

*In the opinion of Bond Counsel, assuming compliance with certain covenants in the Indenture (as hereinafter defined), interest on the Bonds is excluded from gross income for purposes of federal income taxation and the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes. See, however, "Tax Matters" herein for a description of certain federal minimum and other special taxes that may affect the tax treatment of interest on the Bonds.*

**\$66,385,000**  
**FLORIDA MUNICIPAL LOAN COUNCIL**  
**Revenue Bonds**  
**(North Miami Beach Water Project),**  
**Series 2002B**

**Dated:** August 1, 2002

**Due:** August 1, as shown on the inside cover

The Revenue Bonds, Series 2002B (the "Bonds") are being issued by the Florida Municipal Loan Council (the "Issuer"). The Issuer is a separate legal entity created pursuant to an Interlocal Agreement entered into initially by and among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality.

The Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "The Bonds -- Book-Entry Only System" herein for further information.

Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2003. The principal of, premium, if any, and interest on the Bonds will be paid by Wachovia Bank, National Association, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity. See "The Bonds -- Redemption Provisions" herein for further information.

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make a loan (the "Loan") to City of North Miami Beach, Florida (the "Borrower") pursuant to a loan agreement between the Issuer and the Borrower (the "Loan Agreement") for the purposes of (i) providing funds to finance improvements to the potable water production and distribution system of the Borrower and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for the municipal bond insurance policy and debt service reserve fund surety bond.

Payments made by the Borrower in repayment of the loan, including payments made by the Borrower pursuant to the Note (herein described) (the "Loan Repayments") will be assigned by the Issuer to Wachovia Bank, National Association, as Trustee, pursuant to a Trust Indenture, dated as of August 1, 2002 between the Issuer and the Trustee (the "Indenture").

**The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from the (i) payments to be made by the Borrower pursuant to the Loan Agreement (as defined herein) and Note (the "Revenues") (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the Borrower pursuant to the Loan Agreement are not a general debt, liability or obligation of the Borrower, but are limited obligations of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant, Miller and Olive, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Kraig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A., West Palm Beach, Florida and for the Borrower by the City Attorney for the Borrower. First Southwest Company, Orlando, Florida has served as Financial Advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's Bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 15, 2002.*

**Banc of America Securities LLC**

**AMOUNTS, MATURITIES, INTEREST RATES, AND PRICES OR YIELDS**

\$19,115,000 Serial Bonds

<u>Amount</u>	<u>Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
\$215,000	2006	3.000%	2.610%
155,000	2007	3.000	2.910
155,000	2008	3.200	3.230
280,000	2009	3.400	3.450
505,000	2010	3.600	3.650
1,445,000	2011	3.700	3.750
1,505,000	2012	4.000	3.860
1,565,000	2013	4.000	3.980
1,625,000	2014	4.000	4.100
1,695,000	2015	5.375	110.057
1,785,000	2016	5.375	109.203
1,885,000	2017	5.375	108.404
1,990,000	2018	5.375	107.503
2,100,000	2019	5.375	106.611
2,210,000	2020	5.375	105.728

\$6,095,000 4.75% Term Bonds Due August 1, 2022 - Price 97.479 % to Yield 4.95%

\$18,065,000 5.00% Term Bonds Due August 1, 2027 - Price 99.433% to Yield 5.04%

\$23,110,000 5.00 % Term Bonds Due August 1, 2032 - Price 98.773 % to Yield 5.08%

(Accrued interest from August 1, 2002 to be added)

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## **Florida Municipal Loan Council**

c/o Florida League of Cities, Inc.  
301 South Bronough Street  
Suite 300  
Tallahassee, Florida 32302  
(850) 222-9684

### **Original Members**

City of Deland, Florida  
City of Rockledge, Florida  
City of Stuart, Florida

### **Directors**

Raul Martinez, Chairman, Mayor, City of Hialeah  
Jeffrey A. Krauskopf, Vice-Chairman, Commissioner, City of Stuart  
Evelyn L. Greer, Mayor, Village of Pinecrest  
H.L. (Roy) Tyler, Commissioner, City of Haines City  
Emmett W. Pacetti, Mayor, City of St. Augustine Beach

### **Attorney**

Kraig A. Conn, Esq.  
Tallahassee, Florida

### **Bond Counsel**

Bryant, Miller and Olive, P.A.  
Tampa, Florida

### **Financial Advisor**

First Southwest Company  
Orlando, Florida

### **Program Administrator**

Florida League of Cities, Inc.  
Tallahassee, Florida

NO BROKER, DEALER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS AND THERE SHALL BE NO 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 PUBLIC DOCUMENTS, RECORDS AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED 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 ISSUER OR THE BORROWER SINCE THE DATE HEREOF.

CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWER IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE BORROWER THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT HAS BEEN "DEEMED FINAL" BY THE ISSUER FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12.

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## **OFFICIAL STATEMENT**

Relating To

\$66,385,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

(North Miami Beach Water Project)

Series 2002B

### **INTRODUCTION**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of \$66,385,000 Florida Municipal Loan Council Revenue Bonds, Series 2002B (the "Bonds") to be issued by the Florida Municipal Loan Council (the "Issuer").

This Introduction is only a brief description of the matters described in this Official Statement, and a full review of this Official Statement should be undertaken by potential investors in the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer is a separate legal entity under the laws of the State of Florida. The Issuer was created by an Interlocal Agreement, dated December 1, 1998, initially among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality. The Bonds are being issued pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), authorizing resolutions adopted by the Issuer on December 17, 1998 and May 16, 2002 and a Trust Indenture (the "Indenture") dated as of August 1, 2002, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make a loan to the City of North Miami Beach, Florida (the "Borrower") pursuant to a Loan Agreement, dated as of August 1, 2002, between the Issuer and the Borrower (the "Loan Agreement"). The Borrower will use proceeds of the loan made to it by the Issuer (the "Loan") to finance the cost of acquisition and construction of improvements to the potable water production and distribution system of the Borrower (the "Project") and to pay the costs of issuance of the Bonds.

Pursuant to the Loan Agreement, the Borrower agrees to make payments (the "Basic Payments") in such amounts and at such times as shall be sufficient to pay the principal of, premium, if any, and interest on the Loan to the Borrower when due. The Basic Payments correlate to the debt service on the Bonds.

Pursuant to the Loan Agreement, the Borrower also agrees to make certain other payments (the "Additional Payments"), including, but not limited to, the fees and expenses of the Issuer, the Program Administrator and the Trustee and any fees, including any rebate obligation with respect to the Bonds.

In addition, pursuant to the Loan Agreement, the Borrower agrees to make payments to restore any amount drawn from the Reserve Fund established in connection with the Bonds (the "Reserve Payments").

The Basic Payments, Additional Payments and Reserve Payments are collectively referred to as the "Loan Repayments."

The Basic Payment and Reserve Payment obligations of the Borrower will be payable solely from and secured by a pledge of and lien upon the Pledged Funds (hereinafter defined), which consist primarily of the Net Revenues (hereinafter defined) of the Borrower's potable water production and transmission system (the "System"), in the manner and priority as further described herein. The Additional Payments are unsecured obligations of the Borrower which are payable solely from the Gross Revenues (hereinafter defined) of the System, and which constitute Operating Expenses thereof. Further information concerning the Borrower, the Net Revenues and the System is contained herein under the captions "Security and Sources of Payment," "The Borrower's Bond Resolution" and "The System."

To evidence the obligation of the Borrower to make the Basic Payments and Reserve Payments, and to secure the same, the Borrower will issue its Water Revenue Note, Series 2002 (the "Borrower's Note") pursuant to Resolution No. R2002-34 of the Borrower, adopted July 16, 2002, as amended and supplemented (as so amended and supplemented, the "Borrower's Bond Resolution"). Further information concerning the Borrower's Bond Resolution is contained herein under the caption "The Borrower's Bond Resolution." The form of the Borrower's Bond Resolution is reproduced herein as Appendix E.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to (i) the Loan Agreement, including the Issuer's right to receive Basic Payments and Reserve Payments, and (ii) the Borrower's Note, as the source of payment of and security for the Bonds.

**The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreement and Note (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the Borrower pursuant to the Loan Agreement are not a general debt, liability or obligation of the Borrower, but are limited obligations of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

There follow in this Official Statement descriptions of the Bonds, the Issuer, the Insurer, the Borrower and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter at 1640 Gulf-to-Bay Boulevard, FL2-020-01-04, Clearwater, Florida 33755 prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture. See Appendices C, D and E for definitions of certain terms used in this Official Statement.



## THE BONDS

### General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of August 1, 2002, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each February 1 and August 1 (each, an "Interest Payment Date"), commencing February 1, 2003.

The principal and premium of the Bonds shall be payable when due by check or draft, upon presentation and surrender of the Bonds at the Designated Office (initially, Charlotte, North Carolina) of Wachovia Bank, National Association, as Trustee (the "Trustee"), and interest will be payable by check or draft mailed by the Trustee on each Interest Payment Date to the holders of the Bonds registered as such as of the Record Date; provided, however, that at the expense of and upon the written request of a holder of \$1,000,000 or more (or of all Bonds if less than \$1,000,000 shall be outstanding) interest will be paid by wire transfer to an account in the United States. The Record Date with respect to any Interest Payment Date is the fifteenth day of the calendar month preceding such Interest Payment Date.

All payments of principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

### Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, 2012 are not subject to optional redemption prior to maturity. The Bonds maturing after August 1, 2012 are subject to redemption at the option of the Issuer on or after August 1, 2012 as a whole or in part at any time, in any manner as determined by the Trustee, during the following periods and at the following redemption prices, expressed as percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(Both dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
August 1, 2012 through July 31, 2013	101%
August 1, 2013 and thereafter	100%

Scheduled Mandatory Redemption. The Bonds maturing on August 1, 2022 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on August 1, 2021 as set forth below:

<u>Year</u>	<u>Principal Amount</u>
2021	\$2,975,000
2022*	3,120,000

\*Maturity, not a redemption

The Bonds maturing on August 1, 2027 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on August 1, 2023 and on each August 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2023	\$3,265,000
2024	3,430,000
2025	3,605,000
2026	3,785,000
2027*	3,980,000

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\*Maturity, not a redemption

The Bonds maturing on August 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on August 1, 2028 and on each August 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2028	\$4,180,000
2029	4,390,000
2030	4,610,000
2031	4,845,000
2032*	5,085,000

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\*Maturity, not a redemption

Selection of Bonds to Be Redeemed. The Bonds may be redeemed only in Authorized Denominations. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise specified in the Indenture, be selected by the Registrar by lot or in such other manner as the Trustee in its discretion may deem appropriate.

Notice of Redemption. In the case of every redemption, the Trustee shall cause notice of such redemption to be given to the registered Owner of any Bonds designated for redemption in whole or in part, at such Owner's address as the same shall last appear on the Bond registration books, by mailing a copy of the redemption notice by first class mail at least thirty days prior to the redemption date. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds.

Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, 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 said notice, and that on and after said date interest thereon will cease to accrue. If less than all of the outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

Notice of redemption is also required to be sent by registered or certified mail or overnight delivery service to certain securities depositories, provided, however, that such mailing is not a condition precedent to any redemption and a failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

Effect of Calling for Redemption. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available for such redemption being on deposit with the Trustee in accordance with the provisions of the Indenture, then notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding under the Indenture and the Issuer shall be under no further liability in respect thereof.

### **Book-Entry Only System**

*The information provided immediately below concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the Issuer, the Trustee or the Borrower.*

Unless the book-entry system described herein is terminated, as hereinafter described, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee on behalf of 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 "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts. Thereby 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard

and Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 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 Bond (a "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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 the 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, defaults and proposed amendments to Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent only to Cede & Co. for so long as it is the registered owner of the Bonds. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest 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 on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions

and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

The Issuer and the Trustee have entered into a letter of representations (the "Book-Entry Agreement") with DTC providing for such book-entry only system. However, the book-entry only system may be terminated upon the happening of either of the following: (a) DTC discontinues providing its services as securities depository by giving reasonable notice to the Issuer or the Trustee, or (b) the Issuer, elects to terminate the book-entry only system by notice to DTC. If the Issuer does not replace DTC, the Trustee shall notify DTC of the availability of definitive or temporary Bond certificates (the "Replacement Bonds") to Beneficial Owners requesting the same in an aggregate outstanding amount representing the interest of each such Beneficial Owner, making such adjustments and allowances as the Trustee may find necessary or appropriate as to accrued interest and previous payments of principal. Definitive Replacement Bonds shall be issued only upon surrender to the Trustee of the Bonds of each maturity by DTC, accompanied by registration instructions for the definitive Replacement Bonds for such maturity from DTC. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and conclusively may rely on and shall be protected in relying on such instructions of DTC.

#### **THE ISSUER**

The Issuer was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended, through an Interlocal Agreement dated as of December 1, 1998 (the "Interlocal Agreement"), initially by and among the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida.

The Issuer is a separate legal entity created for the purpose of enabling participating municipalities and counties or other participating governmental entities to finance or refinance (including reimbursement of prior expenditures) undertakings on a cooperative and cost effective basis and to benefit from the economies of scale associated with larger scale financings which might otherwise be unrealized if separate financings were undertaken. The Bonds are being issued in furtherance of the Issuer's program (the "Program") of making loans to participating governmental units. Pursuant to the Interlocal Agreement, the Issuer has the power to issue, from time to time, in various series, bonds, notes or other obligations to finance and re-finance loans to participating governmental entities.

Membership in the Issuer consists of those governmental entities which from time to time have been admitted to membership by the affirmative vote of two-thirds of the board of directors of the Issuer and which have joined in the Interlocal Agreement. While membership in the Issuer is open to other governmental entities, membership in the Issuer is not a pre-condition to becoming a Borrower under the Program.

The Issuer is governed by a board of directors which consists of not less than one or more than seven elected public officials, each of which shall be appointed by the President of the Florida League of Cities, Inc. There is no limitation upon the term of office of a director, and directors serve until the expiration of their term in elected office, their resignation or their removal. A director may be removed upon the affirmative vote of at least two-thirds of the members of the Issuer.

The duration of the Issuer shall continue so long as any obligation of the Issuer or any obligation of any participating governmental entity issued under the Program remains outstanding.

The Bonds constitute the seventh series of bonds to be issued by the Issuer.

The current Board of Directors of the Issuer consists of the following elected officials:

<u>Name</u>	<u>Elected Position</u>
Raul Martinez	Mayor, City of Hialeah
Jeffrey A. Krauskopf	Commissioner, City of Stuart
Evelyn L. Greer	Mayor, Village of Pinecrest
H.L. (Roy) Tyler	Commissioner, City of Haines City
Emmett W. Pacetti	Mayor, City of St. Augustine Beach

### **THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT**

#### **The Administrator**

The Administrator of the Issuer's Program is the Florida League of Cities, Inc., a Florida non-profit corporation established in 1922. The mission of the Administrator, as outlined in its charter, is primarily to provide assistance to Florida municipalities on matters of common interest. The Administrator will provide loan origination and administration services under the Indenture pursuant to the Program Administration Agreement (hereinafter described).

The Administrator is a Florida corporation not-for-profit. The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties.

The Administrator is governed by a Board of Directors consisting of 52 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's six outstanding bond issues, the Administrator has also provided loan origination and administration services in connection with other prior loan pools established by entities other than the Issuer and, in that capacity, has participated in the origination of numerous loans to Florida municipalities and counties.

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 160 full-time employees and an annual operating budget of approximately \$15.7 million.

The Bonds are not obligations of the Administrator. The Administrator is neither obligated nor expected to advance its own funds to pay principal of or interest on the Bonds or to perform the other obligations of the Issuer under the Indenture.

### **The Administration Agreement**

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loan complies with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a semi-annual fee based upon the principal balance of the Loan outstanding. The amount of the annual fee does not exceed 1/10 of one percent of the par amount of the Loan outstanding, and based upon the original par amount at issuance for the Loan, the fee decreases as a percentage as the par amount increases above certain levels.

## **THE BORROWER**

CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWER IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE BORROWER THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING

### **General**

The Borrower is a municipal corporation of the State of Florida. The Borrower was created in 1926 by action of the legislature of the State of Florida.

The Borrower is located on the East Coast of South Florida, mid-way between the cities of Miami and Fort Lauderdale, in northeastern Miami-Dade County.

The estimated 2002 population of the Borrower is approximately 41,000 people. The geographical jurisdiction of the Borrower encompasses approximately 5.1 square miles.

## **Government**

Under Florida law, municipalities have full home rule powers, i.e., the governmental, corporate and proprietary powers to enable them to conduct municipal government, and they may exercise any power for municipal purposes, except when expressly prohibited by law. The governing body of a Florida municipality may enact legislation on any subject matter upon which the State of Florida Legislature may act, except as prohibited by State Constitution, a State Statute, or, in certain circumstances, a County Charter. The form of government of a municipality is set forth in the municipal charter, with the constraint that the legislative body be elected.

The charter of the Borrower currently provides for a "Council-Manager" form of government. The City Council (the "Council") is the legislative body, with the power to pass ordinances and adopt resolutions, and the City Manager is the chief administrative officer and head of the administrative branch of the Borrower. The Council consists of six council members and a Mayor, each of whom is elected by the voters. The Mayor presides at all meetings of the City Council, and is recognized as the head of the City for service of process, for ceremonial purposes and for execution of documents.

## **Administration**

The City Manager is responsible for administration of all departments of the Borrower. There is no definite term of office of the City Manager, as he or she holds office at the pleasure of the City Council. Among the duties of the City Manager are the appointment and removal of department directors, removal of subordinate officers and employees, the supervision of departments, the making of recommendations to the City Council, the submission of an annual budget and the submission of an annual report on the operations of the City for preceding fiscal year.

## **PURPOSE OF THE BONDS**

### **In General**

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make the Loan to the Borrower for the purpose of providing funds to (i) finance the costs of the Project and (ii) pay costs and expenses related to the issuance of the Bonds, including the premiums for the bond insurance policy and the Debt Service Reserve Fund Surety Bond described below.

Under the terms of the Indenture, proceeds of the Bonds representing accrued interest will be deposited into the Revenue Fund, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into the Costs of Issuance Fund and the balance of the proceeds of the Bonds will be deposited into the Project Loan Fund, to be disbursed upon requisition therefor to the Borrower. Although not actually disbursed to the Borrower, the Borrower is responsible for repayment of that portion of the Bonds corresponding to the costs of issuance.

### **The Project**

The Borrower currently provides potable water to the customers of its water utility system by producing water and by bulk-purchasing potable water from Miami-Dade County, Florida. The Borrower has determined to increase the volume of water that it produces, and to reduce or eliminate the volume of



water bulk-purchased from Miami-Dade County. The Project consists of acquisition, construction and equipping of improvements to the System necessary to fulfill this goal.

Detailed information concerning the Project and its components is contained in the Consulting Engineer's Report (the "Consulting Engineer's Report") prepared by Hartman and Associates, Inc. (the "Consulting Engineers") included in this Official Statement as Appendix I. The Consulting Engineer's Report contains information material to an investment decision with respect to the Bonds, and it should be read in its entirety.

**Estimated Sources and Uses**

The following table sets forth the estimated sources and uses of funds in connection with the Bonds:

SOURCES OF FUNDS:

Par Amount . . . . .	\$66,385,000.00
Net Original Issue Premium . . . . .	368,391.40
Accrued Interest . . . . .	<u>126,788.72</u>
TOTAL SOURCES: . . . . .	\$66,880,180.12

USES OF FUNDS:

Deposit to Project Loan Fund(1) . . . . .	\$65,220,348.50
Costs of Issuance(2) . . . . .	1,033,042.90
Deposit to Revenue Fund(3) . . . . .	<u>126,788.72</u>
TOTAL USES: . . . . .	\$66,880,180.12

- (1) The deposit to the Project Loan Fund includes an amount, together with investment earnings thereon, estimated to be sufficient to pay the interest due on the Bonds to and including August 1, 2005.
- (2) This includes legal fees, underwriter's discount, bond insurance, costs of printing and other incidental expenses.
- (3) Accrued interest.

**SECURITY AND SOURCES OF PAYMENT**

**Limited Obligations; Trust Estate**

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreement and Note, (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the Borrower pursuant to the Loan Agreement are not a general debt, liability or obligation of the Borrower, but are limited

**obligations of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

The proceeds to be received by the Issuer from the sale of the Bonds will be loaned by the Issuer to the Borrower pursuant to the Loan Agreement. The Loan Agreement provides that the Borrower will make payments to the Trustee (the "Basic Payments") in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the Bonds.

In addition, the Loan Agreement provides that the Borrower will make payments to the Trustee (the "Reserve Payments") in order to reinstate the Debt Service Reserve Fund Surety Bond (see "Reserve Fund" herein) for any amount drawn thereon due to the Borrower's failure to pay its Basic Payments.

The Basic Payment and Reserve Payment obligations of the Borrower will be payable from and secured by a pledge of and lien upon the Pledged Funds, which consist primarily of the Net Revenues (hereinafter defined) of the Borrower's potable water production and transmission system (the "System"), in the manner and priority described herein. The Additional Payments are unsecured obligations of the Borrower which are payable solely from the Gross Revenues (hereinafter defined) of the System, and which constitute Operating Expenses thereof. Further information concerning the Borrower, the Net Revenues and the System is contained herein under the captions "Security and Sources of Payment," "The Borrower's Bond Resolution" and "The System."

To evidence the obligation of the Borrower to make the Basic Payments and Reserve Payments, and to secure the same, the Borrower will issue its Water Revenue Note, Series 2002 (the "Borrower's Note") pursuant to Resolution No. R2002-34 of the Borrower, adopted July 16, 2002, as amended and supplemented (as so amended and supplemented, the "Borrower's Bond Resolution"). Further information concerning the Borrower's Bond Resolution is contained herein under the caption "The Borrower's Bond Resolution."

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to (i) the Loan Agreement, including the Issuer's right to receive Basic Payments and Reserve Payments, and (ii) the Borrower's Note, as the source of payment of and security for the Bonds.

### **Reserve Fund**

The Indenture establishes a Reserve Fund which is required to be and which shall be funded at closing by the Debt Service Reserve Fund Surety Bond described below.

The Debt Service Reserve Fund Surety Bond also serves as the reserve fund for the Issuer's Revenue Bonds, Series 2001A, issued November 15, 2001 and Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amounts of \$90,210,000 and \$49,775,000, respectively. The Insurer has also issued financial guaranty insurance policies with respect to these prior bonds of the Issuer.

The Indenture provides that the Issuer may issue additional bonds and that the Debt Service Reserve Fund Surety Bond may serve as the reserve fund for such additional bonds, but only with the written consent of the Insurer. The Issuer may also substitute an Alternate Surety Bond for the Debt Service Reserve Fund Surety Bond, again only with the written consent of the Insurer.

Moneys on deposit in the Reserve Fund (including the Debt Service Reserve Fund Surety Bond) shall be applied to cure deficiencies in the Revenue Fund.

MBIA Insurance Corporation (the "Insurer") has committed to issue a debt service reserve surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Issuer or the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Issuer or the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Issuer or the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Issuer or the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with the Trustee sufficient for the payment of amounts which are then due to the Trustee (as specified in the Demand for Payment, subject to the Debt Service Reserve Fund Surety Bond coverage).

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Issuer. The Issuer and the Insurer have entered into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the Issuer is required to reimburse the Insurer from amounts it has received, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Revenue Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, from the funds supplied to the Trustee, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Bonds with respect to which a draw has been made under the Debt Service Reserve Fund Surety Bond may be made until the Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is provided as an alternative to the Issuer depositing funds in the Reserve Fund. The Debt Service Reserve Fund Surety Bond has been issued in the face amount of \$5,862,500 and the premium therefor will have already been fully paid by the Issuer at the time of delivery of the Bonds.

#### **Additional Bonds**

No additional Bonds or other obligations secured by or payable from the Trust Estate may be issued pursuant to the Indenture. However, the Borrower may incur additional indebtedness secured by and payable from the Pledged Funds on a parity with the Basic Payments pursuant to the provisions of the Borrower's Bond Resolution. See "The Borrower's Bond Resolution - Additional Bonds" herein for further information.

## **THE BORROWER'S BOND RESOLUTION**

### **In General**

The obligation of the Borrower to make the Basic Payments and Reserve Payments pursuant to the Loan Agreement will be evidenced by the Borrower's Water Revenue Note, Series 2002 (the "Borrower's Note"). The Borrower's Note is issued pursuant to Resolution No. R2002-34 of the Borrower, adopted July 16, 2002, as amended and supplemented (as so amended and supplemented, the "Borrower's Bond Resolution").

Pursuant to the Borrower's Note, the Borrower agrees to make payments (the "Basic Payments") in such amounts and as such times as shall be sufficient to pay the principal of, premium, if any, and interest on the Loan to the Borrower when due. The Basic Payments correlate to the debt service on the Bonds.

In addition, the Loan Agreement provides that the Borrower will make payments to the Trustee (the "Reserve Payments") in order to reinstate the Debt Service Reserve Fund Surety Bond (see "Reserve Fund" herein) for any amount drawn thereon due to the Borrower's failure to pay its Basic Payments. The obligation of the Borrower to make Reserve Payments is secured by the Pledged Funds, but is payable only in accordance with the flow of funds established pursuant to the Borrower's Bond Resolution (i.e., from amounts available in the reserve fund established pursuant to the Borrower's Bond Resolution), and would be payable on a parity with the obligation of the Borrower to restore any account in the Borrower's reserve fund established in connection with other Borrower Bonds (hereinafter defined).

The Borrower's Note does not constitute a general obligation of the Borrower, but is payable solely from the Pledged Funds, as provided in the Borrower's Bond Resolution. Neither the Issuer, the Trustee, or the holder of any of the Bonds, shall ever have the right to compel the exercise of the ad valorem taxing power of the Borrower, or taxation in any form of any real property therein, to pay the Borrower's Note or the interest thereon. The Borrower's Note is not an obligation of the State of Florida or any political subdivision thereof, other than the Borrower, payable only as aforesaid.

### **Security for the Borrower's Note**

Pursuant to the Borrower's Bond Resolution, the Borrower grants a pledge of and a lien upon the Pledged Funds to secure the Borrower's Note. In addition to the Borrower's Note, the Borrower may issue additional indebtedness payable from a lien upon and pledge of the Pledged Funds, as further described herein under "Additional Borrower Bonds." Obligations of the Borrower issued pursuant to the Borrower's Bond Resolution and secured on a parity with the Borrower's Note are, together with the Borrower's Note, referred to herein as "Borrower Bonds."

### **Pledged Funds**

As used in the Borrower's Bond Resolution, the following terms have the following meanings:

"System" shall mean any and all water transmission, distribution, treatment, storage and disposal facilities and appurtenant facilities now owned and operated or hereafter owned and operated by the Borrower, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired which shall be financed either from the proceeds of Borrower Bonds or

from any other funds or sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

"Pledged Funds" shall mean the Pledged Revenues and, until applied in accordance with the provisions of the Borrower's Bond Resolution, the proceeds of the Borrower's Bonds (other than proceeds of the Loan held under the Indenture) and all monies, including investments thereof in the funds and accounts established under the Borrower's Bond Resolution, except (i) the Rebate Fund and Rate Stabilization Fund and (ii) to the extent monies on deposit in a subaccount of the Borrower's Reserve Fund and/or an account of the Construction Fund are pledged solely for the payment of the Series Borrower Bonds for which such account was established in accordance with the Borrower's Bond Resolution.

"Pledged Revenues" shall mean the Net Revenues.

"Net Revenues" means the Gross Revenues less the Operating Expenses.

"Gross Revenues" shall mean all income and monies received by the Borrower from the Rates or otherwise received by the Borrower or accruing to the Borrower in the management and operation of the System, calculated in accordance with generally accepted accounting methods employed in the operation of public utility systems similar to the System, including, without limiting the generality of the foregoing, all earnings and income derived from the investment of monies under the provisions of the Borrower's Bond Resolution, which are transferred to the Revenue Fund or the Interest Account as therein provided. For purposes of the rate covenant and additional bonds test described herein, "Gross Revenues" shall include amounts transferred from the Rate Stabilization Fund to the Revenue Fund, but if during any period of time amounts are transferred from the Rate Stabilization Fund to the Revenue Fund, then during such period, Gross Revenues shall not include amounts transferred from the Revenue Fund to the Rate Stabilization Fund. In addition, Gross Revenues shall not include any surcharge imposed by the Borrower pursuant to the authority of Section 180.191, Florida Statutes (or any successor provision of law), to the rates, fees and charges imposed upon consumers located outside of the boundaries of the Borrower.

"Rates" means the rates, fees, rentals and other charges which shall be made and collected by the Borrower for the use of the product, services and facilities to be provided by the System, but shall not include any surcharge imposed by the Borrower pursuant to the authority of Section 180.191, Florida Statutes, (or any successor provision of law) to the rates, fees and charges imposed upon consumers located outside of the boundaries of the Borrower.

### **Operating Expenses**

"Operating Expenses" shall mean the Borrower's expenses for operation, maintenance, repairs and replacements with respect to the System, all to the extent properly attributable to the System in accordance with generally accepted accounting principles employed in the operation of the public utility systems similar to the System, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of the Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

## **Rate Covenant**

The Borrower has covenanted in the Borrower's Bond Resolution to fix, establish, maintain and collect such Rates and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year of the Borrower, Net Revenues adequate at all times to pay in each Fiscal Year at least 110% of the current annual Debt Service Requirement becoming due in such Fiscal Year on each series of Outstanding Borrower Bonds plus 100% of any Reserve Payments required to be made by the Borrower plus any amount required by the terms of the Borrower Bond Resolution to be deposited in any reserve fund created under the Borrower Bond Resolution (this is not the Reserve Fund under the Indenture) or with any issuer of a reserve fund letter of credit or reserve fund insurance policy held therein or to be deposited in the Renewal and Replacement Fund or to be paid for debt service on Subordinated Indebtedness in such Fiscal Year.

## **Flow of Funds**

The Borrower Bond Resolution establishes the following funds and accounts:

- (a) the Water System Revenue Fund;
- (b) the Operation and Maintenance Fund;
- (c) the Debt Service Fund, and therein, the Interest Account, the Principal Account and the Bond Amortization Account;
- (d) the Reserve Fund;
- (e) the Renewal and Replacement Fund;
- (f) the Rebate Fund;
- (g) the Subordinated Indebtedness Fund; and
- (h) the Rate Stabilization Fund.

All Gross Revenues will be collected by the Borrower and deposited as received into the Revenue Fund. Monies on deposit in the Revenue Fund are applied on a monthly basis pursuant to the Borrower Bond Resolution in the following order of priorities:

- (1) to the payment of Operating Expenses;
- (2) for deposits to the Debt Service Fund to provide for the payment of the principal of and interest on Borrower Bonds (including the Borrower's Note);
- (3) for required deposits to the Reserve Fund and to any other reserve account created pursuant to the Borrower's Bond Resolution;
- (4) for required deposits, if any, to the Borrower's Renewal and Replacement Fund;

- (5) to the payment of debt service for any Subordinated Indebtedness;
- (6) to make a deposit into the Rate Stabilization Fund at the Borrower's option; and
- (7) for any lawful purpose.

See "Appendix E - Form of the Borrower's Bond Resolution" for further information.

### **Additional Borrower Bonds**

Pursuant to the Borrower's Bond Resolution, the Borrower covenants that it will not, except upon the conditions and in the manner provided in the Borrower's Bond Resolution, issue any other obligations payable from the Pledged Funds, or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Borrower Bonds (and the Borrower's Note) and the interest thereon. Any obligations issued by the Borrower other than the Borrower's Note and additional Borrower Bonds issued pursuant to the Borrower's Bond Resolution are required to contain an express statement that such obligations are subordinate in all respect to the Borrower's Note and other Borrower Bonds issued to the Borrower's Bond Resolution as to the lien on and source and security for payment from the Pledged Funds.

The Borrower's Bond Resolution authorizes the Borrower to issue additional Borrower Bonds payable pari passu with the Borrower's Note and other Borrower Bonds issued pursuant to the Borrower's Bond Resolution out of Pledged Funds if, and only if, among other things, the Net Revenues, adjusted as provided in the Borrower's Bond Resolution, for the most recent Fiscal Year for which audited financial statements for the System are available or any 12 consecutive months selected by the Borrower out of the 24 months immediately preceding the incurrence of such additional Borrower Bonds equal at least 115% of the Maximum Debt Service Requirement for all outstanding Borrower Bonds (including the Borrower's Note) and such additional Borrower Bonds then proposed to be issued.

In the event any additional Borrower Bonds are issued for the purpose of refunding any Borrower Bonds then Outstanding, the foregoing conditions do not apply, provided that the issuance of such additional Borrower Bonds shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Borrower Bonds becoming due in the current Fiscal Year or any subsequent Fiscal Year.

The Borrower's Bond Resolution contains provisions concerning the issuance of variable rate indebtedness and providing for certain adjustments to Net Revenues for purposes of the issuance of additional Borrower Bonds, and for further information see "Appendix E - Form of the Borrower's Bond Resolution--Section 6.02-Issuance of Bonds."

## **THE SYSTEM**

### **Definition**

"System" means any and all water transmission, distribution, treatment, storage and disposal facilities and appurtenant facilities now owned and operated or hereafter owned and operated by the Borrower, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired which shall be financed either from the proceeds of Borrower Bonds or from any other funds or

sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

### **Engineer's Report**

The Consulting Engineer's Report Water System dated June, 2002, (the "Consulting Engineer's Report"), prepared by Hartman & Associates, Inc. (the "Consulting Engineers") which appears in Appendix I hereto, sets forth certain information concerning the System. The Consulting Engineer's Report should be read in its entirety. Certain of the following information is summarized from the more detailed information contained in the Engineer's Report.

### **Description of Existing System**

The Borrower has owned and operated a potable water utility system for over 50 years.

Service Area and Physical Plant. The area presently served by the System includes the entire geographical area of the Borrower, plus certain parts of Miami-Dade County located outside of the boundaries of the Borrower. The System service area encompasses approximately 25 square miles, approximately 5.1 square miles of which are located within the boundaries of the Borrower.

As of January, 2002, the System provided service to approximately 31,659 metered connections, serving an estimated 185,000 people.

The System presently provides bulk, or wholesale, water service to the City of Hallandale, Florida and to Miami-Dade County, Florida.

The System consists of raw water supply wells, a water treatment plant ("WTP"), storage tanks, high-service pumps, water supply mains, water transmission and distribution lines and fire hydrants.

Water Supply. The Borrower currently both purchases water from and sells water to Miami-Dade County pursuant to an agreement between the Borrower and the County. The Borrower is a net purchaser from the County, and the Borrower has historically purchased, on a net basis, approximately 20% of total water sold to customers of the System. However, the Borrower believes that upon completion of the Project the raw water supply capacity will be sufficient to meet the Borrower's water supply needs for the foreseeable future without the need for purchases from Miami-Dade County.

Apart from water purchased from Miami-Dade County, the primary source of water supply to the System is a wellfield located on and northwest of the site of the water treatment plant. The wellfield consists of 12 water supply wells.

The raw water supply for the System is regulated by the South Florida Water Management District ("SFWMD"), a governmental agency created by the State of Florida, which has the responsibility of managing water resources within its boundaries. SFWMD has issued the Borrower a water use permit which authorizes the Borrower to withdraw a maximum of 41.81 million gallons-per-day ("MGD") from the Biscayne and Floridan Aquifers. The water use permit also permits a maximum annual withdrawal of 11,428 MG. During the 12 month period ended December 31, 2001, actual annual withdrawal was 5,146 MG and actual maximum daily withdrawal was 16.26 MG. The water use permit will expire on June 14, 2006 and the Borrower will then apply for a new permit.



Water Treatment. The Borrower owns and operates a lime-softening water treatment plant. This plant is operated under a permit issued by the Miami-Dade County Health Department which has no stated expiration date.

The water treatment plant is operated at levels approximating its maximum capacity. In 1982, the Borrower entered into an agreement with Miami-Dade County to purchase treated water from Miami-Dade County in order to supply a portion of the Borrower's potable water needs. While the agreement also provided for sales of treated water by the Borrower to the County, and while the Borrower did sell water to the County, historically the Borrower was a net purchaser, purchasing on a net basis approximately 20% of the total water supplied by the System (exclusive of water supplied to Miami-Dade County).

In the mid-1990s, the Borrower began to move towards independence from Miami-Dade County in terms of water supply. In 2001 a new agreement between the County and the Borrower was entered into which contemplates the cessation of water purchases by the Borrower from the County by approximately the end of 2005.

The improvements intended to be constructed pursuant to the Project will increase the Borrower's water supply and water treatment capacity and, upon completion, the System is anticipated to be able to meet demands for the foreseeable future.

### **Condition**

According to the Consulting Engineer's Report, the raw water supply components of the System are in fair to good condition, the water treatment plant is in fair to good condition, the storage and pumping components of the System are in fair condition and the transmission and distribution system varies from fair to excellent condition. According to the Consulting Engineer's Report the overall System was judged to be in fair to good condition.

### **System Operations**

The Borrower has created a Public Services Department, which includes various divisions related to the System, including the water production, water quality, meters and backflow, water distribution, water conservation, engineering design and inspections divisions. The public services department is operated under the direction of a Public Services Department director who is directly responsible to the City Manager of the Borrower.

### **Rates**

Rates for usage of the products and services of the System are set by ordinance enacted by the City Council of the Borrower, and are not subject to regulation by the Florida Public Service Commission or any other administrative agency. Water rates are adjusted annually based upon an index intended to approximate inflation/deflation. The Borrower does not contemplate any further rate revisions (other than index-based rate revisions) until approximately 2006.

For water service, the Borrower imposes a minimum service charge that varies depending upon the size of meter employed at a particular location. In addition to the service charge, the Borrower imposes a volume-based charged for water service.

The Borrower also charges customers fees for certain specifically requested services or needs. Examples of these fees include meter installation charges, turn-on fees and meter testing fees. Generally, these fees are designed on a cost recovery basis based upon the specifics of the services requested.

The Consulting Engineer's Report includes a comparison of rates charged by the Borrower and by neighboring utilities. The Consulting Engineer concludes and the Borrower believes that the Borrower's rates are comparable to those of neighboring utilities.

For the 12 months ended September, 2001, the 10 largest users of the System accounted for approximately 5.79% of the Gross Revenues of the System, with the largest user accounting for approximately 0.86% of Gross Revenues and the remaining 9 users accounting for between 0.57% and 0.42% of the Gross Revenues of the System. Accordingly, the Borrower does not believe that there is any material concentration of use of the System among any particular user.

### **Historic Operating Results**

The table below sets forth the historic operating results for the System for the fiscal years ended September 30, 1997 through 2001.

	Fiscal Years Ended September 30				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Gross Revenues	\$14,359,529	\$15,452,272	\$15,057,919	\$15,809,593	\$14,836,897
Operating Expenses	11,873,321	13,335,379	13,375,859	13,863,951	11,797,894
Net Revenue Available for Debt Service	2,486,208	2,116,893	1,682,060	1,945,642	3,039,003

## **Projected Operating Results and Debt Service Coverage**

The table below sets forth projected operating results and debt service coverage for the System for the fiscal years ending 2003 through 2007. This table represents a summary of the more detailed information contained in the Consulting Engineer's Report, and is subject to all qualifications and assumptions contained therein. The Consulting Engineer's Report should be read in its entirety.

	Fiscal Years Ending September 30				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Gross Revenues	\$20,743,200 <sup>(1)</sup>	\$21,183,500 <sup>(1)</sup>	\$20,759,000 <sup>(1)</sup>	\$16,820,900	\$17,504,200
Operating Expenses	10,078,400	10,246,200	10,486,700	9,714,100	10,012,700
Net Revenue Available for Debt Service	10,664,800	10,937,300	10,272,300	7,106,800	7,491,500
Projected Maximum Annual Debt Service	5,341,500	5,341,500	5,341,500	5,341,500	5,341,500
Debt Service Coverage	1.99x	2.05x	1.92x	1.33x	1.40x

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<sup>(1)</sup> Interest on the Bonds from their issuance through August 1, 2005 is financed with proceeds of the Bonds, and the amount of such funded interest is reflected as an increase in Gross Revenues for such period.

## **MUNICIPAL BOND INSURANCE**

### **General**

Payment of the principal of and interest on the Bonds will be insured by a Financial Guaranty Insurance Policy (the "Policy") to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

### **Municipal Bond Insurance**

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Insurer's Policy

The Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory

sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Holder of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by a Holder thereof; or (iv) any Preference relating to clauses (i) through (iii) of this paragraph. The Insurer's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any Holder of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of Holdership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such Holders of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such Holders or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Insurer set forth under the heading "Municipal Bond Insurance." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2002, the Insurer had admitted assets of \$8.6 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$2.9 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA."

Fitch, Inc. rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be reversed or withdrawn.

The insurance provided by the Insurer's Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds (and the Basic Payment obligations of the Borrower).

Year Ending August 1 (inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2003	\$ -	\$3,260,281.26 <sup>(1)</sup>	\$3,260,281.26 <sup>(1)</sup>
2004	-	3,260,281.26 <sup>(1)</sup>	3,260,281.26 <sup>(1)</sup>
2005	-	3,260,281.26 <sup>(1)</sup>	3,260,281.26 <sup>(1)</sup>
2006	215,000.00	3,260,281.26	3,475,281.26
2007	155,000.00	3,253,831.26	3,408,831.26
2008	155,000.00	3,249,181.26	3,404,181.26
2009	280,000.00	3,244,221.26	3,524,221.26
2010	505,000.00	3,234,701.26	3,739,701.26
2011	1,445,000.00	3,216,521.26	4,661,521.26
2012	1,505,000.00	3,163,056.26	4,668,056.26
2013	1,565,000.00	3,102,856.26	4,667,856.26
2014	1,625,000.00	3,040,256.26	4,665,256.26
2015	1,695,000.00	2,975,256.26	4,670,256.26
2016	1,785,000.00	2,884,150.00	4,669,150.00
2017	1,885,000.00	2,788,206.26	4,673,206.26
2018	1,990,000.00	2,686,887.50	4,676,887.50
2019	2,100,000.00	2,579,925.00	4,679,925.00
2020	2,210,000.00	2,467,050.00	4,677,050.00
2021	2,975,000.00	2,348,262.50	5,323,262.50
2022	3,120,000.00	2,206,950.00	5,326,950.00
2023	3,265,000.00	2,058,750.00	5,323,750.00
2024	3,430,000.00	1,895,500.00	5,325,500.00
2025	3,605,000.00	1,724,000.00	5,329,000.00
2026	3,785,000.00	1,543,750.00	5,328,750.00
2027	3,980,000.00	1,354,500.00	5,334,500.00
2028	4,180,000.00	1,155,500.00	5,335,500.00
2029	4,390,000.00	946,500.00	5,336,500.00
2030	4,610,000.00	727,000.00	5,337,000.00
2031	4,845,000.00	496,500.00	5,341,500.00
2032	<u>5,085,000.00</u>	<u>254,250.00</u>	<u>5,339,250.00</u>
<b>Total</b>	<b>\$66,385,000.00</b>	<b>\$71,638,687.64</b>	<b>\$138,023,687.64</b>

(1) Interest has been capitalized for these Bond Years so net debt service on the Bonds is approximately zero.

## TAX MATTERS

### General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of Federal income taxation. Non-compliance may cause interest on the Bonds to be included in Federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrower have covenanted in the Loan Agreement to comply with such requirements in order to maintain the exclusion from Federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the alternative minimum tax when any Bond is held by a corporation. The alternative minimum taxable income of a corporation must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds. In addition, in the opinion of Bond Counsel the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

Except as described above, Bond Counsel will express no opinion regarding the Federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in collateral Federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on Bonds in passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain Federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases these proposals have contained provisions that altered these



consequences on a retroactive basis. Such alteration of Federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the Federal tax consequences resulting from ownership Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

### **Tax Treatment of Original Issue Discount**

Under the Code, the difference between the principal amount of the Bonds maturing in the years 2008, 2009, 2010, 2011, 2014, 2022, 2027 and 2032, and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Bonds of the same maturity was sold is "original issue discount." Original issue discount will accrue over the term of such Bonds at a constant interest rate compounded periodically. A purchaser who acquires such Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Bonds, and will increase his adjusted basis in such Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of such Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

### **Tax Treatment of Bond Premium**

The Bonds maturing in years 2006, 2007, 2012 and 2013 were offered at prices in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

In addition, the Bonds maturing in years 2015 through 2020 were offered at prices in excess of the principal amount thereof to achieve a yield based upon the date on which such Bonds are subject to optional redemption by the Issuer (the "Call Date") rather than the maturity date (the "Callable Premium Bonds"). Under the Code, the excess of the cost basis of a Callable Premium Bond over the amount payable at the Call Date of the Callable Premium Bond that minimizes the yield to a purchaser of a Callable Premium Bond (the "Lowest Yield Call Date") (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the period to the Lowest Yield Call Date of a Callable Premium Bond. A bondholder will therefore be required to decrease his basis in the Callable Premium Bond by the amount of the amortizable bond premium attributable to each taxable year he holds

such Callable Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Holders of the Bonds described above should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such Bonds.

## LITIGATION

### **The Borrower**

On the date of delivery of the Bonds, counsel to the Borrower will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of such counsel's knowledge after due inquiry threatened, against or affecting the Borrower wherein an unfavorable decision, ruling or finding would adversely affect the Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the Borrower's Note or the validity or enforceability of the Loan Agreement or the Borrower's Note.

### **The Issuer**

On the date of delivery of the Bonds, counsel to the Issuer will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of his knowledge, after due inquiry of the Issuer, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds, the Indenture or the Loan Agreement.

## VALIDATION

On March 15, 1999, the Circuit Court of the Second Judicial Circuit of Florida in and for Leon County, Florida, entered an order validating the Bonds. The time for filing an appeal from such judgment expired with no appeal having been filed.

## LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bryant, Miller and Olive, P.A. bond counsel. Bond counsel has not undertaken to independently verify, and therefore expresses no opinion as to the accuracy, completeness or fairness of any of the statements in this Official Statement or in the Appendices hereto, except as to the fairness and accuracy of the information in the sections hereof captioned "The Bonds" (except for the information contained in the subheading thereunder captioned "Book-Entry Only System" as to which no opinion will be expressed), "Security and Sources of Payment," "The Borrower's Bond Resolution" and "Tax Matters." A form of the approving opinion of bond counsel is included herein as Appendix F. Certain legal matters will be passed upon for the Issuer by its counsel, Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Moyle,

Flanigan, Katz, Raymond & Sheehan, P.A. Certain legal matters will be passed upon for certain of the Borrower by the City Attorney.

Bond Counsel, counsel to the Issuer and counsel to the Underwriter will receive fees for services rendered in connection with the issuance of the Bonds, which fees are contingent upon the issuance and sale of the Bonds.

## **RATINGS**

Moody's Investor's Service, Inc., Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies and Fitch, Inc. have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy will be issued by the Insurer. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained only from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of either or both of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the Issuer has undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

## **UNDERWRITING**

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$66,355,745.25 (which includes net original issue premium of \$368,391.40 and underwriter's discount of \$397,646.15) plus accrued interest, and to reoffer the Bonds at the prices shown on the cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds. Depending upon prevailing market conditions, including the financial condition or market positions of firms which may make the secondary market, evaluation of the Borrower's capabilities and the financial condition and results of their operations, there may not be a secondary market for the Bonds from time to time, and investors in the Bonds may be unable to divest themselves of their interests therein.

