-Graduate Students.

LABOR RELATIONS

The City employs approximately 253 full and part-time employees. The School Department employs approximately 411 full and part-time personnel. City employees not included in the below table are not represented by unions. The contracts for the various bargaining units who are represented by a union are effective and expire as follows:

Bargaining Unit ²	Union ¹	Covered Employees	Contract Effective Date	Contract Expiration Date
Police/Dispatch	Teamsters (#340)	8	7/1/17	6/30/19
Police/Patrol	Fraternal Order of Police	33	7/1/17	6/30/19
Police Supervisory Unit	Fraternal Order of Police	10	7/1/17	6/30/19
General Gov't. Employees	Teamsters (#340)	25	7/1/17	6/30/19
Public Works	AFSCME (#1458)	38	7/1/17	6/30/19
Fire Dept.	IAFF (#1650)	41	7/1/17	6/30/19
Fire Dept. – Battalion Chief	IAFF	4	7/1/14	6/30/17
Civic Center Operations	Teamsters (#340)	3	7/1/17	6/30/19
Administration	AAA	13	7/1/15	6/30/19
Teachers	AEA/MEA	202	9/1/17	8/31/19
Support Staff	AEA/MEA	123	9/1/17	8/31/20
School Custodians	AEA/MEA	22	9/1/17	8/31/20

Note: ¹"AFSCME" indicates the American Federation of State, County and Municipal Employees, affiliated with the American Federation of Labor & Congress of Industrial Organizations ("AFL-CIO"); "IAFF" indicates the International Association of Fire Fighters; "AAA" indicates the Augusta Administration Association; "MEA" indicates the Maine Education Association of which the various components of the Augusta Educational Association ("AEA") are affiliated, as separate bargaining units and "Teamsters" indicates the International Brotherhood of Teamsters.

²The City is currently in negotiations with Fire – Battalion Chief.

UNIVERSITY OF MAINE AT AUGUSTA

With approximately 5,000 full and part-time students the University of Maine at Augusta ("UMA") is the third largest university in the University of Maine System. UMA offers programs in Mental Health and Human Services, Liberal Arts, Business Administration, Criminal Justice, and Computer Information Systems at the Certificate, Associate and Bachelor degree levels.

LARGEST PUBLIC EMPLOYERS

The following table lists the largest public employers in the City of Augusta:

<u>Name</u>	<u>Business</u>	<u>Number of Employees</u>
State of Maine	Government	5,575
City of Augusta	Municipal/School	664
University of Maine at Augusta	Education	413
Kennebec County	County Government	171

Source: State of Maine, Department of Labor and City of Augusta

LARGEST PRIVATE EMPLOYERS

The following table lists the largest private employers in the City of Augusta:

<u>Name</u>	<u>Business</u>	<u>Number of Employees</u>
Maine General Health	Hospital	3,243
Central Maine Power	Utility	471
NRF Distributors	Distribution Services	355
Hannaford Brothers	Grocery Store	347
PFG-North Center	Food Products-Wholesale	309
Wal-Mart	Department Store	299
O'Connor GMC Buick	Auto Dealership	200
Target	Retail Clothing	137
Home Depot	Hardware/Building Supply	135
Lowes	Hardware/Building Supply	132

Source: City of Augusta

BUILDING ACTIVITY

The following table lists the number and estimated construction value of building permits issued by the City for the most recent ten years:

Year Ended December 31,	Number of Commercial Permits	Estimated Cost of Construction for Commercial	Number of Residential Permits	Estimated Cost of Construction for Residential
2018	200	\$ 27,724,566	223	\$6,358,433
2017	168	32,229,715	193	6,481,230
2016	190	35,744,096	181	5,150,962
2015	152	73,520,267	163	5,711,996
2014	174	45,080,252	194	3,434,686
2013	160	16,176,215	182	3,267,484
2012	182	11,385,214	172	13,336,124
2011	150	229,121,263	171	14,701,330
2010	149	18,954,600	194	2,915,692
2009	119	9,543,651	189	5,159,691

Source: City of Augusta

RETAIL SALES

Retail Sales by Product Group and Consumer Sales (\$000)

Year	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Restaurant/ Lodging	Group Total	Consumer Sales
2008	44,579	85,892	44,555	222,249	49,992	208,199	80,099	735,568	690,989
2009	39,759	75,097	46,934	212,704	52,772	184,007	80,412	691,685	651,926
2010	37,861	74,181	45,630	213,022	54,389	187,684	80,980	693,747	655,886
2011	39,779	74,888	46,688	207,167	56,135	201,347	80,696	706,700	666,921
2012	34,006	74,324	47,445	209,843	57,483	207,866	87,655	718,622	684,616
2013	29,663	82,230	47,715	200,676	59,313	221,142	88,588	729,327	699,664
2014	34,958	82,521	48,888	197,859	60,396	227,569	89,788	741,891	706,933
2015	32,870	81,991	50,659	201,380	62,417	260,686	105,746	795,749	762,879
2016	30,333	87,676	63,401	214,146	66,488	258,293	102,087	821,424	791,091
2017	25,283	92,175	62,597	211,328	66,281	272,495	104,469	834,628	809,344
2018	29,648	96,738	66,282	209,331	64,082	288,999	108,485	863,665	833,919