## **FINANCIAL STATEMENTS**

Excerpts of the Borrower's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001, including the Borrower's basic financial statements and the report of Rachlin Cohen & Holtz LLP, certified public accountants and consultants, in connection therewith, are included in Appendix H. Rachlin Cohen & Holtz LLP did not participate in the preparation of this Official Statement or consent to the use of their report herein.

## **ENGINEER'S REPORT**

The Consulting Engineer's Report included herein as Appendix I was prepared by Hartman & Associates, Inc. It has been included herein with the consent of said firm and in reliance upon said firm as experts in the field of water utilities.

## **FINANCIAL ADVISOR TO THE ISSUER**

The Issuer has retained First Southwest Company, Orlando, Florida, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **CONTINUING DISCLOSURE**

In compliance with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12) (the "Rule"), the Issuer and the Borrower have entered into a covenant (each, a "Continuing Disclosure Covenant") that constitutes the written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of the Rule. The form of the Continuing Disclosure Covenants for the Issuer and the Borrower are contained in Appendices A and B hereof. The Issuer and the Borrower, respectively, have complied in all material respects with all of their respective undertakings, if any, pursuant to the Rule.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

**MISCELLANEOUS**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. So far as any statements made in this Official Statement involve matters of opinion or are estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

FLORIDA MUNICIPAL LOAN COUNCIL

By: /s/ Raul Martinez  
Its Chairman

CITY OF NORTH MIAMI BEACH, FLORIDA

By: /s/ Gary Brown  
Its City Manager

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**APPENDIX A**

**FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWER**

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## APPENDIX A

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWER

#### CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of August 1, 2002 (the "Continuing Disclosure Agreement") is executed and delivered by the City of North Miami Beach, Florida, a Florida municipality ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Borrower under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Borrower is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Borrower in accordance with paragraph (b)(5)(i)(A) of the Rule and Section 4 hereof, which contains Annual Financial Information with respect to the Borrower, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with paragraph (b)(5)(i)(B) of the Rule and Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(C) of the Rule and Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(D) of the Rule and Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Financial Information"** shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

**"Annual Report"** means a document or set of documents which (a) identifies the Borrower; (b) contains (or includes by reference to documents which were provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Borrower; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be

provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Borrower delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Borrower authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Certificate"** means an Annual Report Certificate in the form attached hereto as Exhibit A.

**"Annual Report Date"** means the date which is 270 days after the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Borrower which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$\_\_\_\_\_ Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B.

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Borrower to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed

pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"Event Notice"** means notice of the occurrence of a Listed Event.

**"Final Official Statement"** means the Final Official Statement (as defined in paragraph (f)(3) of the Rule) prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Borrower of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Borrower which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated as of August 1, 2002 by and between Florida Municipal Loan Council, as Issuer, and Wachovia Bank, National Association, as Trustee.

**"Insurer"** means MBIA Insurance Corporation.

**"Issuer"** means Florida Municipal Loan Council.

**"Loan Agreement"** means the Loan Agreement dated as of August 1, 2002 between the Issuer and the Borrower.

**"Listed Events"** means any of the events which are listed in paragraph (b)(5)(i)(C) of the Rule as in effect on the date hereof and which are set forth in Section 6 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"NRMSIR"** means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

**"Offering"** shall have the meaning ascribed thereto in paragraph (a) of the Rule.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Banc of America Securities LLC.

**"Rating Agencies"** means Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services.

**"Repository" or "Repositories"** means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

**"Rule"** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

**"SEC"** means the Securities and Exchange Commission.

**"SID"** means, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

**"Trustee"** means Wachovia Bank, National Association, as trustee under the Indenture.

**"Unaudited Financial Statements"** means unaudited financial statements of the Borrower for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Borrower Respecting Undertaking.** (a) The Borrower hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Borrower may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Borrower shall discharge such obligations until such time as the Borrower shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Borrower hereby acknowledges that the Borrower is obligated to comply with paragraph (5)(i) of the Rule in connection with the issuance of the Bonds and that the appointment of the Dissemination Agent as agent of the Borrower for the purposes herein provided does not relieve the Borrower of its obligations with respect to paragraph (5)(i) of the Rule.

**SECTION 4. Annual Financial Information.** (a) The Annual Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section

5(b) hereof, the Audited Financial Statements which the Borrower is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Borrower of each Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Report Date. The Borrower shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Borrower shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to each Repository, the Trustee, the Issuer, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Borrower.

(d) The Dissemination Agent shall provide the Issuer, the Borrower and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to each Repository in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify the Borrower, the Repositories, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

**SECTION 5. Continuing Disclosure Certificates.** (a) The Borrower shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter, Issuer and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data from the information listed in Exhibit B hereto the Borrower will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to of the Borrower) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent to the effect that the Financial and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Borrower shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an

adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

**SECTION 6. Reporting of Listed Events.** (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Borrower obtains actual knowledge of the occurrence of any of the Listed Events, the Borrower shall, on a timely basis and in any event within ten (10)

Business Days, determine whether the occurrence of such event is material to any of the Bondholders.

(c) If the Borrower determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Borrower shall promptly notify the Dissemination Agent of such determination in writing and instruct the Dissemination Agent to provide Event Notice in accordance with Section 6(e) hereof.

(d) If the Borrower determines that the occurrence of the Listed Event described in such notice is not material, the Borrower shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Borrower under this paragraph (d) shall be conclusive and binding on all parties hereto.

(e) If the Borrower instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(c) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with each Repository, the Trustee, the Rating Agencies, the Issuer and the Insurer. The Dissemination Agent shall provide the Borrower, the Issuer and the Trustee written confirmation that such Event Notice was provided to each Repository in accordance with this Section 6(e).

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

(g) Notwithstanding the foregoing, whenever the Borrower authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Borrower shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with each Repository, the Issuer, the Insurer, the Rating Agencies and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with each Repository, the Issuer, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Borrower written confirmation that such notice was provided to each Repository in accordance with this Section 6(g).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Borrower from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Borrower from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require

the Borrower to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the effective date of any such amendment or waiver, the Borrower delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Borrower), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

**SECTION 9. Assignment.** The Borrower may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Borrower which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Borrower agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes.

**SECTION 11. Concerning the Dissemination Agent and the Borrower.** (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof, except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for



disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder; and

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Borrower assumes no obligations hereunder other than those specifically assumed by the Borrower herein.

**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Loan Agreement terminates.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF,** the Borrower and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

CITY OF NORTH MIAMI BEACH,  
FLORIDA, as Borrower

By: \_\_\_\_\_  
Its: \_\_\_\_\_

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT A

### Form of Annual Report Certificate

The undersigned duly appointed and acting \_\_\_\_\_ of the City of North Miami Beach, Florida, a Florida municipality, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of August 1, 2002 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended \_\_\_\_\_.
3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Master Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Governing Body as of the date hereof, the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Borrower shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

CITY OF NORTH MIAMI BEACH,  
FLORIDA, as Borrower

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Acknowledgment of Receipt:

\_\_\_\_\_  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT B**

**Form of Section 5(a) Continuing Disclosure Certificate**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned duly appointed and acting \_\_\_\_\_ of the City of North Miami Beach, Florida (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of August 1, 2002 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Borrower is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Written Undertaking. On behalf of the Borrower, the Borrower hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$\_\_\_\_\_ Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B.

4. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information \_\_\_\_\_

(b) Operating Data \_\_\_\_\_

5. Annual Report. Until such time as the Borrower delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 4 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

CITY OF NORTH MIAMI BEACH, FLORIDA, as  
Borrower

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Acknowledgment of Receipt:

\_\_\_\_\_  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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**APPENDIX B**

**FORM OF CONTINUING DISCLOSURE AGREEMENT FOR ISSUER**

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## APPENDIX B

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR ISSUER

#### CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of August 1, 2002 (the "Continuing Disclosure Agreement") is executed and delivered by Florida Municipal Loan Council, ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Issuer under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Issuer is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Issuer in accordance with paragraph (b)(5)(i)(A) of the Rule and Section 4 hereof, which contains Annual Financial Information with respect to the Issuer, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with paragraph (b)(5)(i)(B) of the Rule and Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(C) of the Rule and Section 6 hereof, of the occurrence of any of the Listed Events related to the Issuer and (iv) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(D) of the Rule and Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Financial Information"** shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

**"Annual Report"** means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Issuer; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements

if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Issuer delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Issuer authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Certificate"** means an Annual Report Certificate in the form attached hereto as Exhibit A.

**"Annual Report Date"** means the date which is 270 days after the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Issuer which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$\_\_\_\_\_ Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B.

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Issuer to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed

pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"Event Notice"** means notice of the occurrence of a Listed Event.

**"Final Official Statement"** means the Final Official Statement (as defined in paragraph (f)(3) of the Rule) prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Issuer of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Issuer which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated as of August 1, 2002, by and between the Issuer and Wachovia Bank, National Association, as Trustee.

**"Insurer"** means MBIA Insurance Corporation.

**"Issuer"** means Florida Municipal Loan Council.

**"Listed Events"** means any of the events which are listed in paragraph (b)(5)(i)(C) of the Rule as in effect on the date hereof and which are set forth in Section 6 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"NRMSIR"** means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

**"Offering"** shall have the meaning ascribed thereto in paragraph (a) of the Rule.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Banc of America Securities LLC.

**“Rating Agencies”** means Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services.

**"Repository" or "Repositories"** means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

**"Rule"** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

**"SEC"** means the Securities and Exchange Commission.

**"SID"** means, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

**"Trustee"** means Wachovia Bank, National Association, as trustee under the Indenture.

**"Unaudited Financial Statements"** means unaudited financial statements of the Issuer for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Issuer Respecting Undertaking.** (a) The Issuer hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Issuer may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Issuer shall discharge such obligations until such time as the Issuer shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Issuer hereby acknowledges that the Issuer is obligated to comply with paragraph (5)(i) of the Rule in connection with the issuance of the Bonds and that the appointment of the Dissemination Agent as agent of the Issuer for the purposes herein provided does not relieve the Issuer of its obligations with respect to paragraph (5)(i) of the Rule.

**SECTION 4. Annual Financial Information.** (a) The Annual Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Issuer is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Issuer of each Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to each Repository, the Trustee, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Issuer.

(d) The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to each Repository in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify the Repositories, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

**SECTION 5. Continuing Disclosure Certificates.** (a) The Issuer shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data from the information listed in Exhibit B hereto the Issuer will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to of the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent to the effect that the Financial and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Issuer shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

**SECTION 6. Reporting of Listed Events.** (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Issuer obtains actual knowledge of the occurrence of any of the Listed Events, the Issuer shall, on a timely basis and in any event within ten (10) Business Days, determine whether the occurrence of such event is material to any of the Bondholders.

(c) If the Issuer determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Issuer shall promptly notify the Dissemination Agent of such determination in writing and instruct the Dissemination Agent to provide Event Notice in accordance with Section 6(e) hereof.

(d) If the Issuer determines that the occurrence of the Listed Event described in such notice is not material, the Issuer shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Issuer under this paragraph (d) shall be conclusive and binding on all parties hereto.

(e) If the Issuer instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(c) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with each Repository, the Trustee, the Rating Agencies and the Insurer. The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that such Event Notice was provided to each Repository in accordance with this Section 6(e).

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

(g) Notwithstanding the foregoing, whenever the Issuer authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Issuer shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with each Repository, the Insurer, the Rating Agencies and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with each Repository, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to each Repository in accordance with this Section 6(g).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Issuer from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Issuer from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Issuer to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the

effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

**SECTION 9. Assignment.** The Issuer may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Issuer which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

**SECTION 11. Concerning the Dissemination Agent and the Issuer.** (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof, except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder; and

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Issuer assumes no obligations hereunder other than those specifically assumed by the Issuer herein.



**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Bonds are no longer outstanding.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF**, the Issuer and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

## EXHIBIT A

### Form of Annual Report Certificate

The undersigned duly appointed and acting \_\_\_\_\_ of Florida Municipal Loan Council, as Issuer under the Continuing Disclosure Agreement (hereinafter described) (the "Issuer"), hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of August 1, 2002 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended \_\_\_\_\_.
3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Master Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Governing Body as of the date hereof, the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Issuer shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Acknowledgment of Receipt:

\_\_\_\_\_  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT B**

**Form of Section 5(a) Continuing Disclosure Certificate**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2002 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Issuer is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$\_\_\_\_\_ Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B.

4. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information None

(b) Operating Data None

5. Annual Report. Until such time as the Issuer delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 4 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

## **APPENDIX C**

Form of the Indenture

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**APPENDIX C**  
**FORM OF INDENTURE**

THIS TRUST INDENTURE is made and entered into as of August 1, 2002, by and between FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, all capitalized undefined terms used herein shall have the meanings set forth in Article I hereof; and

WHEREAS, the Council is duly created and existing pursuant to the Constitution and laws of the State of Florida, including particularly Part I of Chapter 163, Florida Statutes, as amended (the "Interlocal Act"), and initially certain resolutions of the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida; and

WHEREAS, the Council, pursuant to the authority of the Interlocal Act and other applicable provisions of law, is authorized, among other things, to issue revenue bonds on behalf of and for the benefit of the Borrower in the State in order to finance, refinance or reimburse the cost of qualified Projects of the Borrower, such bonds to be secured by instruments evidencing and securing loans to said Borrower and to be payable solely out of the payments made by such Borrower pursuant to a Loan Agreement entered into between the Borrower and the Council or from other moneys designated as available therefor and not otherwise pledged or used as security, and to enter into a trust indenture providing for the issuance of such bonds and for their payment and security; and

WHEREAS, the Council has determined that the public interest will be best served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to provide funds to loan to the Borrower to finance, refinance or reimburse the cost of qualifying Projects pursuant to a Loan Agreement between the Borrower and the Council and the Note; and

WHEREAS, the Council has previously by a resolution adopted on December 17, 1998, as amended and supplemented (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in the aggregate principal amount of not exceeding \$500,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the Borrower; and

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**GRANTING CLAUSE THIRD**

All Revenues, any proceeds of the Bond Insurance Policy, any proceeds of the Surety Bond, any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Council or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that the holders of the Bonds shall be entitled to payment only from the Loan Agreement and the Note more fully described in Granting Clause First hereof pledged for the payment of such Bonds, the Funds and Accounts set forth in Granting Clause Second hereof established for such Bonds and the Revenues, proceeds of the Bond Insurance Policy and other property, rights and interests described in Granting Clause Third pledged for the payment of such Bonds;

AND FURTHER PROVIDED, that if the Council, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VIII hereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article VIII hereof, this Indenture and the rights hereby granted shall cease, terminate and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Council such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the Trust Estate is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Council has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows:

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WHEREAS, the Council has now determined to issue its \$66,385,000 Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrower has pledged certain revenues in the Loan Agreement sufficient for that purpose; and

WHEREAS, the Council has obtained a commitment from the Bond Insurer to issue a Bond Insurance Policy in connection with the issuance of the Bonds.

NOW, THEREFORE, THIS TRUST INDENTURE

WITNESSETH:

**GRANTING CLAUSES**

The Council, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Council of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, a security interest in the Trust Estate to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Council hereinafter set forth:

**GRANTING CLAUSE FIRST**

All right, title and interest of the Council under the Loan Agreement and the Note (excluding fees and expenses payable to the Council and rights of the Council to indemnity and notices thereunder and excluding any payments made by the Borrower to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrower and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan Agreement and the Note and any documents securing payment thereunder, if any, and without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any income, issues and profits and other sums of money payable to or receivable by the Council to bring actions or proceedings under the Loan Agreement, any documents securing payment thereunder or for the enforcement thereof, and to do any and all things which the Council is or may become entitled to do under or due to its ownership of the interests hereby granted in the Loan Agreement and the Note; and

**GRANTING CLAUSE SECOND**

All moneys and securities from time to time held by the Trustee under the terms of this Indenture (except for moneys and securities held in the Rebate Fund); and

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**ARTICLE I**

**DEFINITIONS AND RULES OF INTERPRETATION**

**SECTION 1.01. Definitions.**

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture, have the meanings herein specified.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 hereof.

"Act" means collectively, Chapter 163, Part I, Florida Statutes, and Chapter 166, Part II, Florida Statutes, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 of the Loan Agreement.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to this Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Amortization Installment" with respect to any Term Bonds, shall mean an amount so designated for mandatory principal installments (for mandatory call or otherwise) payable on any Terms Bonds issued under the provisions of this Indenture.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code, as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Denominations" means \$5,000 and integral multiples thereof.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be selected by Council resolution and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy or Vice Mayor thereof and, when used with reference to a Borrower which is a County means the person performing the functions of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower, and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

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"Basic Payments" means the payments denominated as such in Section 5.01 of the Loan Agreement.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant, Miller and Olive, P.A., Tampa, Florida, or any other nationally recognized bond counsel which is selected by the Council and acceptable to the Trustee.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds", whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Bond Insurance Policy" means the financial guaranty insurance policy of the Bond Insurer which insures payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" with respect to the Bonds, means the premiums payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means MBIA Insurance Corporation, and any successor thereto.

"Bonds" means the Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B issued hereunder.

"Bond Service Requirement" for any Bond Year shall mean the sum of: (1) the amount required to pay the interest becoming due on the Bonds during such Bond Year, (2) the amount required to pay the principal of the Bonds maturing in such Bond Year, and (3) the amount required to pay the Amortization Installment becoming due during such Bond Year.

"Bond Year" means a 12-month period beginning on August 2, ending on and including the following August 1, except for the first period which begins on August, 2002.

"Borrower" means the City of North Miami Beach, Florida, which is a governmental unit which has entered into a Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Business Day" means a day of the year which is not a Saturday or Sunday or a day on which the Trustee is lawfully closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Council by its Chairman, Executive Director or such other person as may be designated and authorized to sign for the Council. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other

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"Financial Guaranty Agreement" means the agreement of that name dated August 15, 2002 between the Council and the Surety Bond Provider, as amended and supplemented.

"Fiscal Year" means the fiscal year of the Borrower.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

"Florida Municipal Investment Trust" means the investment trust administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentals and high grade corporate securities.

"Funds" means the funds created pursuant to Section 4.02 hereof.

"Governmental Obligations" means (a) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, and (b) pre-refunded municipal obligations meeting the following criteria:

- (i) the municipal obligations must be rated AAA by Standard & Poor's and AAA by Fitch and may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;
- (ii) the municipal obligations are secured by cash or securities described in clause (a) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;
- (iii) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;
- (iv) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and
- (v) the Defeasance Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent.

Additionally, evidences of ownership of proportionate interests in future interest and principal payments of Defeasance Obligations are permissible. Investments in these proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in a special account separate and apart from the custodian's general assets, and are not available to satisfy any claim of the

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instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to this Indenture and a Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed, or applicable thereunder.

"Commencement Date" means the date when the term of a Loan Agreement begins and the obligation of the Borrower thereunder to make Loan Repayments accrues.

"Council" means the Florida Municipal Loan Council.

"Cost" means "Cost" as defined in the Act.

"Cost of Issuance Fund" means the fund by that name created by Section 4.02 hereof.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Council or the Borrower.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Depository" means the securities depository acting as Depository under this Indenture, which may be the Council.

"Designated Member" means any designated person selected by the Council.

"Designated Office" means, with respect to the Trustee, the office set forth in or pursuant to Section 14.05 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any occurrence or event specified in Section 9.01 hereof.

"Executive Director" means the Executive Director of the Program Administrator and his successor.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

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custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Indenture" means this Trust Indenture dated as of August 1, 2002 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Insurance Proceeds" means amounts which are deposited by the Bond Insurer with the Trustee pursuant to Article IX hereof as a condition of the direction of acceleration of all or a portion of the Bonds by the Bond Insurer.

"Interest Payment Date" means February 1 and August 1 of each year.

"Interest Period" means the period commencing on an Interest Payment Date and ending on the day preceding the next Interest Payment Date, provided that the initial Interest Period shall commence on the dated date of the Bonds.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, among the various governmental entities executing it from time to time, (until the withdrawal of such members) the original parties to which are the City of Stuart, the City of Deland and the City of Rockledge.

"Investment Securities" means any of the following investments:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):
  1. U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
  2. Farmers Home Administration (FMHA)  
Certificates of beneficial ownership
  3. Federal Financing Bank
  4. Federal Housing Administration Debentures (FHA)

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5. General Services Administration  
Participation certificates
  6. Government National Mortgage Association (GNMA or "Ginnie Mae")  
GNMA-guaranteed mortgage-backed bonds  
GNMA-guaranteed pass-through obligations  
(not acceptable for certain cash-flow-sensitive issues.)
  7. U.S. Maritime Administration  
Guaranteed Title XI financing
  8. U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures-U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):
1. Federal Home Loan Bank System  
Senior debt obligations
  2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")  
Participation Certificates  
Senior debt obligations
  3. Federal National Mortgage Association (FNMA or "Fannie Mae")  
Mortgage-backed securities and senior debt obligations
  4. Student Loan Marketing Association (SLMA or "Sallie Mae")  
Senior debt obligations
  5. Resolution Funding Corp. (REFCORP) obligations
  6. Farm Credit System  
Consolidated systemwide bonds and notes
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AAA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2."

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- b. The term of the repo may be up to 30 days
  - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
  - d. Valuation of Collateral
    - (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
      - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
  3. Legal opinion that must be delivered to the municipal entity:
    - a. Repo meets guidelines under state law for legal investment of public funds.
- L. The Florida Municipal Investment Trust 1 - 3 year High Quality Bond Fund.
- M. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.
- N. The Florida Municipal Investment Trust Enhanced Cash Portfolio.
- O. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Bond Insurer.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under a Loan Agreement after the occurrence of an "event of default" under a Loan Agreement which has not been waived or cured.

"Loan" means a loan to a Borrower from proceeds of the Bonds to finance, refinance or reimburse a Project or Projects pursuant to a Loan Agreement in the amount specified in Section 3.01 of the Loan Agreement.

"Loans" or "Loan" means the loan made by the Council under this Indenture to the Borrower.

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- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC's, acceptable to the Bond Insurer.
- H. Commercial paper rated, at the time of purchase, "Prime - 1 by Moody's and "A-1" or better by S&P.
- I. Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unwarranted obligation rating of "Prime - 1," or "M" or better by Moody's and "A- 1" or "A" or better by S&P.

- K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by the Bond Insurer:

1. Repos must be between the municipal entity and a dealer bank or securities firm
  - a. Primary dealers on the Federal Reserve reporting dealer list that are rated "A" or better by Standard & Poor's Ratings Services and Moody's Investor Services, or
  - b. Banks rated "A" or above by Standard & Poor's Ratings Services and Moody's Investor Services.
2. The written repo contract must include the following:
  - a. Securities that are acceptable for transfer are:
    - (i) Direct U.S. governments, or
    - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)

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"Loan Agreement" means the Loan Agreement between the Council and the Borrower participating in the Program with respect to the Bonds, and any amendments and supplements thereto which are executed for the purpose of securing repayment of the Loan made by the Council to such participating Borrower from proceeds of a Series of Bonds and the Note and establishing the terms and conditions upon which such Loans are to be made.

"Loan Repayment Date" means January 20, 2003 and thereafter each July 20th and January 20th or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of the Loan Agreement.

"Loan Term" means the term provided for in Article IV of the Loan Agreement.

"Maximum Bond Service Requirement" means, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year.

"Moody's" means Moody's Investors Service and its successors and assigns.

"Non-Ad Valorem Revenues" means, with respect to a Borrower, all revenues and taxes of such Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Note" means the Note of the Borrower dated August 1, 2002 evidencing the Loan.

"Opinion of Bond Counsel" means an opinion by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income of interest payable on obligations of states and their instrumentalities and political subdivisions, and which is selected by the Council and acceptable to the Trustee.

"Opinion of Counsel" means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, a Borrower or the Trustee.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 hereof.

"Paying Agent" means the Trustee.

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"Person" means any individual, corporation, partnership, association, trust or any other entity or organization including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name created by Section 4.02 hereof.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to this Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness.

"Project Loan Fund" means the fund by that name created by Section 4.02 hereof.

"Purchase Price" means the purchase price of one or more items of a Project negotiated by a Borrower with the seller of such items.

"Rating Category" means one of the generic rating categories of either Fitch, Moody's or S&P, without regard of any refinement or graduation of such rating category by a numerical modifier or otherwise.

"Rebate Fund" means the fund by that name created by Section 4.02 hereof.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the calendar month preceding such Interest Payment Date.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and this Indenture.

"Registrar" means the Trustee.

"Representation Letter" shall mean the Representation Letter from the Council to DTC.

"Reserve Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Reserve Payments" means the payments denominated as such in Section 5.03(c) of the Loan Agreement.

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(a) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

(b) All reference in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof", "hereunder" and "herewith", and other words of similar import, refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(c) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) The terms defined elsewhere in this Indenture shall have the meanings therein prescribed for them.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(g) The headings or captions used in this Indenture are for convenience of reference only and shall not define or limit or describe any of the provisions hereof or the scope or intent hereof.

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"Reserve Requirement" shall mean such amount as set forth in the Surety Bond. If at any time the Reserve Fund is not secured by the Surety Bond, then Reserve Requirement shall mean five percent of the original par amount of the Bonds.

"Revenue Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Revenues" means all Loan Repayments paid to the Trustee for the Account of the Borrower for deposit in the Revenue Fund and the Principal Fund to pay principal of, premium, if any, and interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of the Loan Agreement.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 as a record date for the payment of defaulted interest on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying or amending this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds as provided therein.

"Surety Bond Provider" means MBIA Insurance Corporation and any successors thereto.

"Term Bonds" shall mean the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

"Trustee" means Wachovia Bank, National Association, as Trustee, or any successor thereto under this Indenture.

"Trust Estate" means the property, rights, Revenues, Note and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

**SECTION 1.02. Rules of Interpretation.** For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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## ARTICLE II

### THE BONDS

#### SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrower. The Bonds shall be designated as "Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B". At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amount of Sixty-Six Million Three Hundred Eighty-Five Thousand Dollars (\$66,385,000). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

The Bonds shall be issuable as fully registered bonds without coupons and shall be executed in the name and on behalf of the Council with the manual or facsimile signature of its Chairman, under its seal attested by the manual or facsimile signature of its Executive Director or Designated Member. Such seal may be in the form of a facsimile of the Council's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Registrar, as hereinafter defined, for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Council before the Bonds so signed and attested shall have been authenticated or delivered by the Registrar or issued by the Council, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Council as though those who signed and attested the same had continued to be such officers of the Council, and also any Bond may be signed and attested on behalf of the Council by such persons as at the actual date of execution of such Bond shall be the proper officers of the Council although at the nominal date of such Bond any such person shall not have been such officer of the Council.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form hereinafter recited, manually executed by the Registrar as hereinafter defined, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Registrar shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

(b) The Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of the Series. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. Except as provided in this Section, all of the outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

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With respect to Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Council, the Registrar and the Paying Agent shall have no responsibility or obligation to any such Participant or to any indirect participant. Without limiting the immediately preceding sentence, the Council, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Council, the Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Council's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of the Council to make payments of principal, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Council of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Council shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon receipt by the Council of written notice from DTC (i) to the effect that DTC has received written notice from the Council to the effect that a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging Bonds shall designate, in accordance with the provision hereof.

**SECTION 2.02. Maturity and Interest Rate Provisions.** The Bonds shall be dated as of August 1, 2002. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear

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A. In the event that, on the second Business Day, and again on the Business Day prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of, and interest on the Bonds due on the second following, or next following as the case may be, Business Day, the Trustee shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telegraph confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

C. In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal, or interest on the Bonds to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Bonds as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy (the "Bond Insurance Policy") payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holder; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bond surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefrom from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

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interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first payment date, in which case it shall bear interest from its date. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

**\$19,115,000 Serial Bonds**

Maturity	Amount	Interest Rate	Maturity	Amount	Interest Rate
August 1, 2006	\$ 215,000	3.000%	2014	\$1,625,000	4.000%
2007	155,000	3.000	2015	1,695,000	5.375
2008	155,000	3.200	2016	1,785,000	5.375
2009	280,000	3.400	2017	1,885,000	5.375
2010	505,000	3.600	2018	1,990,000	5.375
2011	1,445,000	3.700	2019	2,100,000	5.375
2012	1,505,000	4.000	2020	2,210,000	5.375
2013	1,565,000	4.000			
	\$ 6,095,000	4.750%	Term Bond due August 1, 2022	Yield 4.950%	
	\$18,065,000	5.000%	Term Bond due August 1, 2027	Yield 5.040%	
	\$23,110,000	5.000%	Term Bond due August 1, 2032	Yield 5.080%	

**SECTION 2.03. Payment Provisions.** The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Principal of and premium, if any, on the Bonds shall be payable at the designated corporate trust office of the Trustee, or any successor paying agent and registrar appointed pursuant to the provisions of Sections 10.12 and 10.13 hereof (the "Paying Agent" or "Registrar"), and payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof on the bond registration books maintained by the Registrar as of the close of business on the Record Date preceding the Interest Payment Date (or, if interest on the Bonds is in default and the Bond Insurer is in default under the Bond Insurance, a Special Record Date established pursuant to Section 9.05), by check mailed on the Interest Payment Date to such registered owner at his address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or redemption price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

**SECTION 2.04. Matters Concerning Bond Insurance Policy.** So long as the Bond Insurance Policy shall be in full force and effect, the Council and the Trustee hereby agree to comply with the following provisions:

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F. Irrespective of whether any such assignment is executed and delivered, the Council and the Trustee hereby agree for the benefit of the Bond Insurer that:

1. They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Council, with interest thereon as provided and solely from the sources stated in this Indenture and the Bonds; and

2. They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

G. Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to S&P.

H. The Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

I. The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Borrower's audited financial statements and annual budget.

Any notice that is required to be given to a holder of the Bonds or to the Trustee pursuant to this Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

**SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer.** In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy and the Bonds are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time pay all or a portion of amounts due under the Bonds to the Bondholders prior to the stated maturity dates thereof.

**SECTION 2.06. Mutilated, Lost, Stolen or Destroyed Bonds; Bonds Not Delivered for Redemption.** If any Bond is mutilated, lost, stolen or destroyed, the Council shall execute and the Registrar shall authenticate a new Bond of the same date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Council and the

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Registrar evidence of such loss, theft or destruction satisfactory to the Council and the Registrar, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the Paying Agent may pay the same. The Council and the Registrar may charge the Owner of such Bond with their reasonable fees and expenses in connection with replacing any Bond mutilated, lost, stolen or destroyed.

**SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners.** The Council shall cause books for the registration and transfer of the Bonds, as provided in this Indenture, to be kept by the Registrar. Upon surrender for transfer of any Bond at the Designated office of the Registrar, accompanied by an assignment duly executed by the registered Owner or his attorney-in-fact duly authorized in writing, the Council shall execute and the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like aggregate principal amount.

Bonds of the same type may be exchanged at the Designated Office of the Registrar for a like aggregate principal amount of Bonds of other Authorized Denominations. The Council shall execute and the Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding.

The Registrar shall not be required to (i) transfer or exchange any Bonds during the ten (10) days next preceding any day upon which notice of redemption of Bonds is to be mailed or (ii) transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded by the Trustee, the Registrar, the Paying Agent and the Council as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, subject to Section 2.03 hereof, and neither the Council nor the Trustee, the Paying Agent nor the Registrar shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

A reasonable transfer charge may be made for any exchange or transfer of any Bond and the Registrar shall require the payment by any Bondholder requesting exchange or transfer of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or transfer and a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer.

**SECTION 2.08. Cancellation of Bonds.** Whenever any Outstanding Bond shall be delivered to the Registrar for cancellation pursuant to this Indenture, upon payment of the principal amount, or for replacement pursuant to Section 2.06 hereof or for transfer or exchange pursuant to Sections 2.07 or 2.09 hereof, such Bond shall be canceled by the Registrar.

**SECTION 2.09. Temporary Bonds.** Pending the preparation of definitive Bonds, the Council may execute and the Registrar shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds, of any Authorized Denomination,

**ARTICLE III**

**REDEMPTION OF BONDS**

**SECTION 3.01. Optional Redemption of the Bonds.**

The Bonds maturing on or before August 1, 2012 are not subject to optional redemption prior to their maturities. The Bonds maturing after August 1, 2012 are subject to redemption at the option of the Council on or after August 1, 2012, as a whole or in part at any time, in any manner determined by the Trustee during the following periods and at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

Redemption Period (Both Dates Inclusive)	Redemption Price
August 1, 2012 through July 31, 2013	101%
August 1, 2013 and thereafter	100%

**SECTION 3.02. Mandatory Redemption of Bonds.**

The Bonds that mature on August 1, 2022 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, on August 1, 2021 in the following principal amounts in the following years:

Year	Principal Amount
2021	\$2,975,000
2022*	3,120,000

\*Maturity

and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the Council. Temporary Bonds may be issued without specific terms and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Council and authenticated by the Registrar upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Council shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Registrar, and the Registrar shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

**SECTION 2.10. Nonpresentation of Bonds.** In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available by the Council to the Trustee or Paying Agent for the benefit of the Owner thereof, all liability of the Council to the Owner thereof for the payment of such Bond or interest, as the case may be, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or Paying Agent to hold such funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond or interest, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or interest, as the case may be, provided that any money deposited with the Trustee or Paying Agent for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for six years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Council, and the Owner of such Bond or interest, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Council for payment thereof, and all liability of the Trustee or Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee, before making any such payment to the Council, shall, at the expense of the Council, cause to be published once, in a Financial Newspaper or Journal, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Council.

**SECTION 2.11. Form of Bonds.** The Bonds to be issued hereunder, and the certificate of authentication by the Registrar to be endorsed on all such Bonds, shall be substantially in the form set forth as Exhibit A hereto, with such variations, omissions and insertions as are permitted by this Indenture or are required to conform to the form of Bond to the other provisions of this Indenture (any portion of such form of Bond may be printed on the back of the Bonds).

The Bonds maturing on August 1, 2027 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on August 1, 2023 and on each August 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
2023	\$3,265,000
2024	3,430,000
2025	3,605,000
2026	3,785,000
2027*	3,980,000

\*Maturity

The Bonds maturing on August 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on August 1, 2028 and on each August 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
2028	\$4,180,000
2029	4,390,000
2030	4,610,000
2031	4,845,000
2032*	5,085,000

\*Maturity

**SECTION 3.03. Notice of Redemption.** In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the registered Owner of any Bonds designated for redemption in whole or in part, at his address as the same shall last appear upon the Bond registration books by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the redemption date. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. A copy of any such notice shall also be sent by the Registrar to the Bond Insurer and any person necessary to ensure compliance by the Council with applicable rules and regulations regarding such notices.

Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, 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 said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

The Registrar also shall mail a copy of such notice by registered or certified mail or overnight delivery service (or by telecopy where permitted) for receipt not less than thirty (30) days before such redemption date to the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

**SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue.** On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available solely for such redemption being on deposit with the Trustee in accordance with the provisions of this Article III, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding hereunder, and the Council shall be under no further liability in respect thereof.

**SECTION 3.05. Cancellation.** All Bonds which have been redeemed shall be canceled by the Registrar as provided in Section 2.08 hereof.

**SECTION 3.06. Partial Redemption of Bonds.** Upon surrender of any Bond in a denomination greater than \$5,000 called for redemption in part only, the Council shall execute and the Registrar shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

**SECTION 3.07. Selection of Bonds To Be Redeemed.** The Bonds shall be redeemed pursuant to Sections 3.01 and 3.02 only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise provided in Section 3.02 hereof, be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate.

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**SECTION 4.05. Revenue Fund.** Upon the receipt of Loan Repayments, Liquidation Proceeds, Insurance Proceeds or proceeds earmarked for capitalized interest, the Trustee shall deposit in the Revenue Fund all moneys remaining after the deposits required by Section 4.04 hereof. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the Revenue Fund as received. Any amounts received by the Trustee hereunder which are not required to be deposited elsewhere shall also be deposited in the Revenue Fund.

Amounts in the Revenue Fund shall be used to make the following payments or transfers in the following order of priority:

- (1) On each Interest Payment Date, to pay interest due on the Bonds;
- (2) At such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (3) At such times as are necessary, to pay the fees and expenses of the Trustee, the Program Administrator, the Registrar and the Paying Agent (including the cost of printing additional Bonds) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.12 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Bonds;

(4) On each Interest Payment Date of each year, all amounts remaining within the Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreement and amounts which will be credited against the relevant Borrower's next Loan Repayments, shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreement.

(5) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Council shall make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all current applications and allocations to the Principal Fund, including deficiencies for prior payments that have not been made in full. The Council may provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by nationally recognized rating agencies, by a surety bond, by an Alternate Surety Bond, by the Surety Bond, or any combination thereof. Moneys in the Reserve Fund shall be used only for the purpose of the payment of principal of, or interest on the Bonds when the other moneys allocated therefor are insufficient and for no other purpose.

In the event of the refunding of all or any portion of the Bonds, the Council may withdraw from the Reserve Fund, all or any portion of the amount accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the documents authorizing the refunding of such Bonds; provided that such withdrawal shall not be made unless (a)

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## ARTICLE IV REVENUES AND FUNDS

**SECTION 4.01. Source of Payment of Bonds.** The Bonds and all payments by the Council hereunder are limited and special obligations of the Council and are payable solely out of Revenues and certain proceeds of the Bonds as authorized by the Constitution and laws of the State, including particularly the Act, as and to the extent provided herein. The Bonds and the Council's other obligations hereunder are solely and exclusively obligations of the Council to the extent set forth herein and do not constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision or any municipal corporation of the State. The Bonds shall not be or constitute a general obligation of the Council, the State of Florida or any political subdivision or any municipal corporation thereof or a lien upon any property owned or situated within the territorial limits of the Council, the State of Florida or any political subdivision or any municipal corporation thereof or the Trust Estate, in the manner provided herein and in the Loan Agreement. The Loan Agreement does not represent joint liabilities of the Borrower executing a Loan Agreement with the Council, and shall be payable solely as provided in such Loan Agreement and the Note.

**SECTION 4.02. Creation of Funds and Accounts.** There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (1) the Project Loan Fund, with an Account for the Borrower therein, (2) the Principal Fund, (3) the Revenue Fund, (4) the Cost of Issuance Fund, (5) the Reserve Fund, and (6) the Rebate Fund.

**SECTION 4.03. Project Loan Fund.** Moneys in the Project Loan Fund shall be segregated at Closing into an Account for the Loan to the Borrower as provided in Section 4.07(iii) upon the submission of the documents by the Borrower as required by, and upon the terms and conditions specified in, Article V hereof. Interest earnings on investments in each Account of the Project Loan Fund, if more than one, shall be held in and credited to such Account. Upon the occurrence of an event of default under a Loan Agreement and the exercise by the Trustee of the remedy specified in Section 8.03(a) of such Loan Agreement, any moneys in the Account of the Project Loan Fund relating to such Borrower and not yet disbursed to the defaulting Borrower, if any, shall be transferred by the Trustee to the Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof.

**SECTION 4.04. Principal Fund.** Upon the receipt of Loan Repayments, Liquidation Proceeds or Insurance Proceeds, the Trustee shall deposit in the appropriate Account of the Principal Fund all payments or recoveries of principal of Loans or payments to be applied to the payment of any premium due upon optional redemption of the Bonds.

Amounts in the Principal Fund shall be used as follows: (1) to pay scheduled principal payments of the Bonds and (2) to pay the principal of and premium, if any, on the Bonds redeemed pursuant to Section 3.01 or Section 3.02 when required by such Sections. Upon acceleration of maturity of the Bonds pursuant to Section 9.02, all amounts in the Principal Fund shall be used to pay maturing principal of and interest on the Bonds.

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immediately thereafter, the Bonds being refunded shall be deemed to have been paid, (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then outstanding. Any excess moneys on deposit in the Reserve Fund shall be transferred by the Trustee, upon the written request of the Council, to the Principal Fund.

**SECTION 4.06. Cost of Issuance Fund.** Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreement, the preliminary and final Official Statements for the Bonds and the Bonds; the underwriter's discount for the initial purchase of the Bonds; the initial Bond Insurance Policy and Surety Bond premiums; administrative expenses of the Council; and legal fees and expenses of counsel to the Council; bond counsel and counsel to the Bond Insurer and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on February 1, 2003 shall be transferred to the Revenue Fund and be credited toward the Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loan was made as specified in Section 3.01 of the Loan Agreement.

**SECTION 4.07. Application of Bond Proceeds.** The proceeds of the Bonds in the sum of \$66,068,533.97 deposited with the Trustee as follows:

- (i) In the Revenue Fund, the sum of \$126,788.72, which represents accrued interest;
- (ii) In the Cost of Issuance Fund, the sum of \$221,396.75;
- (iii) In the Account for the Borrower in the Project Loan Fund, the total sum of \$65,720,348.50.

The Council understands that \$414,000 is being transmitted by the Banc of America Securities LLC, as Underwriter, directly to the Bond Insurer.

### SECTION 4.08 Reserve Fund.

(a) The Trustee shall establish a Reserve Fund which shall be funded at closing in an amount equal to the Reserve Requirement. Such Reserve Fund shall be on a parity with the reserve fund established by the Council in any other approved series of the Council's bonds listed on Annex A to the Surety Bond. If any withdrawal is made under subsection (b)(i) below, the Council shall pay to the Trustee an amount received from the Borrower pursuant to Section 5.03(c) of the Loan Agreement which is sufficient to repay the principal and interest on

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the Surety Bond from such withdrawal within twelve (12) months, commencing on the first day of the month following such withdrawal, together with any interest or other expenses due from the Council to the Surety Bond Provider under the Financial Guaranty Agreement. The Surety Bond shall be payable to the Trustee on any interest payment or redemption date on which a deficiency exists which cannot be cured by funds in any other Fund or Account held pursuant to this Indenture and available for such purpose. If at any time the Reserve Fund contains both a Surety Bond and cash, the cash shall be drawn down completely before any demand is made on the Surety Bond. If at any time the Surety Bond is replaced by cash, in whole or in part, prior written consent of the Bond Insurer will be required.

The Surety Bond shall secure and satisfy the Reserve Requirement and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee may deliver a Demand for Payment in an amount less than or equal to the limit of the Surety Bond. If a Demand for Payment is made on behalf of a Borrower which has an outstanding Loan Agreement relating to the Bonds and other loan agreements relating to the other series of the Council's bonds, then the Council's reimbursement, from the payments received by such Borrower, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other loans. Further, if the Demand for Payment relates to one or more reserve funds from more than one series of bonds, and such Demand for Payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower.

The Trustee shall deliver a Demand for Payment in the form attached to the Surety Bond at least three (3) days prior to the date on which funds are required from the Surety Bond, or as soon thereafter as the Trustee is aware that funds are required from the Surety Bond. The Trustee shall be responsible for maintaining records of withdrawals from the Reserve Fund and the reinstatement thereof. In addition, the Trustee shall be responsible for maintaining records of all withdrawals from this Reserve Fund and other reserve funds which are covered by the Surety Bond.

If a disbursement is made from the Surety Bond, the Council shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement. The Trustee is required to reimburse the Surety Bond Provider with interest until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund.

(b) Moneys on deposit in the Reserve Fund shall be applied as follows (unless otherwise provided herein):

(i) On the date of each required payment of principal of or interest in respect to the Bonds, moneys in the Reserve Fund or received from a draw on the Surety Bond shall be applied to cure any deficiency in the Principal Fund and the Revenue Fund. The Council agrees that any transfer from the Reserve Fund to the Principal Fund and the Revenue Fund or any proceeds from the Surety Bond deposited into such Funds pursuant to this paragraph shall not be construed as preventing, waiving or curing any nonpayment of any Loan Repayments required under the Loan Agreement until the amount of such deficiency has been restored; and

(ii) In each month during the twelve-month period preceding the final maturity date of the Bonds, so long as no Event of Default has occurred and is continuing, if moneys are then held in the Reserve Fund such moneys shall be credited against the payment of principal of and interest on the Bonds and shall be transferred to the Principal Fund and the Revenue Fund for the payment of such principal and interest.

(c) The Council may issue additional bonds and the Reserve Fund may serve as the reserve fund for such additional bonds or may be combined with the reserve funds for such additional bonds with the prior written consent of the Bond Insurer; provided however, that such combined reserve funds shall only be permitted if the Surety Bond is then in effect. The Trustee is hereby authorized to accept an Alternate Surety Bond with the prior written consent of the Bond Insurer.

**SECTION 4.09. Rebate Fund.** In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. Such Fund shall be held by the Trustee. The Rebate Fund need not be maintained if the Council shall have received an Opinion of Bond Counsel acceptable to the Council to the effect that failure to maintain the Rebate Fund or such Account therein shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

**SECTION 4.10. Moneys To Be Held in Trust.** With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee, in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as otherwise provided in Section 2.10 hereof, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby.

**SECTION 4.11. Reports From Trustee.** Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer and to any Borrower, upon request, on the twentieth (20th) day of the month following the month in which the Bonds are delivered, and on the twentieth (20th) day of each month thereafter, a report on the status of each of the Funds and Accounts established under this Article IV which are held by the Trustee, showing at least the balance in each such Fund or Account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such Fund or Account, the dates of such deposits and disbursements, and the balance in each such Fund or Account on the last day of the preceding month.

**SECTION 4.12. Certain Verifications.** The Council, the Trustee and/or the Bond Insurer from time to time may, but shall have no obligation to, cause a firm of Accountants to supply the Council, the Trustee and the Bond Insurer with such information as the Council, the Trustee or the Bond Insurer may request in order to determine in a manner reasonably

satisfactory to the Council, the Trustee and the Bond Insurer all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements on the Loans and Funds described herein to pay the principal of and interest on the Bonds; (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code; and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(3) hereof.

**ARTICLE V  
PROJECT LOAN**

**SECTION 5.01. Terms and Conditions of Loan.** The Council will make a Loan to the Borrower in order to (i) finance the acquisition, installation and construction of Projects by the Borrower and (ii) refund or refinance debt incurred by the Borrower, or reimburse funds previously expended by the Borrower, to acquire, install and construct Projects, all in accordance with provisions more fully set forth in the Loan Agreement.

**SECTION 5.02. Loan Closing Submission.** No Loan shall be made by the Council unless and until the documents required by Section 4.03 of the Loan Agreement are submitted to the Council.

**SECTION 5.03. Disbursement to the Borrower From Project Loan Fund.** The moneys in the Project Loan Fund shall be applied in accordance with written requisitions provided to the Trustee by the Borrower in the form attached to the Loan Agreement. After initial disbursements for payment of eligible Costs (whether from the Project Loan Fund or other Bond proceeds), disbursement to or at the direction of the Borrower will be made only if such Borrower is not then in default under this Indenture or their Loan Agreement or the other Bond documents and only in accordance with such requisitions.

Except for an initial draw on the date the Bonds are issued and the final draw under the terms of this Indenture, the Borrower shall not make more than two (2) requests for a construction or project draw per calendar month. Each draw request must be received by the Trustee at least four (4) days prior to the date the requested draw is to be made. The draw dates upon which funds may be released pursuant to the written request shall be on the first Business Day of the month and the second Business Day of the month following the 15<sup>th</sup> day of the month.

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and the Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or the Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to exclusively rely on such representation and shall be fully indemnified by the Borrower from any liability resulting from such reliance, and shall have no liability to any other party, unless the Trustee is notified in writing to the contrary prior to the disbursement of the requested Project Loan Fund draw.

All requisitions received by the Trustee shall be substantially in the form attached to the Loan Agreement as Exhibit E, as required in this Article as conditions of payment from the Project Loan Fund, shall be conclusively relied upon by the Trustee as to the matters set forth therein and shall be retained in the possession of the Trustee, subject at all times to the inspection by the Council, the Borrower and their agents and representatives thereof.



**ARTICLE VI**

**SERVICING OF LOAN**

The Trustee shall be responsible for calculating payments due in respect of the Loan, holding collateral pledged in respect of the Loan, if any, and enforcing the Loan; provided, however, that the Trustee shall have no duty to take notice of any default in respect of any Loan (other than a payment default) unless the Trustee shall be notified of such default in a written instrument.

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Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

All amounts representing accrued and capitalized interest, if any, shall be invested at the written direction of the Council through its Program Administrator only in Government Obligations maturing at such times, and in such amounts as are necessary to match the interest payments on the Bonds.

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**ARTICLE VII**

**INVESTMENT OF MONEYS**

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the direction of the Council through its Program Administrator, which direction may be in writing or telephonically, promptly confirmed in writing. The Trustee shall assume that any investment directed by the Council is lawful.

Moneys in the Funds and Accounts shall be invested at the direction of the Council through its Program Administrator in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes specified in this Indenture. Investment Securities acquired pursuant to this Section under a repurchase agreement with the seller thereof may be deemed to mature on the dates on and in the amounts (i.e., for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement. Notwithstanding the foregoing, Loan Repayments may not be invested in investments described under Section 1.01 hereof, "Investment Securities" sections L, M and O.

Investment Securities acquired as an investment of moneys in any Fund or Account shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to any such Fund or Account shall be valued at market value on the date of determination; provided, however, that repurchase agreements shall be valued at the aggregate repurchase price of the securities remaining to be repurchased pursuant to such agreements and investment agreements shall be valued at the aggregate amount remaining invested therein (in each case exclusive of accrued interest after the first payment of interest following purchase). With respect to all Funds and Accounts, valuation shall occur annually and immediately upon a withdrawal from the Reserve Fund.

All interest, profits and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund and the Project Loan Fund) shall be deposited when received in the Revenue Fund, except that an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund or Account from which such accrued interest was paid. Interest earned on the Accounts in the Project Loan Fund shall be credited to such Account.

Subject to Section 13.08 hereof and except as provided herein, investments in any and all Funds and Accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds and Accounts of amounts received or held by the Trustee hereunder, provided that, notwithstanding any such commingling, the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Investment Securities. The Trustee may sell, or present for redemption, any Investment

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**ARTICLE VIII**

**DISCHARGE OF INDENTURE**

If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owner of any Bond secured hereby the principal of and interest due and payable, and thereafter to become due and payable, upon such Bond, or any portion of such Bond in the principal amount of \$5,000 or any integral multiple thereof, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under this Indenture. If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owners of all the Bonds secured hereby the principal of and interest due and payable, and thereafter to become due and payable thereon, and shall pay or cause to be paid (other than by the Bond Insurer) all other sums payable hereunder or the Financial Guaranty Agreement in respect of the Bonds by the Council, then, and in that case, the right, title and interest of the Trustee in the related Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Council the Trust Estate and, at the direction of the Council, cancel any outstanding Loans related to the Bonds; provided that if the Bonds are paid from the proceeds of refunding bonds, the Loan shall at the direction of the Council not be canceled but shall be transferred and pledged as security and a source of payment for the refunding bonds.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentation of Bonds, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made (other than by the Bond Insurer) in accordance with the terms thereof, or (ii) shall have been provided for (other than by the Bond Insurer) by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee the Council and the Bond Insurer pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of the Bonds as aforesaid (1) until

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the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(i) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by this Indenture);

(ii) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) if all the Bonds are not to be redeemed within 30 days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the Owners of the Bonds that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, of the Bonds as specified in (i) hereof; and

(2) if any Bonds are to be redeemed within the next 30 days, until proper notice of redemption of those Bonds has been given.

Any moneys so deposited with the Trustee as provided in the two foregoing paragraphs may at the direction of the Council also be invested and reinvested in Governmental Obligations described in clause (i) of the definition thereof, maturing in the amounts and at the times as hereinbefore set forth, and all income from all such Governmental Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be paid to the Council as and when realized if not needed to pay any fees or expenses provided for hereunder.

No deposit under this Article shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and interest thereon when due and such Bonds and interest shall not have in fact been actually paid in full when due, no amendment to the provisions of this Article shall be made without the consent of the Owner of each Bond affected thereby.

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## ARTICLE IX

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

**SECTION 9.01. Defaults; Events of Default.** If any of the following events occurs with respect to the Bonds, it is hereby defined as and declared to be and to constitute an "Event of Default" with respect to the Bonds:

(a) Default in the payment of the principal of or interest on any Bond after the same has become due, whether at maturity or upon call for redemption.

(b) Default in the performance or observance of any covenant, agreement or condition on the part of the Council contained in this Indenture or in the Bonds (other than defaults mentioned in Section 9.01(a) and (c)) and failure to remedy the same after notice of the default pursuant to Section 9.10 hereof.

(c) If the Council shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State, or the Council declares any act of bankruptcy, or there is adjudication of the Council as a bankrupt, or an assignment by the Council for the benefit of its creditors or the approval by a court of competent jurisdiction of a petition applicable to the Council in any proceeding for its reorganization instituted under federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

**SECTION 9.02. Remedies; Rights of Bondholders.** Upon the occurrence of an Event of Default with respect to the Bonds, the Trustee shall have the following rights and remedies:

(a) Subject to Bond Insurer approval, the Trustee may, and in the case of Event of Default under Section 9.01(c) above shall, pursue any available remedy at law or in equity or by statute, including the federal bankruptcy laws or other applicable law or statute of the United States of America or of the State, to enforce the payment of principal of and interest on the Bonds then Outstanding, including enforcement of any rights of the Council or the Trustee under the Loan Agreement.

(b) Subject to Bond Insurer approval, the Trustee may by action or suit in equity require the Council to account as if it were the trustee of an express trust for the Owners of the Bonds and may then take such action with respect to the Loan Agreement as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Loan Agreement, including the sale of part or all of the Loan Agreement.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the related Trust

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Anything to the contrary provided elsewhere in this Indenture notwithstanding, this Indenture shall not be discharged as long as any amounts are owing to the Bond Insurer and no Bond shall be deemed paid under this Indenture if the Bond Insurer shall have made any payment under the Bond Insurance Policy or Surety Bond in respect of the principal of or interest on such Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the Bonds on past-due principal and interest, shall have been paid to the Bond Insurer. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

Prior to any defeasance becoming effective under this Indenture, (i) the Bond Insurer shall have received an opinion of Counsel, satisfactory to the Bond Insurer, to the effect that the proceeds of any deposit to effectuate such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Council or any applicable Borrower, (ii) the amounts required to be deposited in an escrow fund pursuant to this Indenture and the escrow deposit agreement entered into in order to effectuate such defeasance shall be invested only in Government Obligations and (iii) the Bond Insurer shall have received (a) the final official statement delivered in connection with the refunding bonds, (b) a copy of the accountant's verification report, (c) a copy of the escrow deposit agreement in form and substance acceptable to the Bond Insurer, (d) a copy of an opinion of Bond Counsel, dated the date of closing addressed to the Bond Insurer, to the effect that the refunded bonds have been paid within the meaning and with the effect expressed in the Indenture, and the covenants, agreements and other obligations of the Council to the holders of the refunded bonds have been discharged and satisfied. The opinion required by (i) above may be waived in the discretion of the Bond Insurer at the time of such defeasance.

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Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) The Trustee shall give written notice of any Event of Default to the Council and the Bond Insurer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee.

If an Event of Default shall have occurred, and if requested so to do by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and Bond Insurer, and indemnified as provided in Section 10.01(k) hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders or the Bond Insurer) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee, the Bond Insurer or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission in exercising any right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

No waiver of any default or Event of Default hereunder by the Trustee shall be effective without the approval of the Bond Insurer.

**SECTION 9.03. Right of Bondholders to Direct Proceedings.** Anything in this Indenture to the contrary notwithstanding, the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) or, with consent of the Bond Insurer (provided such consent shall not be required if the Bond Insurer is in default under the Bond Insurance Policy), the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

**SECTION 9.04. Appointment of Receivers.** Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce

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any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 9.05. Application of Moneys.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, including by virtue of action taken under provisions of any Loan Agreement, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees (including reasonable Trustee's fees), expenses, liabilities and advances payable to, incurred or made by the Trustee (including reasonable fees and disbursements of its counsel), be applied, along with any other moneys available for such purposes, as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

**FIRST --** To the payment to the persons entitled thereto of all amounts payable pursuant to Section 4.05(1) or Section 4.05(2) and, as to installments of interest, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

**SECOND --** To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at stated maturity or pursuant to a call for redemption (other than such Bonds called for redemption for the payment of which moneys are held pursuant to the other provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

**THIRD --** To payment to the persons entitled thereto of all amounts payable pursuant to Sections 4.05(3); and

**FOURTH --** To be held as provided in Article IV hereof for the payment to the persons entitled thereto as the same shall become due of the amounts payable pursuant to this Indenture (including principal of such Bonds due upon call for redemption) and, if the amount available shall not be sufficient to pay in full amounts due on any particular date, payment shall be made ratably according to the priorities set forth in subparagraphs **FIRST**, **SECOND** and **THIRD** above.

(b) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal of and interest then due and unpaid upon the Bonds and amounts payable pursuant to Section 4.05(3), with Bond principal and interest to be paid first, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and with the items

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Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, from the source and in the manner in this Indenture and in the Bonds expressed.

**SECTION 9.08. Termination of Proceedings.** In case the Trustee or any Owner of any Bonds or the Bond Insurer shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Council, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies and powers of the Trustee, the Bond Insurer and Owners of Bonds shall continue as if no such proceedings had been taken.

**SECTION 9.09. Waivers of Events of Default.** The Trustee may, with the consent of the Bond Insurer, at its discretion waive any Event of Default hereunder (other than an Event of Default specified in 9.01(c) above) and its consequences and may rescind any declaration of maturity of all the Bonds affected thereby (except an acceleration of maturity of all or a portion of such Bonds directed by the Bond Insurer) and shall do so upon the written request of the Bond Insurer or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of default in the payment of principal or interest, or (b) more than one-half in aggregate principal amount of all Outstanding Bonds affected thereby (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of any other default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any such Outstanding Bond at the date of maturity specified therein or (ii) any default in the payment when due of the interest on any such Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Council, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties to payment of amounts provided for hereunder.

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enumerated in Section 4.05(3) to be paid second to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue. Defaulted interest on a Bond shall be payable to the person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of defaulted interest established by notice mailed by the Trustee to the registered Owners of Bonds not more than fifteen (15) days preceding such Special Record Date. Such notice shall be mailed to the person in whose name the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The Trustee shall not be required to make payment of principal of any Bond to the Owner of such Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee and the Bond Insurer have been paid, any balance remaining in the Funds and Accounts shall be transferred to the Council as provided in Article VIII hereof.

**SECTION 9.06. Remedies Vested in Trustee.** All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of all the Outstanding Bonds.

**SECTION 9.07. Rights and Remedies of Bondholders.** No Owner of any Bond or the Bond Insurer shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred, (b) such default shall have become an Event of Default and the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds affected thereby, with the consent of the Bond Insurer, or the Bond Insurer shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such Owners of Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this

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**SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council to Cure Such Defaults.** Anything herein to the contrary notwithstanding, no default under Section 9.01(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Council by the Trustee or by the Bond Insurer or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds and the Council shall have had 30 days after receipt of such notice to correct the default or cause the default to be corrected, and shall not have corrected the default or caused the default to be corrected within the applicable period; provided, however, if the default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Council within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Council under the provisions of this Section, the Council hereby grants the Trustee full authority for the account of the Council to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Council with full power to do any and all things and acts to the same extent that the Council could do and perform any such things and acts and with power of substitution.

The Council and the Trustee shall notify the Bond Insurer within five (5) days after each has received notice or has knowledge of (i) an Event of Default specified in Section 9.01 hereof; (ii) the withdrawal of amounts on deposit in the Reserve Fund; or (iii) the failure to make any required deposit to the Principal Fund or the Revenue Fund to pay principal or interest when due.

Any notice that is required to be given to the Bondholders or the Trustee pursuant to this Indenture or any Supplemental Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to the Bond Insurer at the address specified in Section 2.04 hereof.

**SECTION 9.11. Bond Insurer to be Deemed Bondholder; Rights of Bond Insurer.** (a) Notwithstanding any provisions of this Indenture to the contrary, unless the Bond Insurer is in default under the Bond Insurance Policy, the Bond Insurer shall at all times be deemed the exclusive Owner of all Bonds for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on the Bonds prior to the payment by the Bond Insurer of the principal of and interest on the Bonds. The Bond Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture and the Loan Agreement, and no acceleration of the Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent. All rights to collect, receive and dispose of such collateral shall be independent of any rights to effect acceleration of the Bonds.

(b) The Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Bonds insured by the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change or modification of the Loan Agreement or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholder's

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request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change or modification of the Loan Agreement shall be required.

(c) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy, shall at all times be deemed the exclusive owner of all Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders for the benefit of the Bondholders under this Indenture.

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(f) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee shall not withhold unreasonably its consent, approval or action to any reasonable request of the Council. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(g) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled in good faith to rely upon a certificate signed by an authorized officer of the Council or by an authorized officer of the Program Administrator as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has knowledge, or is deemed to have notice pursuant to Section 10.01(e), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an authorized officer of the Council under its seal to the effect that a resolution in the form therein set forth has been adopted by the Council as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(h) All moneys received by the Trustee hereunder, until used or applied as herein provided, shall be held in trust for the purposes for which they were received.

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers and records of the Council pertaining to the Revenues and receipts under the Loan Agreement and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Before taking the action referred to in Section 9.02 or 9.07 hereof, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability relating to such action, except liability which is adjudicated to have resulted from its negligence or willful default.

**SECTION 10.02. Fees, Charges and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including in connection with any appeal and other expenses reasonably and necessarily made or incurred by the Trustee) but solely from moneys available therefor pursuant to Section 4.05 hereof or Section 9.05 hereof and pursuant to the Loan Agreement.

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## ARTICLE X

### THE TRUSTEE

**SECTION 10.01. Acceptance of the Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Council, the Bond Insurer or a Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of the execution by the Council of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless an officer of the corporate trust department of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council or the Bond Insurer or a court of law or by any Owner of Bonds. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Designated office of the Trustee and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. The Trustee shall provide copies of any such notices as soon as practicable to the Council, Bond Insurer and the Borrower.

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**SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture.** If the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

**SECTION 10.04. Intervention by Trustee.** In any judicial proceeding to which the Council is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by (i) the Bond Insurer, or (ii) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer.

**SECTION 10.05. Successor Trustee.** Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become, to the extent permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that written notice shall be provided to the Bond Insurer the Council and the Bondholders.

Any successor Trustee appointed pursuant to this Section or through consolidation, sale, or merger shall be a trust company or bank in good standing located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Bond Insurer.

**SECTION 10.06. Resignation by Trustee.** The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the Council and the Bond Insurer and by first-class mail to the registered Owner of each Bond, and such resignation shall take effect upon the appointment of a successor Trustee as hereinafter provided and the acceptance of such appointment by such successor. No such acceptance shall be effective unless the Bond Insurer has consented in writing to such appointment.

**SECTION 10.07. Removal of Trustee.** The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Council and signed by the Bond Insurer or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, with consent of the Bond Insurer, for any breach of trust set forth herein, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal.

**SECTION 10.08. Appointment of Successor Trustee.** In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or

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liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by a resolution of the Council, with the consent of the Bond Insurer, or if the Council shall not have appointed a successor Trustee, by filing with the Council an instrument or concurrent instruments in writing signed by Owners of not less than a majority in principal amount of Bonds outstanding, or by their attorneys in fact, duly authorized. Nevertheless, in case of such vacancy, the Bond Insurer may appoint a temporary Trustee to fill such vacancy until a successor to the Trustee shall be appointed in the manner above prescribed; and any such temporary Trustee so appointed by the Bond Insurer shall immediately and without further act be superseded by any Trustee so appointed. Notice of the appointment of a successor Trustee shall be given by the successor Trustee in the same manner as provided by Section 10.06 hereof with respect to the resignation of a Trustee. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing having a corporate trust office in the State, having a reported capital and surplus of not less than \$75,000,000 and subject to examination by federal or State authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. The Bond Insurer shall be notified immediately upon the resignation or termination of the Trustee and the appointment of a successor Trustee.

**SECTION 10.09. Concerning Any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Council and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Council, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents and other property held by it as the Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Council be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Council. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. Such successor Trustee shall give notice of such successors to Fitch, Moody's and S&P.

**SECTION 10.10. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Council and the Bond Insurer, at reasonable hours and under reasonable conditions.

**SECTION 10.11. [This Section Reserved]**

**SECTION 10.12. Paying Agent.** The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer appoint

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## ARTICLE XI

### SUPPLEMENTAL INDENTURES

**SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to any of the Bondholders but only with the consent of the Bond Insurer, enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) To cure or correct any ambiguity or omission or formal defect in this Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of the Bondholders;
- (c) To subject to this Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or
- (e) To change or evidence or give effect to the delivery of an Alternate Surety Bond.

**SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders.** Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Council and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (1) without the consent of the Owners of all then Outstanding Bonds affected thereby, of (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (e) except to the extent necessary to implement Section 4.08(c) hereof, the creation of any lien hereunder other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (2) any modification of the trusts, powers, rights, obligations,

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additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

- (a) to hold all sums received by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of the Bonds until such sums shall be paid to such Owners of the Bonds or otherwise disposed of as herein provided;
- (b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Council and the Trustee at all reasonable times; and
- (c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

**SECTION 10.13. Registrar.** The Council hereby appoints the Trustee as Registrar for the Bonds. The Registrar shall designate to the Trustee its principal office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Council and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Council and the Trustee at all reasonable times.

The Council shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Council and authenticated by the Registrar or any authenticating agent, shall be made available for exchange, registration and registration of transfer at the principal office of the Registrar. The Council shall cooperate with the Trustee to cause the necessary agreements to be made and thereafter continued whereby the Registrar shall be furnished such records and other information at such times as shall be required to enable the Registrar to perform the duties and obligations imposed upon it hereunder.

**SECTION 10.14. Effect on Bondholders of Certain Actions.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee or Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

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duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time the Council shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to each Owner of a Bond affected thereby at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Council, following the mailing of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Council from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that in no event shall the Bond Insurer's consent to the actions listed in subsection (1)(a) through (e) of this Section 11.02 constitute consent of the Owners.

**SECTION 11.03. Notice to S&P, Fitch and Moody's.** The Trustee shall give notice to the Bond Insurer, S&P, Fitch and Moody's, if then rating the Bonds, of any supplemental indentures or any amendments to any Loan Agreement.

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ARTICLE XII

AMENDMENT OF LOAN AGREEMENT

**SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change or modification of any Loan Agreement that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Owners of the Bonds, or (e) in connection with the delivery of an Alternate Surety Bond.

**SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders.** Except for amendments, changes or modifications provided for in Section 12.01 hereof, neither the Council nor the Trustee shall consent to any amendment, change or modification of any Loan Agreement without the mailing of notice and the written approval or consent of the Bond Insurer and Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this Section provided. If at any time the Council and a Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds the Owners of which are required to consent to any amendment, change or modification of a Loan Agreement, a reduction in, or a postponement of, the payments under any Loan Agreement or any changes that affect the exclusion of interest on the Bonds from the gross income of the Holders thereof for purposes of Federal income taxation, without the consent of the Owners of all of the Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Bondholders or any change that affects the exclusion of interest on the Bonds from gross income of the Holders thereof for purposes of Federal income taxation.

Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Council and the Bond Insurer, from settling a default under any Loan Agreement on such terms as the Trustee may determine to be in the best interests of the Owners of the Bonds.

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Agreement (and waive the same except for rights expressly granted to the Council) on behalf of the Bondholders whether or not the Council is in default hereunder.

**SECTION 13.05. Possession and Inspection of Loan Agreement.** The Trustee shall retain possession of an executed copy of each Loan Agreement to which it is a party or in which it has an interest and release them only in accordance with the provisions of this Indenture. The Council and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreement and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or persons as the other party or the Bond Insurer may from time to time designate.

**SECTION 13.06. Provision of Documents to Bondholders.** If any Bondholder shall request of the Council or Trustee a copy of the Indenture, the Bond Insurance or any Loan Agreement, the Trustee shall, at the expense of the Bondholder, provide such Bondholder with a photocopy or other copy of any such document requested.

**SECTION 13.07. Tax Covenants.**

(a) The Council shall not use or permit the use of any proceeds of the Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not knowingly use or permit the use of any amounts received by the Council or Trustee with respect to the Loan Agreement in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148, or "federally guaranteed" within the meaning of the Code. If at any time the Council is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee under this Indenture, the Council shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The Council shall not use or permit the use of any proceeds of Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as a "private activity bond," as defined in Section 141 of the Code.

(c) The Council and the Trustee (if directed by the Council) shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of Federal income taxation and shall take no action that would result in such interest not being excluded from Federal gross income.

(d) The Council covenants that it will maintain adequate accounting records, and rebate investment income from the investment of proceeds of the Bonds to the United States

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ARTICLE XIII

GENERAL COVENANTS

**SECTION 13.01. Payment of Principal and Interest.** The Council covenants that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Council solely from the Trust Estate as provided in this Indenture, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Council other than such Trust Estate.

**SECTION 13.02. Performance of Covenants; the Council.** The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver a Loan Agreement, to assign the Loan Agreement and collateral documents and amounts payable thereunder, and to pledge the Revenues and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Council according to the terms thereof and hereof.

**SECTION 13.03. Instruments of Further Assurance.** The Council agrees that the Trustee may defend its rights to the payments of the Revenues for the benefit of the Owners of the Bonds, against the claims and demands of all persons whomsoever. The Council covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds. The Council covenants and agrees that, except as provided herein or in the Loan Agreement, it will not sell, convey, assign, pledge, encumber or otherwise dispose of any part of the Revenues or the proceeds of the Bonds or its rights under the Loan Agreement.

**SECTION 13.04. Rights Under the Loan Agreement.** The Loan Agreement, the form of which has been filed with the Trustee and duly executed counterparts of which will be retained by the Trustee, as required by Section 13.06 hereof, set forth the covenants and obligations of the Council and the Borrower, including provisions that the Loan Agreement may not be effectively amended without the concurring written consent of the Trustee, as provided in Article XII hereof, and reference is hereby made to the Loan Agreement for a detailed statement of said covenants and obligations of the Borrower under the Loan Agreement, and the Council agrees that the Trustee in its name or to the extent permitted by law, in the name of the Council, may enforce all rights of the Council and all obligations of the Borrower under the Loan

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Treasury within the time allowed and in the manner specified by the Code and regulations and will otherwise comply with such laws and regulations.

**SECTION 13.08. Security Interest.**

(a) This Indenture creates a valid and binding assignment of, lien on and security interest in the Trust Estate in favor of the Trustee as security of payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) The Council has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the lien, security interest or assignment granted hereby. The Council has not described such collateral in a Uniform Commercial Code financing statement. The Council shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the assignment, lien, or security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

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ARTICLE XIV  
MISCELLANEOUS

**SECTION 14.01. Consents, etc., of Bondholders.** Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Council, the Trustee and any subsequent Owners of the Bonds with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of owning the same shall be proved by the registration books of the Council maintained by the Registrar pursuant to Section 2.07 hereof.

**SECTION 14.02. Limitation of Rights.** With the exception of rights herein expressly conferred or as otherwise provided herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 14.03. The Bond Insurer.** All provisions in this Indenture regarding consents, approvals, directions, appointments or requests by the Bond Insurer shall be deemed to not require or permit such consents, directions, appointments or requests by the Bond Insurer and shall be read as if the Bond Insurer were not mentioned therein during any time in which (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy, (b) the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer, or shall be declared to be null and void by final and conclusive judicial determination, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer or any governmental agency or authority, or if the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy, or (c) a final determination against the Bond Insurer, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of the State of New York, whether now or hereafter in effect.

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**SECTION 14.04. Severability.** If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

**SECTION 14.05. Notices.** Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street  
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504

Trustee: Wachovia Bank, National Association  
Corporate Trust Department  
225 Water Street, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

For purposes of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association  
Wachovia Customer Information Center  
Corporate Trust Operations  
1525 West W.T. Harris Blvd., 3C3  
Charlotte, North Carolina 28262-1153

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays.** In any case where the date of payment of principal of or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day which is not a Business Day, then payment of interest or principal shall be made on the succeeding Business Day with the same force and effect as if made on the interest payment date or the date of maturity or the date fixed for redemption.

**SECTION 14.07. Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 14.08. Applicable Provisions of Law.** This Indenture shall be governed by and construed in accordance with the laws of the State.

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**SECTION 14.09. Reporting Requirements.** The Council will file or cause to be filed with the Bond Insurer any official statement issued by, or on behalf of, the Council in connection with the incurrence of any additional indebtedness by such Council.

**IN WITNESS WHEREOF,** the Council has caused this Indenture to be executed on its behalf by its Chairman and the seal of the Council to be hereunto affixed and duly attested by its Executive Director and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

[SEAL] FLORIDA MUNICIPAL LOAN COUNCIL

By: \_\_\_\_\_  
Name: Raul Martinez  
Title: Chairman

ATTEST:  
FLORIDA LEAGUE OF CITIES, INC.,  
Program Administrator

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

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TRUST INDENTURE

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Trustee

[SEAL]

By: \_\_\_\_\_  
Name:  
Title:

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**EXHIBIT A**  
[FORM OF BOND]

No. R-\_\_\_\_\_ \$

FLORIDA MUNICIPAL LOAN COUNCIL  
REVENUE BOND  
SERIES 2002B

Maturity Date: \_\_\_\_\_ Interest Rate: \_\_\_\_\_ Dated Date: \_\_\_\_\_ CUSIP: \_\_\_\_\_

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ DOLLARS

FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity duly created and existing under the Constitution and laws of the State of Florida (the "Council"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from \_\_\_\_\_, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on \_\_\_\_\_ 1, 2002, and on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 thereafter (an "Interest Payment Date"), unless interest on this Bond is in default, in which event it shall bear interest from the last date to which interest has been paid until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned. The principal (or redemption price) hereof is payable upon presentation hereof at the principal office of Wachovia Bank, National Association, as Paying Agent and Registrar (together with any successor thereto, the "Paying Agent" and the "Registrar"). Interest hereon is payable by check mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books maintained by the Registrar as the Registered Owner hereof as of the close of business on the 15th day of the calendar month preceding each Interest Payment Date, at such person's address as it appears on such registration books.

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The Bonds that mature on \_\_\_\_\_ 1, \_\_\_\_ are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, beginning on \_\_\_\_\_ 1, \_\_\_\_, and on each \_\_\_\_\_ 1 thereafter in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
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In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the Registered Owner of any Bonds designated for redemption in whole or in part as provided in the Indenture. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. On the redemption date, the principal amount and premium, if any, of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; from and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be outstanding under the Indenture, and the Council shall be under no further liability in respect thereof.

In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the financial guaranty insurance policy, and the Bonds are redeemed pursuant to the terms of the Indenture or the Loan, the Bond Insurer may pay all or a portion of amounts due under the Bonds to the Owners thereof prior to the stated maturity dates thereof.

If an Event of Default (as defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The Indenture and the rights and obligations of the Council and of the Bondholders and of the Trustee may be modified or amended from time to time and at any time, without consent of the Bondholders in the manner, to the extent and upon the terms provided in the Indenture.

The Bonds are limited obligations of the Council and are not a lien or charge upon the funds or property of the Council, except to the extent of the herein mentioned pledge and assignment. Neither the State of Florida nor the Council shall be obligated to pay the principal of the Bonds, or the interest thereon, except from Revenues received by the Council, and neither the faith and credit nor the taxing power of the State of Florida or of any political subdivision or any municipal corporation thereof is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not a debt of the State of Florida and said State is not liable for the payment thereof.

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This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B" (the "Bonds"), issued in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of \_\_\_\_\_, 2002, between the Council and Wachovia Bank, National Association (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make a loan to the City of North Miami Beach, Florida (the "Borrower") to finance, refinance or reimburse the costs of various capital projects, pursuant to a loan agreement between the Council and such Borrower (together with any supplements or amendments thereto, the "Loan Agreement") and a note of the Borrower evidencing the loan (the "Note").

Capitalized terms used but not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at the principal corporate trust office of the Trustee) and to the Act for a description of the rights and remedies thereunder (and limitations thereon) of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Council thereunder, to all the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture) and are secured by a pledge and assignment of said Revenues and of amounts held in certain funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Council in the Loan Agreement and the Note to the Trustee, to the extent and as more particularly described in the Indenture.

The Bonds maturing on and before \_\_\_\_\_ 1, \_\_\_\_ are not subject to optional redemption prior to their maturities. The Bonds maturing on and after \_\_\_\_\_ 1, \_\_\_\_ are subject to redemption at the option of the Council on or after \_\_\_\_\_ 1, \_\_\_\_, as a whole or in part at any time, in any manner determined by the Trustee during the following periods and at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
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It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, as hereinafter defined, and by the Constitution and laws of the State of Florida, and that the amount of this Bond, together with all other indebtedness of the Council, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Florida, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Registrar.

IN WITNESS WHEREOF, FLORIDA MUNICIPAL LOAN COUNCIL has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the manual or facsimile signature of its Executive Director all as of the date of the Bonds.

(SEAL) FLORIDA MUNICIPAL LOAN COUNCIL

By: \_\_\_\_\_  
Chairman

Attest:  
  
\_\_\_\_\_  
Executive Director

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VALIDATION CERTIFICATE

STATEMENT OF INSURANCE

This Bond is one of a series of Bonds which were validated and confirmed by judgment of the Circuit Court for Leon County, Florida, rendered on March 15, 1999.

By: \_\_\_\_\_  
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture.

Date of Authentication: \_\_\_\_\_  
WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Registrar

[END OF BOND FORM]

By: \_\_\_\_\_  
Authorized Signer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_  
the within-mentioned registered Bond and hereby  
irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the  
same on the books of the Registrar with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed:  
\_\_\_\_\_

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**APPENDIX D**

Form of the Loan Agreement

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**APPENDIX D**  
**FORM OF LOAN AGREEMENT**

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of August 1, 2002 and entered into between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida, and the CITY OF NORTH MIAMI BEACH, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to the authority of the hereinafter defined Act, the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic created and existing under the laws of the State of Florida, organized and existing under and by virtue of the Interlocal Agreement among initially, the City of DeLand, Florida, the City of Rockledge, Florida and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act, as amended, to enter into this Loan Agreement and to issue its Note to secure the Loan Agreement for the purposes set forth herein; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Agreement, the Note and that certain Trust Indenture dated as of August 1, 2002, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto

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**ARTICLE I**  
**DEFINITIONS**

Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 of the Indenture.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, and Chapter 166, Part II, Florida Statutes, as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Depository" shall mean the State Board of Administration of Florida or a bank or trust company in the State which is eligible under the laws of the State to receive funds of the Borrower.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be

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(the "Indenture"), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities and programs and will promote the most efficient and economical development of such services, facilities and programs in the State; and

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than the Borrower to the extent of its obligation under its Loan Agreement only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the Borrower, the State or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Agreement, the Note and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

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selected by Council resolution; and, when used with reference to the Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting or Vice Mayor thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant, Miller and Olive, P.A., Tampa, Florida or any other nationally recognized bond counsel.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds" whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Bond Insurance" means the insurance policy of the Bond Insurer which insures payment of the principal of and interest on the Bonds when due.

"Bond Insurance Premium" means the premiums payable to the Bond Insurer for the Bond Insurance.

"Bond Insurer" means MBIA Insurance Corporation and any successors thereto.

"Bond Year" means a 12-month period beginning on August 2 and ending on and including the following August 1, except for the first period which begins on August, 2002.

"Bonds" means the Florida Municipal Loan Council Revenue Bonds, Series 2002B issued pursuant to Article II of the Indenture.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Council by its Chairman, Program Administrator or such other person as may be designated and authorized to sign for the Council. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Agreement.

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"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed or applicable thereunder.

"Commencement Date" means the date when the term of this Agreement begins and the obligation of the Borrower to make Loan Repayments accrues.

"Council" means the Florida Municipal Loan Council.

"Cost" means "Cost" as defined in the Act.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Council or the Borrower.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Agreement.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Funds" means the funds created pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, including interest on obligations of the Resolution Funding Corporation and (ii) pre-refunded municipal obligations meeting the following criteria:

(a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by cash or securities described in subparagraph (i) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;

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"Loan Agreement" or "Loan Agreements" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means January 20, 2003, and thereafter each July 20<sup>th</sup> and January 20<sup>th</sup>, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments and Reserve Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Note" means the Note of the Borrower dated August 1, 2002 evidencing the Loan and securing its obligation under this Loan Agreement.

"Opinion of Bond Counsel" means an opinion by Bond Counsel which is selected by the Council and acceptable to the Trustee.

"Opinion of Counsel" means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, a Borrower or the Trustee.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds deemed paid under Article IX of the Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 of the Indenture.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization including a government or political subdivision or an agency or instrumentality thereof.

"Pledged Revenues" means, Pledged Funds as defined in and pursuant to Resolution No. R2002-34 of the Borrower adopted July 16, 2002.

"Principal Fund" means the fund by that name created by Section 4.02 of the Indenture.

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(c) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) the Defeasance Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent.

Additionally, evidences of ownership of proportionate interests in future interest and principal payments of Defeasance Obligations are permissible. Investments in these proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in a special account separate and apart from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Gross Revenues" shall have the meaning defined in Resolution No. R2002-34 of the Borrower adopted July 16, 2002.

"Indenture" means the Trust Indenture dated as of August 1, 2002 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2003.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida and the City of DelLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under this Loan Agreement after the occurrence of an "Event of Default" under this Loan Agreement which has not been waived or cured.

"Loan" means the Loan made to the Borrower in the amount specified in Section 3.01 herein from Bond proceeds to finance certain Project(s).

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"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and the Indenture.

"Reserve Fund" means the fund by that name created by Section 4.02 of the Indenture.

"Reserve Payments" means payments required by Section 5.03(c) hereof.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 of the Indenture as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds as provided therein or any Alternate Surety Bond.

"Surety Bond Provider" means MBIA Insurance Corporation and any successors thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, the Note and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Wachovia Bank, National Association, as Trustee, or any successor thereto under the Indenture.

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## ARTICLE II

### REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL

**SECTION 2.01. Representations, Warranties and Covenants.** The Borrower and the Council represent, warrant and covenant on the date hereof for the benefit of the Trustee, the Borrower, the Bond Insurer and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State of Florida municipalities generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower there are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Agreement and the Note.

(d) Borrowing Legal and Authorized. The execution and delivery of this Agreement, the issuance of the Note and the consummation of the transactions provided for in this Agreement and compliance by the Borrower with the provisions of this Agreement:

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(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing for the cost of the Project as set forth in Exhibit A. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to August 15, 2005, use the remainder of the amounts listed in Exhibit A and any investment earnings thereon to pay the cost of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee and the Insurer, and provided further that Borrower may amend Exhibit A without the consent of the Council or the Trustee (but with notice thereto) but with a favorable opinion of Bond Counsel (to the effect that such amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Exhibit A, to provide for the financing of a different or additional Project if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of such Project or the cost of the Project proves to be less than the amounts listed on Exhibit A and the investment earnings thereon. Notwithstanding the foregoing all such proceeds shall be expended prior to August 15, 2005. Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Loan in the Project Loan Fund.

(2) Items of cost of the Project which may be financed include all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction or installation of the Project, including operational expenses during this construction period which would qualify for capitalization under generally accepted accounting principles, the incidental costs of placing the same in use and financing expenses (including the application or origination fees, if any, of the Bond Insurer and the Council and Borrower's Counsel fees), but not operating expenses.

(3) Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the Bonds issued to fund its Loan and the underwriting discount, original issue discount and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

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(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement or other agreement or instrument (other than this Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties or operations are bound as of the date of this Agreement or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge or encumbrance, which breach, default, lien, charge or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Agreement or the Borrower's ability to perform fully its obligations under this Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations or court orders to which the Borrower, its properties or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition and/or installation of the Project, including construction and renovation work, the financing or refinancing thereof or the reimbursement of the Borrower therefor, or the use of such Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration with any agency or other governmental body or officer in connection with the acquisition or installation of the Project, including construction and renovation work necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefor; and any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order or other action which is applicable thereto. No further consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

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(i) Project. All items constituting the Project are permitted to be financed with the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Act.

**SECTION 2.02. Covenants of Borrower.** The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for Loan Repayment. The Borrower agrees to pay when due under this Loan Agreement as promptly as money becomes available pursuant to the terms of the Borrower's Resolution No. R2002-34 to the Trustee for deposit directly into the appropriate Fund or Account created in the Indenture, amounts of Pledged Revenues of the Borrower sufficient to satisfy the Basic Payment and the Reserve Payment as required under this Loan Agreement.

(b) Delivery of Information to the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) The Pledged Revenues shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Bonds, without any physical delivery by the Borrower of the Pledged Revenues to the Trustee or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Borrower, in tort, contract or otherwise.

(e) Security for Bonds. The payment of the principal of or redemption price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Loan Repayments and by the Note. The Borrower does hereby irrevocably pledge the Pledged Revenues to the payment of the Note, the Basic Payment and the Reserve Payment.

(f) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and the Note and to relate thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or

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required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

(g) **Keeping of Records and Books of Account.** The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(h) **Payment of Taxes, Etc.** The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(i) **Compliance with Laws, Etc.** The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its system, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(j) **Tax-exempt Status of Bonds.** The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excluded from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "Arbitrage Bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an exhibit to the Tax Certificate, delivered by Bryant, Miller and Olive, P.A. to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

(j) **Information Reports.** The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess necessary to enable the Council to

**ARTICLE III**

**THE LOAN**

**SECTION 3.01. The Loan.** The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$66,753,391.40 (\$66,385,000 par amount of Bonds plus \$368,391.40 reoffering premium). This amount includes a discount equal to 1.5476% of such borrowed sum which reflects the Borrower's share of the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement and in the Indenture, such advanced amounts to be used by the Borrower for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan Agreement.

**SECTION 3.02. Evidence of Loan.** The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement and by the Note to be delivered upon the execution hereof and the issuance of the Bonds.

file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(l) **Reporting Requirements.** (i) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by the Pledged Funds. Such official statements shall be filed within sixty (60) days after the publication thereof.

(ii) The Borrower agrees to provide not later than December 31 of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

**ARTICLE IV**

**LOAN TERM AND LOAN CLOSING REQUIREMENTS**

**SECTION 4.01. Commencement of Loan Term.** The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

**SECTION 4.02. Termination of Loan Term.** The Borrower's obligations under this Loan Agreement and under the Note shall terminate after payment in full of all amounts due under this Loan Agreement and under the Note and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof and the cancelled Note.

**SECTION 4.03. Loan Closing Submissions.** Concurrently with the execution and delivery of this Loan Agreement, the Borrower is providing to the Trustee the following documents each dated the date of such execution and delivery unless otherwise provided below:

- (a) Certified copies of the Borrower's resolutions relating to the Pledged Revenues and authorizing the Loan and the Note;
- (b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement and the Note are valid and binding obligations of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel and the Bond Insurer and acceptable to Borrower's Counsel;
- (c) A certificate of the officials of the Borrower who sign this Loan Agreement to the effect that the representations and warranties of the Borrower are true and correct;
- (d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to August 15, 2005, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.
- (e) This executed Loan Agreement;
- (f) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the resolution authorizing this Loan



Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds;

(g) an executed original of the Note; and

(h) Such other certificates, documents, opinions and information as the Council, the Bond Insurer, the Trustee or Bond Counsel may require.

All opinions and certificates shall be dated the date of the Closing.

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(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees of the Trustee following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof;

(5) all taxes (including any recording and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof;

(6) all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security in this Loan Agreement, the Resolution No. R2002-34 of the Borrower, any supplemental Resolutions relating to such Resolution, the Note and the Indenture and any other financing documents relating to the Loan, the Bonds or the Note (the "Documents"); (b) the pursuit of any remedies hereunder or otherwise afforded by law or equity; (c) any amendment, waiver or other action with respect thereto, or related thereto, whether or not executed or completed, (d) the violation by the Borrower of any law, rule or regulation, or any judgment, order or decree applicable to it, or (e) any litigation or other dispute in connection with the documents or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the financial guaranty insurance policy.; and

(7) any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement.

(c) For deposit to the Reserve Fund held by the Trustee an amount equal to any amount drawn from the Surety Bond in the Reserve Fund due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond and such payment shall be on a pro rata basis with payments due under the Borrower's Resolution No. R2002-34, Sections 4.05(A)(3) and 4.05(C). The Borrower shall repay such amount drawn from the Reserve Fund due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

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## ARTICLE V

### LOAN REPAYMENTS

**SECTION 5.01. Payment of Basic Payments.** Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

(a) principal in the amounts and on the dates set forth in Exhibit D; plus

(b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D;

On the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each January 20th and July 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing January 20, 2003, and extending through July 20, 2032.

**SECTION 5.02. Payment of Surety Bond Costs.** The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. Therefore the Borrower hereby agrees to make deposits as set forth in subsection (c) of Section 5.03 hereof. The Borrower understands that the Reserve Fund may be secured by a surety bond and such surety bond may secure other reserve funds on a parity with the Reserve Fund.

**SECTION 5.03. Payment of Additional Payments.** In addition to Basic Payments, Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments. Such Additional Payments in paragraphs (a) and (b) below shall be paid from the Gross Revenues of the Borrower:

(a) the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations; the Bond Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund); the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

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### SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts held under the Indenture (except the Project Loan Fund), or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from such defaulting Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the now non-defaulting Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

**SECTION 5.05. Obligations of Borrower Unconditional.** Subject in all respects to the provisions of this Loan Agreement, the obligations of Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that Borrower might otherwise have against the Council, the Trustee, the Bond Insurer or any other party or parties.

**SECTION 5.06. Refunding Bonds.** In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds. The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Agreement without the prior written consent of the Authorized Representative of the Borrower.

**SECTION 5.07. Prepayment.** The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture.

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**ARTICLE VI**

**DEFEASANCE**

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement and the Note shall continue to be secured by this Loan Agreement and the Note as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council or the Trustee. Provided, however, if, at any time, the Borrower shall have paid, or shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds, shall have paid all amounts due pursuant to Section 5.03 hereof, and shall have paid all amounts due under the Note, then, and in that event, the pledge of the Pledged Revenues and the lien thereon, to the Council for the benefit of the holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement and the Note shall cease. For purposes of the preceding sentence, deposit of sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council in respect to which such Governmental Obligations, the principal and interest received will be sufficient (as reflected in an accountants verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and redemption premiums, if any, on the Outstanding Bonds, shall be considered "provision for payment."

Nothing herein shall be deemed to require the Council to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Council in determining whether to exercise any such option for early redemption.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 35 days notice by certified or registered mail to the Council.

**ARTICLE VIII**

**EVENTS OF DEFAULT AND REMEDIES**

**SECTION 8.01. Events of Default Defined.** The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding, and failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable;

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(c) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(d) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;

(e) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(f) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(g) Default under any agreement to which Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the amount of **[\$100,000]** or

**ARTICLE VII**

**ASSIGNMENT AND PAYMENT BY THIRD PARTIES**

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the Note and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement or the Note may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

**SECTION 7.04. Payments by the Surety Bond Provider.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(h) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by Borrower or any governmental agency or authority, or if Borrower shall deny any further liability or obligation under this Loan Agreement; or

(i) Final judgment for the payment of money in the amount of **[\$250,000]** or more is rendered against Borrower and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such enforcement and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes, or

(j) An Event of Default shall occur with respect to the Note pursuant to Article VII of Resolution No. R2002-34 of the Borrower.

**SECTION 8.02. Notice of Default.** The Borrower agrees to give the Trustee, the Bond Insurer and the Council prompt written notice if any petition, assignment, appointment or possession referred to in Section 8.01(d), 8.01(e) and 8.01(f) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

**SECTION 8.03. Remedies on Default.** Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

**SECTION 8.04. No Remedy Exclusive; Waiver, Notice.** No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council

or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

**SECTION 8.05. Application of Moneys.** Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any attorney's fees or other expenses owed by Borrower pursuant to Section 5.03(b)(3) and (4) hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.05).

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that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

**SECTION 9.05. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.06. Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

**SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including but not limited to the investment of the Borrower's Project Loan Fund.

**SECTION 908. Consents and Approvals.** Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

**SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower.** No recourse shall be had for the payment of the principal of or premium or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement against any past, present or future official officer, member, counsel, employee, director or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, counsels, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

**SECTION 9.10. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of sections of this Loan Agreement.

**SECTION 9.11. No Pecuniary Liability of Council.** No provision, covenant or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions and

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## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Notices.** All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street  
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504

Trustee: Wachovia Bank, National Association  
Corporate Trust Department  
225 Water Street, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

For purposes other than presentation of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association  
Corporate Trust Department  
225 Water Street, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

Borrower: City of North Miami Beach  
17011 N.E. 19<sup>th</sup> Ave  
North Miami Beach, Florida 33162

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.02. Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

**SECTION 9.03. Severability.** In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 9.04. Amendments, Changes and Modifications.** This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however,

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covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income and all other property as derived herefrom, as hereinabove provided.

**SECTION 9.12. Payments Due on Holidays.** With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**SECTION 9.13. Calculations.** Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

**SECTION 9.14. Time of Payment.** Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

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IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of North Miami Beach, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

EXHIBIT A

CITY OF NORTH MIAMI BEACH, FLORIDA  
USE OF LOAN PROCEEDS

(SEAL) FLORIDA MUNICIPAL LOAN COUNCIL

DESCRIPTION OF PROJECT TO BE ACQUIRED OR CONSTRUCTED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Chairman

PROJECT

TOTAL AMOUNT  
TO BE FINANCED

ATTEST:

Improvements to Water System

\$66,385,000

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

(SEAL) CITY OF NORTH MIAMI BEACH,  
FLORIDA

By: \_\_\_\_\_  
Name: Gary Brown  
Title: City Manager

ATTESTED BY:

By: \_\_\_\_\_  
Name: Solomon Odenz  
Title: Clerk

Approved as to form only this \_\_\_\_ day of August, 2002.  
Terms and conditions created by others.