Source: State of Maine, Revenue Services

ECONOMIC CHARACTERISTICS

Population Characteristics

Year	City of Augusta	% Change-----		
		City	State	USA
2017	18,626	(2.7)	0.1	5.6
2010	19,136	3.1	4.2	9.7
2000	18,560	(13.0)	3.8	13.2
1990	21,325	(1.3)	9.2	9.8
1980	21,819	(2.3)	13.4	11.4
1970	22,104	2.0	2.4	13.4
1960	21,680	-	6.1	18.5

Sources: 1960-2010 U.S. Census, 2017 American Community Survey (5-year estimates)

Demographic Characteristics

	City of Augusta	Kennebec County	State of Maine	USA
Median age (years)	44.8	44.2	44.3	37.8
% school age	15.7	17.2	17.0	19.5
% working age	58.3	59.5	59.3	59.5
% 65 and over	20.6	18.2	18.8	14.9

Source: 2017 American Community Survey (5-year estimates)

Income

	City of <u>Augusta</u>	Kennebec <u>County</u>	State of <u>Maine</u>	<u>USA</u>
Median family income	\$58,125	\$65,348	\$67,340	\$70,850
% below poverty level	21.0	14.1	12.9	14.6
Per capita income	\$25,039	\$27,336	\$29,886	\$31,177

Source: 2017 American Community Survey (5-year estimates)

Housing

	City of <u>Augusta</u>	Kennebec <u>County</u>	State of <u>Maine</u>	<u>USA</u>
% owner occupied	52.8	70.2	72.0	63.8
Owner occ. med. value	\$142,600	\$154,500	\$179,900	\$193,500
Occupied housing units	8,544	51,055	554,061	118,825,921

Source: 2017 American Community Survey (5-year estimates)

Unemployment

Calendar <u>Year</u>	City of <u>Augusta</u>	County of <u>Kennebec</u>	State of <u>Maine</u>	<u>USA</u>
2018	3.0%	3.0%	3.2%	3.9%
2017	3.3	3.2	3.3	4.4
2016	3.6	3.6	3.7	4.4
2015	4.1	4.2	4.5	5.3
2014	5.4	5.4	5.7	6.2
2013	6.3	6.3	6.7	7.4
2012	7.0	6.9	7.2	8.1
2011	7.2	7.1	7.5	8.9
2010	7.3	7.6	8.2	9.6
2009	8.0	8.3	8.8	8.1

Source: State of Maine, Department of Labor

CITY FINANCES

BUDGET PROCESS

The fiscal year of the City begins on the first day of July and ends on the thirtieth day of June of the ensuing year. The Charter provides that the budget be submitted by the City Manager and the Board of Education to the City Council not later than ninety (90) days prior to the commencement of the next fiscal year. The City Council holds a public hearing at least ten (10) days prior to final passage of the annual appropriation resolve.

If the annual appropriation resolve is not adopted by June 30, the current fiscal year appropriation resolve modified by the change in debt service (general obligation bonds and tax anticipation notes), the City Manager's estimated increase in County tax, and an adjustment, equal to the consumer price index (urban wage earners for the prior twelve months) applied to all other expenditure categories, shall be in effect until final adoption of the appropriation resolve. If the appropriation resolve is not finally adopted within sixty (60) days of the start of the fiscal year, the modified budget, as previously described, will become the adopted budget. The adopted budget is then filed with the City Assessor, who establishes a levy of taxes for the corresponding tax year.

The following table sets forth the trends in the General Fund budget for the last four fiscal years and the current fiscal year:

GENERAL FUND BUDGET (AS OF JUNE 30,)

	2019	2018	2017	2016	2015
REVENUES					
Taxes	\$34,584,644	\$32,831,446	\$31,780,518	\$31,954,067	\$30,703,641
Licenses and permits	313,775	310,610	282,391	303,503	303,803
Intergovernmental	18,615,630	16,904,049	15,540,475	14,646,436	15,865,374
Tuition & other charges	635,000	865,500	880,500	912,500	872,500
Charges for services	2,213,299	2,110,214	1,865,973	1,835,014	1,641,326
Fees and fines	30,640	34,930	32,500	37,535	37,535
Unclassified	306,682	124,245	221,778	318,919	222,352
Investment earnings	102,975	102,975	102,975	102,975	102,975
Budgeted surplus	2,759,982	3,469,072	4,953,669	3,156,683	1,947,034
Transfers	3,094,946	3,021,849	2,411,564	1,627,612	1,605,635
TOTAL REVENUES	\$62,657,573	\$59,774,890	\$58,072,343	\$54,895,244	\$53,302,175
EXPENDITURES					
Legislative and executive	\$593,632	\$582,790	\$566,504	\$553,229	\$541,430
Finance and administration	1,879,516	1,813,077	1,788,174	1,718,760	1,654,988
City services	1,749,060	1,774,084	1,659,973	1,538,631	1,516,211
Community services	2,728,946	2,557,253	2,420,645	2,403,786	2,305,036
Public Safety	9,983,480	9,513,069	9,084,403	8,805,185	8,365,125
Public Works	4,284,950	3,862,062	3,746,996	3,631,830	3,552,830
Education	31,211,198	29,774,119	30,257,600	28,445,419	27,697,598
Retirement and Insurance	2,927,018	2,683,502	2,203,333	2,174,287	2,858,750
Utilities	2,638,355	2,643,355	2,525,542	2,481,753	2,401,491
Unclassified	1,583,461	1,523,777	1,486,518	1,683,109	1,429,518
Debt service (excluding education)	3,077,957	3,047,802	2,332,655	1,459,255	979,198
Total Expenditures	\$62,657,573	\$59,774,890	\$58,072,343	\$54,895,244	\$53,302,175