By: \_\_\_\_\_  
Name: Howard B. Lenard  
Title: Attorney

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EXHIBIT B

[CERTIFIED RESOLUTIONS OF THE BORROWER]

[See Documents No. \_ ]

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

\_\_\_\_\_, 2002

Florida Municipal Loan Council  
c/o League of Cities, Inc.  
301 Bronough Street  
Tallahassee, Florida 32301

Wachovia Bank, National Association  
Corporate Trust Department  
225 Water Street, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

Bryant, Miller and Olive, P.A.  
101 East Kennedy Blvd., Suite 2100  
Tampa, Florida 33602

Banc of America Securities LLC  
1640 Gulf-to-Bay Boulevard  
Clearwater, Florida 33755

Gentlemen:

We are counsel to City of North Miami Beach, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance or refinance or reimburse the Borrower for all or a portion of the cost of a certain Project (the "Project") as defined in, and as described in Exhibit A of, the Loan Agreement, dated as of \_\_\_\_\_ 1, 2002 (the "Loan Agreement"), between the Council and the Borrower.

In this connection, we have reviewed such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, and ordinances adopted by the City Council of the Borrower, the Loan Agreement, a Trust Indenture dated as of \_\_\_\_\_ 1, 2002 (the "Indenture") between the Council and Wachovia Bank, National Association, as trustee (the "Trustee"), the Note of the Borrower issued on even date herewith and Resolutions No. \_\_\_\_\_ and Resolution No. \_\_\_\_\_ both adopted by the Borrower on \_\_\_\_\_, 2002 (collectively, the "Resolution"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida and under the provisions of the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to adopt the Resolution and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Resolution has been duly and validly adopted and the provisions thereof are consistent with the Borrower's charter.

(c) The Borrower has duly authorized, executed and delivered the Resolution, the Note, the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower, including the pledge of the Pledged Revenues, enforceable against the Borrower in accordance with its terms, except to the

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**APPENDIX E**

Form of the Borrower's Bond Resolution

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RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY OF NORTH MIAMI BEACH, FLORIDA; AUTHORIZING THE ISSUANCE OF ITS WATER REVENUE BONDS IN VARIOUS SERIES TO FINANCE WATER SYSTEM PROJECTS AND OTHER LAWFUL PROJECTS AND PAY THE COSTS OF ISSUANCE OF SUCH BONDS AS DETERMINED BY SUBSEQUENT RESOLUTION; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SUCH WATER SYSTEM, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; MAKING CERTAIN COVENANTS AND AGREEMENTS FOR THE BENEFIT OF THE HOLDERS OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE.

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BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MIAMI BEACH:

ARTICLE I

GENERAL

Section 1.01. **Definitions.** When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accountant" shall mean the independent certified public accountant or firm of certified public accountants at the time employed by the Issuer under the provisions of this Resolution to perform and carry out the duties imposed on the Accountant by this Resolution.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean the Constitution and laws of the State of Florida, Chapter 166, Part II, Florida Statutes, Charter of the Issuer and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Bonds.

"Amortization Installment" shall mean the amount designated and established as an Amortization Installment with respect to any Term Bonds by Supplemental Resolution.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.07 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.03 hereof.

"Authorized Amount" shall mean, with respect to Commercial Paper, the maximum principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time.

"Authorized Depository" shall mean the State Board of Administration of Florida or a bank or trust company in the State which is eligible under the laws of the State to receive funds of the Issuer.

"Authorized Investments" shall mean any of the following which shall be authorized from time to time by applicable laws of the State for deposit or purchase by the Issuer for the investment of its funds:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):
  - 1. U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
  - 2. Farmers Home Administration (FMHA)  
Certificates of beneficial ownership
  - 3. Federal Financing Bank
  - 4. Federal Housing Administration Debentures (FHA)
  - 5. General Services Administration  
Participation certificates
  - 6. Government National Mortgage Association (GNMA or "Ginnie Mae")  
GNMA-guaranteed mortgage-backed bonds  
GNMA-guaranteed pass-through obligations  
(not acceptable for certain cash-flow-sensitive issues.)
  - 7. U.S. Maritime Administration  
Guaranteed Title XI financing
  - 8. U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures-U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):

- 1. Federal Home Loan Bank System  
Senior debt obligations
- 2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") Participation Certificates  
Senior debt obligations
- 3. Federal National Mortgage Association (FNMA or "Fannie Mae")  
Mortgage-backed securities and senior debt obligations
- 4. Student Loan Marketing Association (SLMA or "Sallie Mae")  
Senior debt obligations
- 5. Resolution Funding Corp. (REFCORP) obligations
- 6. Farm Credit System  
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AAA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2."

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, acceptable to the Insurer in respect of the Series 2002 Note (refer to Investment Agreement criteria).

H. Commercial paper rated, at the time of purchase, "Prime - 1 by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unwarranted obligation rating of "Prime - 1," or "M" or better by Moody's and "A- 1" or "A" or better by S&P.

K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by the Insurer in respect of the Series 2002 Note:

- 1. Repos must be between the municipal entity and a dealer bank or securities firm
  - a. Primary dealers on the Federal Reserve reporting dealer list that are rated "A" or better by Standard & Poor's Ratings Services and Moody's Investor Services, or
  - b. Banks rated "A" or above by Standard & Poor's Ratings Services and Moody's Investor Services.
- 2. The written repo contract must include the following:
  - a. Securities that are acceptable for transfer are:
    - (i) Direct U.S. governments, or
    - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)
  - b. The term of the repo may be up to 30 days
  - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
  - d. Valuation of Collateral
    - (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
      - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities

must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion that must be delivered to the municipal entity:

a. Repo meets guidelines under state law for legal investment of public funds.

L. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.

M. The Florida Municipal Investment Trust Enhanced Cash Portfolio.

N. The Florida Municipal Investment Trust 1 - 3 year High Quality Bond Fund.

O. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Insurer in respect of the Series 2002 Note.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Authorized Issuer Officer" for the performance on the behalf of the Issuer of any act of the Issuer or the execution of any instrument on behalf of the Issuer shall mean any person authorized by resolution or certificate of the Issuer to perform such act or sign such document.

"Bond Amortization Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America approved by the Issuer.

"Bond Insurance Policy" shall mean the financial guaranty insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bond Service Requirement" for any Series for any Fiscal Year shall mean the sum of that portion of the Debt Service Requirement for such Fiscal Year allocable to the Bonds of such Series and all other payments required by this Resolution to be paid in such Fiscal Year with respect to the Bonds of such Series, which shall include such Series' pro rata share of all deposits to the Reserve Fund in such Fiscal Year, if any, and redemption premiums, if any, payable in such Fiscal Year.

"Bondholder" or "Holder" or "holder" shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds according to the registration books of the Issuer.

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interests therein and the costs of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the Project during the construction period of such Project and for a reasonable period thereafter; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses incidental to the issuance of the Bonds including bond insurance premium, rating agency fees and the fees and expenses of any auditors, Paying Agent, Registrar, Credit Bank or depository; (8) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for such Project; (9) costs of machinery or equipment required by the Issuer for the commencement of operation of such Project; and (10) any other costs permitted by law and this Resolution and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Coupon Bonds" shall mean any Bonds the interest payable on which shall be represented by bearer coupons attached thereto, and the interest on which Bonds shall be payable only upon the presentation and surrender of such coupons to the Paying Agent as they severally fall due.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 4.04 hereof.

"Debt Service Requirement" for any Fiscal Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Bonds, other than Capital Appreciation Bonds, during such Fiscal Year, except to the extent that such interest shall have been provided by payments into the Interest Account out of Bond proceeds or other sources (other than Net Revenues) for a specified period of time.

(2) The aggregate amount required to pay the principal becoming due on the Bonds, other than Capital Appreciation Bonds, for such Fiscal Year. For purposes of this definition: (a) the stated maturity date of any Term Bonds shall be disregarded and the principal of such Term Bonds shall be deemed to be due in the Fiscal Years and in the amounts of the Amortization Installments applicable to such Term Bonds; and (b) the principal amount of any single maturity of Term Bonds for which the Issuer shall have established no Amortization Installments shall be deemed to be due in the Fiscal Years and in such amounts as shall provide for the amortization of such principal amount over a term equal to the number of years such Term Bonds shall be

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"Bonds" shall mean all Bonds or other indebtedness issued hereunder (such indebtedness not necessarily defined as a "Bond" but being issued on parity under the terms hereof, including the Series 2002 Note), together with any Additional Bonds and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution, which may be either Serial Bonds or Term Bonds and which shall bear interest payable only at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Capital Appreciation and Income Bonds" shall mean any Bonds issued under this Resolution as to which accruing interest is not paid prior to the specified interest commencement date and is compounded periodically on certain designated dates prior to the interest commencement date for such Series of Capital Appreciation and Income Bonds, all as provided in the Supplemental Resolution of the Issuer authorizing such Capital Appreciation and Income Bonds.

"Cede & Co" shall mean the entity which is the nominee for bond registration purposes for DTC.

"City Clerk" shall mean the City Clerk of the Issuer.

"City Manager" shall mean the City Manager of the Issuer.

"Code" shall mean the United States Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations thereunder, whether proposed, temporary or final, promulgated by the Department of the Treasury, Internal Revenue Service, and all other promulgations of said service pertaining thereto.

"Commercial Paper" shall mean commercial paper obligations with maturities of not more than two hundred seventy (270) days from the date of issuance thereof which are issued and reissued by the Issuer from time to time and are outstanding up to an Authorized Amount.

"Construction Fund" shall mean any Construction Fund which may be established pursuant to Section 4.03 hereof.

"Consulting Engineers" shall mean one or more qualified and recognized consulting engineers or firm of consulting engineers having favorable repute, skill and experience with respect to the planning, design and operation of public utility systems similar to the System, who shall be retained from time to time by the Issuer.

"Cost" when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and

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Outstanding to such maturity and in equal annual installments of combined principal and interest; provided, however, that if the Issuer has employed a Credit Facility in connection with any such Term Bonds having no Amortization Installments the amortization of such Term Bonds shall be deemed to correspond to the applicable terms of such Credit Facility.

(3) The aggregate amount required to pay the Accreted Value due on any Capital Appreciation Bonds maturing in such Fiscal Year.

(4) The following assumptions shall be applicable to calculating the Debt Service Requirement as follows:

(a) The interest on Variable Rate Bonds shall be the interest to accrue on such Variable Rate Bonds for such Fiscal Year; provided, however, that for purposes of determining the Maximum Annual Debt Service, the interest on Variable Rate Bonds shall be assumed to be the greater of (A) one hundred ten percent (110%) of the average interest rate on such Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation or such shorter period that such Variable Rate Bonds shall have been Outstanding, and (B) the actual rate of interest on such Variable Rate Bonds on the date of calculation; provided that if a Series of Variable Rate Bonds had not been Outstanding prior to the date of calculation, the amount set forth in clause (A) above shall be calculated as though said Variable Rate Bonds had been Outstanding for the twelve month period by using the average interest rate for comparable securities for such period as certified by an underwriting or investment banking firm experienced in marketing such securities;

(b) In the case of Option Bonds, the "put" date or dates shall be ignored if said "put" is payable from a Credit Facility, and the stated dates for principal payments shall be used, and in the case of Bonds secured by a Credit Facility, the repayment terms of each Credit Facility (whether or not evidenced by provisions included in the Bonds, such as interest rate adjustments to apply if an unreimbursed drawing on the Credit Facility shall occur) shall be ignored unless the issuer of the Credit Facility has advanced funds thereunder and such amount has not been repaid, in which case annual Debt Service Requirement shall include the repayment schedule and interest rate or rates specified in the documents relating to such Credit Facility, if the repayment obligation is secured on a parity with the Bonds;

(c) In the case of Capital Appreciation and Income Bonds, the principal and interest portions of the Appreciated Value of Capital Appreciation and Income Bonds shall be included in the year in which said principal and interest portions are due; and

(d) If all or a portion of the principal of or interest on a Series of Bonds is payable from funds irrevocably set aside or deposited for such purpose, including, but not limited to, interest capitalized from the proceeds of Bonds or other indebtedness, together with projected earnings thereon to the extent such earnings are projected to be from

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Authorized Investments, such principal or interest shall not be included in calculating the annual Debt Service Requirement.

"DTC" shall mean the Depository Trust Company, New York, New York.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall include any certificates or any other evidences of an ownership interest in the aforementioned obligations or in specified portions thereof (which may consist of specified portions of the interest thereon).

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Fitch" shall mean Fitch, Inc., the nationally recognized securities rating firm, and any successor and successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"Governing Body" shall mean the City Council of the Issuer, or its successor in function.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the Rates, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting methods employed in the operation of public utility systems similar to the System, including, without limiting the generality of the foregoing, all earnings and income derived from the investment of moneys under the provisions of this Resolution, except for any surcharge imposed upon customers located outside of the boundaries of the Issuer pursuant to Section 180.191, Florida Statutes (or any successor provision of law). For purposes of Sections 5.04 and 6.02(B) hereof, Gross Revenues shall include amounts transferred from the Rate Stabilization Fund to the Revenue Fund, but if during any period of time amounts are transferred from the Rate Stabilization Fund to the Revenue Fund, then during such period Gross Revenues shall not include amounts transferred from the Revenue Fund to the Rate Stabilization Fund.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories (without regard to any gradations) of any nationally recognized rating agency then rating the Bonds, and with respect to any Series of Bonds, the Insurer which shall have insured or guaranteed payment of the principal of or interest on such Bonds, or if such Bonds secure the payment of debt service on obligations of another issuer on

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expenditures necessary to prevent an interruption or continuance of an interruption of the Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund created pursuant to Section 4.04 hereof.

"Option Bonds" shall mean Bonds, which may be either Serial Bonds or Term Bonds, which by their terms may be tendered by and at the option of the Holder thereof for payment by the Issuer prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof, such extension to be within the period, if any, prescribed by the Act.

"Outstanding" shall mean all Bonds theretofore and thereupon being authenticated and delivered, except (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06, 2.07 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof, and (4) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Funds" shall mean the Pledged Revenues and, until applied in accordance with the provisions of this Resolution, the proceeds of the Bonds (other than proceeds of the Loan held under the Trust Indenture, as those terms are defined in the Supplemental Resolution authorizing the issuance of the Series 2002 Note) and all moneys, including investments thereof, in the funds and accounts established hereunder, except (i) the Rebate Fund and Rate Stabilization Fund and (ii) to the extent moneys on deposit in a subaccount of the Reserve Fund and/or an account of the Construction Fund are pledged solely for the payment of the Series of Bonds for which such account was established in accordance with the provisions hereof.

"Pledged Revenues" shall mean the Net Revenues.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (a) not callable prior to maturity or (b) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund

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behalf of the Issuer, which other obligations are themselves secured by bond insurance if so provided by Supplemental Resolution, then the "Insurer" shall mean the issuer of such bond insurance.

"Interest Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Interest Date" shall mean such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Issuer" shall mean the City of North Miami Beach, Florida, and any governmental entity acting as its successor.

"Maximum Debt Service Requirement" shall mean, as of any particular date of calculation, the greatest annual Debt Service Requirement for the Bonds for the then current or any future Fiscal Year.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear in the future in accordance with the terms of such Supplemental Resolution.

"Mayor" shall mean the Mayor or Vice Mayor of the Issuer.

"Moody's Investors Service" shall mean Moody's Investors Service, the nationally recognized securities rating firm, and any successor or successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, insurance and surety bond premiums, the fees of any rebate compliance service or of Bond Counsel relating to compliance with the provisions of Section 148 of the Code, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, all to the extent properly attributable to the System in accordance with generally accepted accounting principles employed in the operation of public water utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar, or trustee, under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than

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consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in such irrevocable instructions, and (4) which are rated in the highest rating category of Standard & Poor's Rating Group and of Moody's Investors Service.

"Principal Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Project" shall mean the acquisition, construction, erection, renovation or reconstruction of additions, extensions and improvements to the System and shall include all property rights, appurtenances, easements, rights of way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, erection, renovation, reconstruction, or the operation thereof which shall be financed in whole or in part with the proceeds of Bonds, as such Project may be further described and defined in a Supplemental Resolution.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable reputation, skill and experience with respect to the acts and duties required of a qualified independent consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants. The Qualified Independent Consultant may be also the Accountant or the Issuer's Consulting Engineers.

"Qualified Swap Agreement" means an agreement between the Issuer and a counterparty creating Qualified Swap Payments. So long as the Series 2002 Note shall be outstanding, any Qualified Swap Agreement relating to any Series of Bonds must be approved in writing by the Insurer in respect of the Series 2002 Note.

"Qualified Swap Payment" shall mean a payment obligation created by a Qualified Swap Agreement, such as an interest rate swap, collar, cap or other functionally similar agreement, such payment being equal to interest on a notional amount, based upon a fixed or a variable rate index or formula, provided that (1) the long-term unsecured debt of such counterparty is at all times rated at least "AA" by S&P and "Aa" by Moody's, (2) the payments by such counterparty under such agreement are used in the calculation of Bond Service Requirement and (3) the payments are either insured or regularly scheduled under the swap confirmation. Qualified Swap Payments include only payments under a Qualified Swap Agreement determined by reference to interest on a notional amount and exclude all other payments under such agreement (for example, any termination fees, or payments, indemnification obligations or other fees payable to the counterparty).

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"Rate Stabilization Fund" shall mean the Rate Stabilization Fund created pursuant to Section 4.04(G) hereof.

"Rates" shall mean the rates, fees, rentals and other charges which shall be made and collected by the Issuer for the use of the product, services and facilities to be provided by the System, except for any surcharge imposed upon customers located outside of the boundaries of the Issuer pursuant to Section 180.191, Florida Statutes (or any successor provision of law).

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.04 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or Supplemental Resolution.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Renewal and Replacement Fund" shall mean the Renewal and Replacement Fund established pursuant to Section 4.04 hereof.

"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, an amount of money equal to five percent (5%) of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or such other amount as may be recommended to the Issuer by the Qualified Independent Consultant and approved by the Governing Body as an amount appropriate for the purposes of this Resolution.

"Reserve Fund" shall mean the Reserve Fund established pursuant to Section 4.04 hereof.

"Reserve Fund Insurance Policy" shall mean the insurance policy or surety bond deposited in the Reserve Fund in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(C).

"Reserve Fund Letter of Credit" shall mean a Credit Facility (other than a Reserve Fund Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Fund in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(C) hereof.

"Reserve Fund Requirement" shall mean an amount equal to the lesser of (i) ten (10%) percent of the proceeds of such Series of Bonds, (ii) Maximum Debt Service Requirement for such Series of Bonds or (iii) one hundred twenty-five (125%) percent of the average annual Debt Service Requirement for such Series of Bonds.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution and which are subject to mandatory redemption by Amortization Installments.

"Variable Rate Bonds" shall mean Bonds or other such debt instruments issued with a variable, adjustable, convertible or other interest rate which at the date of issue is not fixed as one or more stated percentages for the entire term of such Bonds or other such debt instruments.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the singular number include the plural number, and vice versa.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

Section 1.03. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and for the benefit, protection and security of any Credit Bank and any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

Section 1.04. Findings. It is hereby ascertained, determined and declared as follows:

(A) The Issuer deems it necessary and desirable to improve the System for the benefit, health and welfare of its citizens.

(B) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds be pledged to the payment of the principal of and interest on the Bonds. No part of the Pledged Funds has previously been pledged or encumbered in any manner.

"Resolution" and "this Resolution" shall mean this instrument, as the same may from time to time be amended, modified or supplemented by any and all Supplemental Resolutions.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 4.04 hereof.

"Securities" shall mean Federal Securities and Prerefunded Obligations.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction identified in a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 2002 Note" means the Issuer's Series 2002 Note, authorized by Supplemental Resolution adopted on even date herewith.

"Standard & Poor's Rating Group" shall mean Standard & Poor's Rating Group, the nationally recognized securities rating firm, and any successor and successors thereto; and if such organization shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 6.01 hereof and any Variable Rate Bonds which become Subordinated Indebtedness in accordance with Section 6.02 hereof.

"Subordinated Qualified Swap Payments" shall mean any payments under a Qualified Swap which are not Qualified Swap Payments.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution, adopted and becoming effective in accordance with the terms of Sections 8.01, 8.02 or 8.03 hereof.

"System" shall mean any and all water transmission, distribution, treatment, storage, and disposal facilities and appurtenant facilities now owned and operated or hereafter owned and operated by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired which shall be financed either from the proceeds of Bonds or from any other funds or sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

(C) The estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay Operating Expenses, the principal of and interest on the Bonds as the same become due, and all other payments provided for in this Resolution.

(D) The principal of and interest on the Bonds and all other payments provided for in this Resolution will be paid solely from the sources herein provided in accordance with the terms hereof; and no ad valorem taxing power of any political subdivision will ever be exercised nor will any Holder of any Bond or any Credit Bank or any Insurer have the right to compel the exercise of such ad valorem taxing power to pay the principal of or interest on the Bonds or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property of the Issuer or situated within its territorial limits, except the Pledged Funds.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION  
AND REGISTRATION OF BONDS

Section 2.01. Authorization of Bonds. The Issuer hereby authorizes the issuance of Bonds of the Issuer to be designated as "City of North Miami Beach, Florida Water Revenue Bonds," or such other designation as may be appropriate for such debt to best describe its nature and purpose as described in the Supplemental Resolution relating thereto, which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as may hereafter be provided by Supplemental Resolution or by other applicable law.

The Bonds may have, if and when authorized by the Issuer pursuant to Supplemental Resolution, such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law and in no event to exceed twenty percent (20%); and shall be payable in lawful money of the United States of America on such dates; all as determined by this Resolution or by Supplemental Resolution. From and after any maturity date of any of the Bonds (deposit of moneys and/or Securities for the payment of the principal and interest on such Bonds having been made by the Issuer with the Paying Agents), notwithstanding that any of such Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders shall have no rights in respect of such Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date.

The Bonds shall be issued in such denomination or denominations and such form, whether coupon or registered; shall be dated such date or dates; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner all as determined by this Resolution or by Supplemental Resolution. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy all as shall be determined by this Resolution or by Supplemental Resolution.

Section 2.02. [Reserved].

Section 2.03. Application of Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of the Bonds, including accrued

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endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

Section 2.06. Temporary Bonds. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by Supplemental Resolution, such authorization to be evidenced conclusively by their execution of such temporary Bond or Bonds, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Registrar.

Section 2.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as and shall be entitled to the same benefits and security as the Bond so lost, mutilated, stolen or destroyed.

Section 2.08. Interchangeability, Negotiability and Transfer. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney-in-fact duly authorized in writing, may, at

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interest and premium, if any, shall, simultaneously with the delivery of the Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued interest shall be deposited in the Interest Account.

(B) An amount shall be deposited in the Reserve Fund, or applicable subaccount, which, together with any moneys and securities on deposit therein and any Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit obtained in accordance with Section 4.05(C) hereof, shall equal the Reserve Fund Requirement as described by the Supplemental Resolution for such Series of Bonds.

(C) The Issuer may establish a separate account with an Authorized Depository to be known as the "City of North Miami Beach, Florida, Water Revenue Bonds Costs of Issuance Account" (the "Costs of Issuance Account"), which shall be used only for the payment of costs and expenses described in this subsection. An amount of money sufficient to pay all costs and expenses in connection with the preparation, issuance and sale of the Bonds, including fees of financial advisors, engineering and other consulting fees, legal fees, bond insurance premiums, printing fees, rating agency fees and other similar costs and may be deposited to the credit of the Costs of Issuance Account, and used to pay such costs and expenses to the persons respectively entitled to receive the same. When all moneys on deposit to the credit of the Costs of Issuance Account shall have been disbursed by the Issuer for the payment of such costs and expenses, the Costs of Issuance Account shall be closed.

(D) The Issuer may deposit any proceeds from a Series of Bonds into a Construction Fund created pursuant to Section 4.03 hereof and may require the deposit of any capitalized interest relating to such Series of Bonds as set forth in a Supplemental Resolution.

Section 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Mayor and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

Section 2.05. Authentication. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually

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the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain unpaid, the Issuer shall cause to be maintained and kept, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, shall forthwith (a) following the fifteenth day prior to an interest payment date for such Series, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series, and (c) at any other time as reasonably requested by the Paying Agent of such Series, certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Mayor and the City Clerk for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be canceled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series which have been selected for redemption, or, in the case of any proposed redemption of Bonds, then for the Bonds subject to redemption, during the fifteen (15) days next preceding the date of the first mailing of the notice of such redemption.

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The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

Section 2.09. Global Book-Entry System. The City Manager is authorized to execute a Letter of Representation to be delivered to DTC upon the issuance of any Bonds for which the Issuer desires to participate in a global book-entry system with DTC as set forth herein and in such Letter of Representation. In such case such Series of Bonds shall be initially issued in the form of a single fully registered Bond of each maturity. Upon initial issuance, the ownership of such book entry Bonds shall be registered by the Registrar in the name of Cede & Co., as nominee for DTC. With respect to any Series of Bonds registered by the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, Registrar and Paying Agent shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds book entry Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "Depository Participant") or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (each such person being herein referred to as an "Indirect Participant"). Without limiting the immediately preceding sentence, the Issuer, Registrar and Paying Agent shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to the ownership interest in the book entry Bonds, (b) the delivery to any Depository Participant or any Indirect Participant or any other person, other than a registered owner of a book entry Bond as shown in the Bond Register, of any notice with respect to the book entry Bonds, including any notice of redemption or (c) the payment to any Depository Participant or Indirect Participant or any other person, other than a registered owner of a book entry Bond as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on, the book entry Bonds. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions hereof with respect to the payment of interest by the mailing of checks or drafts to the registered owners of book entry Bonds appearing as registered owners in the registration books maintained by the Registrar at the close of business on regular record date, the name "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Agreement among the Issuer, the Paying Agent and DTC evidenced by the Representation Letter shall be terminated for any reason or (c) the Issuer determines that it is in the best interests of the beneficial owners of the book entry Bonds that they be able to obtain certificated Bonds, the Issuer shall notify DTC of the availability through DTC of Bond certificates and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co., as nominee of DTC. At that time, the Issuer may determine that the book entry Bonds shall be registered in the name of and deposited with a successor depository operating a universal book-entry system, as may be acceptable to the Issuer, or such depository's agent or designee, and if the Issuer does not select such alternate universal book-entry system, then the book entry Bonds may be registered in whatever name or

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No. R- \_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
COUNTY OF MIAMI-DADE  
CITY OF NORTH MIAMI BEACH  
WATER REVENUE [AND REVENUE REFUNDING] BONDS  
SERIES \_\_\_\_\_

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	_____, ____	_____, ____	_____

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that City of North Miami Beach, Florida, a municipal corporation duly created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the sources of payment hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, the Principal Amount identified above on the Maturity Date identified above and interest (calculated on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_, \_\_\_\_\_ until such Principal Amount shall have been paid or provided for, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this bond, are payable, upon presentation and surrender hereof, at the office of \_\_\_\_\_, \_\_\_\_\_, as paying agent, or such other paying agent as the Issuer shall hereafter duly appoint (the "Paying Agent"). Payment of each installment of interest shall be made to the person in whose name this bond shall be registered on the registration books of the Issuer maintained by \_\_\_\_\_, \_\_\_\_\_, as registrar, or such other registrar as the Issuer shall hereafter duly appoint (the "Registrar"), at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding each

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names registered owners of book entry Bonds transferring or changing such Bonds designate, in accordance with the provisions hereof. Notwithstanding any other provision of this Resolution to the contrary, so long as any book entry Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such book entry Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 2.10. Coupon Bonds. The Issuer, at its discretion, may by Supplemental Resolution authorize the issuance of Coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds (other than Taxable Bonds) shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such Coupon Bonds will not adversely affect the exclusion of the interest payable on such Bonds from gross income for federal income tax purposes.

Section 2.11. Form of Bonds. Except as otherwise provided pursuant to Section 2.10 hereof and except for the Series 2002 Note, Capital Appreciation Bonds, Option Bonds, Commercial Paper, and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution, the Bonds shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Mayor prior to the issuance thereof (which necessity and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

[Remainder of page intentionally left blank.]

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interest payment date and shall be paid by a check or draft of the Paying Agent mailed to such Registered Holder at the address appearing on such registration books or at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder. In the event interest payable on this bond is not punctually paid or duly provided for by the Issuer on such interest payment date, payment of each installment of such defaulted interest shall be made to the person in whose name this bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Registered Holder, not less than ten (10) days preceding such special record date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Registrar.

IN WITNESS WHEREOF, City of North Miami Beach, Florida has issued this bond and has caused the same to be executed by the manual or facsimile signature of its Mayor and attested and countersigned by the manual or facsimile signature of its City Clerk and its official seal or a facsimile thereof to be affixed or reproduced hereon, all as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CITY OF NORTH MIAMI BEACH, FLORIDA

(SEAL)

By:  
Name:  
Title: Mayor

ATTESTED AND COUNTERSIGNED:

By:  
Name:  
Title: City Clerk

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CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

Registrar

By: Authorized Signatory

(Provisions on Reverse Side of Bond)

This bond is one of an authorized issue of bonds of the Issuer in the aggregate principal amount of \$... (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to finance the cost of ... in and for the Issuer, under the authority of laws of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, as amended, the City Charter of the Issuer and other applicable provisions of law (the "Act"), and a resolution duly adopted by the City Council of the City of North Miami Beach, Florida on ..., 20..., as amended and supplemented (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

The principal of, premium, if any, and interest on this bond is payable solely from and secured by a lien upon and a pledge of the Pledged Revenues (as defined in the Resolution), which consists of the Net Revenues (as defined in the Resolution), to be derived from the operation of the Issuer's water system (the "System"), and, until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in certain of the funds and accounts established pursuant to the Resolution, all in the manner and to the extent described in the Resolution (collectively, the "Pledged Funds"). It is expressly agreed by the Registered Holder of this bond that the full faith and credit of neither the Issuer, Miami-Dade County, the State of Florida, nor any political subdivision thereof, is pledged to the payment of the principal of or premium, if any, or interest on this bond and that the Registered Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer, Miami-Dade County, the State of Florida, or any political subdivision thereof, to the payment of such principal, premium, if any, and interest. This bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, except the Pledged Funds, and shall be payable solely from the Pledged Funds in accordance with the terms of the Resolution.

Neither the members of the City Council of the Issuer nor any person executing this bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

(INSERT REDEMPTION PROVISIONS)

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered holders of the Bonds to be redeemed at such holders' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such registered holders to the Registrar; provided, however, that no defect in any such notice to any registered holder of Bonds to be redeemed nor failure to give such notice to any such registered holder nor failure of any such registered holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other registered holders of Bonds to be redeemed. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

This bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida, but may be transferred only in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the office of the Registrar by the Registered Holder in person or by such Holder's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or such Holder's attorney duly authorized in writing, and thereupon a new bond or bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, prescribed in the Resolution. [Each of the Bonds is issuable in fully registered form in the denomination of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of the Bonds having the same maturity.] The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this bond as the absolute owner hereof for all purposes, whether or not this bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated to make any exchange or transfer of any Bonds which have been selected for redemption, or, in the case of any proposed redemption of any Bonds, then for the Bonds subject to redemption, during the fifteen (15) days next preceding the date of the first mailing of the notice of such redemption and continuing until such redemption date established for such Bonds.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in connection with the issuance of this bond, exist, have happened and have been performed, in regular and due form and time as required by the Constitution and laws of the State of Florida applicable thereto, and that the issuance of the bonds does not violate any constitutional or statutory limitations or provisions.

LEGAL OPINION

[Insert appropriate approving opinion of bond counsel.]

The above is a true copy of the opinion rendered by ..., in connection with the issuance of, and dated as of the original delivery of, the bonds of the issue of which this bond is one. An executed copy of that opinion is on file in my office.

By: Name: Title: City Clerk

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

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

Custodian for under Uniform Transfer to Minors Act of (State)

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

ASSIGNMENT

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

[Signature line]

Insert Social Security or Other Identifying Number of Assignee

(Name and Address of Assignee)

the within bond and does hereby irrevocably constitute and appoint ..., as attorneys to register the transfer of the said bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.



ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Privilege of Redemption. The terms of this Article III shall apply to redemption of Bonds other than the Series 2002 Note, Capital Appreciation Bonds, Option Bonds, Commercial Paper or Variable Rate Bonds. The terms and provisions relating to redemption of the Series 2002 Note, Capital Appreciation Bonds, Option Bonds, Commercial Paper and Variable Rate Bonds shall be provided by Supplemental Resolution. The terms and provisions of this Article III as to a Series of Bonds may be modified by Supplemental Resolution.

Section 3.02. Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the redemption date by the Registrar from the Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Section 3.03. Notice of Redemption. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the Redemption Price,

[Remainder of Page Intentionally Left Blank]

(3) if less than all outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,

(4) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date.

In addition to the foregoing notice, further notice shall be given by the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to any Insurer which shall have insured, or any Credit Bank which shall have provided a Credit Facility for, any of the Bonds being redeemed and to all registered securities depositories then in the business of holding substantial amounts of obligations of types similar to the type of which the Bonds consist (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

Section 3.04. Redemption of Portions of Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

Section 4.01. Bonds not to be Indebtedness of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of this Resolution. The Issuer may cause any Series of Bonds to be payable from and secured by a Credit Facility or a Bond Insurance Policy not applicable to any one or more other Series of Bonds. No Holder of any Bond or any Credit Bank or any Insurer shall ever have the right to compel the exercise of the ad valorem taxing power of the State, Miami-Dade County, the Issuer or any governmental entity to pay such Bond or shall be entitled to payment of such Bond from any moneys of the Issuer except the Pledged Funds, in the manner provided herein.

The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise.

Section 4.02. Security for Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or a Bond Insurance Policy not applicable to any one or more other Series of Bonds, as shall be provided by Supplemental Resolution, in addition to the security provided herein. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds.

Section 4.03. Construction Fund. The Issuer covenants and agrees to establish a separate fund to be known as the "City of North Miami Beach Water Revenue Bonds Construction Fund," hereinafter referred to as the "Construction Fund." Unless otherwise provided by Supplemental Resolution, upon the issuance of a Series of Bonds for the purpose of financing a Project, the Issuer shall establish within the Construction Fund a separate account for each Series of Bonds, the proceeds of which are to be deposited in whole or in part in the Construction Fund. The Construction Fund shall be used only for payment of the Cost of Projects.

Moneys in each account of the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust and shall be subject to a lien and charge in favor of the Bondholders of such Series of Bonds for which such account was established and for the further security of such Holders of such Series of Bonds.

There shall be paid into the Construction Fund the amounts required to be so paid by this Resolution or any Supplemental Resolution, and there may be paid into the Construction Fund, at the

option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' payment and performance bonds and/or corporate guaranty with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in an account of the Construction Fund shall be applied to the payment of principal of or Redemption Price, if applicable, and interest on such Series of Bonds, for which the account was established, when due.

The date of completion of a Project shall be determined by the Authorized Issuer Officer who shall certify such fact in writing to the Governing Body and to a trustee bank, if one has been appointed to hold the Construction Fund. Promptly after the date of the completion of a Project, and after paying or making provisions for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in the Construction Fund in (1) another account of the Construction Fund for which the Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Fund, to the extent of a deficiency therein, and (3) such other fund or account of the Issuer, including those established hereunder, as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for federal income tax purposes.

Section 4.04. Funds and Accounts. The Issuer covenants and agrees to establish with one or more Authorized Depositories the following separate funds and accounts:

(A) Water System Revenue Fund.

(B) Operation and Maintenance Fund.

(C) Debt Service Fund. The Issuer shall establish in the Debt Service Fund three accounts: the "Interest Account," the "Principal Account" and the "Bond Amortization Account."

(D) Reserve Fund. The provisions of one or more Supplemental Resolutions authorizing one or more Series of Bonds may provide that such Series of Bonds are not to be secured by a subaccount in the Reserve Fund or may be separately secured by a separate subaccount in the Reserve Fund, in which case a separate subaccount in the Reserve Fund may secure only such Series of Bonds.

(E) Renewal and Replacement Fund.

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(F) Rebate Fund.

(G) Rate Stabilization Fund

(H) Subordinated Indebtedness Fund.

The Issuer may establish by Supplemental Resolution such other funds and accounts as it shall deem necessary or advisable.

The Issuer shall at any time and from time to time appoint one or more Authorized Depositories to hold, for the benefit of the Issuer and/or the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees.

Section 4.05. Flow of Funds.

(A) Revenues. The Issuer shall deposit all Gross Revenues into the Revenue Fund, promptly upon the receipt thereof. On or before the last day of each month, commencing with the month in which delivery of the Bonds shall be made to the purchasers thereof, the moneys in the Revenue Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Operation and Maintenance. The Issuer shall deposit into or credit to the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer for reasonable and necessary Operating Expenses; provided, however, that no such payment shall be made unless the provisions of Section 5.03 hereof in regard to the current Annual Budget are complied with.

(2) Debt Service Fund. Next, the Issuer shall deposit into or credit to the Debt Service Fund such sums as are described in Section 4.05(B) hereof.

(3) Reserve Fund. Next, the Issuer shall deposit into or credit to the Reserve Fund such sums as are described in Section 4.05(C) hereof.

(4) Renewal and Replacement Fund. Next, the Issuer shall deposit into or credit to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth (1/12) of the Renewal and Replacement Fund Requirement until the balance on deposit in the Renewal and Replacement Fund equals the Renewal and Replacement Fund Requirement. If the balance on deposit in the Renewal and Replacement Fund exceeds the Renewal and Replacement Fund Requirement such excess amount shall be transferred by the

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Issuer from the Renewal and Replacement Fund and deposited into the Revenue Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the fifteenth day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account in the Principal Account and the Bond Amortization Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys available in the Reserve Fund for such purpose pursuant to Section 4.05(C) hereof shall be inadequate to fully provide for such insufficiency.

(5) Subordinated Indebtedness Fund. Next, the Issuer shall deposit into or credit to the Subordinated Indebtedness Fund such sums as are necessary to pay the principal of, premium, if any, and interest on any Subordinated Indebtedness hereafter issued by the Issuer.

(6) Rate Stabilization Fund. Next, the Issuer may, at its option, deposit into the Rate Stabilization Fund any amount desired by the Issuer. Moneys in the Rate Stabilization Fund may be used by the Issuer for any lawful purpose of the Issuer, including to make deposits to the Revenue Fund at any time and from time to time.

(7) Surplus Moneys. The balance of any moneys remaining in the Revenue Fund after the payments and deposits required by part (1) through (6) of this subsection (A) may be used for any lawful purpose.

(B) Debt Service Fund. The Issuer shall deposit into or credit to the Debt Service Fund from moneys in the Revenue Fund sufficient to make all of the deposits required by this subsection (B). The moneys on deposit in the Debt Service Fund shall be applied in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds and shall not be available for any other purpose. The moneys transferred from the Revenue Fund to the Debt Service Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Interest Account. The Issuer shall deposit into or credit to the Interest Account the sum which, together with the balance in said account, shall equal the interest on all Outstanding Bonds accrued and unpaid and to accrue to the end of the then current calendar month (assuming that a year consists of twelve (12) equal calendar months of thirty (30) days each). Moneys in the Interest Account shall be applied by the Issuer to pay interest on the Bonds as and when the same shall become due, whether by redemption or otherwise, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest coming due on the Bonds on such Interest Date.

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(2) Principal Account. Next, the Issuer shall deposit into or credit to the Principal Account the sum which, together with the balance in said account, shall equal (a) the principal amount of all Outstanding Bonds other than Term Bonds due and unpaid, (b) that portion of the principal amount of the Bonds other than Term Bonds next due which would have accrued on such Bonds next due during the then current calendar month if such principal amount thereof were deemed to accrue monthly (assuming that a year consists of twelve (12) equal calendar months of thirty (30) days each) in equal installments from a date one year preceding the due date of such Bonds next due and (c) the portion of the principal amount of the Bonds other than Term Bonds next due which shall have accrued on such basis in prior months. Serial Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Principal Account on their respective maturity dates, and monthly deposits or credits to the Principal Account to provide funds for such purpose shall commence in the month which is one year prior to each such maturity date. Not later than the month immediately preceding any principal payment date, the Issuer shall adjust the amount of the deposit into the Principal Account so as to provide sufficient moneys in the Principal Account to pay the principal on the Bonds other than Term Bonds becoming due on such principal payment date. Moneys in the Principal Account shall be applied by the Issuer to pay the principal of the Bonds other than Term Bonds as and when the same shall become due, whether at maturity or otherwise, and for no other purpose.

(3) Bond Amortization Account. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account. Commencing in the month which is one year prior to the due date of each Amortization Installment, the Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said account held for the credit of such Amortization Installment and all Outstanding Term Bonds due and unpaid, shall equal (a) the principal amount of all such Outstanding Term Bonds due and unpaid, (b) that portion of such Amortization Installment which would have accrued during the then current calendar month if such Amortization Installment were deemed to accrue monthly (assuming that a year consists of twelve (12) equal calendar months of thirty (30) days each) in equal amounts from a date one year preceding such due date and (c) the portion of such Amortization Installment which shall have accrued on such basis in prior months. Term Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Bond Amortization Account on the respective due dates of the Amortization Installments applicable thereto, and monthly deposits or credits to the Bond Amortization Account to provide funds for such purpose shall commence in the month which is one year prior to each such Amortization Installment due date. The Issuer shall adjust the amount of the deposit into the Bond Amortization Account not later than the month immediately preceding any date for payment of an Amortization Installment so as to provide sufficient moneys in the Bond Amortization Account to pay such Amortization Installment on such date. Moneys in the Bond Amortization Account shall be applied by the Issuer to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose.

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Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment (i) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, at a price not greater than the Redemption Price at which such Term Bonds may be redeemed on the first date thereafter on which such Term Bonds shall be subject to redemption, or (ii) to the redemption at the applicable Redemption Price of such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Issuer shall pay out of the Bond Amortization Account and the Interest Account to the respective Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

(C) Reserve Fund. The Issuer shall deposit into or credit to each subaccount of the Reserve Fund such sum, if any, as will be necessary to immediately restore the funds on deposit therein to an amount equal to the Reserve Fund Requirement therefor including the reinstatement of any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit therein or the cash replacement thereof. In the event the amounts available for such purpose shall be insufficient to make all payments required by the preceding sentence, the available amount shall be prorated among the various subaccounts in the Reserve Fund in the same proportion that the Reserve Fund Requirement for each subaccount bears to the total Reserve Fund Requirement for all such subaccounts. On or prior to each principal and interest payment date for the Bonds, moneys in each subaccount of the Reserve Fund shall be applied by the Issuer to the payment of the principal or Redemption Price, if applicable, and interest on the Bonds, which such subaccount relates to, to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Fund by reason of a decrease in the Reserve Fund Requirement or as a result of a deposit therein of a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit, such surplus moneys shall be deposited by the Issuer into the Principal Account, or such other appropriate fund or account of the Issuer or used to pay or provide for necessary rebate through the Rebate Fund or to pay the premium on the Reserve Fund Insurance Policy, provided such deposit to such other fund or account shall not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

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such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit immediately following such disbursement from moneys available in the applicable subaccount of the Reserve Fund in accordance with the provisions of the first paragraph of this Section 4.05(C), by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Fund Insurance Policy or such Reserve Fund Letter of Credit, but in no case greater than the maximum rate of interest permitted by law. In addition, and in the same manner, the Issuer shall reimburse the issuer of the Reserve Fund Insurance Policy and/or the issuer of the Reserve Fund Letter of Credit for all reasonable expenses incurred by such issuer in connection with the draw on such Reserve Fund Insurance Policy or the Reserve Fund Letter of Credit, as the case may be.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (a) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (b) shall be payable solely from the Pledged Funds in the manner provided herein.

To the extent the Issuer causes to be deposited into the Reserve Fund, a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit notifies the Issuer pursuant to clause (b) of the immediately preceding sentence or if the Issuer terminates the Reserve Fund Letter of Credit and/or Reserve Fund Insurance Policy, then the Issuer shall deposit into the Reserve Fund, on or prior to the fifteenth (15th) day of the first full calendar month following the date on which such notice is received by the Issuer, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit of the Reserve Fund Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Issuer, under the Reserve Fund Letter of Credit and/or the Reserve Fund Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Fund during the previous twelve (12) month period) until amounts on deposit in the Reserve Fund, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Fund Insurance Policy and/or such Reserve Fund Letter of Credit, shall be equal to the Reserve Fund Requirement applicable thereto.

If any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Fund over a

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Upon the issuance of any Series of Bonds, under the terms, limitations and conditions as herein provided, the Issuer shall provide for the terms of funding of a subaccount in the Reserve Fund, if required.

Whenever moneys on deposit in a subaccount of the Reserve Fund, together with the other available amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds (including principal and interest thereon) of the series secured by such subaccount in accordance with their terms, the funds on deposit in such subaccount of the Reserve Fund shall be applied to the payment of such Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into a subaccount of the Reserve Fund, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit in an amount equal to the difference between the Reserve Fund Requirement applicable thereto and the sums, if any, remaining on deposit in such subaccount of the Reserve Fund after the deposit of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit. Such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit shall be payable to the Paying Agent for such Series (upon the giving of notice as required thereunder) on any interest payment or redemption date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by Standard & Poor's Rating Group and Moody's Investors Service, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have, or whose obligation to pay is guaranteed by a commercial bank, insurance company or other financial institution which has, been assigned a rating by Moody's Investors Service and Standard & Poor's Rating Group in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

If fifteen (15) days prior to an interest payment or mandatory redemption date, the Issuer or a related Bond trustee shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Fund Insurance Policy and/or the issuer of the Reserve Fund Letter of Credit, and (b) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such issuer or Insurer to provide moneys sufficient to pay all amounts due on such interest payment or redemption date. Any available funds on deposit in a subaccount of the Reserve Fund shall be drawn upon and expended prior to a draw upon the Reserve Fund Insurance Policy and/or a Reserve Fund Line of Credit for that same subaccount.

If a disbursement is made from a Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit provided pursuant to this Section 4.05(C), the Issuer shall reinstate the maximum limits of

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period not to exceed sixty (60) months [or such other term agreed to by the provider of the Reserve Fund Letter of Credit or the Reserve Fund Insurance Policy] during which it shall make consecutive equal monthly payments in order that the amount on deposit in such account at the end of such period shall equal the Reserve Fund Requirement; provided, the Issuer may, with the prior written consent of the Insurer, if any, obtain a new Reserve Fund Letter of Credit or a new Reserve Fund Insurance Policy in lieu of making the payments required by this paragraph.

(D) Purchase or Redemption of Bonds. The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(E) Deposit of Moneys with Paying Agents. On or before the date established for payment of any principal or of Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(F) Reimbursement of Credit Bank. In the case of Bonds secured by a Credit Facility or Insurer, amounts on deposit in any funds or accounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank or Insurer for amounts drawn under such Credit Facility or Bond Insurance Policy to pay the principal or of Redemption Price, if applicable, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the Holders thereof for payment.

Section 4.06. Rebate Fund. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States Treasury (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to each Series of Bonds (other than Taxable Bonds), and other instructions from Bond Counsel, delivered in connection with or subsequent to the issuance of such Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(B) depositing from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose the amount determined in subsection (A) above into the Rebate Fund;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer such amounts as shall be required by the Code to be rebated to the United States Treasury; and

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(D) keeping such records of the determinations made pursuant to this Section 4.06 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificate and instructions of Bond Counsel may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

The Issuer agrees to retain or cause to be retained a rebate administrator who shall be a professional qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator so retained is hereby authorized to hire counsel, accountants, and other experts which the rebate administrator may, in its sole discretion, determine advisable for the purpose of obtaining the required calculations of the rebate amounts and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of the Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person.