CAPITAL IMPROVEMENT PROGRAM

The City Manager is directed by the Charter to prepare and submit a Capital Improvement Program ("CIP") concurrent with submission of the annual budget. The CIP includes a list of all capital improvements proposed within the next five succeeding fiscal years. This includes costs, methods of financing and time schedules as well as the annual cost to operate and maintain the proposed respective improvement. The CIP is reviewed by the City Council who adopt the program, as amended if necessary, following a public hearing. The summary CIP for fiscal years 2019-2023 is as follows:

Department	FY19	FY20	FY21	FY22	FY23	TOTAL
Facilities	\$ 649,000	\$ 130,000	\$225,000	\$8,400,000	75,000	9,479,000
Fire Department	86,000	215,000	750,000	235,000	430,000	1,716,000
Streets	2,225,800	1,914,900	2,246,040	1,497,300	1,014,400	8,898,440
Finance	110,000	50,000	50,000	50,000	50,000	310,000
Community Services	208,000	258,000	890,000	465,000	1,225,000	3,046,000
Community Development	20,000	-	-	-	-	20,000
Central Garage	576,000	469,000	782,000	480,000	310,000	2,617,000
Hatch Hill	153,000	290,000	1,000,000	-	-	1,418,000
Civic Center	85,000	70,000	435,000	430,000	400,000	1,420,000
	\$ 4,112,800	\$ 3,396,900	\$6,378,040	\$11,557,300	\$3,504,400	\$28,924,440
Funding Sources						
TIF Bonds (GO)	\$1,576,000	\$1,817,000	\$2,246,080	\$1,497,300	\$1,014,400	\$8,150,740
TIF Cash	215,800	-	-	-	-	215,800
GO Bonds	750,000	750,000	1,914,960	9,150,000	1,780,000	14,344,960
Operating Funds	852,000	829,000	2,217,000	910,000	710,000	5,518,000
CIP Cash	719,000	-	-	-	-	719,000
	\$4,112,800	\$3,396,900	\$6,378,040	\$11,557,300	\$3,504,400	\$28,924,440

INVESTMENTS

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, money market mutual funds, bank deposits, and certain corporate stocks and bonds. The City invests funds in obligations of the U.S Treasury, U.S. agencies, money market mutual funds, and bank deposits that are collateralized by U.S. Treasury or Agency obligations or by Irrevocable Stand-by Letters of Credit issued by the Federal Home Loan Bank.

UNDESIGNATED FUND BALANCE

The City's Charter requires that the City maintain an undesignated fund balance, or reserve fund, equal to at least five (5) percent of the previous year's appropriation exclusive of capital improvements expenditures on debt service. If the undesignated fund balance falls below the 5% floor, the following year's appropriation resolve shall contain an amount to restore the undesignated fund balance to that level. Further, the City Council shall strive to increase the undesignated fund balance to 8.33% each year. The City Council may spend from the undesignated fund balance to fund unforeseen or unmet needs of the City, subject to its obligation to replenish the fund as indicated above.

FINANCIAL STATEMENTS

Title 30-A MRSA §5821 and following, as amended, and the City's Charter, provide for independent annual audits of the City's accounts and establishes procedures for such audits. The City is in conformance with this statute and its Charter. The June 30, 2018 financial statements, audited by Runyon, Kersteen, Ouellette, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The accounting methods and procedures of the City of Augusta conform to generally accepted accounting principles (GAAP) as applied to governmental units.

CITY OF AUGUSTA COMPARATIVE BALANCE SHEETS GENERAL FUND (AS OF JUNE 30,)

	2018	2017	2016	2015	2014
ASSETS					
Cash	\$25,835,669	\$26,877,983	\$30,287,795	\$30,374,383	\$18,546,419
Investments	11,916,968	11,563,236	10,965,505	10,928,699	11,027,739
Receivables:					
Taxes receivable	852,465	1,008,090	138,110	1,068,311	1,009,358
Tax liens	379,750	452,022	1,173,450	461,224	557,923
Due from other governments	472,140	641,127	475,418	404,846	405,094
Accounts receivable, net of allowance	283,218	275,209	321,665	422,177	366,952
Prepaid expenses	215,012	139,714	113,121	116,693	100,968
Inventory	336	473	496	109	165
TOTAL ASSETS	\$39,955,558	\$40,957,854	\$43,475,560	\$43,776,442	\$32,014,618
LIABILITIES					
Accounts payable	\$1,055,993	\$1,927,831	\$1,289,341	\$1,140,225	\$1,004,830
Accrued payroll and benefits	2,452,197	2,419,988	2,385,787	2,303,732	2,084,774
Escrow payable	68,080	33,200	7,844	6,624	9,200
Deferred revenue	891,745	1,064,692	1,150,628	1,021,650	1,158,131
Taxes received in advance	619	2,208	5,495	89,713	120,359
Interfund loans payable	20,510,029	20,094,679	21,513,173	23,040,069	12,466,212
TOTAL LIABILITIES	\$24,086,918	\$25,542,598	\$26,352,268	\$27,602,013	\$15,685,375
FUND BALANCES					
Nonspendable	\$215,348	\$140,187	\$113,617	\$116,802	\$101,133
Restricted	3,448,198	4,090,852	5,939,022	5,742,799	4,499,432
Committed	-	-	-	-	-
Assigned	4,240,496	4,399,779	4,338,644	3,890,718	4,381,640
Unassigned	7,072,853	6,784,438	6,732,009	6,424,110	6,188,907
	\$14,976,895	\$15,415,256	\$17,123,292	\$16,174,429	\$15,171,112
TOTAL LIABILITIES AND FUND BALANCES	\$39,955,558	\$40,957,854	\$43,475,560	\$43,776,442	\$32,014,618