Section 4.07. Investments. Each fund and account established hereby shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in each fund and account may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed.

Any and all income received by the Issuer from the investment of moneys in the Revenue Fund, the Construction Fund and the Rebate Fund, in the Interest Account, the Principal Account and the Bond Amortization Account in the Debt Service Fund, in the Rate Stabilization Fund, in the Renewal and Replacement Fund (to the extent such income and the other amounts in the Renewal and Replacement Fund do not exceed the Renewal and Replacement Fund Requirement), and in the Reserve Fund (to the extent such income and the other amounts in the Reserve Fund do not exceed the Reserve Fund Requirement) shall either be retained in such respective fund or account, or shall be deposited as provided by Supplemental Resolution.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and other amounts therein exceed the Renewal and Replacement Fund Requirement) shall be deposited upon receipt thereof in the Revenue Fund. Any and all income received from the investment of moneys in the Reserve Fund (only to the extent such income and other amounts therein exceed the Reserve Fund Requirement) shall be deposited in the Revenue Fund.

All investments shall be valued at fair market value. Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under

ARTICLE V

COVENANTS; DISCLOSURE

Section 5.01. General. In addition to all of the other covenants of the Issuer contained in this Resolution, the Issuer hereby covenants with each and every successive Holder of any of the Bonds so long as any of the Bonds that shall remain Outstanding the Issuer will comply with each and every one of the covenants contained in this Article V.

Section 5.02. Operation and Maintenance. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

Section 5.03. Annual Budget. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. Total expenditures for the operation and maintenance of the System made in any Fiscal Year shall not be in excess of the amount provided therefor in the Annual Budget (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such Fiscal Year shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Holder who shall file an address with the City Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to such Holder and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or to anyone acting for or on behalf of any Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Budgets and resolutions.

Section 5.04. Rates. The Issuer shall fix, establish, maintain and collect such Rates and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year Net Revenues adequate at all times to pay in each Fiscal Year at least one hundred ten percent (110%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of Outstanding Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Fund, with any issuer of a Reserve Fund Letter of Credit or Reserve Fund Insurance Policy, or to be deposited in the Renewal and Replacement Fund

this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Section 4.08. Separate Accounts. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

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or to be paid for debt service on Subordinated Indebtedness in such Fiscal Year. Such Rates shall not be so reduced so as to be insufficient to provide Net Revenues fully adequate for the purposes provided therefore by this Resolution.

If, upon making such determination in any Fiscal Year, the Issuer shall determine that it has failed to comply with the requirements contained in the above paragraph, it shall cause within the following 45 days of such determination the Consulting Engineers to review its Rates, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations and file such written report with such 45 days as to the methods by which the Issuer may promptly seek to comply with the requirements set forth above. The Issuer shall forthwith commence to implement such recommendations to the extent required so within the thirty day period following the filing of the report, as to cause it to thereafter comply with said requirements. To the extent the Issuer causes the Consulting Engineers to undertake such review and implements such recommendations, the failure to comply with Section the paragraph above shall not constitute an event of default hereunder.

Section 5.05. [Reserved]

Section 5.06. Books and Records. The Issuer shall keep books, records and accounts of the operation of the System, Gross Revenues and Operating Expenses and the Holders of any Bonds Outstanding or the duly authorized representatives thereof and the Insurer, if any, shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

Section 5.07. Annual Audit. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of changes in financial position, a statement of changes in retained earnings, a statement of the number and classification of users and services of the System and rates associated with such services, a statement of insurance coverage, and any other statements as required by law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. Each Annual Audit shall be in conformity with generally accepted accounting principles. A copy of each Annual Audit shall regularly be furnished to any Insurer, to any Credit Bank and to any Holder who shall have furnished an address to the City Clerk and requested in writing that the same be furnished to such Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Audit.

Section 5.08. No Mortgage or Sale of the System. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, (C) such property is not profitable in the operation of the System, or (D) the disposition of the property will be advantageous to the System and will not adversely affect the security for the Bondholders or any Insurer or Credit Bank.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of ten percent (10%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.08 have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of ten percent (10%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.08 have been met, and the Governing Body of the Issuer shall, by resolution, duly adopt, approve and concur in the finding of an Authorized Issuer Officer and the Consulting Engineers.

The proceeds from such sale, lease or other disposition shall be deposited into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and second, into the Revenue Fund.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental entity, interest on obligations issued by which is excluded from gross income of the holders thereof for federal income tax purposes under Section 103 of the Code, shall not be deemed prohibited by this Section 5.08 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof. The Issuer also reserves the right to enter into management or operations contracts from time to time for all or any portion of the System.

Notwithstanding the foregoing provisions of this Section 5.08, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.08.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the System engineers, as evidenced by a certificate to that effect kept on file by the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

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securing of injunction against the use of the facilities of the System, by any premises delinquent in the payment of such charges.

Section 5.14. Covenants With Credit Banks and Insurers. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders the same as if such covenants were set forth in full in this Resolution.

Section 5.15. Special Covenants Relating to Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.

(A) The Issuer shall annually submit to the issuer of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit, records of withdrawals on such Reserve Fund Insurance Policy or such Reserve Fund Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Issuer to the issuer of such Reserve Fund Insurance Policy or such Reserve Fund Letter of Credit, as the case may be.

(B) The Issuer hereby acknowledges that the issuer of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of this Resolution which benefit the issuer of such Reserve Fund Insurance Policy or such Reserve Fund Letter of Credit, as the case may be.

(C) The Issuer may provide by Supplemental Resolution adopted prior to the issuance of any Series of Bonds certain additional terms regarding a Reserve Fund Insurance Policy for funding the Reserve Fund for such Series of Bonds.

Section 5.16. Consulting Engineers. The Issuer shall employ Consulting Engineers from time to time whenever necessary for compliance with the provisions of this Resolution, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under this Resolution.

Section 5.17. Federal Income Tax Covenants: Taxable Bonds.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds), that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

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Section 5.09. Insurance. The Issuer will carry such insurance as is ordinarily carried by private or public corporations owning and operating utilities similar to the System with a reputable insurance carrier or carriers, including public and product liability insurance in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the System's engineers shall deem sufficient.

The Issuer may establish certain minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be to the same extent customary with utilities operating properties similar to the System.

Section 5.10. No Free Service. The Issuer will not render, or cause to be rendered, any free services of any nature by its System or any part thereof, nor will any preferential rates be established for users of the same class. Distinctions among classes shall be undertaken by the Governing Body in its discretion.

Section 5.11. No Impairment. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders and will not permit the operation of any competing water service facilities within the service area of the Issuer; provided, however, the Issuer reserves the right to permit the ownership and operation of water service facilities or both by itself or by others in any territory which is not in any service area now or hereafter served by the System.

Section 5.12. Compulsory Connections. In order to better secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the Act or other applicable laws of the State, the Issuer will require every owner of each lot in the area of operation of the Issuer which abuts upon any street or public way containing a water line which shall be a part of the facilities of the System and upon which lot a building shall exist and be used for residential, commercial or industrial use, to connect such building to such facilities and to cease to use any other method for the water transmission.

Section 5.13. Enforcement of Charges. The Issuer shall compel the prompt payment of Rates or other amounts owed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any contract, rules, or resolution of the Issuer having to do with connections to the facilities of the System and charges therefor, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user. The Issuer also covenants in order to better secure the prompt payment of principal and interest on the Bonds to cease providing water service to any user of the System which is also a user of its water system of all premises delinquent in the payment, and the

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(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the United States Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in subsections (A), (B) and (C) of this Section 5.17 shall not apply to any Taxable Bonds.

Section 5.18. Continuing Disclosure Regarding Bonds. The Issuer hereby covenants and agrees that, in order to provide for compliance by the Issuer with the secondary market disclosure requirements of Rule 15c2-12 of the United States Security and Exchange Commission (the "Rule"), that it will enter into a continuing disclosure certificate to be executed by the Issuer and dated the date of issuance and delivery of any Series of Bonds subject to the Rule.

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ARTICLE VI

SUBORDINATED INDEBTEDNESS AND BONDS

Section 6.01. Subordinated Indebtedness. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness that are not Additional Bonds and that are payable in whole or in part out of the Net Revenues and which may be secured by a pledge of the Net Revenues; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued pursuant to Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due. The Issuer agrees that Subordinated Qualified Swap Payments shall constitute Subordinated Indebtedness and may not accede to the status of complete parity as set forth in Section 6.04 hereof.

Section 6.02. Issuance of Bonds. The Issuer may issue one or more Series of Bonds for any one or more of the following purposes: financing the Cost of Project, or the completion thereof or refunding any or all Outstanding Bonds or any Subordinated Indebtedness or other debt of the Issuer or any other purpose permitted by law. Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as any Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution; provided, however, any Supplemental Resolution authorizing the issuance of Bonds may provide that any of the covenants herein contained will not be applicable to such Bonds, provided that such provision shall not, in the opinion of Bond Counsel, adversely affect the rights of the Holders of any Bonds which shall then be Outstanding. Except as provided in Sections 4.02 and 4.05 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other; provided, however, that the Issuer shall include a provision in any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to this Section 6.02 that in the event the principal thereof is accelerated due to such Bonds being held by the issuer of a Credit Facility, the lien of such Bonds on the Pledged Funds shall be subordinate in all respects to the pledge of the Pledged Funds created by this Resolution. No such Additional Bonds shall be issued by the Issuer, as the case may be, unless the following conditions are complied with:

(A) The Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and has complied with the covenants and agreements of this Resolution.

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(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the Issuer agrees to furnish services in connection with any water system, then the Net Revenues of the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the Issuer, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(4) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established Rates to be charged and collected from users of such facilities when service is rendered, such Net Revenues may be adjusted by adding thereto the Net Revenues estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the proposed users of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose.

(5) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have obtained new ongoing customers of the System the Net Revenues for the twelve (12) consecutive months shall be adjusted to reflect the additional Net Revenues which would have been derived from the System with respect to such customers, as if such customers had been utilizing the System during all of such twelve (12) consecutive months.

(F) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 6.02(A) and (B) shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Bonds becoming due in the current Fiscal Year or any subsequent Fiscal Years. The conditions of Section 6.02(B) hereof shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(G) In the event that the total amount of any Series of Bonds authorized to be issued shall not be issued simultaneously, such Bonds which shall be issued subsequently shall be subject to the conditions of Section 6.02(B) hereof.

(H) If at any time the Issuer shall enter into an agreement or contract for an ownership interest in any public or privately owned water system or for the reservation of capacity therein whereby the Issuer has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water system issued in connection therewith, such payments to be made by the Issuer shall be junior, inferior and subordinate in all respects to the Bonds issued hereunder, unless such obligations (when treated as Additional Bonds) shall meet the

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(B) There shall have been obtained and filed with the Issuer a certificate of a Qualified Independent Consultant: (1) stating that such consultant has examined the books and records of the Issuer relating to the collection and receipt of Gross Revenues and relating to Operating Expenses; (2) setting forth the amount of Net Revenues, for the most recent Fiscal Year for which audited financial statements for the System are available or any twelve (12) consecutive months selected by the Issuer of the twenty four (24) months immediately preceding the issuance of such Additional Bonds; (3) stating that such Net Revenues, adjusted as provided in Section 6.02(E) hereof, equal at least 1.15 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued.

(C) In computing Maximum Debt Service Requirement for purposes of this Section 6.02, the interest rate on outstanding Variable Rate Bonds, and on additional parity Variable Rate Bonds then proposed to be issued, shall be calculated as provided in the definition of Debt Service Requirement.

(D) For the purpose of this Section 6.02, the phrase "the most recent Fiscal Year audited financial statements for the System are available or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of such Additional Bonds" shall be sometimes referred to as "twelve (12) consecutive months."

(E) Such Net Revenues may be adjusted by the Qualified Independent Consultant upon the written advice of the Consulting Engineers, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have adopted and implemented an increase in the Rates, the Net Revenues for the twelve (12) consecutive months shall be adjusted to show the Net Revenues which would have been derived from the System in such twelve (12) consecutive months as if such increased Rates had been in effect during all of such twelve (12) consecutive months.

(2) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have acquired or has contracted to acquire any privately or publicly owned existing water system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues derived from the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues for said twelve (12) consecutive months the Net Revenues which would have been derived from said existing water system as if such existing water system had been a part of the System during such twelve (12) consecutive months. For the purposes of this paragraph, the Net Revenues derived from said existing water system during such twelve (12) consecutive months shall be adjusted to determine such Net Revenues by deducting the cost of operation and maintenance of said existing water system from the gross revenues of said system. Such Net Revenues shall take into account any increase in rates imposed on customers of such acquired water system on or prior to the acquisition thereof by the Issuer.

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conditions of Section 6.02(B) hereof, in which case such obligations shall rank on parity as to lien on the Pledged Funds with the Bonds.

(I) In addition to all of the other requirements specified in this Section 6.02, the Issuer must comply with any applicable provisions of any financing documents relating to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Additional Bonds.

Section 6.03. Bond Anticipation Notes. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by resolution of the Issuer.

Section 6.04. Accession of Subordinated Indebtedness to Parity Status with Bonds. The Issuer may provide for the accession of Subordinated Indebtedness (other than Subordinated Indebtedness which relates to Subordinated Qualified Swap Payments) to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Section 6.02 hereof, assuming, for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of the System, and (C) the Issuer shall provide for the funding of the Reserve Fund, upon such accession, in an amount equal to any increase in the amount of the Reserve Fund Requirement occasioned by such accession in accordance with Section 4.05(C) hereof. If the aforementioned conditions are satisfied and the Issuer adopts a Supplemental Resolution providing for such accession, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

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ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. The following events shall each constitute an "Event of Default" hereunder:

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from any Insurer or the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or any Credit Bank. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

Section 7.02. Remedies. Any Insurer, Credit Bank or Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State, or granted and contained in this Resolution and the Bonds, and may enforce and compel the performance of all duties required by this Resolution and the Bonds or by any applicable statutes to be performed by the Issuer or by any officer thereof.

The Holder or Holders of Bonds in an aggregate principal amount of not less than twenty-five percent (25%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the City Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and the trust

instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

Section 7.03. Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring, or any Credit Bank providing a Credit Facility for, any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any such direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

Section 7.04. Remedies Cumulative. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.05. Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 7.02 of this Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

Section 7.06. Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds as follows and in the following order:

(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Registrar and Paying Agent hereunder; and

(B) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment

ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Section 7.07. Control by and Notice to Insurer or Credit Bank. Upon the occurrence and continuance of an Event of Default, each Insurer or Credit Bank, if such Insurer or Credit Bank shall have honored all of its commitments under its Bond Insurance Policy or its Credit Facility, as the case may be, shall be entitled to direct and control the enforcement of all rights and remedies with respect to the Bonds it shall insure or for which such Credit Facility is provided. The Issuer agrees to immediately notify each Insurer or Credit Bank if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

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ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01. Supplemental Resolution Without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) at any time prior to the issuance of any Bonds hereunder for any purpose whatsoever, and after the issuance of Bonds for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine at any time prior to the delivery of any Series of Bonds the matters and things referred to herein, including but not limited to Sections 2.01 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination.

(F) To authorize Additional Projects or to change or modify the description of any Additional Project.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To authorize Bonds as Additional Bonds or Subordinated Indebtedness.

(I) To make any other change that, in the opinion of Bond Counsel, would not materially adversely affect the security for the Bonds. In making such determination, Bond Counsel shall not take into consideration any Bond Insurance Policy.

(J) To make any change approved by every Insurer.

Except Supplemental Resolutions described in subsections (B), (E), (F), (G), (H) and (I) of this Section 8.01, no Supplemental Resolution adopted pursuant to this Article VIII shall become effective unless approved by every Insurer; and the Issuer covenants and agrees to furnish to each Insurer an executed original transcript of the Issuer's proceedings with respect to the adoption of each Supplemental Resolution. A copy of the Supplemental Resolution shall be provided to Standard & Poor's Rating Group, Fitch, and to Moody's Investors Service, if such rating agencies are then rating the Bonds.

Section 8.02. Supplemental Resolution With Bondholders', Insurer's and Credit Bank's Consent. Subject to the terms and provisions contained in this Section 8.02 and Section 8.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer of, or any Credit Bank providing a Credit Facility for, any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. A copy of the Supplemental Resolution shall be provided to Standard & Poor's Rating Group, Fitch and to Moody's Investors Service, if such rating agencies are then rating the Bonds. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Credit Bank of the adoption of any Supplemental Resolution as authorized in Section 8.01 or the Insurer as authorized in Sections 8.01(A), (C) and (D) hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the City Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books and to all Insurers of, and Credit Banks providing a Credit Facility for, Bonds Outstanding. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the City Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and

filing with the City Clerk of evidence of such consent of the Insurer or Insurers and/or the Credit Bank or Credit Banks as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 8.02 hereof.

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any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the City Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

Section 8.03. Amendment with Consent of Insurer and/or Credit Bank Only. If all of the Bonds Outstanding hereunder are insured or secured as to payment of principal and interest by an Insurer or Insurers and/or by a Credit Facility provided by a Credit Bank or Credit Banks, and the Insurer or Insurers and/or the Credit Bank or Credit Banks, as applicable, are not in default, and the Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the Bonds at the time such Bonds were insured or such Credit Facility was provided no lower than the ratings assigned thereto by such rating agencies on the date such Bonds were insured or such Credit Facility was provided, the Issuer may enact one or more Supplemental Resolutions amending all or any part of Articles I, III, IV, V, VI, VII and VIII (to the extent such Article VIII provision relates to the Insurer or Credit Bank) hereof with the written consent of said Insurer or Insurers and/or said Credit Bank or Credit Banks, as applicable, and the acknowledgment by said Insurer or Insurers and/or said Credit Bank or Credit Banks that its Bond Insurance Policy or its Credit Facility, as the case may be, will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.19 hereof with respect to the exclusion, if applicable, of interest on said Bonds from the gross income of the Holders thereof for federal income tax purposes nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Funds and any additional security pledged hereunder. Upon

ARTICLE IX

MISCELLANEOUS; DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 9.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (C) there shall be available a copy of the Accountant's verification report. Neither the Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption thereof; provided, however, the Issuer may substitute new Securities and moneys for the deposited Securities and moneys if the new Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on such Bonds.

Notwithstanding anything in this Resolution to the contrary, in the event that the principal and/or interest due on any Bonds shall be paid by an Insurer pursuant to a municipal bond insurance policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.



For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 9.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds or any portion thereof shall be paid by an Insurer or Insurers or a Credit Bank or Credit Banks, such Bonds or any portion thereof shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers or such Credit Bank or Credit Banks shall be subrogated to the rights of such Bondholders.

Section 9.02. Capital Appreciation Bonds. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value. For the purpose of determining the aggregate principal amount of Capital Appreciation Bonds which may be issued hereunder, only the aggregate principal amount of such Bonds at their initial offering shall be counted, without regard to the aggregated Accreted Value or face amount of such Bonds which shall be payable at their respective maturities.

Section 9.08. Repeal of Inconsistent Resolutions. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

Section 9.09. Table of Contents and Headings not Part Hereof. The Table of Contents preceding the body of this Resolution and the headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

Section 9.10. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED by the City Council of the City of North Miami Beach, Florida at a regular meeting assembled this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

[OFFICIAL SEAL]

CITY OF NORTH MIAMI BEACH, FLORIDA

\_\_\_\_\_  
Mayor

ATTEST:

Approved as to Form:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
City Attorney

Section 9.03. General Authority. The members of the Governing Body and the Issuer's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers.

Section 9.04. No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Governing Body, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Bonds, or any certificate or other instrument to be executed in connection with the issuance of the Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

Section 9.05. Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person other than the Issuer, the Insurer, if any, and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provision hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Insurer, if any, and the Persons who shall from time to time be the Holders.

To the extent that this Resolution confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of this Resolution, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 9.06. Sale of Bonds. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

Section 9.07. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

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**APPENDIX F**

Form of Opinion of Bond Counsel

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## APPENDIX F

### FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds in definitive form, Bryant, Miller and Olive, P.A., Bond Counsel, propose to render their separate final approving opinion in substantially the following form:

[dated date of closing]

Florida Municipal Loan Council  
Tallahassee, Florida

\$66,385,000  
FLORIDA MUNICIPAL LOAN COUNCIL  
REVENUE BONDS  
(NORTH MIAMI BEACH WATER PROJECT),  
SERIES 2002B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$66,385,000 Florida Municipal Loan Council Revenue Bonds (North Miami Beach Water Project), Series 2002B (the "Bonds"), pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II and Chapter 163, Part I, Florida Statutes, as amended and a Trust Indenture dated as of August 1, 2002, between the Council and Wachovia Bank, National Association, as Trustee (the "Indenture"). All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed in the Indenture.

The proceeds of the Bonds will be loaned to the City of North Miami Beach, Florida (the "Borrower") for the purpose of financing, refinancing or reimbursing the cost of qualified projects of the Borrower, and to pay certain costs of issuing the Bonds pursuant to a Loan Agreement between the Council and the Borrower and a Note issued by the Borrower to the Council, both to be executed simultaneously with the issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and of the Borrower contained in the Loan Agreement and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Bonds. This opinion should not be construed as offering material relating to the Bonds, but should be considered only for the opinions expressed herein. Furthermore, we are not passing on the

accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Issuer, as to the due creation and valid existence of the Council, the due authorization, execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. Finally, we have assumed the proper authorization, execution and delivery of the Loan Agreement by the Borrower and the validity of such Loan Agreement and in rendering this opinion are not passing upon such matters.

The Bonds do not constitute a general obligation of the Council or the Borrower within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Council or the Borrower or taxation in any form of any real or personal property for the payment of the principal of or interest on the Bonds.

Based on our examination, we are of the opinion, as of the date of delivery of and payment for the Bonds, as follows:

1. The Council is duly created and validly existing as a separate legal entity of the State of Florida with the power to execute the Indenture and perform the agreements on its part contained therein and to issue the Bonds.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture.
4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Council has covenanted in the Indenture and the Borrower has covenanted in its Loan Agreement to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

Subject to compliance by the Council and the Borrower with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds are exempt from intangible taxes imposed pursuant to Chapter 199, Florida Statutes, as amended.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Very truly yours,

BRYANT, MILLER AND OLIVE, P.A.

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**APPENDIX G**

Specimen Financial Guaranty Insurance Policy

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentation and surrender of such Obligations or presentation of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

\_\_\_\_\_  
Resident Licensed Agent

\_\_\_\_\_  
City, State

MBIA Insurance Corporation

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

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## **APPENDIX H**

Financial Information Regarding City of North Miami Beach

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida

We have audited the basic financial statements of the City of North Miami Beach, Florida (the City) as of September 30, 2001 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1 to the basic financial statements, the City early implemented the new financial reporting requirements of Government Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City at September 30, 2001, and the results of its activities, operations and cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-15 and pages 50-56, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida  
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining, individual fund statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information shown in the statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
January 4, 2002



# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Pooled cash and investments	\$ 25,188,524	\$ 3,729,628	\$ 28,918,152
Receivables	4,512,856	4,591,301	9,104,157
Internal balances	95,507	(95,507)	-
Inventories	148,165	406,100	554,265
Prepaid costs	65,956	975	66,931
Restricted assets:			
Cash in state investment pool	-	2,865,994	2,865,994
Escrow funds held by lessor	683,147	105,647	788,794
Capital assets, net	<u>41,452,387</u>	<u>62,622,305</u>	<u>104,074,692</u>
Total assets	<u>72,146,542</u>	<u>74,226,443</u>	<u>146,372,985</u>
<b><u>LIABILITIES</u></b>			
Vouchers payable and accrued liabilities	1,659,462	846,383	2,505,845
Due to other governmental units	-	1,901,321	1,901,321
Payable from restricted assets:			
Customer deposits	-	3,074,374	3,074,374
Deferred revenue	707,364	-	707,364
Deposits held in trust	506,369	-	506,369
Noncurrent liabilities:			
Due within one year	2,265,830	1,252,264	3,518,094
Due in more than one year	<u>35,707,795</u>	<u>9,670,354</u>	<u>45,378,149</u>
Total liabilities	<u>40,846,820</u>	<u>16,744,696</u>	<u>57,591,516</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	7,703,455	52,082,221	59,785,676
Restricted for:			
In-plant and fireflow	-	4,527,570	4,527,570
Capital projects	16,866,986	-	16,866,986
Law enforcement	972,240	-	972,240
Grant related expenditures	37,568	-	37,568
Unrestricted	<u>5,719,473</u>	<u>871,956</u>	<u>6,591,429</u>
Total net assets	<u>\$ 31,299,722</u>	<u>\$ 57,481,747</u>	<u>\$ 88,781,469</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 12,626,188	\$ 4,710,022	\$ 4,084,051	\$ 1,349,088	\$ (2,483,027)	\$ -	\$ (2,483,027)
Public safety	14,639,398	344,910	-	-	(14,294,488)	-	(14,294,488)
Library	968,193	20,635	-	-	(947,558)	-	(947,558)
Parks and recreation	3,648,394	531,864	-	68,240	(3,048,290)	-	(3,048,290)
Public works	7,487,155	7,060,131	-	-	(427,024)	-	(427,024)
Interest on long-term debt	2,023,196	-	-	-	(2,023,196)	-	(2,023,196)
Total governmental activities	<u>41,392,524</u>	<u>12,667,562</u>	<u>4,084,051</u>	<u>1,417,328</u>	<u>(23,223,583)</u>	<u>-</u>	<u>(23,223,583)</u>
Business-type activities:							
Water	16,820,248	14,250,161	-	1,936,071	-	(634,016)	(634,016)
Sewer	5,370,571	4,398,216	-	133,467	-	(838,888)	(838,888)
Stormwater	690,195	1,014,778	-	9,117	-	333,700	333,700
Total business-type activities	<u>22,881,014</u>	<u>19,663,155</u>	<u>-</u>	<u>2,078,655</u>	<u>-</u>	<u>(1,139,204)</u>	<u>(1,139,204)</u>
Total	<u>64,273,538</u>	<u>32,330,717</u>	<u>4,084,051</u>	<u>3,495,983</u>	<u>(23,223,583)</u>	<u>(1,139,204)</u>	<u>(24,362,787)</u>
General revenues:							
Property taxes					8,033,116	-	8,033,116
Utility taxes					3,511,342	-	3,511,342
Franchise fees					1,771,684	-	1,771,684
Intergovernmental					4,889,731	-	4,889,731
Unrestricted interest					1,471,758	376,496	1,848,254
Billing surcharge					1,950,089	-	1,950,089
Sale of City property					22,924	-	22,924
Miscellaneous					1,482,626	324,882	1,807,508
Transfers					633,615	(633,615)	-
Total general revenues and transfers					<u>23,766,885</u>	<u>67,763</u>	<u>23,834,648</u>
Change in net assets					543,302	(1,071,441)	(528,139)
Net assets - beginning					<u>30,756,420</u>	<u>58,553,188</u>	<u>89,309,608</u>
Net assets - ending					<u>\$ 31,299,722</u>	<u>\$ 57,481,747</u>	<u>\$ 88,781,469</u>

See notes to basic financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2001

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 6,264,461	\$ 16,866,986	\$ 2,057,077	\$ 25,188,524
Receivables:				
Unbilled	1,013,046	-	-	1,013,046
Franchise fees and utility taxes	563,868	-	-	563,868
Intergovernmental	-	-	809,607	809,607
Grants - Safe Neighborhood Program	-	-	67,101	67,101
Other	2,038,535	-	-	2,038,535
Property taxes	20,699	-	-	20,699
Inventories	148,165	-	-	148,165
Prepaid costs	62,131	-	3,825	65,956
Due from other funds	1,035,274	-	460,079	1,495,353
Escrow funds held by lessor	683,147	-	-	683,147
Total assets	<u>\$ 11,829,326</u>	<u>\$ 16,866,986</u>	<u>\$ 3,397,689</u>	<u>\$ 32,094,001</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 1,322,690	\$ 3,316	\$ 333,456	\$ 1,659,462
Deposits held in trust	506,369	-	-	506,369
Compensated absences	400,000	-	-	400,000
Due to other funds	-	101,236	1,298,610	1,399,846
Estimated claims	250,000	-	-	250,000
Deferred revenue	707,364	-	-	707,364
Total liabilities	<u>3,186,423</u>	<u>104,552</u>	<u>1,632,066</u>	<u>4,923,041</u>
Fund balances:				
Reserved:				
Encumbrances	893,456	-	-	893,456
Grant expenditures	-	-	37,568	37,568
Law enforcement	-	-	972,240	972,240
Inventories	148,165	-	-	148,165
Liability claims	564,099	-	-	564,099
Workers' compensation claims	887,145	-	-	887,145
Land acquisition	261,417	-	-	261,417
Debt service	-	-	(83,709)	(83,709)
Prepaid costs	62,131	-	3,825	65,956
Construction	-	16,762,434	170,815	16,933,249
Unreserved reported in:				
General fund	5,826,490	-	-	5,826,490
Special revenue funds	-	-	649,620	649,620
Capital projects funds	-	-	15,264	15,264
Total fund balances	<u>8,642,903</u>	<u>16,762,434</u>	<u>1,765,623</u>	<u>27,170,960</u>
Total liabilities and fund balances	<u>\$ 11,829,326</u>	<u>\$ 16,866,986</u>	<u>\$ 3,397,689</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,452,387
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,323,625)</u>
Net assets of governmental activities	<u>\$ 31,299,722</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$8,033,116	\$ -	\$ -	\$ 8,033,116
Franchise fees	1,771,684	-	-	1,771,684
Utility taxes	3,511,342	-	-	3,511,342
Other taxes	32,445	-	-	32,445
Licenses and permits	1,428,960	-	-	1,428,960
Intergovernmental	3,631,965	-	3,748,708	7,380,673
Charges for services	8,101,703	-	-	8,101,703
Fines and forfeitures	234,306	-	2,893,737	3,128,043
Grants-Safe Neighborhood Program	-	-	68,292	68,292
Other	2,692,844	-	730,351	3,423,195
Interest	402,697	717,635	351,426	1,471,758
Total revenues	<u>29,841,062</u>	<u>717,635</u>	<u>7,792,514</u>	<u>38,351,211</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	9,224,583	54,694	1,265,728	10,545,005
Police services	10,181,149	-	3,524,516	13,705,665
Library	788,471	-	-	788,471
Parks and recreation	3,572,762	-	-	3,572,762
Public works	7,401,108	-	-	7,401,108
Capital outlay	1,244,849	638,035	2,857,407	4,740,291
<b>Debt service:</b>				
Principal	882,368	-	890,825	1,773,193
Interest	110,428	567,472	1,345,296	2,023,196
Total expenditures	<u>33,405,718</u>	<u>1,260,201</u>	<u>9,883,772</u>	<u>44,549,691</u>
Deficiency of revenues over expenditures	<u>(3,564,656)</u>	<u>(542,566)</u>	<u>(2,091,258)</u>	<u>(6,198,480)</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,157,799	-	1,819,027	2,976,826
Transfers out	(1,317,582)	-	(1,025,629)	(2,343,211)
Contributions from other funds	2,951,000	-	-	2,951,000
Bonds proceeds	678,000	17,305,000	-	17,983,000
Total other financing sources (uses)	<u>3,469,217</u>	<u>17,305,000</u>	<u>793,398</u>	<u>21,567,615</u>
Net change in fund balances	(95,439)	16,762,434	(1,297,860)	15,369,135
Fund balances - beginning	8,738,342	-	3,063,483	11,801,825
Fund balances - ending	<u>\$8,642,903</u>	<u>\$ 16,762,434</u>	<u>\$ 1,765,623</u>	<u>\$ 27,170,960</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

Amounts reported for governmental activities in the statement of activities  
(Page 17) are different because:

Net change in fund balances - total governmental funds (Page 19) \$ 15,369,135

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$4,740,291	
Depreciation expense	<u>3,271,498</u>	
Net adjustment		1,468,793

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) 1,558

The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
2000 Series B Capital Appreciation Bonds	17,305,000	
Master leases	<u>678,000</u>	
	<u>17,983,000</u>	
Principal payments:		
General obligation bonds	520,000	
Notes payable	427,264	
Master leases	<u>825,924</u>	
	<u>1,773,188</u>	
Net adjustment		(16,209,812)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Compensated absences		<u>(86,372)</u>
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Change in net assets of governmental activities (Page 17) \$ 543,302

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2001

<u>ASSETS</u>	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	
	<u>Utility</u>	<u>Utility</u>	<u>Utility</u>	
	<u>System</u>	<u>System</u>	<u>System</u>	
Current:				
Pooled cash and investments	\$ 2,803,506	\$ 922,670	\$ 3,452	\$ 3,729,628
Accounts receivable:				
Billed	2,115,668	424,605	92,196	2,632,469
Unbilled	908,478	355,710	96,356	1,360,544
Intergovernmental		43,616	9,117	52,733
Other	-	545,555	-	545,555
Due from other funds	823,855	-	-	823,855
Inventories	406,100	-	-	406,100
Prepaid costs	675	300	-	975
	<u>7,058,282</u>	<u>2,292,456</u>	<u>201,121</u>	<u>9,551,859</u>
Restricted assets:				
Cash in state investment pool	2,494,419	371,575	-	2,865,994
Escrow funds held by lessor	105,647	-	-	105,647
	<u>2,600,066</u>	<u>371,575</u>	<u>-</u>	<u>2,971,641</u>
Plant and equipment:				
Land	3,247,204	-	-	3,247,204
Buildings and utility plant	66,656,490	14,697,122	2,960,252	84,313,864
Construction-in-progress	691,072	1,434,210	-	2,125,282
Machinery and equipment	8,735,863	734,251	293,422	9,763,536
	<u>79,330,629</u>	<u>16,865,583</u>	<u>3,253,674</u>	<u>99,449,886</u>
Less accumulated depreciation	<u>29,573,847</u>	<u>6,729,577</u>	<u>524,157</u>	<u>36,827,581</u>
	<u>49,756,782</u>	<u>10,136,006</u>	<u>2,729,517</u>	<u>62,622,305</u>
Total assets	<u>59,415,130</u>	<u>12,800,037</u>	<u>2,930,638</u>	<u>75,145,805</u>

(Continued)

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2001

<u>LIABILITIES AND NET ASSETS</u>	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	Water Utility <u>System</u>	Sewer Utility <u>System</u>	Stormwater Utility <u>System</u>	
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 682,905	\$ 157,447	\$ 6,031	\$ 846,383
Due to other governmental units	1,523,028	378,293	-	1,901,321
Due to other funds	-	823,855	95,507	919,362
Current portion of notes payable	-	-	620,000	620,000
Current portion of master lease payable	586,332	45,932	-	632,264
	<u>2,792,265</u>	<u>1,405,527</u>	<u>721,538</u>	<u>4,919,330</u>
Liabilities payable from restricted assets:				
Customer deposits	<u>2,770,702</u>	<u>303,672</u>	<u>-</u>	<u>3,074,374</u>
Non-current liabilities:				
Compensated absences	353,543	23,067	5,924	382,534
Notes payable	-	-	2,080,000	2,080,000
Master lease payable	329,423	23,397	-	352,820
Revenue bonds payable	6,855,000	-	-	6,855,000
	<u>7,537,966</u>	<u>46,464</u>	<u>2,085,924</u>	<u>9,670,354</u>
Total liabilities	<u>13,100,933</u>	<u>1,755,663</u>	<u>2,807,462</u>	<u>17,664,058</u>
Net assets:				
Invested in capital assets, net of related debt	41,980,027	10,066,676	29,518	52,076,221
Restricted for in-plant and fireflow	3,883,753	643,817	-	4,527,570
Unrestricted	450,417	333,880	93,659	877,956
Total net assets	<u>\$46,314,197</u>	<u>\$11,044,373</u>	<u>\$ 123,177</u>	<u>\$57,481,747</u>

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See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Operating revenues:				
Service revenues	\$ 14,250,161	\$ 4,398,216	\$ 1,014,778	\$ 19,663,155
Intergovernmental	<u>-</u>	<u>43,616</u>	<u>9,117</u>	<u>52,733</u>
Total operating revenues	<u>14,250,161</u>	<u>4,441,832</u>	<u>1,023,895</u>	<u>19,715,888</u>
 Operating expenses:				
Operating, administrative and maintenance	11,797,894	4,466,488	361,466	16,625,848
Depreciation	<u>2,218,994</u>	<u>344,536</u>	<u>111,013</u>	<u>2,674,543</u>
Total operating expenses	<u>14,016,888</u>	<u>4,811,024</u>	<u>472,479</u>	<u>19,300,391</u>
 Operating income (loss)	<u>233,273</u>	<u>(369,192)</u>	<u>551,416</u>	<u>415,497</u>
 Non-operating revenue (expense):				
Interest income	279,666	96,655	175	376,496
Interest expense	(503,360)	(9,547)	(116,716)	(629,623)
Other income	<u>307,070</u>	<u>2,882</u>	<u>14,930</u>	<u>324,882</u>
Total non-operating revenue (expense)	<u>83,376</u>	<u>89,990</u>	<u>(101,611)</u>	<u>71,755</u>
 Income (loss) before contributions and transfers	<u>316,649</u>	<u>(279,202)</u>	<u>449,805</u>	<u>487,252</u>
 Capital contributions	1,936,071	89,851	-	2,025,922
Contributions to other funds	(2,300,000)	(550,000)	(101,000)	(2,951,000)
Transfers in	-	320,000	-	320,000
Transfers out	<u>(241,071)</u>	<u>(410,544)</u>	<u>(302,000)</u>	<u>(953,615)</u>
	<u>(605,000)</u>	<u>(550,693)</u>	<u>(403,000)</u>	<u>(1,558,693)</u>
 Change in net assets	(288,351)	(829,895)	46,805	(1,071,441)
 Net assets, beginning	<u>46,602,548</u>	<u>11,874,268</u>	<u>76,372</u>	<u>58,553,188</u>
 Net assets, ending	<u>\$46,314,197</u>	<u>\$11,044,373</u>	<u>\$ 123,177</u>	<u>\$57,481,747</u>

See notes to basic financial statements.



# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Business-type Activities -			Totals
	<u>Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 14,054,717	\$ 4,697,355	\$ 1,025,807	\$ 19,777,879
Cash payments to suppliers	(8,815,787)	(3,370,580)	(256,831)	(12,443,198)
Cash payments to employees	<u>(3,477,629)</u>	<u>(325,964)</u>	<u>(149,988)</u>	<u>(3,953,581)</u>
Net cash provided by operating activities	<u>1,761,301</u>	<u>1,000,811</u>	<u>618,988</u>	<u>3,381,100</u>
Cash flows from noncapital financing activities:				
Capital contributions	1,936,071	89,851	-	2,025,922
Contributions to other funds	(2,300,000)	(550,000)	(101,000)	(2,951,000)
Operating transfers from other funds	-	320,000	-	320,000
Operating transfers to other funds	<u>(241,071)</u>	<u>(410,544)</u>	<u>(302,000)</u>	<u>(953,615)</u>
Net cash used by noncapital financing activities	<u>(605,000)</u>	<u>(550,693)</u>	<u>(403,000)</u>	<u>(1,558,693)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,336,019)	(2,234,998)	-	(3,571,017)
Disposal of capital assets	-	-	438	438
Interest paid	(503,360)	(9,547)	(116,716)	(629,623)
Payments on master lease payable	(792,641)	(42,831)	-	(835,472)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by capital and related financing activities	<u>(2,632,020)</u>	<u>(2,287,376)</u>	<u>(216,278)</u>	<u>(5,135,674)</u>
Cash flows from investing activities:				
Interest on investments	<u>279,666</u>	<u>96,655</u>	<u>175</u>	<u>376,496</u>
Net decrease in pooled cash and investments	(1,196,053)	(1,740,603)	(115)	(2,936,771)
Pooled cash and investments, beginning	<u>6,599,625</u>	<u>3,034,847</u>	<u>3,567</u>	<u>9,638,039</u>
	5,403,572			
Pooled cash and investments, ending	<u>\$ 5,403,572</u>	<u>\$ 1,294,244</u>	<u>\$ 3,452</u>	<u>\$ 6,701,268</u>
Pooled cash and investments per balance sheet:				
Unrestricted	\$ 2,803,506	\$ 922,670	\$ 3,452	\$ 3,729,628
Restricted	<u>2,600,066</u>	<u>371,575</u>	<u>-</u>	<u>2,971,641</u>
	<u>\$ 5,403,572</u>	<u>\$ 1,294,245</u>	<u>\$ 3,452</u>	<u>\$ 6,701,269</u>

(Continued)

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 233,273</u>	<u>\$ (369,192)</u>	<u>\$ 551,416</u>	<u>\$ 415,497</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,218,994	344,536	111,013	2,674,543
Other income	307,070	2,882	14,930	324,882
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Billed accounts receivable	57,876	12,503	(3,576)	66,803
Unbilled accounts receivable	117,312	44,801	(325)	161,788
Intergovernmental receivables	-	(43,616)	(9,117)	(52,733)
Other receivables	-	231,223	-	231,223
Due from other funds	(823,855)	-	-	(823,855)
Inventories	(9,483)	-	-	(9,483)
Prepaid costs	8,061	(300)	-	7,761
Increase (decrease) in:				
Customer deposits	138,092	8,030	-	146,122
Vouchers payable and accrued liabilities	(554,162)	(48,403)	(10,784)	(613,349)
Due to other funds	-	823,855	-	823,855
Due to other governmental units	<u>68,123</u>	<u>(5,508)</u>	<u>(40,493)</u>	<u>22,122</u>
Total adjustments	<u>1,528,028</u>	<u>1,370,003</u>	<u>61,648</u>	<u>2,959,679</u>
Net cash provided by operating activities	<u>\$ 1,761,301</u>	<u>\$ 1,000,811</u>	<u>\$ 613,064</u>	<u>\$ 3,375,176</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 25,000</u>	<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ 47,000</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

SEPTEMBER 30, 2001

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash held with trustee	\$ 2,391	\$ 1,091,745
Investments	77,392,777	-
Receivables:		
Accrued interest and dividends	464,395	-
Other	538	-
Total assets	77,860,101	1,091,745
<u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	462,239	-
Deposits held in trust	-	1,091,745
Total liabilities	462,239	1,091,745
Net assets held in trust for pension benefits	\$ 77,397,862	\$ -

See notes to basic financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2001**

**ADDITIONS**

Contributions:

Members	\$ 1,171,961
Employer	1,763,803
State/County	<u>226,942</u>
Total contributions	<u>3,162,706</u>

Investment income (loss):

Net depreciation in fair value of investments	(15,985,552)
Interest and dividends	3,654,038
Less investment expenses	<u>359,431</u>
Net investment loss	<u>(12,690,945)</u>
Total additions	<u>(9,528,239)</u>

**DEDUCTIONS**

Pension benefits	5,208,636
Refunds	244,457
Administrative expenses	<u>200,030</u>
Total deductions	<u>5,653,123</u>

Net decrease (15,181,362)

Net assets held in trust for pension benefits:

Beginning	<u>92,579,224</u>
Ending	<u>\$77,397,862</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami Beach (the City) was incorporated in 1926. The City operates under a Council-Manager form of government. In addition to police services, general government, library, recreation, sanitation and public works services provided to its residents, the City operates water, sewer and stormwater utilities and maintains various trust and agency funds in a fiduciary capacity. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2001, the City early implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The more significant of the City's accounting policies are described below.

#### *a. Financial Reporting Entity*

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

#### *b. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***b. Government-Wide and Fund Financial Statements*** (Continued)

customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### ***c. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Proud Neighborhood Bond*, a capital projects fund, accounts for various upgrades and improvements to the City's neighborhoods.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *c. Measurement Focus, Basis of Accounting and Financial Statement Presentation* (Continued)

The City reports the following major proprietary funds:

The *Water Utility System Fund* accounts for the activities of providing water treatment and distribution service to the residents of the City and a portion of unincorporated Miami-Dade County.

The *Sewer Utility System Fund* accounts for the operation of the sewage treatment plant, sewage pumping station and collection systems to customers of the City.

The *Stormwater Utility System Fund* accounts for providing stormwater services to customers of the City.

Additionally, the City reports the following fund types:

The *Pension Trust Funds* account for the activities of the Retirement Plan for General Employees' and the Retirement Plan for Police Officers and Firefighters which accumulate resources for pension benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer and stormwater utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *d. Assets, Liabilities and Net Assets or Equity*

##### **1. Pooled Cash and Investments**

Pooled cash and investments include cash on hand and investments with the State Board Investment Pool.

Resources of all funds, with the exception of the pension trust funds, the agency fund and certain other cash and investment accounts, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated monthly based upon equity balances of the respective funds.

All investments of the City, except the State Board Investment Pool, are recorded at fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, includes pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

##### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

##### **3. Inventories**

Inventories in the general fund and the enterprise funds are stated at cost on a specific identification basis. Inventories, which consist of expendable supplies held for consumption, are recorded as an asset when purchased and recorded as an expense when consumed (consumption method).

##### **4. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized.



# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *d. Assets, Liabilities and Net Assets or Equity* (Continued)

##### 4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and utility plant	30-50
Improvements other than buildings	20
Furniture, fixtures, machinery and equipment	5-10
Infrastructure	30

##### 5. Compensated Absences

It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation and sick leave. Upon separation from service, employees receive payment for a portion of unused vacation time and sick leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

##### 6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *d. Assets, Liabilities and Net Assets or Equity* (Continued)

##### **7. Property Taxes**

Property taxes (ad valorem taxes) are assessed on January 1 (the lien date) and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction.

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The County bills and collects all property taxes for the City.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2001 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.790 mills.

##### **8. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

##### **9. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS

#### *Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement No. 3.

The carrying amount of the City's deposits on the balance sheet is as follows:

Pooled cash	\$1,362,022
Cash held with trustee	1,094,137
Escrow funds held by lessor	<u>789,244</u>
	<u>\$3,245,403</u>

#### *Investments*

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings.

The City's investments are categorized in the following table to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name.

	<u>Category 1</u>
U.S. Government securities	\$19,910,984
Corporate bonds	10,688,350
Common stock	<u>36,394,656</u>
	66,993,990

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments* (Continued)

Investments not subject to categorization:

Mutual funds	5,740,908
Investment Pool	13,080,361
Cash management funds	<u>4,657,879</u>
Total investments	<u>\$90,473,138</u>

The following is a reconciliation of deposits and investments to the combined balance sheet:

Deposits	\$ 20,586,715
Investments	<u>90,473,138</u>
	<u>\$111,059,853</u>
Pooled cash and investments	\$ 28,918,152
Cash held with trustee	1,094,136
Investments	77,392,777
Restricted cash in state investment pool	2,865,994
Escrow funds held by lessor	<u>788,794</u>
	<u>\$111,059,853</u>

### NOTE 3. RECEIVABLES

Receivables as of September 30, 2001 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm- water</u>	<u>Non- Major</u>	<u>Total</u>
Receivables:						
Billed	\$ -	\$2,115,668	\$ 424,605	\$ 92,196	\$ -	\$2,632,469
Unbilled	1,013,046	908,478	355,710	96,356	-	2,373,590
Franchise and utility	563,868	-	-	-	-	563,868
Intergovernmental	-	-	43,616	9,117	809,607	8,62,340
Grants	-	-	-	-	67,101	67,101
Other	2,038,535	-	545,555	-	-	2,584,090
Property taxes	<u>20,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,699</u>
Gross receivables	3,636,148	3,024,146	1,369,486	197,669	876,708	9,104,157
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$3,636,148</u>	<u>\$3,024,146</u>	<u>\$1,369,486</u>	<u>\$197,669</u>	<u>\$876,708</u>	<u>\$9,104,157</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 3. RECEIVABLES (Continued)

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, *unearned revenue* reported in the governmental funds was as follows:

	<u>Unearned</u>
Occupational licenses	<u>\$707,364</u>

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2001 was as follows:

#### *Primary Government*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,138,437	\$ 30,000	\$ -	\$ 4,168,437
Construction in progress	<u>-</u>	<u>661,362</u>	<u>-</u>	<u>661,362</u>
Total capital assets, not being depreciated	<u>4,138,437</u>	<u>691,362</u>	<u>-</u>	<u>4,829,799</u>
Capital assets, being depreciated:				
Buildings	28,859,555	95,458	-	28,955,013
Improvements other than buildings	8,899,978	788,949	(73,845)	9,615,082
Furniture, fixtures, machinery and equipment	22,939,338	2,416,492	(646,100)	24,709,730
Infrastructure	<u>2,257,130</u>	<u>748,030</u>	<u>-</u>	<u>3,005,160</u>
Total capital assets being depreciated	<u>62,956,001</u>	<u>4,048,929</u>	<u>(719,945)</u>	<u>66,284,985</u>
Less accumulated depreciation for:				
Buildings	(8,295,255)	(1,297,866)	-	(9,593,121)
Improvements other than buildings	(2,578,152)	(440,087)	-	(3,018,239)
Furniture, fixtures, machinery and equipment	(14,685,267)	(2,019,078)	577,324	(16,127,021)
Infrastructure	<u>(833,828)</u>	<u>(90,188)</u>	<u>-</u>	<u>(924,016)</u>
Total accumulated depreciation	<u>(26,392,502)</u>	<u>(3,847,219)</u>	<u>577,324</u>	<u>(29,662,397)</u>
Total capital assets, being depreciated, net	<u>36,563,499</u>	<u>201,710</u>	<u>(142,621)</u>	<u>36,622,588</u>
Governmental activities capital assets, net	<u>\$ 40,701,936</u>	<u>\$ 893,072</u>	<u>\$ (142,621)</u>	<u>\$ 41,452,387</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 3,247,204	\$ -	\$ -	\$ 3,247,204
Construction in progress	<u>7,395,864</u>	<u>2,060,217</u>	<u>(7,330,799)</u>	<u>2,125,282</u>
Total capital assets, not being depreciated	<u>10,643,068</u>	<u>2,060,217</u>	<u>(7,330,799)</u>	<u>5,372,486</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 4. CAPITAL ASSETS (Continued)**

***Primary Government*** (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-type activities</u> (Continued)				
Capital assets, being depreciated:				
Buildings and utility plant	\$ 76,043,353	\$ 8,270,511	\$ -	\$ 84,313,864
Machinery and equipment	<u>9,188,150</u>	<u>618,462</u>	<u>(43,076)</u>	<u>9,763,536</u>
Total capital assets being depreciated	<u>85,231,503</u>	<u>8,888,973</u>	<u>(43,076)</u>	<u>94,077,400</u>
Less accumulated depreciation for:				
Buildings and utility plant	(30,675,806)	(1,774,195)	-	(32,450,001)
Machinery and equipment	<u>(3,519,495)</u>	<u>(899,669)</u>	<u>41,584</u>	<u>(4,377,580)</u>
Total accumulated depreciation	<u>(34,195,301)</u>	<u>(2,673,864)</u>	<u>41,584</u>	<u>(36,827,581)</u>
Total capital assets, being depreciated, net	<u>51,036,202</u>	<u>6,215,109</u>	<u>(1,492)</u>	<u>57,249,819</u>
Business-type activities capital assets, net	<u>\$ 61,679,270</u>	<u>\$ 8,275,326</u>	<u>\$(7,332,291)</u>	<u>\$ 62,622,305</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$1,994,761
Public safety	935,336
Library	179,722
Parks and recreation	75,632
Public works services	<u>86,047</u>
Total depreciation expense – governmental activities	<u>\$3,271,498</u>

Business-type activities:

Water	\$2,218,994
Sewer	344,536
Stormwater	<u>111,013</u>
Total depreciation expense – business-type activities	<u>\$2,674,543</u>

***Construction Commitments***

In September 2000, the City's voters approved a referendum for up to a \$17.5 million bond issue for capital improvements throughout the various neighborhoods of the City. Pursuant to this referendum in November 2000, the City issued \$17,305,000 of Florida Municipal Loan Council Revenue Bonds, Series 2000B. Construction was begun in fiscal year 2001 with approximately 20% of the projects finished or well underway at September 30, 2001. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006.

Accordingly, approximately \$14,500,000 remains to be expended.

**CITY OF NORTH MIAMI BEACH, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2001 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	FRDAP Mischon Field	\$ 14,550
General	SNP Interest Earnings	67,101
General	MPO Minibus Service Study	7,400
General	CDBG Taylor Park Daycare Building	17,828
General	CDBG Housing Rehabilitation Grant	206,483
General	2000B Bonds Debt Service Fund	390,428
General	CIP Proud Neighborhood Bonds	101,236
General	NE 15 <sup>th</sup> Ave. Multi-Use Project	134,741
General	Stormwater Management Utility	86,390
General	Highland Village Stormwater Improvement	9,117
LETTF State Forfeiture Fund	HIDTA Black Market Peso Exchange	15,945
LETTF State Forfeiture Fund	Great Grant/Coop Agreement FY01	14,113
LETTF State Forfeiture Fund	Crash Grant Teenagers at Risk	30,340
LETTF State Forfeiture Fund	Victims of Crime Act Grant	28,602
LETTF State Forfeiture Fund	Bulletproof Vest Grant	12,664
LETTF State Forfeiture Fund	COPS Universal Hiring Grant	225,360
LETTF State Forfeiture Fund	COPS More 00 Award	4,447
LETTF State Forfeiture Fund	Hitda Highland Village Empower	27,284
LETTF State Forfeiture Fund	Buckle Up Dade	21,752
LETTF State Forfeiture Fund	School Based Partnership	79,572
Water Utility Fund	Sewer Utility Fund	<u>823,855</u>
		<u>\$2,319,208</u>

Interfund transfers:

	Transfers in					<u>Total</u>
	<u>General Fund</u>	<u>Proud Neighbor- hood</u>	<u>Water</u>	<u>Sewer</u>	<u>Non-Major</u>	
Transfers out:						
General fund	\$ 462,238	\$ -	\$ -	\$ -	\$ 855,344	\$1,317,582
Water	241,071	-	-	-	-	241,071
Sewer	90,544	-	-	320,000	-	410,544
Stormwater	22,000	-	-	-	280,000	302,000
Nonmajor	<u>341,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,683</u>	<u>1,025,629</u>
Total transfers out	<u>\$1,157,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$320,000</u>	<u>\$1,819,027</u>	<u>\$3,296,826</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT

#### *Bonds Payable*

Long-term debt, in the form of revenue bonds issued in the course of financing acquisitions, extensions and improvements to both the Water and Sewer Utility Systems, is recognized as a liability in the enterprise fund financial statements.

#### 1. Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2001:

Balance, September 30, 2000	\$22,350,000
Bonds issued	17,305,000
Bonds retired	<u>(520,000)</u>
Balance, September 30, 2001	<u>\$39,135,000</u>

#### 2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2001 consists of the following individual issues:

##### **General Obligations Bonds:**

\$13,000,000 General Obligation 1994 Series serial bonds; due in annual installments of \$250,000 to \$920,000 through February 1, 2024; interest at 5.4% to 6.3%. \$11,740,000

##### **Capital Improvements Bonds:**

\$1,500,000 Capital Improvement Revenue Bonds, 1993 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$175,000 to \$180,000 through October 1, 2003; interest at 2.6% to 4.8%. 355,000

\$1,950,000 Capital Improvement Revenue Bonds, 1997 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$100,000 to \$395,000 through October 1, 2012; interest at 4.85%. 1,655,000

\$1,000,000 Capital Improvement Revenue Bonds, 1998 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$25,000 to \$425,000 through October 1, 2013; interest at 4.48%. 925,000

\$300,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$11,530 to \$26,205 through April 1, 2020; interest at 4.3% to 6.0%. 300,000



# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 2. Bonds Authorized and Outstanding (Continued)

\$17,305,000 Florida League of Cities, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$170,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%. 17,305,000

32,280,000

#### Revenue Bonds:

##### Water Utility System:

\$6,855,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds/ secured by municipal bond insurance; due in annual installments of \$263,470 to \$598,795 from April 1, 2004 to April 1, 2020; interest at 4.3% to 6.0%/ 6,855,000

\$39,135,000

#### 3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds:			
1994 Series:			
2002	\$ 250,000	\$ 721,023	\$ 971,023
2003	260,000	706,868	966,868
2004	275,000	691,750	966,750
2005	295,000	675,358	970,358
2006-2010	1,745,000	3,083,570	4,828,570
2011-2015	2,355,000	2,453,686	4,808,686
2016-2020	3,195,000	1,587,445	4,782,445
2021-2024	<u>3,365,000</u>	<u>440,212</u>	<u>3,805,212</u>
	<u>\$11,740,000</u>	<u>\$10,359,912</u>	<u>\$22,099,912</u>
Capital Improvement Bonds:			
1993 Series:			
2002	\$ 175,000	\$ 16,865	\$ 191,865
2003	<u>180,000</u>	<u>8,640</u>	<u>188,640</u>
	<u>\$ 355,000</u>	<u>\$ 25,505</u>	<u>\$ 580,505</u>
Capital Improvement Bonds:			
1997 Series:			
2002	\$ 100,000	\$ 80,267	\$ 180,267
2003	105,000	75,418	180,418
2004	110,000	70,325	180,325
2005	115,000	64,990	179,990
2006-2010	670,000	235,710	905,710
2011-2012	<u>555,000</u>	<u>46,075</u>	<u>601,075</u>
	<u>\$ 1,655,000</u>	<u>\$ 572,785</u>	<u>\$ 2,227,785</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1998 Series:			
2002	\$ 25,000	\$ 41,440	\$ 66,440
2003	25,000	40,320	65,320
2004	50,000	39,200	89,200
2005	50,000	36,960	86,960
2006-2010	250,000	151,200	401,200
2011-2013	<u>525,000</u>	<u>63,840</u>	<u>588,840</u>
	<u>\$ 925,000</u>	<u>\$ 372,960</u>	<u>\$ 1,297,960</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2002	\$ -	\$ 386,831	\$ 386,831
2003	-	386,831	386,831
2004	275,000	386,831	661,831
2005	285,000	373,769	658,769
2006-2010	1,655,000	1,646,584	3,301,584
2011-2015	2,130,000	1,176,662	3,306,662
2016-2020	<u>2,810,000</u>	<u>491,064</u>	<u>3,301,064</u>
	<u>\$ 7,155,000</u>	<u>\$ 4,848,572</u>	<u>\$ 12,003,572</u>
Florida League of Cities (Water and Capital):			
2000 B Series:			
2002	\$ 170,000	\$ 908,713	\$ 1,078,713
2003	150,000	901,820	1,051,820
2004	165,000	894,908	1,059,908
2005	185,000	887,162	1,072,162
2006-2010	1,235,000	4,284,065	5,519,065
2011-2015	1,865,000	3,911,956	5,776,956
2016-2020	2,775,000	3,278,488	6,053,488
2021-2025	3,945,000	2,389,969	6,334,969
2026-2030	5,490,000	1,131,976	6,621,976
2031	<u>1,325,000</u>	<u>35,609</u>	<u>1,360,609</u>
	<u>\$ 17,305,000</u>	<u>\$ 18,624,666</u>	<u>\$ 35,929,666</u>

#### 4. Debt Reserve Requirements

Debt reserve requirements as specified by provisions of various ordinances are as follows:

- a) Capital Improvement Revenue Bonds - 1993 Series, Ordinance 93-5 requires a reserve of \$322,000. This reserve is fully funded.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

##### 4. Debt Reserve Requirements (Continued)

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance, in all material respects, with significant covenants and restrictions. Interest and bond redemption payments have been made timely.

#### *Notes Payable*

In August 1996, the City obtained financing of \$2,400,000 through a commercial paper loan program to assist in financing certain stormwater projects.

During 1998, the City refinanced the loan and increased its outstanding obligation by \$120,000. The refinancing extended the maturity of the loan by two years.

In September 1998, the City obtained additional financing of \$720,000 from the same agency. The additional funds will also be used to finance certain stormwater projects.

In August 1999, the City obtained financing of \$850,000 from the same agency to assist in financing a portion of the costs and expenses to various capital improvements projects.

The interest rate on the three loans vary (blended market rates) and is payable monthly. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

Fiscal year ending September 30:	
2002	\$ 680,000
2003	2,140,000
2004	<u>625,000</u>
	<u>\$3,445,000</u>

In May 1998, the City obtained financing of \$750,000 through a taxable special obligation note to assist in financing the purchase of real property. This note was paid off subsequent to the fiscal year end.

In February 2000, the City obtained financing of \$120,000 through taxable special obligation notes to assist in financing the purchase of real property. The notes bear interest at 8% and is payable in quarterly installments of \$3,782 including interest through February 2004.

Fiscal year ending September 30:	
2002	\$100,364
2003	41,529
2004	<u>22,029</u>
	<u>\$172,922</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Master Leases*

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2001. During 2001, new lease purchases totaled approximately \$725,000.

Obligations created under these leases are to be repaid from on hand and legally available funds from sources other than ad valorem taxes. The agreements make provision for termination of governmental non-appropriations, such that the City will not be obligated to make any further lease payments beyond the year in which the City does not appropriate sufficient funds to continue making payments required under the leases.

The capital assets acquired under these leases remain collateral for repayment of outstanding principal obligations.

Future minimum lease payments and the present value of net minimum lease payments at September 30, 2001 are as follows:

Fiscal year ending September 30:	
2002	\$1,459,913
2003	783,181
2004	302,616
2005	<u>50,863</u>
Total minimum lease payments	2,596,573
Less amount representing interest	<u>142,558</u>
Present value of net minimum lease payments	<u>\$2,454,015</u>

#### *Changes in Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2001 was as follows:

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Governmental activities</b>					
Bonds and notes payable:					
General obligation bonds	\$15,495,000	\$17,305,000	\$ (520,000)	\$32,280,000	\$ 730,000
Notes payable	<u>1,306,822</u>	<u>-</u>	<u>(427,264)</u>	<u>879,558</u>	<u>160,364</u>
Total bonds and notes payable	16,801,822	17,305,000	(947,264)	33,159,558	880,364
Master leases	1,616,861	678,000	(825,924)	1,468,932	735,466
Estimated claims	974,000	458,356	(458,356)	974,000	250,000
Compensated absences	<u>2,284,763</u>	<u>2,052,430</u>	<u>(1,966,058)</u>	<u>2,371,135</u>	<u>400,000</u>
Governmental activity long-term liabilities	<u>\$21,677,446</u>	<u>\$20,493,786</u>	<u>\$(4,197,607)</u>	<u>\$37,973,625</u>	<u>\$2,265,830</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Changes in Long-Term Liabilities* (Continued)

	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Notes payable	\$ 2,800,000	\$ -	\$ (100,000)	\$ 2,700,000	\$ 620,000
Revenue bonds	<u>6,855,000</u>	-	-	<u>6,855,000</u>	-
Total bonds and notes payable	9,655,000	-	(100,000)	9,555,000	620,000
Master leases	1,773,556	39,014	(827,486)	985,084	632,264
Compensated absences	<u>373,159</u>	<u>450,130</u>	<u>(440,755)</u>	<u>382,554</u>	-
Business-type activity long-term liabilities	<u>\$11,801,715</u>	<u>\$ 489,144</u>	<u>\$(1,368,241)</u>	<u>\$10,922,618</u>	<u>\$1,252,264</u>

### NOTE 7. OTHER INFORMATION

#### *a. Risk Management*

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. The City established a risk management program for workers' compensation and general liabilities. Premiums are paid into the self-insurance funds, which is included in the general fund. Florida law limits the liability in each instance not to exceed \$200,000. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The current liability for claims and judgments is reported in the general fund and the remainder of the liability is recorded in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources. There were no reductions in insurance coverages from coverages in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning of fiscal year	\$ 974,000	\$ 974,000
Incurred claims (including IBNRs)	458,356	412,404
Claim payments	<u>(458,356)</u>	<u>(412,404)</u>
Unpaid claims, end of fiscal year	<u>\$ 974,000</u>	<u>\$ 974,000</u>

Based upon the City Attorney's evaluation of pending cases, the maximum liability to which the City might be exposed is \$1,000,000. The self insurance funds, which are included in the general fund, have reserves of approximately \$1,500,000 at September 30, 2001 and any judgments assessed would be charged to these reserves.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 7. OTHER INFORMATION (Continued)

#### *b. Litigation*

The City is the defendant in several lawsuits incidental to its operations. In the opinion of management and counsel, the ultimate outcome of such matters will not have a material adverse effect upon the financial condition of the City.

#### *c. Post Retirement Benefits*

The City offers continuation of health and life insurance benefits to employees upon retirement. Approximately 47 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$190-\$295 per month for single coverage and \$536-\$833 per month for family coverage. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$18,000 for the fiscal year ended September 30, 2001. The cost of life insurance for approximately 163 retirees is paid for by the City at a rate of \$.29 per \$1,000 of insurance. Retirees receive \$10,000 of life insurance coverage.

#### *d. Contingent Liabilities*

Federal and State programs in which the City participates were audited in accordance with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, and the Florida Statutes. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS

The following brief descriptions of the Retirement Plans are provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

#### **1. Summary of Significant Accounting Policies**

##### *Basis of Accounting*

Public Employee Retirement Systems (PERS) financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

##### *Method Used to Value Investments*

Investments of the pension trust funds are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 1. Summary of Significant Accounting Policies (Continued)

##### *Method Used to Value Investments* (Continued)

Interest and dividends are reported as investment earnings. As of September 30, 2001, no single investment exceeded 5% of total plan net assets.

#### 2. Plan Description

The City, as a single employer, maintains two public employee retirement systems defined benefit pension plans covering substantially all full-time employees and certain former City firemen: the Retirement Plan for General Employees of the City of North Miami Beach and the Retirement Plan for Police Officers and Firefighters of the City of North Miami Beach. These Plans are recorded as Pension Trust Funds. In accordance with various provisions of State statutes and the City Charter, the City is obligated to fund the liabilities of the Plans based upon actuarial valuations performed at least every two years; however, it has been the policy of the retirement committees to obtain actuarial valuations on an annual basis.

The latest actuarial valuation as of October 1, 2000 is as follows:

	<u>General</u>	<u>Police Officers and Firefighters</u>
Covered payroll (in thousands)	<u>\$8,874</u>	<u>\$5,781</u>
Numbers of members included in Plan:		
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	162	106
Current employees:		
Vested	117	35
Non-vested	<u>161</u>	<u>63</u>
Total	<u>440</u>	<u>204</u>

#### **Retirement Plan for General Employees**

The benefit provisions and all other requirements of the Retirement Plan for General Employees are established by City Ordinance and are summarized as follows:

##### ***Vesting***

Benefits are fully vested after 10 years of credited service.

##### ***Eligibility for Retirement***

Attainment of age 62 or age 55 with 20 years of service.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 2. Plan Description (Continued)

##### Retirement Plan for General Employees (Continued)

###### *Annual Retirement Benefit*

2.25% of final monthly compensation (FMC) times credited service for retirement October 1, 1994 through September 30, 1995. 2.35% of FMC times credited service for retirement October 1, 1995 through September 30, 1996. 2.5% of FMC times credited service for retirement October 1, 1996 through July 1, 1998. 2.6% of FMC times credited service for retirement July 2, 1998 through August 24, 2000. 3% of FMC times credited service for retirement August 25, 2000 and thereafter.

###### *Other Benefits*

The system also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

###### *Employee Contributions*

Employees contribute 7% of their basic annual compensation. If any employee leaves covered employment or dies before ten years of credited service, accumulated employee contributions plus interest are refunded to the employee or the designated beneficiary.

###### *City Contributions*

City contributions are based upon actuarially determined amounts, which together with employee contributions and fund earnings, are sufficient to fund the plan.

##### Retirement Plan for Police Officers and Firefighters

The benefit provisions and all other requirements of the Retirement Plan for Police Officers and Firefighters are established by City ordinance and are summarized as follows:

###### *Vesting*

Benefits are fully vested after ten years of credited service.

###### *Eligibility for Retirement*

Normal retirement is the earlier of age 52 or 22 years of service for firefighters and the earlier of age 52 or 23 years of credited service for police officers.

###### *Annual Retirement Benefit*

Normal retirement benefits are based upon 3.3% for firefighters and 3% for police officers of final monthly compensation times years of credited service.

###### *Other Benefits*

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.



# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 2. Plan Description (Continued)

##### Retirement Plan for Police Officers and Firefighters (Continued)

###### *Employee Contributions*

8% and 6% of annual compensation for police officers and firefighters, respectively.

###### *City Contributions*

City contributions are based upon actuarially determined amounts, which together with employee, state and county contributions and fund earnings are sufficient to fund the Plan.

#### 3. Annual Pension Cost and Net Pension Asset

##### General Employees

As of October 1, 2000, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$576,257
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>576,257</u>
Contributions made	<u>634,989</u>
Increase in net pension asset	58,732
Net pension asset, beginning of year	<u>220,765</u>
Net pension asset, end of year	<u>\$279,497</u>

The annual required contribution for the current year was determined as part of the October 1, 2000 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions include post-retirement benefit increases for cost of living adjustment of 2.25% per year. The actuarial value of assets was determined using market value less unrecognized capital appreciation and recognized at the rate of 20% per year.

Fiscal Year <u>Ended</u>	<u>Three-Year Trend Information</u>		Net Pension <u>Asset</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
9/30/99	\$507,315	105%	\$163,902
9/30/00	533,119	108	220,765
9/30/01	576,257	110	279,497

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 3. Annual Pension Cost and Net Pension Asset

##### Police and Firefighters

As of October 1, 2000, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$1,128,814
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	1,128,814
Contributions made	<u>1,355,756</u>
Increase in net pension asset	226,942
Net pension asset, beginning of year	<u>1,173,524</u>
Net pension asset, end of year	<u>\$1,400,466</u>

The annual required contribution for the current year was determined as part of the October 1, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.25% per year. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		<u>Net Pension Asset</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
9/30/99	\$ 983,093	102%	\$ 740,037
9/30/00	1,014,246	143	1,173,524
9/30/01	1,128,814	120	1,400,466

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## **STATISTICAL SECTION**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## GOVERNMENT-WIDE REVENUES BY FUNCTION

LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Franchise Fees</u>	<u>Inter-governmental</u>	<u>Unrestricted Investment Earnings</u>	<u>Billing Surcharge</u>	<u>Sale of City Property</u>	<u>Miscellaneous</u>	<u>Total</u>
1992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1993	-	-	-	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	32,330,717	4,084,051	3,495,988	11,544,458	1,771,684	4,889,731	1,848,254	1,950,089	22,924	1,807,508	63,745,404

(1) Information for fiscal years ended September 30, 1992 to 2000 are unavailable.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GOVERNMENT-WIDE EXPENSES

### LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Interest on Long-Term Debt</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm-water</u>	<u>Total</u>
1992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1993	-	-	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-
2001	12,626,188	14,639,398	968,193	3,648,394	7,487,155	2,023,196	16,820,348	5,370,571	690,195	64,273,638

(1) Information for fiscal years ended September 30, 1992 to 2000 are unavailable.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Police Services</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Services</u>	<u>Capital Outlay (1)</u>	<u>Debt Service</u>	<u>Total</u>
1992	\$ 8,826,704	\$ 7,043,404	\$ 406,600	\$ 1,404,910	\$ 6,151,844	\$ -	\$ 349,446	\$ 24,182,908
1993	7,035,120	7,664,568	483,035	1,668,290	7,409,983	-	535,276	24,796,272
1994	6,169,054	8,460,853	497,499	2,019,587	6,077,584	1,057,393	612,627	24,894,597
1995	6,946,404	8,943,544	538,062	2,048,146	6,527,393	2,049,997	753,433	27,806,979
1996	6,589,556	8,459,454	625,032	2,065,637	6,421,997	1,398,477	1,023,546	26,583,699
1997	6,827,805	9,814,136	666,890	2,030,712	6,127,342	1,582,900	866,674	27,916,459
1998	7,991,203	9,281,889	683,495	2,052,039	6,489,551	1,293,443	727,810	28,519,430
1999	8,071,059	9,194,703	728,626	2,741,726	6,977,695	2,079,418	844,972	30,638,199
2000	8,526,158	9,314,053	758,700	3,291,600	7,355,189	1,362,285	866,640	31,474,625
2001	9,094,784	10,246,001	790,595	3,451,091	7,417,088	1,048,617	992,796	33,040,972

Note: General Fund Only (budgetary basis)

(1) Prior to 1994, Capital Outlay was recorded within each functional department's expenditures

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Utility Taxes</u>	<u>Franchise Fees</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Charges for Services</u>	<u>Interest</u>	<u>Total</u>
1992	\$7,716,098	\$5,467,966	\$ 3,022,112	\$2,765,137	\$1,432,278	\$ -	\$1,998,939 (1)	\$1,076,473	\$ 195,973	\$23,674,976
1993	7,284,116	6,533,030	3,223,631	2,897,644	1,469,944	-	1,058,141	1,597,138	167,892	24,231,536
1994	7,420,631	6,385,037	2,822,411	2,884,107	1,516,585	-	998,630	1,684,371	144,451	23,856,223
1995	7,273,785	7,186,118	3,186,642	3,109,029	1,416,161	-	894,368	1,848,961	192,473	25,107,537
1996	7,556,447	7,328,626	3,144,332	3,146,066	1,487,150	-	1,097,759	2,222,054	223,033	26,205,467
1997	7,413,017	7,418,383	3,572,182	3,173,613	1,544,366	-	2,229,395	2,721,865	235,496	28,308,317
1998	7,630,248	7,598,197	3,794,841	3,318,004	1,453,485	-	1,022,226	2,722,394	303,639	27,843,034
1999	7,862,920	1,144,972 *	3,449,435	3,443,466	1,590,366	172,514 *	2,267,831	9,699,300 *	328,121	29,958,925
2000	7,967,152	1,362,657	3,710,121	3,458,416	1,476,318	249,986	2,673,311	10,034,171	446,625	31,378,757
2001	8,033,116	1,428,960	3,631,965	3,511,342	1,771,684	234,306	2,725,289	8,101,703	402,697	29,841,062

(1) This figure includes FEMA revenue due to Hurricane Andrew.

\*Reclassification of categories in 1999.

Note: General Fund Only



# CITY OF NORTH MIAMI BEACH, FLORIDA

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Taxable Assessed Levy</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	Percentage of Total Tax Collections to Tax Levy
1992	\$ 976,268,342	\$ 971,898,113	\$ 7,835,167	\$ 7,716,098	98%
1993	966,517,171	959,176,301	7,673,410	7,284,116	95%
1994	976,042,091	967,934,908	7,743,479	7,420,631	96%
1995	1,019,107,174	1,016,720,571	7,578,289	7,273,785	96%
1996	1,020,168,188	1,017,994,330	7,838,556	7,556,448	96%
1997	1,064,108,447	1,062,713,107	7,957,312	7,413,017	93%
1998	1,100,915,565	1,082,543,223	8,087,224	7,630,248	94%
1999	1,124,472,717	1,108,549,661	8,256,867	7,862,920	95%
2000	1,133,672,093	1,122,293,059	8,433,545	7,967,152	94%
2001	1,210,331,467	1,190,439,497	8,502,541	8,033,116	94%

Note: For each fiscal year ending September 30, property is valued as of the preceding January 1.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Gross Total</u>	<u>Real Estate Exemption</u>	<u>Net Assessed Property Value</u>
1992	\$ 867,366,438	\$ 108,236,187	\$ 665,717	\$ 976,268,342	\$ 4,370,229	\$ 971,898,113
1993	857,476,620	108,567,735	472,816	966,517,171	7,340,870	959,176,301
1994	867,976,832	107,420,668	644,591	976,042,091	8,107,183	967,934,908
1995	912,198,851	106,261,631	646,692	1,019,107,174	2,386,603	1,016,720,571
1996	904,659,481	114,896,212	612,495	1,020,168,188	2,173,858	1,017,994,330
1997	938,540,444	124,950,495	617,508	1,064,108,447	1,395,340	1,062,713,107
1998	973,907,113	126,168,895	839,557	1,100,915,565	18,372,342	1,082,543,223
1999	990,456,776	133,200,024	815,917	1,124,472,717	15,923,056	1,108,549,661
2000	1,026,103,859	106,739,394	828,840	1,133,672,093	11,379,034	1,122,293,059
2001	1,101,412,707	108,074,203	844,557	1,210,331,467	19,891,970	1,190,439,497

Note: Net assessed property value is equal to the sum of real property, personal property and property centrally assessed for operating purposes less any exemptions.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>Environmental Project</u>	<u>State</u>	<u>County</u>	<u>Total</u>
1992	8.120	9.014	-	0.600	11.549	29.283
1993	8.000	9.528	-	0.599	11.538	29.665
1994	8.000	9.923	-	0.648	11.229	29.800
1995	8.897	10.345	0.100	0.546	10.483	30.371
1996	8.688	10.366	0.100	0.610	9.988	29.752
1997	8.553	10.462	0.100	0.650	9.677	29.442
1998	8.423	10.160	0.100	0.644	9.724	29.051
1999	8.404	9.644	0.100	0.641	9.377	28.166
2000	8.396	9.617	0.100	0.638	9.155	27.906
2001	9.290	9.376	0.100	0.636	9.017	28.419

Source: Miami-Dade County Property Appraiser's Office.

Note: Property tax rates are based on each \$1,000 of net assessed value.

**CITY OF NORTH MIAMI BEACH, FLORIDA**  
**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Permits Issued</u>	<u>Miscellaneous Permits Issued</u>	<u>Miscellaneous Valuation</u>	<u>Residential Number of Units</u>	<u>Residential Valuation</u>	<u>Commercial Permits Issued</u>	<u>Commercial Valuation</u>	<u>Total of Construction</u>	<u>Bank Deposits (1) (000s Omitted)</u>
1992	2,816	161	\$ 205,663	513	\$ 2,710,662	273	\$ 9,309,525	\$ 12,225,850	\$ 19,405,039
1993	2,928	171	247,927	414	2,324,909	228	11,365,766	13,938,602	18,146,642
1994	2,384	125	149,093	443	1,846,288	241	6,628,358	8,623,739	17,524,140
1995	2,221	115	124,779	308	998,479	220	13,133,971	14,257,229	17,810,595
1996	2,255	165	218,497	330	1,980,070	217	12,957,045	15,155,612	14,561,154
1997	2,359	133	162,252	304	5,944,338	176	6,253,364	12,359,954	15,821,531
1998	2,603	103	124,341	317	5,369,695	193	7,113,423	12,607,459	16,781,463
1999	2,283	93	108,994	232	4,132,166	176	9,133,758	13,374,918	14,009,503
2000	2,450	118	259,835	261	4,074,872	96	12,582,670	16,917,377	15,023,417
2001	2,212	97	119,625	198	3,068,900	94	13,881,340	17,069,865	17,319,705

Source: (1) Federal Reserve Bank, Atlanta, Georgia. Information is for Miami-Dade County, of which the City of North Miami Beach is a part. Information is not available for North Miami Beach alone.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## UTILITY SERVICE TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Water</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Propane</u>	<u>Total</u>
1992	\$ 1,839,252	\$806,425	\$ -	\$ 119,460	\$ 22,304	\$ 1,380	\$ 2,788,821
1993	1,988,357	775,799	-	133,488	21,704	2,336	2,922,001
1994	1,979,349	777,937	-	126,821	19,479	2,209	2,906,112
1995	1,987,409	725,356	270,795 (1)	125,469	19,406	2,628	2,860,585
1996	2,018,015	737,015	263,458	127,578	16,777	3,366	3,166,209
1997	1,937,278	829,188	278,552	128,595	2,479	28,146	3,204,238
1998	1,985,750	911,420	302,115	118,719	1,696	19,921	3,339,621
1999	1,910,550	1,108,495	303,215	121,206	-	-	3,443,466
2000	1,794,222	1,236,757	308,313	119,124	-	-	3,458,416
2001	1,807,555	1,296,848	293,977	112,962	-	-	3,511,342

(1) Starting with fiscal year 1995, Ordinance 94-33 which governs excise taxes on utilities, was amended to include a 10% tax on non-governmental purchases of water from the City of North Miami Beach.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## FRANCHISE FEE REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Gas</u>	<u>Cable Television</u>	<u>Bus Bench and Shelter</u>	<u>Other</u>	<u>Total</u>
1992	\$ 1,169,336	\$ 74,030	\$ 65,982	\$ 107,297	\$ 13,763	\$ 1,870	\$ 1,432,278
1993	1,200,172	75,320	68,299	114,934	6,719	4,500	1,469,944
1994	1,187,741	74,575	78,248	164,362	10,509	1,150	1,516,585
1995	1,147,371	70,780	71,621	106,096	13,023	7,270	1,416,161
1996	1,218,030	70,130	89,230	98,847	6,598	4,315	1,487,150
1997	1,192,384	76,768	69,665	189,512	9,422	6,615	1,544,366
1998	1,146,481	63,165	71,504	160,596	3,969	7,770	1,453,485
1999	1,198,387	70,188	74,146	230,789	8,294	8,562	1,590,366
2000	1,123,852	84,089	76,980	175,644	6,698	9,055	1,476,318
2001	1,332,049	142,651	94,695	187,839	5,760	8,690	1,771,684

# CITY OF NORTH MIAMI BEACH, FLORIDA

## INTEREST REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Expendable Trust Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
1992	\$ 195,973	\$ 13,267	\$ 3,498	\$ -	\$ 21,869	\$ 332,192	\$ 566,799
1993	167,892	11,199	3,301	-	21,653	292,613	496,658
1994	144,451	32,137	207,266	999	20,699	365,719	771,271
1995	192,473	45,500	589,416	11,315	28,511	617,890	1,485,105
1996	223,033	79,722	250,581	13,345	31,685	689,577	1,287,943
1997	235,496	53,383	42,040	10,246	39,448	932,620	1,313,233
1998	303,639	208,037	129,841	10,931	51,730	794,957	1,499,135
1999	328,121	153,550	84,297	16,202	43,061	549,304	1,174,535
2000	446,625	163,212	79,332	9,559	62,850	535,369	1,296,947
2001	402,697	265,654	789,207	14,200	-	376,496	1,848,254

**CITY OF NORTH MIAMI BEACH, FLORIDA**

WATER UTILITY FUND - REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Other Income (Primarily Interest)</u>	<u>Net Operating Revenue</u>	<u>Debt Service (3)</u>	<u>Coverage Factor (25%)</u>	<u>Total</u>	<u>Excess of Net Operating Revenue</u>
1992	\$10,489,899	\$8,134,043	\$ 279,812	\$2,635,668	\$ 806,415	\$201,604	\$1,008,019	\$1,627,649
1993	11,192,000	9,390,374	252,629	2,054,255	808,619	202,155	1,010,774	1,043,481
1994	11,386,513	9,720,954	312,818	1,978,377	809,198	202,300	1,011,498	966,879
1995	13,650,222	9,840,560	711,500	4,521,162	810,293	202,573	1,012,866	3,508,296
1996	13,023,290	10,052,715	1,016,783	3,987,358	818,376	204,594	1,022,970	2,964,388
1997	13,252,575	11,873,321	1,106,954	2,486,208	950,653	237,663	1,188,316	1,297,892
1998	14,569,453	13,335,379	882,819	2,116,893	996,545	249,136	1,245,681	871,212
1999	14,426,144	13,375,859	631,775	1,682,060	1,154,414	288,604	1,443,018	239,042
2000	15,203,060	13,863,951	606,533	1,945,642	628,679	(4)	628,675	1,316,967
2001	14,250,161	11,797,894	586,726	3,038,993	503,360	(4)	503,356	2,535,637
Average excess coverage								<u>\$1,637,144</u>

(1) Total revenues excluding interest.

(2) Total operating expenses excluding depreciation.

(3) Includes principal and interest on revenue bonds.

(4) Current bond issue has no requirement for a coverage factor.



# CITY OF NORTH MIAMI BEACH, FLORIDA

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1992	\$ -	\$ -	\$ -	\$ -	-
1993	-	-	-	-	-
1994 (1)	-	55	55	24,895	0.22
1995	-	935	935	27,807	3.36
1996	185	788	973	26,584	3.66
1997	195	779	974	27,916	3.49
1998	205	769	974	28,519	3.41
1999	216	759	975	30,638	3.17
2000	225	747	972	31,474	3.09
2001 (2)	235	1,126	1,361	33,406	4.07

(1) The City acquired \$13 million in general obligation bonded debt, series 1994, to finance the construction of a new police building and government center complex.

(2) Includes Series 2002B debt service.

(3) General fund only (budgetary basis).

# CITY OF NORTH MIAMI BEACH, FLORIDA

## SCHEDULE OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT SEPTEMBER 30, 2001 (IN THOUSANDS)

<u>Jurisdiction</u>	Net General Obligation Bonded Debt <u>Outstanding</u>	Percentage Applicable to City	Amount Applicable to City
<b>Direct:</b>			
City of North Miami Beach	<u>\$ 32,280</u>	<u>100.00%</u>	<u>\$ 32,280</u>
<b>Overlapping:</b>			
Miami-Dade County	\$ 285,161	1.15%	\$ 3,279
School Board	<u>896,100</u>	1.15%	<u>10,305</u>
	<u>\$1,181,261</u>		<u>\$ 13,584</u>

Note: Represents the percentage of the total tax roll valuation of all real and personal property in Miami-Dade County and the City of North Miami Beach.

Sources: Miami-Dade County, Finance Department/Controller's Division  
School Board of Miami-Dade County, Division of Accounting.

% - City assessed value divided by County assessed value

# CITY OF NORTH MIAMI BEACH, FLORIDA

## RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund (2)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1992	-	\$ -	\$ -	\$ -	\$ -	-%	\$ -
1993	-	-	-	-	-	-%	-
1994	36	967,935	13,000	1	12,999	1.34%	361
1995	36	1,016,721	13,000	1	12,999	1.28%	361
1996	36	1,017,994	12,815	-	12,815	1.26%	356
1997	43	1,060,922	12,620	-	12,620	1.19%	293
1998	43	1,082,453	12,415	-	12,415	1.15%	289
1999	43	1,108,550	15,695	-	15,695	1.42%	365
2000	42	1,122,293	15,495	-	15,495	1.38%	369
2001	42	1,190,439	32,280	-	32,280	2.71%	769

(1) Annual estimate - City of North Miami Beach, Economic Development

(2) Amount obligated for repayment of general obligation bonds, principal and interest.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2001

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
RHC Parkway, Inc.	Hospital	\$ 41,961,194	3.4669%
Florida Power & Light Co.	Utility	21,275,395	1.7578%
Intracoastal Pacific, Ltd.	Office Building	17,200,000	1.4211%
BellSouth Telecommunications	Utility	13,982,980	1.1553%
State of Florida	Government	12,581,003	1.0395%
Sonic Ward, Inc. - K Mart Corp.	Retail	10,699,538	0.8840%
Dayton Hudson Corp. - Target	Retail	10,511,845	0.8685%
Friendly Ford, Inc.	Retail	8,533,175	0.7050%
Costco Wholesaler	Retail	8,220,290	0.6792%
1551 NE 167th Street	Office Building	6,180,000	0.5106%
 Total taxpayers		 \$ 151,145,420	 12.4879%
 Total assessed valuation		 \$ 1,210,331,467	

Source: Miami-Dade County Property Appraiser's Office

# CITY OF NORTH MIAMI BEACH, FLORIDA

## DEMOGRAPHIC STATISTICS

### Population by Ethnic Origin

	Hispanic		Hispanic		Hispanic All Other Races	Non- Hispanic		Non- Hispanic		Non- Hispanic Subtotal	Totals
	Any Race	Hispanic White	Hispanic Afro- American	Hispanic Subtotal		Any Race	Non- Hispanic White	Hispanic Afro- American	Other Races		
1980	3,489	N/A	N/A	N/A	3,489	32,842	N/A	N/A	N/A	32,842	36,331
1990	7,817	N/A	N/A	N/A	7,817	27,542	N/A	N/A	N/A	27,542	35,359
2000	-	8,936	622	2,687	12,245	-	10,104	15,273	3,164	28,541	40,786

### Population by Ethnic Origin

	White	Afro- American		Asian	Other	American Indian/ Eskimo		Total
		American	Other			American	Indian/ Eskimo	
1980	33,601	2,067	632	-	31	36,331		
1990	25,308	7,707	1,207	1,082	55	35,359		
2000	19,040	15,895	1,615	4,170	66	40,786		

N/A - Information is not available from the Bureau of Census.  
 Prior year's census grouped by either Hispanic or non-Hispanic.  
 Current year's census grouped by race as well as by ethnic origin.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2001

Date of Incorporation	1926
Form of Government	Council-Manager
Area	5.1 Square Miles
Miles of Streets	109 Linear Miles
Fire Protection:	
Number of Stations	2 (Operated by the County)
Police Protection:	
Number of Stations	1
Number of Police Officers	105
Number of Support Staff (Non-Sworn)	64 full-time, 25 part-time
Hospitals	1
	<u>Elementary</u> <u>Jr. High</u> <u>Sr. High</u>
Education:	
Attendance Centers	7            2            2
Number of Students	7,155       4,356      6,237
Number of Teachers	410         185        290
Municipal Water Department:	
Number of Customers	31,730
Average Daily Consumption	24.5 Million Gallons
Miles of Water Mains	515
Fire Hydrants	2,200
Valves	8,160
Sewers:	
Number of Customers	6,877
Number of Lift Stations	29
Miles of Sewer Mains	90
Building Permits Issued	2,212
Recreation and Culture:	
Number of Parks	9
Number of Libraries	1
Number of Senior Centers	1
Number of Municipal Swim Centers	3
Number of Tennis Centers	1
Number of Recreational Centers	5
Number of Performing Arts Centers	1
Number of Amphitheaters	1
Employees:	
Full Time	631

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION

### Location

North Miami Beach is located in northeast Miami-Dade County and is approximately one mile from the beach. The City is centrally located to both Ft. Lauderdale and Miami and easily accessible by all major highways.

### Climate

Average Annual Temperature	76.0°
Average January Temperature	67.1°
Average July Temperature	85.0°
Average Annual Rainfall	57.5"

### **Airports and Seaports**

North Miami Beach is within 15 minutes of two major airports, Miami International Airport and Ft. Lauderdale International Airport. Opa Locka Airport services private and business aircraft, which is located 20 minutes west of North Miami Beach.

Two deepwater seaports, Port of Miami and Port Everglades, are located within 20 minutes of North Miami Beach.

### Road Systems

North Miami Beach is located five minutes from two major highways: I-95 and the access route to the Florida Turnpike. Both roads lead south to Miami and the Florida Keys, or north to Ft. Lauderdale, the Palm Beaches, and Orlando.

### Train

North Miami Beach is just 15 minutes from a major train depot serving both Amtrak and Tri-Rail.

### Bus

North Miami Beach is serviced by the county-wide Metro Bus System and the City run NMB-line minibus.

### Historical Points of Interest

The Spanish Monastery was erected in Spain in 1141 and brought to North Miami Beach in 1940; the Fulford-by-the-Sea Monument was constructed to commemorate the founding of the City of Fulford, as North Miami Beach was previously known; two residential structures were constructed in the 1920s.

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**APPENDIX I**

Consulting Engineer's Report

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**CITY OF NORTH MIAMI BEACH**

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**CONSULTING ENGINEER'S REPORT  
WATER SYSTEM**

**FLORIDA MUNICIPAL LOAN COUNCIL  
REVENUE BONDS  
SERIES 2002B**

**June 2002**

**HAI # 02.0040.000**

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# HARTMAN & ASSOCIATES, INC.

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PRINCIPALS:

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Harold E. Schmidt, Jr. P.E.  
James E. Christopher, P.E.  
Charles W. Drake, P.G.  
Mark A. Rynning, P.E., M.B.A.  
Mark I. Luke, P.S.M.  
William D. Musser, P.E.

SENIOR ASSOCIATE:

Marco H. Rocca, C.M.C.  
Roderick K. Cashe, P.E.  
Lawrence E. Jenkins, P.S.M.

engineers, hydrogeologists, surveyors & management consultants

June 27, 2002

HAI # 02.0040.000

ASSOCIATES:

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Jill A. Manning, P.E.  
Daniel M. Nelson, P.E.  
Valerie C. Davis, P.G.  
Brian S. Fields, P.E.

Mr. Gary I. Brown  
City Manager  
City of North Miami Beach  
17011 NE 19th Avenue  
North Miami Beach, FL 33162

**Subject: Consulting Engineer's Report  
Florida Municipal Loan Council Revenue Bonds, Series 2002B**

Ladies and Gentlemen:

Hartman & Associates, Inc. (HAI) is pleased to present herein our Consulting Engineer's Report (the "Report") for inclusion in the official statement for the Florida Municipal Loan Council Revenue Bonds, Series 2002B. The Report summarizes HAI's analysis and studies with regard to the proposal by the City of North Miami Beach (the "City") to borrow the proceeds of not to exceed \$70,000,000 aggregate principal amount of Florida Municipal Loan Council Revenue Bonds, Series 2002B (the "Series 2002B Bonds"). The primary purpose for the issuance of the Series 2002B Bonds is to construct water system expansions, fund debt service surety requirements associated with the Series 2002B Bonds, provide for approximately three years of interest on the Series 2002B Bonds, and pay the costs of issuance associated with the Series 2002B Bonds.

The Report includes a discussion of the City's existing water system, service area, historical and future water demands and the utility's capital improvement program. Also included are projections of operations, which support the projected financial operating results based on the City's approved rate ordinance, operating and capital budgets, which demonstrate the ability of the City to meet the rate covenant requirements of the City's Bond Resolution and the proposed Loan Agreement.

The estimates, projections, assumptions and conclusions used in this Report reflect expectations as to future activities and events. The expectations are based on our understanding of the City, information provided by other sources and our experience with this and similar utilities. Some of the assumptions inevitably may not materialize and unanticipated events may occur which could significantly change the results described herein. However, based on the information available to us, the expectations and assumptions are reasonable.

Mr. Gary I. Brown  
June 27, 2002  
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Included in this Report is a delineation of HAI's opinions and conclusions regarding the water system. Such opinions are subject to the assumptions reflected in the Report. Therefore, the Report should be read in its entirety and must be qualified as provided herein.

Very truly yours,

**Hartman & Associates, Inc.**

/S/

Gerald C. Hartman, P.E., DEE  
President - Florida P.E. #27703

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cc: Howard Lenard, Esq., City Attorney  
Marilyn Spencer, Finance Director  
Kelvin Baker, Public Services Director

**CITY OF NORTH MIAMI BEACH  
CONSULTING ENGINEER’S REPORT**

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## **INTRODUCTION**

Presented herein is the City of North Miami Beach Consulting Engineer's Report for the water system (the "Report") as prepared by Hartman & Associates, Inc. ("HAI"). This Report provides a summary of the reviews and analyses performed in conjunction with the borrowing by the City of North Miami Beach (the "City") of the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2002B (the "Series 2002B Bonds").