CITY OF AUGUSTA
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)

REVENUES	2018	2017	2016	2015	2014
Taxes	\$33,508,590	\$32,475,745	\$32,255,122	\$30,944,004	\$29,796,006
Licenses and permits	199,695	208,511	294,213	198,356	190,959
Intergovernmental	18,584,081	15,398,158	15,036,116	15,653,123	18,020,150
Tuition & other charges - Education	757,771	637,679	820,068	823,964	806,501
Charges for services - City	2,206,267	1,836,384	1,914,624	1,968,509	1,783,333
Fees and fines	51,997	59,224	46,925	50,155	48,454
Unclassified	615,441	740,118	601,038	666,269	818,755
Investment earnings	131,156	32,881	280,559	155,269	136,379
TOTAL REVENUES	\$56,054,998	\$51,388,700	\$51,248,665	\$50,459,649	\$51,600,537
EXPENDITURES					
Current:					
General government	\$544,868	\$627,192	\$556,714	\$590,171	\$602,247
Public safety	9,523,605	9,167,872	8,802,013	8,453,214	8,085,345
Public Works	3,999,134	3,630,164	3,512,133	3,928,512	3,256,880
Finance and administration	1,775,921	1,767,684	1,684,792	1,608,701	1,579,068
Development services	1,679,743	1,634,952	1,495,133	1,486,659	1,454,509
Education	30,003,378	28,918,509	26,376,189	25,206,685	27,235,150
Community services	2,473,128	2,395,390	2,247,263	2,277,315	2,256,086
Retirement and insurance	2,383,059	2,294,133	2,152,679	1,638,345	2,723,701
Utilities	2,617,504	2,505,563	2,480,937	2,464,731	2,570,299
Unclassified	1,732,692	1,533,098	1,473,224	1,429,518	1,404,986
Debt service-City	2,643,846	2,281,830	1,414,737	943,301	898,014
CAPITAL OUTLAY	41,904	-	-	-	-
TOTAL EXPENDITURES	\$59,418,782	\$56,756,387	\$52,195,814	\$50,027,152	\$52,175,609
EXCESS OF REVENUES OVER EXPENDITURES	(3,363,784)	(5,367,687)	(947,149)	432,497	(575,072)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	2,925,423	3,797,636	2,253,670	1,784,545	2,651,891
Operating transfers out	-	(137,985)	(357,658)	(1,213,725)	(1,431,670)
TOTAL OTHER FINANCING SOURCES (USES):	2,925,423	3,659,651	1,896,012	570,820	1,220,221
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(438,361)	(1,708,036)	948,863	1,003,317	645,149
BEGINNING FUND BALANCE	15,415,256	17,123,292	16,174,429	15,171,112	\$14,525,963
ENDING FUND BALANCE	\$14,976,895	\$15,415,256	\$17,123,292	\$16,174,429	\$15,171,112

PROPERTY TAXATION

The following table sets forth equalized value and assessed valuation of real and personal property, tax rate, tax levy and collection rates for the City for the most recent 10 years:

Fiscal Yr End June 30	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate	Tax Levy (000)	Current Year Collection (000)	Percent of Levy	Percent of Levy as of 2/28/19
2019	\$1,551,300	\$1,769,273	\$20.97	\$37,102	\$24,495	66.02%	66.02%
2018	1,540,450	1,706,322	20.38	34,775	34,021	97.83	99.05
2017	1,524,500	1,694,245	19.79	33,529	32,613	97.27	99.83
2016	1,540,250	1,703,497	19.40	33,048	31,901	96.53	99.91
2015	1,503,750	1,677,742	18.67	31,323	30,339	96.86	99.93
2014	1,490,850	1,626,343	18.15	29,541	28,046	94.94	99.91
2013	1,490,000	1,404,346	17.55	28,156	27,149	96.42	99.93
2012	1,518,500	1,594,105	17.30	27,578	26,662	96.68	99.96
2011	1,526,350	1,585,823	17.05	27,038	25,845	95.59	99.97
2010	1,552,500	1,569,894	16.70	26,217	25,039	95.51	99.86

Source: City of Augusta

The principal tax of the City is the tax on real and personal property. Such taxes are limited as to rate or amount unless certain requirements set forth in 30-A MRSA §5721-A are satisfied. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City's Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal year 2019 the tax due dates are September 13, 2018 and March 14, 2019. All taxes paid after the due date will be subject to interest, at the rate of 8.00% per annum, the maximum rate of interest as set by the State Treasurer annually. Historically, the City has adopted the maximum annual rate.

Collection of real estate taxes is ordinarily enforced in the City by the "tax lien" procedure as provided in the Maine Revised Statutes to the collection of delinquent real estate taxes. Real estate tax liens are recorded against the individual property at the Kennebec County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the City.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period.

LARGEST TAXPAYERS - FY19

Name	Type of Business	Assessed Valuation	Property Tax	Percent of Net Levy
Central Maine Power	Public Utility	\$160,034,100	\$3,355,915	6.80%
W/S Development	Retail	84,677,700	1,775,691	3.60
Wal-Mart Properties	Retail	33,047,500	693,006	1.40
Central Maine Commerce Center	Real Estate Developer	32,629,900	684,249	1.39
PDNED Augusta Crossing LLC	Retail Developer	29,233,400	613,024	1.24
Maine Natural Gas	Public Utility	24,619,500	516,271	1.05
Summit Natural Gas	Public Utility	21,879,000	458,803	0.93
Taurus Business Center Limited	Retail Developer	19,521,500	409,366	0.83
J&R Associates LLC	Real Estate Developer	17,686,400	370,884	0.75
Performance Food Group Inc	Real Estate Developer	16,486,500	345,722	0.70
ML-CFC2007-8WesternAve LLC	Retail	15,643,600	328,046	0.66
MPDC I-IV Total	Real Estate Developer	14,898,600	312,424	0.63

PROPERTY TAX LEVY LIMIT

Unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, the City is limited to an increase in the City's property tax levy from one year to the next to an amount not more than its municipal property tax levy limit (see "SOURCE OF PAYMENT OF THE BONDS" herein). The municipal property tax levy limit for subsequent fiscal years is the municipal property tax levy limit multiplied by the City Growth Limitation Factor. Therefore, in cases where the amount of the prior year's municipal property tax levy limit exceeds the amount of the City's actual property tax levy, the City may carry-forward that difference in establishing its future years' property tax levy. The following table displays the City's limitation on the municipal property tax levy:

Fiscal Year	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
State Personal Income Factor	2.61%	2.67%	0.86%	1.09%	1.05%
City Property Growth Factor	3.01	1.98	2.63	3.90	2.43
Growth Limitation Factor	5.62%	4.65%	3.49%	4.99%	3.48%
Property Tax Levy Limit	\$15,487,571	\$15,063,183	\$14,466,025	\$14,381,627	\$13,872,336
Property Tax Levy	15,387,987	14,599,335	14,393,868	13,862,702	13,413,187
Amount Below Tax Levy Limit	\$99,584	\$463,848	\$72,157	\$518,925	\$459,149

Source: City of Augusta, City Assessor

TAX BASE SHARING

Tax base sharing is established under 30-A MRSA §5751 and following, as amended, to increase the likelihood of orderly development and to provide an incentive for coordinated multi-community economic development by permitting two or more communities to share their tax base. Any two or more municipalities may, by vote of their legislative bodies, enter into an agreement (the "Sharing Agreement") to share all or a specific part of the commercial, industrial or residential assessed valuation located within their respective communities.

The City of Augusta has not entered into any tax base sharing agreements.

TAX INCREMENT FINANCING

Tax increment financing ("TIF") pursuant to 30-A MRSA §5221 and following, as amended, enables a municipality to finance development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing district and adopts a development program (the "Development Program") stating the means and objectives for the development of that district. The municipality dedicates a percentage of the increased property taxes it receives in future years from development within the district to payment of certain obligations and other costs related to the development of the district. Tax increment financing districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single development district may not exceed 2% of the total acreage of the municipality, (b) the total area of all districts within the municipality may not exceed 5% of the total acreage of the municipality, and (c) the aggregate value of equalized taxable property of all districts within the municipality as of the April 1st preceding the date of designation of each such district cannot exceed 5% of the municipality's total value of equalized taxable property, excluding from this limit any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipalities total assessed value.

The City currently has twenty-four (24) approved tax increment financing districts. For the year ended June 30, 2018, the City captured \$4,597,180 in TIF revenues. The City retained \$3,563,100 of TIF revenues for approved local economic development activities and eligible infrastructure improvements. The City will remit \$1,034,080 back to the developers for eligible project costs.

In 2004, the City issued \$2,500,000 of general obligation bonds as part of a financing package for the construction of a parking garage located within the Downtown TIF District. The debt service on the bonds is being paid from Downtown TIF District revenues.

In 2013, the City issued \$1,125,000 of general obligation bonds as part of a financing package for the improvement of city streets and sidewalks located within the Cony Circle TIF District. The debt service on the bonds is being paid from Cony Circle TIF District revenues.

In 2015, the City issued \$850,000 of general obligation bonds as part of a financing package for the renovation and energy systems improvement at the Augusta Civic Center. The debt service on the bonds is being paid from the Market Place TIF District revenues.