The Series 2002B Bonds will be issued pursuant to the authority of an authorizing resolution of the City (the "Bond Resolution"), after which a loan agreement (the "Loan Agreement") between the City and the Florida Municipal Loan Council will be executed. Proceeds from the Series 2002B Bonds will be loaned to the City and, together with other existing and anticipated funds, used to: 1) construct water system expansions; 2) fund debt service surety requirements associated with the Series 2002B Bonds; 3) provide for approximately three years of interest on the Series 2002B Bonds; and 4) pay the costs of issuance associated with the Series 2002B Bonds.

HAI has been retained by the City as the Consulting Engineer and, with respect to the preparation of this Report, to: 1) provide descriptions of the City's Water Utility System (the "System") and projects to be funded from the Series 2002B Bonds; 2) prepare projections of the estimated results of the System for the ten fiscal year period commencing October 1, 2001 through September 30, 2011; and 3) perform related engineering and management consulting services associated with the projects funded by the Series 2002B Bonds.

In preparation of this Report, HAI has relied upon financial, statistical, engineering, and operational data pertaining to the System derived from operating reports and records prepared by the City as well as information reflected in the City's audited financial statements or obtained from the City's Finance Department. In addition, certain information, assumptions, and projections were provided from entities other than the City. We believe that this information is probable and should be attained or bettered for the purpose of this Report, yet no assurances are offered with respect thereto. Actual results realized during the projection period may vary materially from those projected. As such, the projections provided in this Report are subject to adjustment and HAI can give no assurances that such projections will be realized.

The Report contained herein summarizes the findings and results as of the date of the Report.

## **GENERAL**

The City, incorporated in 1926 and occupying approximately 5.1 square miles, is located in northeast Miami-Dade County midway between Miami and Fort Lauderdale and adjacent to the Golden Glades interchange as illustrated in Figure 1 at the end of this Report. Based on information contained in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2001, the City had an estimated population of approximately 42,000. As of January 2002 the City provided water service to approximately 31,600 metered connections serving an estimated 185,000 people within its 25 square mile water service area. The City provides potable water services to customers both within and outside the City limits, as illustrated in Figure 2.

As a result of comprehensive engineering analysis, the City is in the process of expanding and upgrading the water supply, treatment and transmission facilities. These improvements will provide the City and its customers with: 1) better quality water meeting known future regulations and those promulgated or developing regulations; 2) greater water pressure and fireflow capability; 3) more reliable capacity and extension of the existing treatment plant's useful life; 4) more capacity for the service area; 5) substantial independence from Miami-Dade WASD, however, with maintenance of interconnections; and 6) more control of operations and of costs and services to City customers.

Financial activities of the water operations are accounted for pursuant to an enterprise fund within the government of the City. The water enterprise is self-sustaining with a system of rates, charges and fees that collectively generate the funds to meet fiscal requirements.

## **Water System Operations and Management**

The City's Water Utility System is operated under the umbrella of the Public Services Department. This department oversees the Norwood-Oeffler Water Treatment Plant where a skilled staff is responsible for the daily operations necessary to meet the objectives and all

federal, state and local regulatory requirements of the water plant. The Water Production, Water Quality, Meters and Backflow, Water Distribution, and Water Conservation as well as the Engineering Design and Inspections Divisions are located within the Public Service Department. The Public Services Department Director, who is directly responsible to the City Manager and indirectly to the Mayor and City Council, is the top administrator of the Utility. A synopsis of the individual divisions and key senior management personnel are listed herein.

### **Administration Division**

The Public Services Administration Division is comprised of eight Senior Managers who are directly responsible and dedicated to the supervision and operations of the Utility including certain financial activities pertinent to the System. These administrative personnel coordinate and supervise the operation and construction of improvements and expansion to the Utility's facilities. This administrative arm ensures that all reports mandated by the various federal, state and local regulatory water and wastewater agencies meet compliance. In addition it is responsible for the continued monitoring and analysis of the infrastructure required for safe and continuous system operation.

### **Utility Divisions**

***The Water Production Division's*** complement of 18 people (12 of whom are state certified) oversees the supply, treatment and storage of potable water. In addition, the staff associated with water plant operations is also responsible for providing customers with a safe and reliable supply of drinking water, which meets all federal, state and local standards for potable water quality.

***The Water Quality Division's*** three-man crew conducts more than 65,000 water tests annually. Constant testing ensures that the water delivered to homes and offices is of the highest quality possible. Monthly, 134 different locations throughout the service area are sampled for bacteria, chlorine residual, turbidity and iron. This division performs tests on 138 substances each year. The results are reported to the Miami-Dade Department of Health and a more comprehensive report is included in the Annual Water Quality Report.

***The Water Distribution*** crews are responsible for the maintenance of raw water mains and water transmission and distribution mains throughout the City. This division services over 2,400 fire

hydrants and approximately 500 miles of pipes. This division provides prompt repair of leaks and major line breaks as well as new main installations.

***Engineering Design Division*** provides Plan Review and Approval services along with the calculation and collection of utility impact fees. This division also provides survey, design and construction phase services for various water and wastewater projects. The division maintains all records pertaining to the water and wastewater infrastructure.

***Inspections Division*** oversees all in-house and third party contract-customer projects pertaining to water and wastewater infrastructure projects.

***Meter and Backflow Division*** tests, maintains, repairs and replaces water meters and backflow prevention devices in commercial and residential areas.

***The Water Conservation Division*** develops and implements innovative, educational, operational and regulatory initiatives to promote the efficient use of our public water supply system and resources. Major initiatives of the Water Conservation Division include development and implementation the City's water education programs, conservation retrofit measures and water conservation regulatory items. Additionally, the City's water conservation division cultivates and helps manages various interagency partnerships to promote, enhance and define water conservation initiatives locally, regionally and statewide.

### **City Management**

The City has a Council/Manager form of government. Six council members and a Mayor are elected every two years. The City Manager is the Chief Executive Officer and is selected by the City Council and is responsible for the day-to-day management and administrative functions of the City. The City Manager selects department heads that report to him.

Budgets are prepared by individual departments and are submitted to the City Manager and the general Finance Department. After compiled, the budget, including revenue estimates and non-departmental projections is reviewed by the City Manager. After meeting with each department head, the City Manager, in consultation with the Mayor and Council, reviews the budget at public budget workshops prior to the required public hearings and adoption of the budget. Upon completion of the fiscal year (October 1 to September 30), the internally generated financial

statements are audited and subsequently submitted to the Government Finance Officers Association (GFOA) for review. The City has been presented with the Award of Financial Reporting Achievement for the last several years.

**Mr. Gary Brown**, City Manager, has been employed by the City for the last 18 years. He has held the position of City Manager for the past five (5) years. Prior to his designation as City Manager, Mr. Brown served in the capacities of Assistant City Manager/Director of Administrative Services and previously held the position of Director of Public Works as well. Mr. Brown is responsible for administering a full-service City, which includes the Police Department, Parks & Recreation, Finance, Library, Information Technology, Community Development, Economic Development, Human Resources, as well as the multiple functions of the city's Public Services Department. Mr. Brown has served as President of the Miami-Dade City and County Management Association (DCCMA); and, in the past, has been a member of both the Government Finance Officer's Association (GFOA) and the American Public Works Association (APWA). Mr. Brown has a Masters degree in Public Administration from Florida International University as well as a Bachelor of Arts Degree (cum laude) in History and Government from the University of New York at Buffalo. Mr. Brown also served for six years in the U.S. Army Reserves.

**Mr. Kelvin L. Baker**, Director of Public Services, has been a department head with the City since 1994. In 1997, Mr. Baker became the City's first Public Services Director when the City's Public Utilities and Public Works services were combined under one umbrella. Mr. Baker brings to the City, an impressive track record in management. With over 20 years of Management experience, he has a proven record in the overall management of Public Utilities as well as Public Works, with heavy concentration in enterprise funds, communications, procurement, Capital Improvement Projects, construction grants, human resources and cutting-edge management initiatives that clearly cuts across public, private and non-profit sectors. He is responsible for the formulation and administration of a \$35 million departmental budget and oversees and manages an operation of approximately 250 employees. A motivational speaker, Mr. Baker has been named among the 500 Role Models of Excellence by the Dade County Public Schools and sits on several local community boards. Mr. Baker has a Bachelor of Science degree in Human Resources Management, a Masters degree in Management and his Certification of Public Management. Among his affiliations are, AWWA, APWA, WEF, SWANA, United Way, Dade County Public Schools, Miami Rescue Mission, National Forum for Black Public Administrators, and the Black Executive Forum.

**Mr. Valois Pagan, C.P.A.**, Assistant Director of Public Services, has been with the City for approximately six years. Mr. Pagan has over 35 years experience as the C.F.O. for Public Utilities throughout the United States. He is a duly Certified Expert Witness in Public Utilities finances by the U.S. Federal Court and has been the recipient of numerous professional commendations nationwide. Mr. Pagan holds a Bachelors Degree in Accounting from Catholic University of Puerto Rico and a Masters Degree in accounting/finance from the University of Detroit, Michigan.

**Ms. Roslyn Weisblum, J.D.**, Assistant Director of Finance/Customer Service, has been with the City since 1979. She plans, organizes, and directs Customer Service/Accounts Receivable, exercising enthusiasm to motivate staff in an environment that encourages excellence and open communication. She holds a Bachelor's Degree in Mathematics from Queens College of the City University of New York. From 1993 thru 1996 she attended the evening division of the University of Miami School of Law where she received her Juris Doctor, Cum Laude, in 1996, while working for the City full time. She has been a member of the Florida Bar since April 1997, in addition to other legal associations. Her law degree has assisted her in many of her work objectives such as handling customer bankruptcies, foreclosures, liens, utility easements, drafting City ordinances, researching Florida case law and statutes and County ordinances, negotiations, contracts, etc. She attends continuing legal education seminars, as well as management and computer training, in order to keep current with laws and trends in our industry and world.

**Mr. Martin King, P.E.**, Assistant Director, has been with the City since 1996. Mr. King is currently charged with the responsibility for the following Public Services Department divisions: Engineering, Water Distribution and Construction, Inspections, Locations, Wastewater, Electrical and Forestry. Prior to his employment with the City, Mr. King had over 21 years experience in private engineering practice which specialized in water, wastewater, stormwater and hazardous/industrial waste facilities. He served in the capacity as principal engineer for a local consulting engineering firm. He received his Civil Engineering undergraduate degree from the University of Miami (Florida) and has graduate degrees in Sanitary Engineering and Business Management from the same institution. He has also been a State of Florida Certified Licensed General Contractor and Registered Professional Engineer (several states) for over 20 years.



**Mr. Hiep Huynh, P.E.**, City Engineer/Capital Projects Administrator, has been with the City since 1984. He oversees the daily operations of the Meter & Backflow Division and the implementation of the City's Capital Improvement Program which includes prioritizing projects, preparing cost estimates, budgeting, consultants selection and reviewing developers plans for recommendations, approvals and disapprovals. In addition to his responsibilities, Mr. Huynh serves as the city's Technical Advisor to provide oversight in the planning, design and implementation of the new Water Plant Expansion Project. During his tenure with the City, he has effectively functioned in the capacities of Utilities Engineer I and II, Chief Utilities Engineer, Chief Engineer of Water and Sewer Operations and City Engineer/Director of Engineering. He maintains active memberships in various Engineering organizations and holds a Bachelor of Science Degree in Civil Engineering. Mr. Huynh keeps abreast of changing laws in his field by regularly attending courses that allow him continuing education credits. He has been a State of Florida Registered Professional Engineer for over 12 years.

**Mr. Karl C. Thompson, P.E.** Assistant Director, began his employment with the City in 1995. As a Civil Engineer, Mr. Thompson has experience on a wide variety of Capital Improvement Projects that include roadway improvement design and construction, stormwater and sanitary sewer projects; design of marinas and piers, structural retrofits and many other municipal projects. He has thorough and proven knowledge from initial conception and funding identification through design, construction engineering and inspection. He holds a Bachelor of Science degree in Civil Engineering from the University of the West Indies (1985) and a Master of Engineering degree in from the University of Florida (1987). He has been a State of Florida Registered Professional Engineer for over 10 years.

**Mr. Albert Perez, P.E.**, Utility Planning Manager, is responsible for the administration of the Water Production and Water Quality Divisions, which include the operations and maintenance of the City's water treatment facility and water quality laboratory. Additionally, Mr. Perez serves as Program Manager for the City's Water Treatment Plant Expansion Project. Mr. Perez has approximately 10 years of experience in the area of civil engineering and water treatment process design. He holds a Bachelor's Degree in Civil Engineering from Florida International University. Mr. Perez is a State of Florida Registered Professional Engineer.

**Mr. Esmond K. Scott**, Assistant Director of Public Services, has been with the City for the last 5 years. He heads up the department's Water Education Team. The team's thrust is to educate the Utility's customers through its Water Conservation, Public Information and Utility

Neighborhood initiatives. In addition, he is responsible for daily administration within the 250 employee department. Mr. Scott has over 20 years management experience running the gamut of the public, corporate and private non-profit sectors. Mr. Scott is affiliated with AWWA, SWANA and APWA and has presented position papers at conferences on both the state and national levels to professional chapters of the APWA and AWWA. He possesses a Bachelor's Degree in Journalism/Business from Baruch College, New York City and a Master's degree in Public Administration from Florida International University.

**Mr. Shawn A. Gabriel**, Assistant to the Director, oversees the Materials Control Division, which is responsible for the procurement, storage and disbursement of materials and equipment for the various water and wastewater divisions. In addition, he provides leadership and direction for the Public Services Central Operations Center. Prior to his employment with the City, Mr. Gabriel served as a Principal Planner in County Government with heavy concentration in Community and Economic Development and the administration of Community Development Block Grants. He possesses a Bachelor's Degree in Management from Clark Atlanta University, and a Master's Degree in Business Administration from Florida International University.

### **Public Utilities Commission**

The Public Utilities Commission (PUC) acts as an advisory committee to the City's Mayor and Council. Recommendations regarding water rates, water plant expansion and utility expenditures are made at the PUC meetings. PUC meetings are held the second Thursday of each month at 6:00 pm at the Public Services Administration Building 2nd floor conference room, 17050 NE 19 Avenue.

## **THE SYSTEM**

### **History**

The City's water utility was formed through the acquisition and consolidation of private utilities within the present service area. In the early 1970s the system included three separate water treatment plants consisting of the Norwood-Oeffler, Sunny Isles, and Myrtle Grove Water Treatment Plants (WTP). In the early 1980s, the utility initiated steps to close the Sunny Isles and Myrtle Grove facilities and receive bulk service from Miami-Dade County as a replacement source of supply. In 1982, the City entered into an agreement with Miami-Dade County to

receive bulk water service at strategic metered locations to supply a portion of its potable water demand and subsequently closed the Sunny Isles and Myrtle Grove facilities. In the mid 1990s, as the bulk service agreement approached its expiration date, the City negotiated a new agreement that provided an option for independence from the Miami-Dade Water and Sewer Department (Miami-Dade WASD). In 2001, a new agreement was successfully negotiated and approved by both parties. The 2001 agreement provides the City with the ability to become independent of the Miami-Dade system and expand its own treatment facilities while maintaining the existing interconnects for reliability in the event of an emergency.

## **Water System**

The water system is comprised of water supply, treatment, storage, transmission and localized distribution facilities providing service to approximately 31,600 metered connections in the City's service area. The current water system service area is approximately 25 square miles as illustrated in Figure 2 at the end of this Report. The current water system contains 12 raw water supply wells, one 16.0 million gallons per day (MGD) lime softening water treatment plant, 4.0 MG of on-site storage and 31.1 MGD of installed high service pumping capacity. There are approximately 16,400 feet of raw water supply mains ranging from 10 to 30-inches in diameter and over 500 miles of water transmission and localized distribution lines ranging from 2 to 36-inches in diameter.

## **Water Supply**

The primary source of water supply to the lime softening water treatment plant is a Biscayne aquifer wellfield located on the treatment plant site and northwest of the water treatment plant on easements granted by Miami-Dade County. This wellfield consists of 12 raw water supply wells, which draw groundwater from the Biscayne aquifer. The total installed raw water pumping capacity from this source of supply is equal to 29.28 MGD and the total installed firm capacity (with the largest well out of service) is 23.28 MGD.

The South Florida Water Management District (SFWMD) regulates raw water supply for the water system. The SFWMD is a governmental agency created by the Florida Legislature, which has the responsibility of managing the water resources within its boundaries (i.e., southeast Florida). The SFWMD authorizes the use of the groundwater from the Biscayne Aquifers pursuant to a Water Use Permit (WUP) Number Re-issue 13-00060-W issued on June 14, 2001,

which expires on June 14, 2006. Table 1 shows the permitted raw water withdrawal along with the actual amount withdrawn for years 1996 to 2001.

**Table 1**  
**Permitted and Actual Raw Water Withdrawal**

Year	Permitted Maximum Annual Withdrawal (MG) <sup>(1)</sup>	Actual Annual Withdrawal (MGD) <sup>(2)</sup>	Permitted Maximum Daily Withdrawal (MGD) <sup>(2)</sup>	Actual Daily Maximum Withdrawal (MGD) <sup>(2)</sup>
1996	6,460	14.50	17.67	16.00
1997	6,460	13.91	17.67	16.67
1998	6,460	13.11	17.67	15.17
1999	6,460	13.72	17.67	15.73
2000	6,460	12.52	17.67	15.78
2001	11,428	14.10	41.81 <sup>(3)</sup>	16.26

Notes: (1) Million gallons.

(2) Million gallons per day.

(3) Reflects present permit for expansion project granted June 14, 2001.

The water system receives half of its water supply from the Miami-Dade WASD through 7 system interconnects. The City currently purchases water at a bulk service rate of just under \$0.77 per thousand gallons, which is subject to adjustment from time to time. As a result of the Project, the City expects to eliminate or substantially reduce purchases from Miami-Dade WASD. However, the City intends to retain interconnects at strategic locations with the Miami-Dade WASD to provide a material backup source of supply.

Volatile organic compounds (VOCs) have historically been detected in 3 of the existing 12 active Biscayne aquifer supply wells. The U.S. Environmental Protection Agency under the Safe Drinking Water Act has established maximum contaminant levels (MCLs) for 2 of the VOCs detected. The reported source of the contamination was a chemical spill at a dry cleaner southeast of the water treatment plant site. Concentrations have decreased over time to near or below the detection limits and no violation of the primary drinking water standards has occurred. The local Miami Dade Department of Environmental Resource Management in conjunction with the City's utility, has installed a network of monitoring wells around the treatment plant site that they monitor regularly for VOCs.

## **Raw Water Transmission Facilities**

The raw water transmission system consists of over 3 miles (approximately 16,400 feet) of pipeline as delineated in Table 2. The pipeline is constructed of either polyvinyl chloride (PVC), cast iron or ductile iron pipe, and was installed from 14 to 53 years ago, concurrent with the growth and development of the System.

**Table 2**  
**Raw Water Transmission System Pipelines**

<u>Diameter Size</u>	<u>Linear Feet</u>
30"	1,843
24"	5,034
20"	543
18"	630
16"	3,258
12"	1,719
10"	3,386
Total	<u>16,413</u>

## **Water Treatment Facilities**

The Norwood-Oeffler WTP is a 16.0 MGD (maximum daily flow) lime softening treatment facility constructed in three major phases over a period of 23 years. The facilities are located in the northwestern portion of the service area in unincorporated Miami-Dade County on the northeast corner of NW 191<sup>st</sup> Street and NW 9<sup>th</sup> Avenue.

The original lime softening treatment plant, consisting of a Hydrotreater and filters 1 and 2, with the capacity of 1.0 MGD, was placed in service in 1949. Subsequently, in 1965 the lime softening plant was expanded to 6.0 MGD by the addition of a 5.0 MGD Hydrotreater and filters 3 through 8. The last expansion was completed in 1972, which increased the treatment capacity of the plant to 16.0 MGD through the addition of a 10.0 MGD Hydrotreater and filters 9 through 11. The current process includes lime softening for hardness reduction, iron and color removal followed by stabilization, filtration, chlorination, ammoniation, fluoridation and the addition of a

corrosion inhibitor.

The Norwood-Oeffler WTP is staffed and operated 24-hours per day in accordance with Chapter 62-602, Florida Administrative Code (FAC). The plant treated an average of 14.106 MGD for the 12-month period ended December 2001, and the maximum day production was 16.17 MGD during the same period.

### **Water Storage and Pumping Facilities**

The water storage system consists of three steel ground storage tanks at the Norwood-Oeffler WTP site, two 1.0 MG capacity tanks constructed in 1965 and a 2.0 MG capacity tank completed in 1972. Pressurization of the water transmission system is accomplished by a set of 8 high service pumps at the Norwood-Oeffler WTP site. The high service pumps are provided with emergency power via a generator set in the Norwood-Oeffler WTP building, while 2 pumps are provided with standby power from direct drive gas engines located in the same building.

### **Water Transmission and Localized Distribution Facilities**

The water transmission facilities consist of over 143 miles (approximately 757,000 feet) of pipeline as summarized below in Table 3. As a general rule transmission facilities are considered to be those piping facilities greater than 8-inches in diameter and appurtenances. The mains are constructed of either asbestos cement or cement-lined cast or ductile iron and were installed up to 60 years ago concurrent with the growth and development of the System. The System contains a significant quantity of piping 6 to 8-inch in diameter that is used to provide fire flow and service to development in residential areas. The System also contains a significant quantity of piping 2 to 4-inch in diameter that is used to provide service to individual customers on streets/blocks connected to 6-inch diameter mains or larger on each end.

**Table 3**  
**Transmission System Pipelines**

<b>Diameter Size</b>	<b>Linear Feet</b>
36"	34,300
30"	43,660
24"	66,780
20"	26,200
18"	16,650
16"	225,400
12"	290,700
10"	53,690
Total	757,380

The water transmission system is well-looped with localized distribution facilities within the serviced developed areas. The larger diameter transmission mains are used along the major roadways to serve existing customers and provide for future service to platted areas through the smaller diameter distribution system grid in those areas. The pressure in the localized water distribution system is generally maintained between 50 and 70 pounds per square inch, which meets the peak flow requirements of the service area. The distribution system is equipped with isolation valves that allow for repairs and maintenance without the need for shutting down a significant portion of the water flow at once. The localized water distribution system also includes over 2,400 fire hydrants to provide fire protection to the service area of the water system.

**Condition of the Water System**

Based upon the intended use of the facilities, general field observations by engineers, interviews with City staff, and a review of water permits and System reports, the water supply and treatment facilities appear to be in fair to good condition, as summarized in Table 4. Given the City’s commitment to continue to perform maintenance, renewal, replacement and construct new infrastructure as outlined in the hydraulic study, it can be reasonably expected that the facilities will meet the capacity requirements for the forecast period reflected in this Report. Upon completion of the proposed membrane treatment facilities described as “The Project” in this report and the logical expansions thereof over time to provide for additional capacity, there should be sufficient capacity to serve anticipated growth through the year 2011.

**Table 4**  
**Water System Condition**

Facility	Original Age (years)	Condition
Raw Water System		
Biscayne Aquifer Wells	14 to 53	fair-good
Raw Water Transmission Mains	14 to 53	fair-good
Water Treatment Plants		
Lime Softening WTP (partially refurbished)	30 to 53	fair-good
Storage and Pumping		
On-Site High Service Pumping and Storage	30 to 37	fair
Transmission and Distribution System	1 to 60	fair-excellent

**Bulk Water Service**

The water system presently provides bulk or wholesale water service to the City of Hallandale and to the Miami-Dade WASD.

**THE PROJECT - SERIES 2002 BONDS**

The City of North Miami Beach currently provides potable water to its utility customers by producing water at its Norwood-Oeffler WTP and through bulk purchases from the Miami-Dade WASD. The Norwood-Oeffler WTP is located west of the incorporated limits of the City in unincorporated Miami-Dade County and water produced at this facility primarily serves customers located west of Interstate 95. Approximately 90% of customers within the incorporated limits of the City is primarily provided from Miami-Dade WASD and is considered to be of lower quality for some parameters than the water produced by the City. The City had a bulk water service agreement with the Miami-Dade WASD, which mandated that the City purchase water from Miami-Dade WASD. This agreement expired and negotiations on a new agreement were successfully completed in 2001 that resulted in a new agreement which provides the City with the option to become independent of the Miami-Dade WASD and produce potable water to serve its entire service area.

The City has therefore elected to increase the output capacity of its Norwood-Oeffler WTP from 16 MGD to 30.0 MGD, providing substantial independence from Miami-Dade WASD. The expanded facilities will allow the City to provide water of a uniform and high quality to all of its



water customers, control rates, control the quality of water and respond to changes in the drinking water regulations. Although following completion of the project, the City will be essentially independent of the Miami-Dade WASD, interconnects equipped with pressure sustaining valves will be maintained at strategic locations to insure reliability of service and maintain utility Best Management Practices. Components of the project are summarized in the following paragraphs.

## **Series 2002B “Project”**

### **Floridan Aquifer Exploratory Wells**

An exploratory well program is being developed by the City in order to gather site-specific field data required for the design of the Reverse Osmosis (RO) portion of the treatment process and full-scale production wellfields. The facilities to be constructed under this Project include one 20-inch exploratory/test/production Floridan aquifer well and one 20-inch Floridan aquifer production well. The exploratory well will be constructed with the full size casing and then a 12-inch pilot hole will be constructed through the production zone to determine water quality and estimated yield. Providing favorable results are obtained, the exploratory well will be reamed out to full diameter and the second well constructed. Following construction of the second well, a constant rate discharge test will be performed to determine the aquifer characteristics for modeling and production well field design. The City has received a \$300,000 grant from the SFWMD for performing this work. To date, the program design has been completed and construction is anticipated to begin in August 2002. The two wells will be constructed in the southwest and southeast corner of the existing Norwood-Oeffler WTP site. Raw water from the exploratory well is anticipated to be used for RO pilot testing during design of the WTP.

### **Floridan Aquifer Production Wellfield**

The Floridan aquifer production wellfield includes the construction of two additional 20-inch Floridan aquifer supply wells, installation of well pumps and appurtenances in the four Floridan aquifer supply wells and construction of yard piping and off-site transmission mains to connect the wells to the RO portion of the water treatment plant. Each well will have a pumping capacity of approximately 1,850 gallons per minute (2.66 MGD) with one well as a standby. This portion of the project assumes that the two 20-inch exploratory/test/production wells are permitted and utilized as RO production wells.

### **Biscayne Aquifer Production Wellfield**

The existing withdrawals from the Biscayne aquifer will be increased to supply water to the proposed nanofiltration component of the WTP expansion. The Biscayne aquifer wellfield expansion will include the drilling of five new Biscayne aquifer raw water supply wells, installation of new well pumps, vaults, appurtenances and control panels and construction of raw water transmission mains ranging in size from 16- to 30-inch to the Norwood-Oeffler WTP site. Each well will have an initial capacity of approximately 1,910 gallons per minute (2.75 MGD) with one off-line for reliability. The wells will be constructed and equipped to allow for a future increase in capacity to 2,390 gallons per minute (3.44 MGD) to allow the nanofiltration plant to be expanded incrementally from 2.0 to 2.5 MGD.

### **Norwood-Oeffler Water Treatment Plant Expansion**

The initial phase of the expansion of the Norwood-Oeffler WTP will expand its output capacity from 17.5 to 30.0 MGD. The design and construction of the facilities will be performed to allow the plant to be expanded in phases by the addition of membrane treatment skids and associated equipment up to a capacity of 40.0 MGD. The membrane treatment facilities will be housed in a new building that will also house pretreatment chemical storage and feed facilities, sand separators and micron filters, high pressure pumps, four 2.0 MGD nanofiltration skids expandable to 2.5 MGD, three 2.0 MGD reverse osmosis skids expandable to 2.5 MGD, membrane cleaning system, motor control center, instrumentation and controls. A new administration building will be constructed next to the membrane process building that will house the administration, operation, laboratory and training functions for the overall plant. A separate structure will be constructed that will provide for the degasification of the permeate, odor control facilities, primary disinfection and contact time for the permeate, blending with the finished water from the existing lime softening plant, final pH adjustment, and transfer pumping to the on-site ground storage reservoirs. On-site finished water storage capacity will be increased by demolishing the two oldest 1.0 MG steel storage tanks and constructing a new 5.0 MG prestressed concrete ground storage reservoir. A new high service pumping and electrical building will be constructed to house up to four 10.0 MGD high service pumps, incoming electrical service and switchgear and standby diesel generator. The existing on-site workshop will be demolished to make room for the degasification, disinfection, blending and transfer pumping facilities. A new workshop will be constructed as part of the Project to replace the existing one. The expansion will also require the abandonment of the existing open spent lime

pit and sludge drying operation. The existing 1.0 MGD Hydrotreater will be demolished and a new gravity lime sludge thickener and truck loading station will be constructed in its place to handle the lime sludge. The existing on-site chlorination, ammoniation, phosphate inhibitor, and fluoridation systems will be modified and expanded as required to treat the flow from the expanded facility.

### **Deep Injection Well System**

Concentrate from the nanofiltration and reverse osmosis treatment processes will be disposed of by means of underground injection via a Class V injection well constructed to Class I standards. The injection well is proposed to be located in the northwest corner of the Norwood-Oeffler WTP site. The injection well system will consist of one 16-inch tube and packer design Class I deep injection well, one dual zone monitoring well, surge suppression system, nanofiltration concentrate booster pumps, wellhead valves and appurtenances, and monitoring equipment. A backup during period testing and maintenance of the well is anticipated to be provided through a 14-inch force main connecting to an existing 24-inch Miami-Dade WASD force main stubbed out north of the treatment plant site. The deep injection well system will have a design capacity of 6.0 MGD. The system will be laid out to provide for the future construction of a second injection well.

### **Eastern Storage and Pumping Facility**

A storage and repumping facility will be constructed in the southeastern portion of the existing service area to satisfy peak demands in the southeastern portion of the mainland service area and on the barrier island. The improvements will consist of a 4.0 MG finished water ground storage tank, high service pumping facility, chlorine storage and feed system, standby diesel generator, electrical equipment, instrumentation and controls and water main piping to connect to the existing transmission system.

### **Myrtle Grove Storage and Pumping Facility**

A second storage and pumping facility will be constructed in the southeastern portion of the existing service area to satisfy peak demands and provide fire flow in this portion of the service area. The station is proposed to be located on property owned by the City that is the site of the old Myrtle Grove WTP. Currently, there is a 16-inch main and metered interconnect from the

Miami-Dade WASD system that provides peaking service to this area. The 1.5 MG ground storage reservoir that was part of the old water treatment facilities remained on the site and will be rehabilitated and placed back into service as part of the improvements. The other improvements will consist of a high service pumping facility, chlorine storage and feed system, standby diesel generator, electrical equipment, instrumentation and controls and yard piping to connect to the existing 16-inch transmission main at the site.

**Water Transmission System Improvements**

Improvements to the existing water transmission system will be included in the Project to satisfy peak system demands and refill the remote storage system and pumping facilities utilizing a single source of supply. The transmission system improvements will include the construction of new 12- to 30-inch mains leaving the Norwood-Oeffler WTP site and extending to the east and underneath Interstate 95 to connect to the existing 24-inch transmission main on the east side.

The total probable cost for the Project is estimated to be \$67,680,000 including allowances for contingencies and engineering, as summarized below in Table 5. Not included in the probable Project cost is the previous acquisition of land in the amount of \$2,000,000, which was funded from prior utility operations and has already been accomplished and closed.

**Table 5  
Probable Project Costs**

Raw Water supply	\$ 7,700,000
Concentration Disposal Well	4,000,000
30 MGD WTP	28,000,000
Storage & Transmission	8,600,000
Subtotal	\$ 48,300,000
Professional Services	8,100,000
Contingency @ 20%	11,280,000
Total	<u>\$ 67,680,000</u>

Funding for the probable Project is anticipated to be from three primary sources. The first source is a portion of existing and future internally generated funds to limit the amount of debt (\$5,649,000), the second is Grants (\$2,100,000) and the third is the proceeds from the Series

2002B Bonds (\$56,471,000). Included with these three primary sources will be the interest earnings on the funds provided for the purposes of the Project (\$3,460,000). The duration of the Project is anticipated to be thirty-six months.

Table 6 provides the Project funding activities as summarized from Item 2 of the “Principal Assumptions and Considerations” portion in this Report.

**Table 6**  
**Estimated Sources and Uses of Probable Project Costs**

**SOURCES OF FUNDS**

Series 2002B Bond Proceeds	\$	56,471,000
Grants		2,100,000
Existing & Future Reserves		5,649,000
Interest Earnings		3,460,000
Total Sources of Funds	\$	67,680,000

**USES OF FUNDS**

Cost of Facility Construction	\$	48,300,000
Professional Services		8,100,000
Subtotal	\$	56,400,000
Contingency @ 20% <sup>(1)</sup>		11,280,000
Total Probable Project Cost	\$	67,680,000

Note: (1) To the extent that the Contingency is not full utilized, the Utility will either call a portion of the bonds or replace the Utility’s reserves for other lawful purposes.

**CUSTOMER AND USAGE CHARACTERISTICS**

**Historical and Existing Customers and Flows**

This section of the Report identifies customer characteristics associated with the System. Historical and existing metered connection and flow data provided by the City was reviewed to

determine the average number of meters, billing units and billable flows experienced by the customers in the System’s service area. Table 7A below presents a summary of the analysis including the number of metered connections and billed flow from fiscal year 1996 through 2001.

**Table 7A**  
**Historic Water Metered Connections and Billable Flows <sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Meters</u>	<u>Flow <sup>(2)</sup></u>
1989	N/A	7,383,916
1990	N/A	6,647,401
1991	N/A	6,796,130
1992	N/A	7,198,824
1993	N/A	7,472,019
1994	N/A	7,282,173
1995	N/A	7,220,359
1996	30,347	7,359,169
1997	30,421	7,249,322
1998	30,650	7,162,150
1999	30,832	7,230,892
2000	30,959	7,138,469
2001	31,380	6,727,793 <sup>(3)</sup>

Notes: (1) Does not include bulk sales.

(2) Thousands of gallons as provided by the City’s Finance Department.

(3) One in two hundred year drought with severe water restrictions and reduced pressure from Miami-Dade WASD and in the North Miami Beach System.

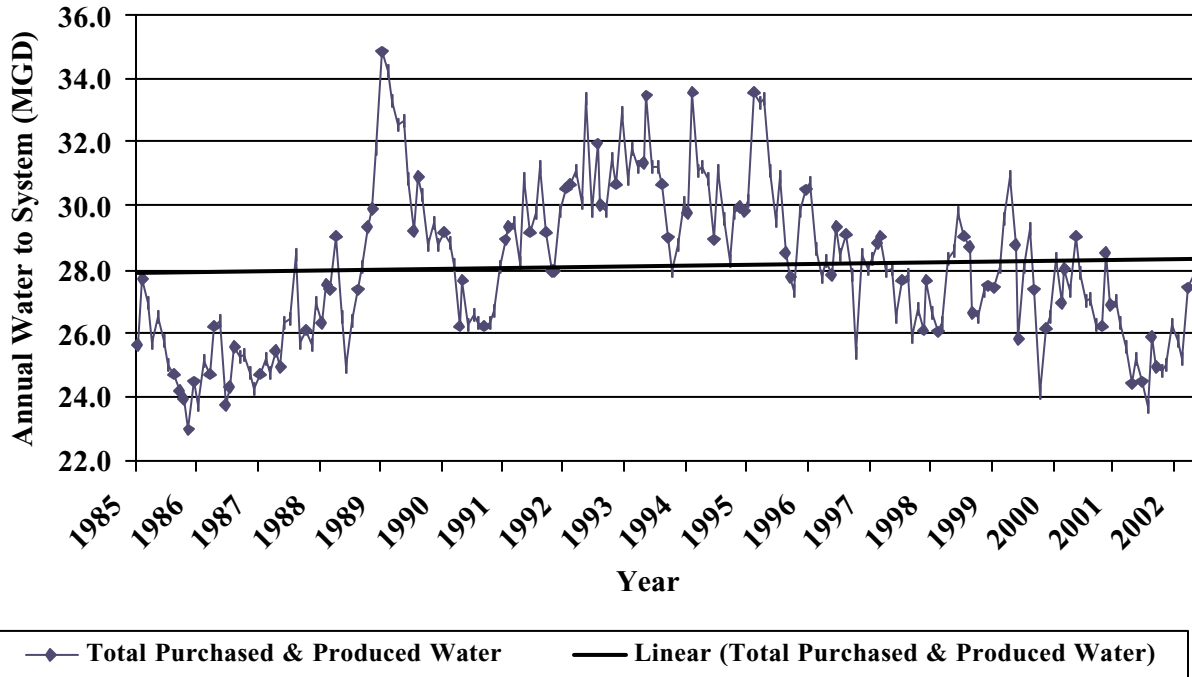
There are many factors that can account for the billable flows varying from year to year. Some of those factors consist of weather conditions, system pressures, voluntary and mandatory water restrictions from regulatory agencies, and water conservation programs. In 2001, South Florida experienced a one in two hundred year drought and accompanying severe water restrictions. The average annual billable gallonage for the past ten (10) years is 7.204 billion gallons including the partial fiscal year 2000 and fiscal year 2001 drought.

**Table 7B**  
**Historic Water Produced and Purchased**

<b>Fiscal Year</b>	<b>Annual Amount in Thousands</b>
1985	9,233,162
1986	9,107,328
1987	9,452,496
1988	10,179,728
1989	11,438,370
1990	9,935,026
1991	10,710,043
1992	11,333,098
1993	11,181,836
1994	11,072,670
1995	11,126,843
1996	10,339,507
1997	10,059,856
1998	10,080,935
1999	10,103,869
2000	10,025,192
2001	9,237,567
<b>Average</b>	<b>10,271,619</b>

## Monthly Flow And Trend

Jan 1985 through Apr 2002



As shown on Table 7A, recent billable flows for the last ten years varied between 7.14 and 7.47 billion gallons or by some 4.5 percent. The fiscal year 2001 6.73 billion gallons occurred during the drought and was due to mandated water restrictions and a successful water conservation program promoted by the City. Further analysis was conducted to determine the system’s water production trend over a longer historic period. The historic data utilized consisted of the system’s total water produced and purchased, which is an indicator of water sales. The monthly data summarized on Table 7B which was used to develop the accompanying Monthly Flow and Trend chart, clearly suggests a slightly increasing trend.

Although fiscal year 2001 was abnormally low and billable gallonages are anticipated in excess of 7.0 billion gallons and are anticipated to increase for purposes of revenue projections, future billable flows for this report are projected based on 6.77 billion gallons for fiscal years 2002, 2003, 2004, and 2005, with no growth and at a 0.50% per year growth thereafter through fiscal year 2011 (see Table 11). The forecasted fiscal year 2011 billable flow is 6.98 billion gallons, which is 2 percent below the fiscal year 2000 billable flow of approximately 7.14 billion gallons,



and over 3 percent below the last ten year average (7.204 billion gallons) forecasted 10 years into the future.

Further analysis of the existing data provided by the City was conducted to identify the ten largest accounts within the water system. As shown below in Table 8, the ten largest accounts represent less than six percent of the user rate revenues for fiscal year 2001, with the largest being less than one percent.

**Table 8**  
**Ten Largest Water Accounts**  
**Analysis Period October 2000 Through September 2001**

<b>Customer</b>	<b>Annual Revenue</b>	<b>Percent of Total Revenue<sup>(1)</sup></b>
Pro Player Stadium	\$ 102,400	0.86 %
Admirals Port	68,800	0.57 %
Velda Farms	67,900	0.57 %
Plaza of the Americas Club	65,000	0.54 %
Plaza del Prado	62,900	0.53 %
Biscayne Cove Condo	60,100	0.50 %
Commodore Plaza Condo Assoc.	54,800	0.46 %
Arlen-Burke	53,900	0.45 %
Century Towers Assoc.	53,800	0.45 %
Dezer Hotel Management	53,500	0.45 %
Arlen House E Condo Assoc.	49,900	0.42 %
<b>Total</b>	<b>\$ 693,000</b>	<b>5.79 %</b>

Note: (1) Based on total user rate revenues of \$11,965,800.

A review of the City's existing customer base indicated that the water system provides service within and outside the incorporated limits to three identifiable customer classes: 1) Single Family, 2) Multi-Family and 3) Non-Residential. The Single and Multi-Family customer classes are comprised of residential dwellings such as single family homes, condominiums and apartment complexes, whereas those customers identified as Non-Residential are comprised of business related establishments, governmental entities and institutional facilities. Single Family customers are typically provided water through a 5/8-inch meter, whereas Multi-Family and

Non-Residential customers utilize meters varying in size as dictated by the usage or demand characteristics associated with each individual connection.

Data on customers and flows for twelve consecutive months through January 2002, provided by the City were reviewed and analyzed for the purpose of identifying and projecting the number of metered connections, billing units and billable flow used in the generation of user fee revenues. A meter represents a single connection to the water system, whereas the number of annual billing units takes into account the frequency of billing (monthly or quarterly). The customer information provided indicated that the City will provide service to an average of approximately 31,659 meters representing approximately 159,114 annual billing units assuming no growth, as shown in Table 9 below.

**Table 9**  
**Average Meters and Annual Billing Units by Customer Class**  
**Fiscal Year 2002**

<b>Customer Class</b>	<b>Meters</b>	<b>Percent</b>	<b>Annual Billing Units</b>	<b>Percent</b>
<b>Inside City</b>				
Single Family	7,409	23.40	29,634	18.62
Multi-Family	622	1.97	6,256	3.93
Non-Residential	1,141	3.60	13,689	8.60
<b>Subtotal</b>	<b>9,171</b>	<b>28.97</b>	<b>49,579</b>	<b>31.16</b>
<b>Outside City</b>				
Single Family	19,973	63.08	79,890	50.21
Multi-Family	520	1.64	5,704	3.59
Non-Residential	1,995	6.30	23,941	15.05
<b>Subtotal</b>	<b>22,488</b>	<b>71.03</b>	<b>109,535</b>	<b>68.84</b>
<b>Total</b>	<b>31,659</b>	<b>100.00</b>	<b>159,114</b>	<b>100.00</b>

Additional information, including budget data for fiscal year 2002, provided by the City served to indicate the amount of annual billable flow to be expected from customers of the water system for revenue generation purposes. Table 10 below provides the projected annual billable water flow for fiscal year 2002.

**Table 10**  
**Projected Annual Billable Flow**  
**Fiscal Year 2002**

<u>Customer Class</u>	<u>Flow <sup>(1)</sup></u>	<u>Percent</u>
Inside City		
Single Family	657,091	9.70
Multi Family	616,552	9.10
Non-Residential	417,755	6.16
Subtotal	1,691,398	24.96
Outside City		
Single Family	1,966,356	29.02
Multi-Family	1,714,169	25.30
Non-Residential	1,404,549	20.72
Subtotal	5,085,074	75.04
<b>Total</b>	<b>6,776,472</b>	<b>100.00</b>

Note: (1) All flows presented in thousands (000s).

### **Customer and Flow Projections**

Discussions with City staff and an overview of service area suggests that customer growth would be limited and not a material condition affecting the near future operations or financial conditions of the water system. As a result, this Report has utilized the assumption that there will be no customer or flow increase through fiscal year 2005. Thereafter (fiscal year 2006 and beyond), the Report assumes that both customers and flows would increase by a very nominal amount of one half of one percent (0.50%) annually.

As discussed previously, billable flow for the purpose of revenue generation is projected pursuant to the average billable flow per annual billing unit, usage trends for each customer class and the anticipated customer growth. In forecasting billable flow, the projected annual billing units for each customer class were multiplied by the average flow generated by each annual billing unit as calculated based on the customer flow data provided by the City. Based on the

above assumptions and existing customer characteristics, the projected billing units and billable flows for fiscal years 2003 through 2011 are shown below in Table 11.

**Table 11**  
**Projected Billing Units and Billable Flow**

<b>Fiscal Year</b>	<b>Billing Units</b>			<b>Billable Flow<sup>(1)</sup></b>		
	<b>Inside</b>	<b>Outside</b>	<b>Total</b>	<b>Inside</b>	<b>Outside</b>	<b>Total</b>
2003	49,579	109,535	159,114	1,691,398	5,085,074	6,776,472
2004	49,579	109,535	159,114	1,691,398	5,085,074	6,776,472
2005	49,579	109,535	159,114	1,691,398	5,085,074	6,776,472
2006	49,826	110,082	159,908	1,699,810	5,110,591	6,810,401
2007	50,074	110,632	160,706	1,708,245	5,136,216	6,844,461
2008	50,323	111,185	161,508	1,716,701	5,161,948	6,878,649
2009	50,573	111,740	162,313	1,725,189	5,187,731	6,912,920
2010	50,824	112,297	163,121	1,733,696	5,213,563	6,947,259
2011	51,076	112,857	163,933	1,742,229	5,239,468	6,981,697

Note: (1) All flows presented in thousands of gallons (000s)

## **HISTORICAL OPERATING RESULTS**

The historical revenues and expenses of the water system for fiscal years 1996 through 2001 are shown in Table 12. Operating results for fiscal years 1996 through 2001 are based on audited information contained within the City's Comprehensive Annual Financial Reports (CAFRs). It should be noted that operating expenses contained herein exclude depreciation and amortization, which are non-cash items. Table 12 shows the historical revenues and expenses of the System.

**Table 12**  
**Historical Net Revenues and Debt Service Coverage**

	Fiscal Year					
	1996	1997	1998	1999	2000	2001
Service Revenues	\$ 13,023,290	\$ 13,252,575	\$ 14,569,453	\$ 14,426,144	\$ 15,203,060	\$ 14,250,161
Operating Expenses <sup>(1)</sup>	(10,052,715)	(11,873,321)	(13,335,379)	(13,375,859)	(13,863,951)	(11,797,894)
Interest Income	603,637	785,815	614,168	393,354	340,905	279,666
Other Income	413,146	321,139	268,651	238,421	265,628	307,070
Net Revenues						
Available for Coverage	\$ 3,987,358	\$ 2,486,208	\$ 2,116,893	\$ 1,682,060	\$ 1,945,642	\$ 3,039,003
Debt Service <sup>(2)</sup>	\$ 818,376	\$ 950,653	\$ 996,545	\$ 1,154,414	\$ 628,679	\$ 503,360
Coverage <sup>(3)</sup>						
Achieved	487%	262%	212%	146%	(5)	(5)
Minimum	125%	125%	125%	125%	(5)	(5)
Return on Investment <sup>(4)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,300,000
Net Cash	\$ 3,168,982	\$ 1,535,555	\$ 1,120,348	\$ 527,646	\$ 1,316,963	\$ 235,643

Note: (1) Excludes depreciation and amortization.

(2) Series 1996, 1970, 1997 and 2000.

(3) Debt Service coverage requirements per the Series 1997 Bonds.

(4) Transfers to the General Fund included in Operating Expense figures for FY 1996-2000.