In 2016, the City issued \$6,385,000 of general obligation bonds as part of a financing package for construction of the North Augusta Fire Station, acquisition of fire apparatus and improvement of city streets and sidewalks.

In 2017, the City issued \$4,460,000 of general obligation bonds as part of a financing package for renovation of the Hartford Fire Station, construction of Mill Park Riverwalk, improvement of city streets and sidewalks and renovation and energy systems improvements at the Augusta Civic Center.

STATE AID

The State provides aid to the City in a number of areas including education, welfare assistance, road maintenance, homestead exemption and revenue sharing. The amount of aid in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by the State Legislature and are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units-through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. Following appropriation, in some years, the State has curtailed funding of approved amounts. Beginning in fiscal year 2012, the State redefined its 55% EPS funding target to include in its measurement of the achievement of this target, the funding separately provided by the State towards the employer share of certain teacher retirement costs.

Neither the future amount or rate of State subsidy can be predicted on a pro forma basis due to the bi-annual budgetary process and allocation of funding which is subject to change by the Legislature.

The following table displays state aid received by the City for the last six fiscal years and projected for this fiscal year:

Fiscal Year End June 30,	State Revenue Sharing	School Aid	Other State Aid	Total From State
2019	1,197,186	15,170,790	1,842,561	18,210,537
2018	1,186,930	13,910,255	1,495,774	16,592,959
2017	1,063,543	12,769,554	1,296,416	15,129,513
2016	1,141,305	12,375,001	1,019,191	14,535,497
2015	1,088,323	13,249,691	1,099,198	15,437,212
2014	1,177,978	13,549,523	1,129,143	15,856,644
2013	1,718,085	12,343,879	995,767	15,057,731

The projected fiscal year 2020 State Budget is due to increase the appropriation for Revenue Sharing from 2% to 2.5%. The governor’s plan is to focus on increased funding for education and municipal revenue sharing. General Assistance reimbursement to municipalities has been increased from 50% to 70% of the City’s expenses.

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with 30-A MRSA §5702, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

The City of Augusta’s 2018 Equalized State Valuation is \$1,540,250,000. The 15% debt limit is \$231,037,500. As of June 30, 2018 the City’s long-term debt outstanding is projected to be \$53,937,145 or 3.24% of the Equalized State Valuation.

DEBT RATIOS

The following table sets forth the ratio of bonded debt to equalized state valuation and per capita debt ratios for the end of the ten most recent fiscal years, and projected for the current fiscal year:

<u>Fiscal Yr. End June 30,</u>	<u>Population</u>	<u>Equalized Valuation (000)</u>	<u>Assessed Valuation (000)</u>	<u>Total Debt (000)</u>	<u>Debt as % Eq. Val.</u>	<u>Per Capita Debt</u>	<u>Net Debt (000)⁽¹⁾</u>	<u>Net Debt as % Eq. Val.</u>	<u>Net Debt Per Capita</u>
2018	18,691	\$1,540,450	\$1,706,322	\$53,937	3.24%	\$2,671	\$19,262	1.25%	\$1,031
2017	18,691	1,524,500	1,694,245	50,981	3.34	2,728	18,105	1.19	969
2016	18,691	1,540,250	1,703,497	46,930	3.05	2,500	14,919	0.97	798
2015	18,691	1,503,750	1,677,742	44,107	2.93	2,305	17,110	1.14	915
2014	19,136	1,490,850	1,626,343	35,549	2.38	1,858	13,122	0.88	686
2013	19,136	1,490,000	1,604,346	39,706	2.66	2,075	15,145	1.02	791
2012	19,136	1,518,500	1,594,105	41,143	2.71	2,150	14,574	0.96	762
2011	19,136	1,526,350	1,585,823	44,408	2.91	2,321	16,780	1.10	877
2010	19,136	1,552,500	1,569,894	46,291	2.98	2,419	16,604	1.07	868
2009	18,560	1,550,100	1,556,586	49,899	3.22	2,689	18,154	1.17	978
2008	18,560	1,478,400	1,506,062	52,685	3.56	2,839	18,882	1.28	1,017

⁽¹⁾ Excludes Self-Supporting and School Subsidized Debt

NET DEBT SERVICE COMPONENT OF OPERATING EXPENDITURES

	2015	2016	2017	2018	2019
Total Current Year Debt Service	\$3,908,767	\$5,549,804	\$5,324,851	\$6,309,115	\$6,623,738
Less: Self-supporting Enterprise D/S	(942,981)	(1,030,130)	(926,955)	(879,494)	(901,152)
Less: Self-supporting TIF D/S	(272,289)	(498,023)	(894,052)	(1,380,219)	(1,762,014)
Less: State Subsidized School D/S	(1,575,809)	(1,464,950)	(1,442,550)	(1,442,290)	(1,394,675)
Net Tax-backed Debt Service	1,117,688	2,556,702	2,061,295	2,606,912	2,565,897
Budgeted Operating Expense	53,302,175	54,895,244	58,072,343	59,774,890	62,735,573
Net Debt Service as % Operating Exp.	2.10%	4.86%	3.55%	4.36%	4.09%

EXISTING PRINCIPAL PAYMENTS BY ISSUE

General obligation debt for various public improvements payable at June 30, 2019 is comprised of the following issues:

June 30	Series 2000 Hatch Hill	Series 2001 A Civic Center	Series 2009	Series 2011	QSCB 2011	School Revolving Loan Fund 2011	Series 2013	2014 Pension Obligation Refunding-Series A	2014 Series B	2015 Refunding Bonds Series A	School Revolving Loan Fund 2016	Series 2016	Series 2017	Series 2018	Total Debt
2019	485,000	226,320	100,000	90,000	35,598	40,006	200,000	445,000	75,000	1,445,000	33,464	410,000	445,000	310,000	\$5,110,388
2020	485,000	226,320		90,000	35,598	40,006	195,000	450,000	75,000	1,445,000	33,464	405,000	445,000	310,000	5,005,388
2021				90,000	35,598	40,006	195,000	465,000	75,000	1,440,000	33,464	405,000	440,000	300,000	4,515,388
2022				90,000	35,598		195,000	475,000	75,000	1,430,000		405,000	435,000	295,000	4,205,598
2023				35,000			125,000	490,000	75,000	1,415,000		395,000	405,000	290,000	4,000,000
2024				35,000			125,000	505,000	75,000	1,405,000		395,000	405,000	285,000	3,745,000
2025				35,000			125,000	525,000		1,405,000		395,000	405,000	255,000	3,660,000
2026				35,000			125,000	545,000		1,295,000		395,000	405,000	255,000	3,455,000
2027				35,000			125,000	565,000		1,240,000		365,000	405,000	245,000	3,380,000
2028				35,000				590,000		400,000		365,000	325,000	240,000	1,955,000
2029				35,000				610,000		400,000		290,000	325,000	170,000	1,830,000
2030				35,000				635,000		400,000		285,000	325,000	170,000	1,850,000
2031				35,000						400,000		275,000	325,000	165,000	1,200,000
2032				35,000						400,000		275,000	325,000	165,000	1,200,000
2033				35,000						400,000		275,000	270,000	165,000	1,110,000
2034										400,000		220,000	270,000	130,000	1,020,000
2035										400,000		220,000	270,000	130,000	1,020,000
2036										400,000		220,000	270,000	130,000	620,000
2037												270,000	270,000	270,000	270,000
	\$970,000	\$678,960	\$100,000	\$710,000	\$142,392	\$120,018	\$1,410,000	\$6,300,000	\$450,000	\$12,520,000	\$100,392	\$5,995,000	\$6,765,000	\$4,010,000	\$49,151,762

PROJECTED DEBT SERVICE REQUIREMENTS

Year Ended June 30,	EXISTING DEBT SERVICE			THIS ISSUE DEBT SERVICE (pro forma)			Total Debt Service
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2019	\$5,110,388	\$1,514,381	\$6,624,769	\$191,000	\$69,780	\$260,780	\$6,624,769
2020	5,005,388	1,371,117	6,376,505	190,000	64,050	254,050	6,637,285
2021	4,515,388	1,228,820	5,744,208	185,000	58,350	243,350	5,998,258
2022	4,205,598	1,094,458	5,300,056	185,000	52,800	237,800	5,543,406
2023	4,000,000	964,604	4,964,604	180,000	47,250	227,250	5,202,404
2024	3,745,000	841,241	4,586,241	175,000	41,850	216,850	4,813,491
2025	3,660,000	707,184	4,367,184	175,000	36,600	211,600	4,584,034
2026	3,455,000	577,473	4,032,473	170,000	31,350	201,350	4,244,073
2027	3,380,000	452,983	3,832,983	165,000	26,250	191,250	4,034,333
2028	1,955,000	369,160	2,324,160	165,000	21,300	186,300	2,515,410
2029	1,830,000	298,682	2,128,682	90,000	16,350	106,350	2,314,982
2030	1,850,000	270,752	2,120,752	90,000	13,650	103,650	2,227,102
2031	1,200,000	193,494	1,393,494	90,000	10,950	100,950	1,497,144
2032	1,200,000	157,671	1,357,671	90,000	8,250	98,250	1,458,621
2033	1,110,000	123,050	1,233,050	60,000	5,550	65,550	1,331,300
2034	1,020,000	89,625	1,109,625	25,000	3,750	28,750	1,175,175
2035	1,020,000	57,243	1,077,243	25,000	3,000	28,000	1,105,993
2036	620,000	23,982	643,982	25,000	2,250	27,250	671,982
2037	270,000	4,388	274,388	25,000	1,500	26,500	301,638
2038				25,000	750	25,750	26,500
2039							25,750
TOTALS	\$49,151,762	\$10,340,308	\$59,492,070	\$2,326,000	\$515,580	\$2,841,580	\$62,333,650

OVERLAPPING DEBT

The City is subject to an annual assessment of its proportional share of the County of Kennebec expenses, including debt repayment, as determined by percentage of the City's equalized state valuation to the County's equalized state valuation. As of June 30, 2018, the County's debt equaled \$0.

RETIREMENT

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

City Employees - Description of Plan- the City contributes to the Maine Public Employee Retirement System ("Maine PERS"), a cost-sharing multiple-employer public employee retirement system established by the Maine State Legislature. The Maine PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan for Local Participating Districts (the "PLD Plan"). That report may be obtained by writing to Maine PERS, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy- PLD Plan members are required to contribute 8.0% to 9.5% of their annual covered salary depending upon the plan that they are in and the City of Augusta is required to contribute actuarially determined rates which ranged between 10% and 12.7% of annual covered payroll for the fiscal year ended June 30, 2017. The contribution rates of plan members and the City of Augusta are established and may be amended by the Maine State Legislature. The City's contributions to the Maine State Retirement participating local district for years ended June 30, 2018, June 30, 2017, and June 30, 2016 were \$1,463,344, \$1,415,851, and \$1,262,918, respectively.

Teacher Group - Description of Plan- All school teachers, plus other qualified educators, participate in the Maine PERS State Employee and Teacher Plan (the "SET Plan"). The SET Plan is a cost sharing plan with a special funding situation, established by the Maine State Legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET Plan. That report may be obtained by writing to Maine PERS, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy- Plan members are required to contribute 7.65% of their compensation to the retirement system. In the past the City was not required to make employer contributions to the SET Plan. Employer contribution for the year ended June 30, 2018 was 3.97% of covered payroll or \$567,057 and the State of Maine's contribution amounted to \$1,955,419 or 9.7% of covered payroll.

Please see, Appendix A, Annual Audited Financial Statements, pages 51 - 55 and 59 - 60, *Maine Public Employees Retirement System*, for a full description of the benefits, liabilities and funding of pensions as of June 30, 2018.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Section 457. The City does not make any contribution to the plan. Assets have been placed into a trust for the exclusive benefit of the employees. The plans assets and liabilities are not reflected in the City's financial statements.

OTHER POST EMPLOYMENT BENEFITS

In addition to pension benefits as described above, the City provides certain retirees with medical care benefits. The portion of the cost of such benefits is generally paid on a pay-as-you-go basis. The pay-as-you-go cost to the City for the year ended June 30, 2018 was \$1,290,712, \$1,022,085 for the year ended June 30, 2017, and \$984,131 for the year ended June 30, 2016. The Annual Required Contribution (ARC) was \$1,837,317 and the Unfunded Actuarial Accrued Liability (UAAL) was \$34,482,285 as of June 30, 2018.

The Governmental Accounting Standards Board ("GASB") has promulgated its Statements Nos. 43 and 45 which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. Please see Appendix A, Annual Audited Financial Statements, pages 45-51, *Other Postemployment Benefits*, for a full description of the benefits provided and the actuarial determined liability of the City as of June 30, 2018.

ENVIRONMENTAL MATTERS

The City is subject to a wide variety of federal and state laws and regulations relating to land use, water resources, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the City believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties or restrictions on operations by government agencies or courts that could adversely affect the City. The City is not aware of any environmental conditions or noncompliance, the remediation or correction of which the City believes would have a material adverse impact on the financial condition of the City. The City is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the City's financial condition or ability to pay debt service on the bonds as and when due.

While not having a materially adverse impact upon the City's financial condition, or its ability to meet its debt service obligations, the City is voluntarily making the following disclosure with respect to environmental liabilities:

The City has recognized a liability for landfill closure and postclosure costs in the Hatch Hill Enterprise Fund. The liability is calculated based upon current cost estimates for closure, estimates for leachate transportation, post closure monitoring and maintenance. The total liability based upon current capacity is estimated at \$6,456,073 as of June 30, 2018. Please see Appendix A, Annual Audited Financial Statements, page 45, *Landfill Liabilities*, for a full description of the landfills and related closure and postclosure liabilities.

LITIGATION

In the opinion of City officials there is no litigation pending against the City which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the City's financial position or its ability to meet its debt service obligations.

Upon delivery of the Bonds, the City shall deliver or cause to be delivered a certificate of an Authorized Representative, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of such officer, threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the City, nor the title of certain officers of the City to their respective offices, is being contested.

APPENDIX A

**CITY OF AUGUSTA, MAINE
FISCAL JUNE 30, 2018
AUDITED ANNUAL FINANCIAL REPORT**

APPENDIX B

**PROPOSED FORM OF
LEGAL OPINION**

APPENDIX C

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

CITY OF AUGUSTA, MAINE
POST ISSUANCE COMPLIANCE PROCEDURES
ANNUAL FINANCIAL INFORMATION AND MATERIAL EVENTS
SCHEDULE A

Annual Financial Information -- The Issuer will provide the following information to the MRSB (x) not later than 270 days after the end of each fiscal year, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in any Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post-employment benefit obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (z) promptly upon their public release, the audited financial statements of the Issuer for the preceding fiscal year, prepared in accordance with generally accepted accounting principles.

Material Events -- The Issuer will provide to the MSRB, in a timely manner not in excess of nine (9) business days after the occurrence of an event listed below, notice of the occurrence of any such event with respect to the Bonds:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- vii. Modifications to the rights of holders of the Bonds, if material;
- viii. Bond calls, if material, and tender offers;
- ix. Defeasances;
- x. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- xi. Rating changes;
- xii. Bankruptcy, insolvency, receivership or similar event of the Issuer;¹

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer

- xiii. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- xv. Incurrence of a financial obligation² of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect the holders of the Bonds, if material; and
- xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

² "Financial obligation" means a:

- (i) debt obligation;
- (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (iii) guarantee of clause (i) or clause (ii) above.