(5) Series 2000 Bonds do not have a direct pledge of system revenues or a coverage requirement based on system net revenues.

## **RATES, FEES AND CHARGES**

The City has established a schedule of user rates, fees, charges and miscellaneous service charges, to generate revenues for the continued operation of the water enterprise. The rates, charges and fees established by ordinance were last adjusted pursuant to the adoption of Ordinance 2001-9, which occurred on September 25, 2001. The user rates and charges are revenue driven requirements. The customer classifications associated with these rates and charges are identical to those previously discussed and consist of Single Family, Multi-Family, and Non-Residential. Further, pursuant to the Ordinance, to account for inflation, the user rates, fees and charges are to be adjusted on October 1 of each year in accordance with the Public Service Commission Deflator Index. It should also be noted that water customers outside the incorporated limits of the City are subject to a 15% nonresident surcharge, which is directed directly to the City's General Fund and is not part of any water revenue forecast.

## **Existing Rate Structure and Rates**

The existing water rate structure provides for: 1) a billing charge per bill issued regardless of flows generated; and 2) inclining block (conservation) consumption charges per thousands of gallons based on monthly metered water. It should be further noted that the amount of the billing charge for Multi-Family and Non-Residential is related to the meter size of each connection and that the consumption rates are different for Multi-Family connections.

The current consumption rates associated with water service are on an inclining (conservation) block structure and as such, as consumption increases beyond predetermined levels, the incremental charge per thousand gallons also increases, thus encouraging conservative tendencies on the part of each customer. The existing rate structure utilizes three blocks in the evaluation of monthly flow for revenue generation purposes. The City's existing user rates and charges are summarized below in Table 13.

**Table 13**  
**Existing Water User Rates and Charges**

<b>Billing Charge <sup>(1)</sup></b>	<b>Amount</b>	
5/8" meter	\$ 6.82	
3/4" meter	\$ 6.82	
1.0" meter	\$ 17.05	
1.5" meter	\$ 34.10	
2.0" meter	\$ 54.56	
3.0" meter	\$ 109.12	
4.0" meter	\$ 170.50	
6.0" meter	\$ 341.00	
8.0" meter	\$ 545.60	
10.0" meter	\$ 784.30	

<b>Consumption Block</b>	<b>Consumption Charges <sup>(2)</sup></b>	<b>Monthly Parameters</b>
<b>Base Consumption</b>		
Single Family	\$ 1.50	0 - 10,000
Multi-Family	\$ 1.35	0 - 9,000
Non-Residential	\$ 1.50	0 - 10,000
<b>First Conservation Block</b>		
Single Family	\$ 1.70	10,001 - 20,000
Multi-Family	\$ 1.53	9,001 - 18,000
Non-Residential	\$ 1.70	10,001 - 20,000
<b>Second Conservation Block</b>		
Single Family	\$ 2.10	Above 20,000
Multi-Family	\$ 1.89	Above 18,000
Non-Residential	\$ 2.10	Above 20,000

<sup>(1)</sup> Single Family customers are billed the amount quarterly and limited to 5/8" Billing Charge regardless of size of connection.

<sup>(2)</sup> Per thousand gallons.

## Miscellaneous Service Charges

In addition to the rates and charges previously discussed, the City currently maintains a series of miscellaneous charges to be paid for certain specifically requested customer needs or services. Such miscellaneous charges are typically applied pursuant to specific actions or requests made by customers of the water system. Examples of miscellaneous service charges include meter installation fees, hydrant charges, and penalties incurred for the delinquent payment of a bill. The City's existing miscellaneous service charges are listed below in Table 14.

**Table 14**  
**Miscellaneous Service Charges**

Description	Amount
• Meter Installation Fee (by size)	
5/8"	\$ 91.00
1.0"	\$ 145.91
1.5"	\$ 229.25
2.0"	\$ 358.55
Larger than 2.0"	Cost
• Hydrant Charge (per month)	\$ 0.10
• Return Check Fee	
0 - \$50	\$ 25.00
\$51 - \$299	\$ 30.00
\$300 - \$799	\$ 40.00
Over \$799	5% of face value
• Broken Meter Seal or Lock	\$ 25.00
• Meter Plug	\$ 50.00
• Delinquent Fees	
Residential	\$ 20.00
Commercial	10% of balance
• Turn-On Fee	\$ 10.00



## **RATE AND CHARGE COMPARISON**

A comparison was performed showing the revenues generated by providing water service to a Single Family customer. The comparison reflects the difference in a typical monthly water bill for a customer using 4,000, 8,000 or 12,000 gallons between the City and neighboring utilities. The rates used in the calculation of bills issued by neighboring utilities were current as of April 14, 2002 and are exclusive of local taxes, franchise fees, nonresident surcharges, if any, or other rate adjustments unless otherwise noted. As shown in Table 15 below, the City's existing water rates result in monthly bills that are comparable to those of neighboring utilities. It should be further noted that the City currently bills Single Family customers on a quarterly basis, and as such the \$6.82 billing charge has been adjusted to be indicative of monthly billing practices.

**Table 15**  
**Monthly Water Bill Comparison with Neighboring Utilities<sup>(1)</sup>**

<u>Monthly Consumption (gal.)</u>	<u>4,000</u>	<u>8,000</u>	<u>12,000</u>
<b>North Miami Beach</b>	<b>\$ 8.27</b>	<b>\$ 14.27</b>	<b>\$ 20.67</b>
Dade County Utilities			
Medley	\$ 3.85	\$ 6.16	\$ 9.24
North Miami <sup>(2)</sup>	7.00	9.82	13.58
Homestead	10.18	14.14	18.10
MDWASD – Wet Season	5.29	11.85	19.35
<b>North Miami Beach</b>	<b>8.27</b>	<b>14.27</b>	<b>20.67</b>
MDWASD – Dry Season	5.73	13.12	21.77
Miami Beach	12.47	18.08	21.92
Bal Harbour	18.50	18.50	22.20
Florida City	8.17	15.93	23.69
<b>Average Dade County</b>	<b>\$ 8.83</b>	<b>\$ 13.54</b>	<b>\$ 18.95</b>
Broward County Utilities			
North Lauderdale	\$ 11.36	\$ 16.92	\$ 22.48
Coral Springs	15.00	21.03	23.00
Hallandale Beach	9.11	16.36	24.07
Miramar	12.01	17.89	24.09
Fort Lauderdale	7.53	14.96	24.76
Davie	14.28	19.76	25.24
Coconut Creek <sup>(3)</sup>	17.31	23.84	25.91
Hollywood	11.30	15.69	27.12
Broward County <sup>(4)</sup>	15.15	22.66	32.42
Deerfield Beach	18.92	26.00	33.52
Hillsborough Beach	13.88	19.00	33.80
<b>Average Broward County</b>	<b>\$ 13.26</b>	<b>\$ 19.46</b>	<b>\$ 26.95</b>
<b>BLENDDED AVERAGE</b>	<b>\$ 11.27</b>	<b>\$ 16.80</b>	<b>\$ 23.35</b>

**Table 15 (continued)**  
**Monthly Water Bill Comparison with Neighboring Utilities<sup>(1)</sup>**

- Notes: (1) Unless otherwise noted, amounts shown reflect standard residential single family rates effective as of April 14, 2002, and are exclusive of taxes or franchise fees, if any and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility. In addition, the data has been organized by County and has been arranged based on 12,000 gallons per month usage.
- (2) City of North Miami currently bills on a quarterly basis, and as such, the minimum rate and included gallonage has been adjusted to be indicative of monthly billing practices.
- (3) Includes \$0.97 Customer Charge.
- (4) Includes \$2.74 Customer Charge.

## **PROJECTION OF FISCAL REQUIREMENTS AND REVENUES**

The Total Fiscal Requirements of the System consist of those monetary expenditures necessary to provide, maintain and perpetuate quality water services to meet the goals and objectives of the City including all capital expenditures. The fiscal requirements identified herein for the purpose of this feasibility analysis are exclusive of capital expenditures to be funded by sources other than Operating Revenues and consist only of those cash requirements that include operating and maintenance (O&M) expenses, debt service, capital outlay from rates, transfers to the City, renewal and replacement (R&R) and other minor non-O&M requirements. The City prepares and adopts, prior to the beginning of each fiscal year, a budget in accordance with applicable law. The budget is comprehensive and provides for all areas necessary for the complete operation of the System.

The projected fiscal requirements were developed to reflect two different operating periods: 1) during Project construction, and 2) post Project. The significance is that upon completion and startup, the operating cost associated with labor, utilities, chemicals, and certain other items will be materially different. These changes are more fully described in the “Principal Assumptions and Considerations” portion of this report (see page 39). The projected fiscal requirements for fiscal years 2002 through 2011 were projected based on the current year’s budget together with adjustments to reflect non cash items, non-recurring activities, and operating conditions prior and post expansion to the water system. In addition the projected fiscal requirements were adjusted annually to reflect inflationary impacts, customer growth and other items, more fully described in the “Principal Assumptions and Considerations” portion of this Report and on Schedule 1.

The fiscal requirements for the purpose of this Report have been disaggregated into four categories: 1) O&M Expenses – those requirements directly associated with the operations of the system excluding depreciation and amortization, 2) Debt Service – the existing and proposed annual debt amortization amounts associated the system debt (Principal and Interest), and 3) Return on Investment, 4) Other – inclusive of capital expenditures from operating revenues, renewal and replacement not included in O&M expenses, and other minor non-O&M related expenses.

The projected adjusted fiscal requirements by major categories for fiscal years 2002 through 2011 are shown in Table 16 as summarized from Schedule 1 at the end of this report.

**Table 16**  
**Projected Fiscal Requirements**

<b>Fiscal Year</b>	<b>O&amp;M Expenses</b>	<b>Debt Service</b>	<b>Return on Investment</b>	<b>Other <sup>(1)</sup></b>	<b>Total Requirements</b>
2002	\$ 9,922,400	\$ 1,238,100	\$ 2,400,000	\$ 2,670,800	\$ 16,231,300
2003	\$ 10,078,400	\$ 3,855,400	\$ 2,584,800	\$ 2,732,500	\$ 19,251,100
2004	\$ 10,246,200	\$ 4,123,900	\$ 2,652,900	\$ 3,028,500	\$ 20,051,500
2005	\$ 10,486,700	\$ 4,120,500	\$ 2,726,500	\$ 2,954,300	\$ 20,288,000
2006	\$ 9,714,100	\$ 4,220,500	\$ 2,800,300	\$ 1,573,600	\$ 18,308,500
2007	\$ 10,012,700	\$ 4,152,900	\$ 2,966,900	\$ 1,625,000	\$ 18,757,500
2008	\$ 10,322,000	\$ 4,146,700	\$ 3,135,000	\$ 1,771,300	\$ 19,375,000
2009	\$ 10,641,900	\$ 4,264,800	\$ 3,362,700	\$ 1,961,200	\$ 20,230,600
2010	\$ 10,973,500	\$ 4,482,000	\$ 3,609,300	\$ 2,220,700	\$ 21,265,500
2011	\$ 11,317,100	\$ 5,583,500	\$ 3,875,100	\$ 2,221,300	\$ 22,997,000

Note: (1) Includes Renewal and Replacement, Capital Outlay, In-house Plant Expansion, and Other miscellaneous expenses.

Operating Revenues are primarily derived from the sale of water services subject to the rates, fess and charges adopted by the City. These Operating Revenues, for the purpose of this Report have been classified into two major categories: 1) User Rates and Charges consisting of the periodic billings to active customers exclusive of bulk services, and 2) Other Operating Revenues consisting of income derived from bulk sales, miscellaneous charges, certain interest earnings and for the purpose of this Report transfers from the Capitalized Interest Fund

established from the proceeds of Series 2002B Bonds. The City has adopted a policy that allows for automatic inflationary adjustments to the user rates each fiscal year. For Fiscal Year 2003, the annual FPSC Deflator Index of 2.33 percent, which was established by Order No. PSC-02-0129-PAR-WS, has been assumed. The annual inflationary rate adjustment for the remainder of the projection period is assumed at 2.5 percent. Rate adjustments above inflation may be needed for each fiscal year, 2006 through 2011, to sustain sufficient operating revenues, however any such amounts are subject to review, analysis and City action either prior or at such times.

The User Rate and Charge revenues are projected based on the Billing Units and Billable Flow data, previously shown on Table 11 together with the anticipated User Rates and Charges as adjusted. Other Operating Revenues are projected based on levels in the current budget with adjustments to account for diminishing bulk water sales anticipated when the Project is completed in fiscal year 2005. These revenues are more fully described in the “Principal Assumptions and Considerations” portion of this report.

The Operating Revenues for the projected periods are shown in Table 17 as detailed in Schedule 2.

**Table 17**  
**Projected Operating Revenue**

<b>Fiscal Year</b>	<b>User Rate &amp; Charge<sup>(1)</sup></b>	<b>Other Operating<sup>(2)</sup></b>	<b>Total</b>
2002	\$ 13,002,100	\$ 4,733,600 <sup>(3)</sup>	\$ 17,735,700
2003	\$ 13,344,500	\$ 7,398,700 <sup>(3)</sup>	\$ 20,743,200
2004	\$ 13,714,900	\$ 7,468,600 <sup>(3)</sup>	\$ 21,183,500
2005	\$ 14,086,000	\$ 6,673,000 <sup>(3)</sup>	\$ 20,759,000
2006	\$ 14,924,100	\$ 1,896,800	\$ 16,820,900
2007	\$ 15,769,500	\$ 1,734,700	\$ 17,504,200
2008	\$ 16,914,900	\$ 1,786,500	\$ 18,701,400
2009	\$ 18,155,300	\$ 1,841,700	\$ 19,997,000
2010	\$ 19,492,600	\$ 1,900,400	\$ 21,393,000
2011	\$ 20,204,800	\$ 1,929,300	\$ 22,134,100

Note: (1) See Schedule 2.

(2) See Schedule 1.

(3) Includes Bulk Sales at current levels and transfers of capitalized interest, as well as revenues from charges for miscellaneous and other services.

## **TEN-YEAR PROFORMA OPERATING RESULTS**

Presented below in Table 18 and detailed in Schedule 3 at the end of this report, is a ten-year proforma operating statement of the financial results for the water system. Fiscal management of the income and expenditures for the projected feasibility of the water expansion program incorporates the utilization of annual operating surpluses for future rate stabilization providing for other fiscal requirements and Expansion Transfers consisting of amounts utilized for a portion of the Project funding through completion of construction.

The results demonstrate the sufficiency of the Operating Revenues as indexed to provide for the projected fiscal requirements, the loan covenants and the reduction of debt requirements associated with the Project.

**Table 18**  
**Projected Cash Flows**

	Projected for Fiscal Year				
	2002	2003	2004	2005	2006
<b>Operating Revenues<sup>(1)</sup></b>					
Base Charge	\$ 2,055,600	\$ 2,110,100	\$ 2,170,600	\$ 2,231,100	\$ 2,363,200
Consumption	10,946,500	11,234,400	11,544,300	11,854,900	12,560,900
Subtotal	\$ 13,002,100	\$ 13,344,500	\$ 13,714,900	\$ 14,086,000	\$ 14,924,100
Other Operating Revenues <sup>(2)</sup>	4,733,600	7,398,700	7,468,600	6,673,000	1,896,800
<b>Total Operating Revenues</b>	<b>\$ 17,735,700</b>	<b>\$ 20,743,200</b>	<b>\$ 21,183,500</b>	<b>\$ 20,759,000</b>	<b>\$ 16,820,900</b>
O&M Expenses <sup>(3)</sup>	9,922,400	10,078,400	10,246,200	10,486,700	9,714,100
<b>Net Cash Available</b>	<b>\$ 7,813,300</b>	<b>\$ 10,664,800</b>	<b>\$ 10,937,300</b>	<b>\$ 10,272,300</b>	<b>\$ 7,106,800</b>
Debt Service <sup>(4)</sup>					
Series 2000	\$ 371,000	\$ 386,800	\$ 655,300	\$ 651,900	\$ 651,900
Proposed Series 2002B	867,100	3,468,600	3,468,600	3,468,600	3,568,600
<b>Total Debt Service</b>	<b>\$ 1,238,100</b>	<b>\$ 3,855,400</b>	<b>\$ 4,123,900</b>	<b>\$ 4,120,500</b>	<b>\$ 4,220,500</b>
<b>Balance</b>	<b>\$ 6,575,200</b>	<b>\$ 6,809,400</b>	<b>\$ 6,813,400</b>	<b>\$ 6,151,800</b>	<b>\$ 2,886,300</b>
Other					
Return on Investment <sup>(8)</sup>	\$ (2,400,000)	\$ (2,584,800)	\$ (2,652,900)	\$ (2,726,500)	\$ (2,800,300)
Other Revenues (Expenses) <sup>(5)</sup>	(2,026,000)	(455,400)	1,032,500	2,360,200	3,025,900
Total Other	\$ (4,426,000)	\$ (3,040,200)	\$ (1,620,400)	\$ (366,300)	\$ 225,600
Expansion Transfer	(644,800)	(772,700)	(1,064,500)	(1,186,000)	-
<b>Net Balance</b>	<b>\$ 1,504,400</b>	<b>\$ 2,996,500</b>	<b>\$ 4,128,500</b>	<b>\$ 4,599,500</b>	<b>\$ 3,111,900</b>
Proposed Series 2002B Debt Service Coverage <sup>(6)</sup>					
Achieved	9.01	3.07	3.15	2.96	1.99
Minimum	1.10	1.10	1.10	1.10	1.10
Rate Adj. Above Inflation <sup>(7)</sup>	-	0.000%	0.000%	0.000%	2.500%

**Table 18 (Continued)**  
**Projected Cash Flows**

	Projected for Fiscal Year				
	2007	2008	2009	2010	2011
<b>Operating Revenues<sup>(1)</sup></b>					
Base Charge	\$ 2,496,300	\$ 2,676,600	\$ 2,874,200	\$ 3,089,200	\$ 3,196,900
Consumption	13,273,200	14,238,300	15,281,100	16,403,400	17,007,900
Subtotal	\$ 15,769,500	\$ 16,914,900	\$ 18,155,300	\$ 19,492,600	\$ 20,204,800
Other Operating Revenues <sup>(2)</sup>	1,734,700	1,786,500	1,841,700	1,900,400	1,929,300
<b>Total Operating Revenues</b>	<b>\$ 17,504,200</b>	<b>\$ 18,701,400</b>	<b>\$ 19,997,000</b>	<b>\$ 21,393,000</b>	<b>\$ 22,134,100</b>
O&M Expenses <sup>(3)</sup>	10,012,700	10,322,000	10,641,900	10,973,500	11,317,100
<b>Net Cash Available</b>	<b>\$ 7,491,500</b>	<b>\$ 8,379,400</b>	<b>\$ 9,355,100</b>	<b>\$ 10,419,500</b>	<b>\$ 10,817,000</b>
Debt Service <sup>(4)</sup>					
Series 2000	\$ 652,800	\$ 652,900	\$ 652,100	\$ 650,400	\$ 652,600
Proposed Series 2002B	3,500,100	3,493,800	3,612,700	3,831,600	4,930,900
<b>Balance</b>	<b>\$ 4,152,900</b>	<b>\$ 4,146,700</b>	<b>\$ 4,264,800</b>	<b>\$ 4,482,000</b>	<b>\$ 5,583,500</b>
Other					
Return on Investment <sup>(8)</sup>	\$ (2,966,900)	\$ (3,135,000)	\$ (3,362,700)	\$ (3,609,300)	\$ (3,875,100)
Other Revenues (Expenses) <sup>(5)</sup>	1,486,900	87,300	(776,200)	(1,249,300)	(1,142,400)
Total Other	\$ (1,480,000)	\$ (3,047,700)	\$ (4,138,900)	\$ (4,858,600)	\$ (5,017,500)
Expansion Transfer	-	-	-	-	-
<b>Net Balance</b>	<b>\$ 1,858,600</b>	<b>\$ 1,185,000</b>	<b>\$ 951,400</b>	<b>\$ 1,078,900</b>	<b>\$ 216,000</b>
Proposed Series 2002B Debt Service Coverage <sup>(6)</sup>					
Achieved	2.14	2.40	2.59	2.72	2.19
Minimum	1.10	1.10	1.10	1.10	1.10
Rate Adjustment Above Inflation <sup>(7)</sup>	2.500%	4.000%	4.000%	4.000%	0.500%



**Table 18 (Continued)**  
**Projected Cash Flows**

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Notes:

- (1) Consists of projected monthly user rate revenues only.
- (2) Consists in part of revenues resulting from bulk water sales, interest income, miscellaneous charges, penalties, inspection fees, as well as transfer of capitalized interest from bond proceeds.
- (3) Excludes depreciation and amortization.
- (4) The underwriter of the Series 2002B Bonds provided the projected debt service schedule for the Series 2002B Bonds. The debt schedule for the Series 2000 Bonds was provided by the City.
- (5) Other revenues (expenses) include capital outlay from user rates and R&R Fund transfer. R&R requirement is currently funded and transfers are intended to maintain the R&R account, including allowance for membrane replacement after completion of the WTP Expansion, funded as needs are addressed.
- (6) Only includes Series 2002B Debt Service. Series 2000 Bonds are not secured by system revenues.
- (7) For fiscal year 2003, inflation is taken as a 2.33% adjustment per the FPSC Deflator Index. For all other fiscal years, inflation is taken as a 2.5% per year adjustment. For example, FY 2007 is 2.5% inflation plus 2.5% increase totaling a 5% increase.
- (8) Return on investment are annual transfer to the City based on a net capital water facility formula.

## **DEBT SERVICE COMPLIANCE**

Pursuant to the Loan Agreement for the Series 2002B Bonds, the rate covenant requires that in each fiscal year:

1. Net Revenues in such fiscal year shall be equal to at least 110% of all payments of principal and interest on the outstanding Series 2002B Bonds, becoming due and payable in such fiscal year.
2. Additionally, the Loan Agreement requires that the revenues be sufficient to make the annual transfer to the R&R Fund, Reserve Fund and other funds as stipulated by the Loan Agreement.

## **PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS**

In the preparation of this study, certain assumptions were made with respect to conditions that may occur in the future. While these assumptions are believed to be reasonable, they are dependent upon future events, and actual conditions may differ from those assumed. In addition, certain information and assumptions have been relied upon, which were provided by others, including: 1) data provided by City staff regarding recent historical financial information and historical customer and sales statistics of the System; and 2) recent information provided by the City's underwriter regarding the issuance of debt. While the use of such information is believed

to be reasonable for the purpose of this study, no further assurances are offered with respect thereto, other than for the purpose of this study. To the extent that actual conditions differ from those assumed herein, the actual results will vary from those estimated and projected. Such projections are therefore subject to change and there are no assurances that these projections will be realized. Nonetheless, we believe that the actual financial performance of the utility may exceed or better the projections set forth.

The principal considerations and assumptions used in projecting future operating results include the following:

1. Probable Project costs are based on preliminary engineering estimates prior to actual drawing, permitting and contractor bid solicitations. Allowances for both professional fees and contingencies are included in the probable Project cost.
2. Funding for the Project is anticipated from long-term debt, grants, operating transfers and interest earnings on construction funds. Operating transfers (Expansion Transfers) are anticipated to be approximately 20.5 percent of the balance remaining from net revenues after the payment of debt service and other operating requirements including transfer to the City. Grants are anticipated from several different sources as shown below in Table 19.

**Table 19**  
**Sources of Grants**

	Fiscal Year			
	2002	2003	2004	2005
SFWMD <sup>(2)</sup> Water Conservation Program	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
SFWMD <sup>(2)</sup> Alternative Water Supply	300,000	300,000	300,000	300,000
Fluoridation Funds	-	-	200,000	50,000
Florida State Legislative Appropriation	-	300,000	1,000,000	-
Federal Legislative Appropriation	-	-	-	1,000,000
FPL Program	-	-	-	350,000
U.S. Economic Development Agency	-	-	-	-
Emergency Mgmt. Competitive Grant Program	-	-	-	350,000
Municipal Competitive Grant Program	-	-	50,000	-
Miami-Dade WASD Funding / In-Kind <sup>(1)</sup>	-	100,000	300,000	-
State and Tribunal Assistance Grants (STAG)	-	-	-	-
Subtotal	\$ 350,000	\$ 750,000	\$ 1,900,000	\$ 2,100,000
Allowance for Offset and Probability	(50,000)	(200,000)	(1,400,000)	(1,350,000)
Net Proceeds from Grants	<u>\$ 300,000</u>	<u>\$ 550,000</u>	<u>\$ 500,000</u>	<u>\$ 750,000</u>

Note: (1) Waiver of sewer fees in FY 2003. Pressure sustaining valves joint funding in FY 2004.

(2) South Florida Water Management District

It should be noted that the contingency allocation for the Project is much greater than the total expected grant amount. The fiscal year 2002 grant amount of \$300,000 has been awarded and accepted by the City.

The sizing of the probable long-term debt including certain issuance requirements was provided by the underwriter. Table 20 below shows the Project's anticipated annual cash flows associated with the various sources and uses of Project funding including use of both restricted and unrestricted reserves and grant funds as well as interest during construction.

**Table 20**  
**Water Treatment Plant Expansion Cash Flows**

	2002	2003	2004	2005
<b>Sources:</b>				
Beginning Balance	\$ -	\$ 57,166,400	\$ 43,299,600	\$ 20,301,700
Existing Operations				
a. Unrestricted Expansion Transfers	644,800	772,700	1,064,500	1,186,000
b. Restricted In-Plant Fees	1,978,500	-	-	-
Grants <sup>(1)</sup>	300,000	550,000	500,000	750,000
Gross Bond Issue	67,930,000	-	-	-
Construction Interest	471,600	1,627,600	1,042,000	356,100
<b>Total Sources</b>	<b>\$ 71,324,900</b>	<b>\$ 60,116,700</b>	<b>\$ 45,906,100</b>	<b>\$ 22,593,800</b>
<b>Uses:</b>				
Plant Construction <sup>(2)</sup>	\$ 2,000,000	\$ 9,000,000	\$ 14,350,000	\$ 14,350,000
Plant Cont., Eng., Inspect, Etc. <sup>(2)</sup>	700,000	6,091,700	6,091,700	3,045,900
Storage & Transmission <sup>(2)</sup>	-	-	4,300,000	4,300,000
S&T Con., Eng., Insp., Etc <sup>(2)</sup>	-	1,725,400	862,700	862,700
Capitalized Interest	9,915,500	-	-	-
Capitalized Debt Service/Surety	223,600	-	-	-
Financing Costs	1,319,400	-	-	-
Other	-	-	-	-
<b>Total Uses</b>	<b>\$ 14,158,500</b>	<b>\$ 16,817,100</b>	<b>\$ 25,604,400</b>	<b>\$ 22,558,600</b>
Ending Balance	<b>\$ 57,166,400</b>	<b>\$ 43,299,600</b>	<b>\$ 20,301,700</b>	<b>\$ 35,200</b>

Notes: (1) See Table 19 for Sources of Grants.

(2) Engineering and Contingency proportionally allocated based on construction amount.

3. Adjusted fiscal requirements for fiscal year 2002 are based on the approved fiscal year 2002 budget as adjusted to exclude certain non-cash items, capital expenditures not funded from operating revenues, certain true-ups based on purchases from Miami-Dade WASD, reserve transfers, and several minor expense provisions. Additionally, provisions for debt service and associated capitalized interest associated with the probable Series 2002B Bonds have been included.
4. The projected adjusted fiscal requirements for fiscal years 2003 through 2011 utilize the fiscal year 2002 adjusted budget as a basis. Projections are further adjusted and escalated annually for needs, growth and inflation, as detailed in Schedule 1. The purchase of water from Miami-Dade WASD will significantly decrease in the estimated Project completion year of fiscal year 2005. The projected fiscal requirements are prepared on a cash flow basis. As such, the projections do not include an allowance for depreciation and amortization. However, accruals for the debt service payment due at the immediate beginning of each fiscal year are reflected in the prior year (the year in which interest and principal are accrued). The transfer of funds from the system to the City's General Fund (Projected Return on Investment) is not considered as an operating expense and is projected to increase proportional to the prior year's User Rate Revenues. Any future adjustments to the Return on Investment can be addressed through either immediate or postponed fiscal requirement or rate adjustments based on system growth, performance, reserves or other budgetary considerations.
5. Projected Operating Revenues of the System are based on rates and charges in effect as of October 1, 2001. Projected operating revenues for fiscal year 2003 assume a 2.33 inflationary index according to order No. PSC-02-0129-PAA-WS from the FPSC. Projected operating revenues for fiscal years 2004 through 2011 assume a 2.5% annual inflationary adjustment for each fiscal year. In addition, commencing in fiscal year 2006 and continuing through fiscal year 2011, minor annual rate adjustments in addition to inflation are included in the proforma, as shown below in Table 21. All user rates and charges including billing, gallonage, and miscellaneous charges presented herein are increased based on these annual rate adjustments and are rounded upward to the next whole cent (\$0.01) or five cents (\$0.05) as appropriate. The amount and timing of the rate adjustments shown herein are for the purpose of demonstrating the feasibility of the Project funding activity. The City can, at its discretion, advance, postpone and resize the

rate adjustments based on system growth, performance and other budgetary considerations.

**Table 21**  
**Proforma Annual Rate Adjustments**

Fiscal Year	Inflation	Additional	Total
2003	2.33%	0.00%	2.33%
2004	2.50%	0.00%	2.50%
2005	2.50%	0.00%	2.50%
2006	2.50%	2.50%	5.00%
2007	2.50%	2.50%	5.00%
2008	2.50%	4.00%	6.50%
2009	2.50%	4.00%	6.50%
2010	2.50%	4.00%	6.50%
2011	2.50%	0.50%	3.00%

6. The projected water rate revenue is based on the average number of billing units for each fiscal year, which takes into account annual growth projections of 0.50% commencing in fiscal year 2006, and projected billable flows based on the reduced flows experienced during the last fiscal period when water use restriction were instituted by the SFWMD. This billable flow reflects the lowest amount recorded since fiscal year 1990. The aggregated billable flow is dependent upon many factors, including but not limited to number of customers, population, types of commercial and industrial users, weather and public policies.
  
7. Other Operating Revenues are generated from services other than user rates including bulk service agreements, miscellaneous charges, and capitalized interest from the Series 2002B Bonds proceeds as detailed on Schedule 1. It should be noted that payments associated with contribution of capital including In-Plant Fees are not included as Operating Revenues for the purpose of this Report. Two items that are forecasted to change materially after the water expansion program, which is anticipated to be completed in fiscal year 2005, are the bulk water sales to Miami-Dade WASD and capitalized interest transfers during the construction period of the facility. Adjustments for these items have been addressed and included in the proforma.

8. The annual projected R&R requirements include amounts to support current facilities and operations as well as additional increases for future membrane replacements associated with a portion of the new facilities.
9. The annual debt service payments for the Series 2002B Bonds are based on projected debt service provided by the underwriter. The first thirty-six months of interest on the Series 2002B Bonds is provided for from proceeds of the Series 2002B Bonds.
10. The historical mix of water purchases and resales from and to Miami-Dade WASD shall continue until fiscal year 2005 or shall proportionally increase or decrease on a one to one fashion, netting the effect to a small dollar amount.

## CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses, as summarized within this Report, which should be read in its entirety in conjunction with the following, we are of the opinion that:

1. The City has historically provided for adequate operation of the System by employing personnel capable of operating, maintaining and expanding the water system as needed and required.
2. Historical operating revenues and expenditures reflect adequate results and the System has a history of meeting the budgeted fiscal requirements.
3. The projected water operating revenues together with Rate Stabilization funds from prior years' earnings (From Net Balance) to be budgeted from prior years for the purpose of rate stabilization will be sufficient for: (i) projected O&M expenses; (ii) projected debt service requirements; (iii) projected deposits to the R&R Fund; (iv) rate covenant requirements defined in the City's bond resolution and/or Loan Agreement of the Series 2002B Bonds; (v) continued Transfers to the City; and (vi) a portion of the Project funding.

4. The existing and projected revenues and expenses are reasonable based on: (i) historical results; (ii) the existing rate structure; (iii) the existing capital improvement program; and (iv) input and discussions from City staff.
5. The feasibility is significantly dependent upon the Project funding program discussed herein, wrap around structuring of debt service and use of prior years Carry Forward reserves.
6. The projected debt service coverage of the System is projected to be in compliance with the anticipated covenants associated with the proposed Loan Agreement.
7. The projected growth is reasonable based on redevelopment and fill-in potential within the service area.
8. The existing rates for water service appears to be reasonable and comparable to those of neighboring utilities.
9. The City has the authority to provide water service to all properties included in the projections of water revenues set forth herein.
10. Capital improvements discussed in this Report are permissible by the appropriate regulatory agencies and implementation is anticipated without undue delay or costs pursuant to current conditions.
11. The System has all the regulatory permits necessary for the operation of the facility and is expected to receive all permits necessary for the construction and continued operation of the existing and expanded System as needed.
12. The estimated life of the System's assets including this Project exceeds the estimated average life of the Series 2002B Bonds.
13. The probable Project costs identified previously are reasonable and comparable to current industry costs for similar construction.

14. Nothing came to our attention, which would adversely affect the continued operating and financial condition of the System including, but not limited to, compliance with regulatory agencies.



**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2003		2004		2005		2006		
		2002	Adjustment	Year 2	Adjustment	Year 3	Adjustment	Year 4	Adjustment	Year 5
Salaries and Related Costs										
Salaries - Full Time	3	\$ 3,588,400	\$ -	\$ 3,731,900	\$ -	\$ 3,881,200	\$ -	\$ 4,036,400	\$ 266,700	\$ 4,464,600
Salary - Disability Payments	3	-	-	-	-	-	-	-	-	-
Salaries - Temp and Part Time	3	55,000	-	57,200	-	59,500	-	61,900	3,100	67,500
Overtime - Regular Employees	3	147,700	-	153,600	-	159,700	-	166,100	8,300	181,000
Overtime - Temporary Employees	3	5,000	-	5,200	-	5,400	-	5,600	300	6,100
Executive Expense	3	2,000	-	2,100	-	2,200	-	2,300	100	2,500
Employee Appreciation Lunches	2	5,000	-	5,100	-	5,200	-	5,300	300	5,700
Employee Awards	3	2,000	-	2,100	-	2,200	-	2,300	100	2,500
FICA Taxes - Employer's Contr	3	289,900	-	301,500	-	313,600	-	326,100	16,300	355,400
Educational Reimbursement	2	5,700	-	5,800	-	5,900	-	6,000	300	6,500
Leave Payouts	3	52,900	-	55,000	-	57,200	-	59,500	3,000	64,900
Retirement - General Plan	2	158,000	-	161,700	-	165,700	-	169,800	8,500	182,500
Retirement - Others	2	58,600	-	60,000	-	61,500	-	63,000	3,200	67,800
Cafeteria Admin. Fee	3	-	-	-	-	-	-	-	-	-
Health Insurance	2	360,500	-	368,900	-	378,100	-	387,600	19,400	416,700
Group Life Insurance	2	15,600	-	16,000	-	16,400	-	16,800	800	18,000
Accidental Death & Dismemberment	2	3,600	-	3,700	-	3,800	-	3,900	200	4,200
Dental Insurance	2	18,100	-	18,500	-	19,000	-	19,500	1,000	21,000
Unemployment Insurance	2	-	-	-	-	-	-	-	-	-
Hurricane Related Expenses	2	-	-	-	-	-	-	-	-	-
<b>Total Salaries and Related Costs</b>		<b>\$ 4,768,000</b>	<b>\$ -</b>	<b>\$ 4,948,300</b>	<b>\$ -</b>	<b>\$ 5,136,600</b>	<b>\$ -</b>	<b>\$ 5,332,100</b>	<b>\$ 331,600</b>	<b>\$ 5,866,900</b>
Operating Expenses										
Self Insured Losses - Dept. Portion	2	\$ 9,500	\$ -	\$ 9,700	\$ -	\$ 9,900	\$ -	\$ 10,100	\$ -	\$ 10,400
Professional Services	5	189,500	(20,000)	173,900	(20,000)	158,200	-	162,200	-	167,100
Sanitation Service	5	20,500	-	21,000	-	21,500	-	22,000	-	22,700
Accounting and Auditing	2	25,000	-	25,600	-	26,200	-	26,900	-	27,600
Rate Case Expenses	2	-	-	-	-	-	-	-	-	-
Permits	5	4,000	-	4,100	-	4,200	-	4,300	-	4,400
Other Contractual Services	5	177,000	(20,000)	161,100	(20,000)	145,100	-	148,700	-	153,200
Contingency	2	63,000	-	64,500	-	66,100	-	67,800	-	69,500
Real Estate Taxes	1	-	-	-	-	-	-	-	-	-
Educational Programs	2	30,900	-	31,600	-	32,400	-	33,200	-	34,000
Recruiting Expenses	2	-	-	-	-	-	-	-	-	-
Travel and Auto Expenses	2	36,100	-	36,900	-	37,800	-	38,700	-	39,700
Communication Services	2	34,100	-	34,900	-	35,800	-	36,700	-	37,600
Postage	2	60,000	-	61,400	-	62,900	-	64,500	-	66,100
Utility Services	4	416,400	-	416,400	-	416,400	-	416,400	1,088,000	1,506,500
Rentals and Leases	2	10,900	-	11,200	-	11,500	-	11,800	-	12,100
Insurance and Bonds	2	10,000	-	10,200	-	10,500	-	10,800	-	11,100
Repairs and Maintenance Service	7	135,000	-	139,100	-	143,300	-	147,600	-	152,000
Promotional Activities	2	50,000	-	51,200	-	52,500	-	53,800	-	55,100
Uniform Maintenance Allowance	2	37,500	-	38,400	-	39,400	-	40,400	-	41,400
Office Supplies	5	16,200	-	16,600	-	17,000	-	17,400	-	17,900

**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2003			2004		2005		2006	
		2002	Adjustment	Year 2	Adjustment	Year 3	Adjustment	Year 4	Adjustment	Year 5
Purchasing Card Expenses	1	-	-	-	-	-	-	-	-	-
Operating Supplies	7	118,700	(8,000)	114,300	(16,000)	101,700	-	104,800	25,400	133,300
Purchase of Water from County	2	2,960,200	-	2,960,200	-	2,960,200	-	2,960,200	(2,860,200)	100,000
Books and Memberships	2	25,700	-	26,300	-	27,000	-	27,700	-	28,400
Fuels & Lubricants	5	2,500	-	2,600	-	2,700	-	2,800	-	2,900
Other Operating Expenses	7	500	-	500	-	500	-	500	-	500
Mail Room Copier Expenses	2	2,500	-	2,600	-	2,700	-	2,800	-	2,900
Lime	5	300,000	(10,000)	297,000	(10,000)	294,400	-	301,800	(149,000)	161,900
Chlorine	5	76,800	-	78,600	-	80,600	-	82,600	123,600	208,700
Ammonia	5	17,600	-	18,000	-	18,500	-	19,000	5,500	25,100
Carbon Dioxide	5	26,300	-	26,900	-	27,600	-	28,300	(15,300)	13,900
Flouride	5	32,000	-	32,700	-	33,500	-	34,300	9,900	45,200
Other Chemicals	5	10,500	-	10,700	-	11,000	-	11,300	327,900	339,500
Sludge Removal	5	100,000	-	102,300	-	104,900	-	107,500	83,900	194,600
Sludge Pit Cleaning	5	1,500	-	1,500	-	1,500	-	1,500	-	1,500
Services by Other Depts.	2	-	-	-	-	-	-	-	-	-
Maint - Valves, Mains, Services, Hyd	7	65,000	(10,000)	57,000	-	58,700	-	60,500	-	62,300
Purchase of Inventory	2	-	-	-	-	-	-	-	-	-
Uncollectable Accounts	1	500	-	500	-	500	-	500	-	500
Maintenance Meters	2	88,500	-	90,600	-	92,900	-	95,200	-	97,600
Total Operating Expenses		\$ 5,154,400	\$ (68,000)	\$ 5,130,100	\$ (66,000)	\$ 5,109,600	\$ -	\$ 5,154,600	\$ (1,360,300)	\$ 3,847,200
<b>Total O&amp;M</b>		<b>\$ 9,922,400</b>	<b>\$ (68,000)</b>	<b>\$ 10,078,400</b>	<b>\$ (66,000)</b>	<b>\$ 10,246,200</b>	<b>\$ -</b>	<b>\$ 10,486,700</b>	<b>\$ (1,028,700)</b>	<b>\$ 9,714,100</b>
Renewal and Replacement Projects	2	\$ 165,000	\$ -	\$ 168,800	\$ -	\$ 173,000	\$ -	\$ 177,300		\$ 181,700
Depreciation	1	-	-	-	-	-	-	-	-	-
Subtotal		\$ 165,000	\$ -	\$ 168,800	\$ -	\$ 173,000	\$ -	\$ 177,300	\$ -	\$ 181,700
Other Expenses										
Other Debt Service Costs	1	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200
Interest on Deposits	1	60,000	-	60,000	-	60,000	-	60,000	-	60,000
Repay Inplant loan made to fireflow	Input	200,000	-	200,000	-	200,000	-	200,000	-	200,000
Existing Debt Service	Input	371,000	-	386,800	-	655,300	-	651,900	-	652,800
Proposed Debt Service	Input	867,100	-	3,468,600	-	3,468,600	-	3,468,600	-	3,568,600
Capital Lease Interest	Input	46,000	-	46,000	-	46,000	-	46,000	-	46,000
Capital Lease Principal	Input	652,300	-	652,300	-	652,300	(200,000)	452,300	(200,000)	252,300
Contribution to General Fund	1	2,400,000	-	2,584,800	-	2,652,900	-	2,726,500	-	2,800,300
Transfer to Revenue Reserve	1	120,000	(70,000)	50,000	-	50,000	-	50,000	-	50,000
Transfer to Liability Self-Insur Fund	1	125,000	-	125,000	-	125,000	-	125,000	-	125,000
Transfer to Workers Comp Self Ins.	1	98,900	-	98,900	-	98,900	-	98,900	-	98,900
Total Other Expenses		\$ 4,948,500	\$ (70,000)	\$ 7,680,600	\$ -	\$ 8,017,200	\$ (200,000)	\$ 7,887,400	\$ (200,000)	\$ 7,862,100
Capital Outlays										
Land	Input	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	Input	-	-	-	-	-	-	-	-	-
Improvements Other Than Buildings	Input	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Machinery & Equipment	Input	137,500	-	137,500	-	137,500	-	137,500	-	137,500
Data Processing Equipment	Input	25,000	-	25,000	-	25,000	-	25,000	-	25,000
Financed Equipment	Input	288,100	-	288,100	-	288,100	-	288,100	-	288,100
Total Capital Outlays		\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600
<b>TOTAL WATER REQUIREMENTS</b>		<b>\$ 15,421,500</b>	<b>\$ (138,000)</b>	<b>\$ 18,309,600</b>	<b>\$ (66,000)</b>	<b>\$ 18,814,000</b>	<b>\$ (200,000)</b>	<b>\$ 18,924,700</b>	<b>\$ (1,228,700)</b>	<b>\$ 18,126,800</b>

**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2003		2004		2005		2006		
		2002	Adjustment	Year 2	Adjustment	Year 3	Adjustment	Year 4	Adjustment	Year 5
<b>Revenue other than Rates</b>										
Partial Carryover from prior years	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bulk Water Sales - WASA	6	2,145,000	-	2,195,000	-	2,249,900	-	2,306,100	100,000	100,000
Bulk Water Sales - Hallandale	6	100,000	-	102,300	-	104,900	-	107,500	-	112,900
Hydrant Rental	6	37,000	-	37,900	-	38,800	-	39,800	-	41,800
Admin. To Sewer Division	1	35,000	-	35,000	-	35,000	-	35,000	-	35,000
Penalties	6	192,000	-	196,500	-	201,400	-	206,400	-	216,700
Backflow Inspection Fee	6	30,000	-	30,700	-	31,500	-	32,300	-	33,900
Underground Inspection Fee	6	-	-	-	-	-	-	-	-	-
Re-Inspection Fee	6	-	-	-	-	-	-	-	-	-
Field Meter & Bench Test Fee	6	-	-	-	-	-	-	-	-	-
Water Sampling Fee	6	-	-	-	-	-	-	-	-	-
Plan Review Fee - Developers	6	-	-	-	-	-	-	-	-	-
Plan Review Fee - Per Project	6	-	-	-	-	-	-	-	-	-
Oversized Copy Fee	1	-	-	-	-	-	-	-	-	-
Interest on Water Bond Reserves	1	-	-	-	-	-	-	-	-	-
Capitalized Interest	1	867,100	-	3,468,600	-	3,468,600	(867,100)	2,601,500	-	-
Interest on Pooled Investment	1	35,000	-	35,000	-	35,000	-	35,000	-	35,000
Inplant Fees - SBA #2	1	-	-	-	-	-	-	-	-	-
Customer Deposits - SBA #4	1	140,000	-	140,000	-	140,000	-	140,000	-	140,000
Pooled Interests - SBA #1	1	150,000	-	150,000	-	150,000	-	150,000	-	150,000
P.S. BLDG 1st Floor Rent	1	14,400	-	14,400	-	14,400	-	14,400	-	14,400
General Fund Rental of Vehicles	1	75,000	-	75,000	-	75,000	-	75,000	-	75,000
N.D. Sewer Fund Rental of Vehicles	1	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Sale of Surplus Land	1	-	-	-	-	-	-	-	-	-
Surplus Equipment Disposals	1	-	-	-	-	-	-	-	-	-
Scrap Sales	1	-	-	-	-	-	-	-	-	-
Refund of Prior Year Expenditures	1	-	-	-	-	-	-	-	-	-
Reimb from NMB Comm Sewer Fund	1	-	-	-	-	-	-	-	-	-
Reib/Use of City Employees & Supplies	1	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Claim Restitutions	1	-	-	-	-	-	-	-	-	-
Other Miscellaneous Revenues	6	225,000	-	230,200	-	236,000	-	241,900	-	254,000
Lease Proceeds - Water Fund	1	288,100	-	288,100	-	288,100	-	288,100	-	288,100
FY 00 Water Bonds	1	-	-	-	-	-	-	-	-	-
TRF from In-Plant Reserves	1	-	-	-	-	-	-	-	-	-
TRF from Fireflow Reserves	1	200,000	-	200,000	-	200,000	-	200,000	-	200,000
Depreciation off-set	1	-	-	-	-	-	-	-	-	-
<b>Total Other Revenues</b>		\$ 4,733,600	\$ -	\$ 7,398,700	\$ -	\$ 7,468,600	\$ (867,100)	\$ 6,673,000	\$ 100,000	\$ 1,896,800

**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2007		2008		2009		2010		2011	
		Adjustment	Year 6	Adjustment	Year 7	Adjustment	Year 8	Adjustment	Year 9	Adjustment	Year 10
<b>Salaries and Related Costs</b>											
Salaries - Full Time	3	\$ -	\$ 4,643,200	\$ -	\$ 4,828,900	\$ -	\$ 5,022,100	\$ -	\$ 5,223,000	\$ -	\$ 5,431,900
Salary - Disability Payments	3	-	-	-	-	-	-	-	-	-	-
Salaries - Temp and Part Time	3	-	70,200	-	73,000	-	75,900	-	78,900	-	82,100
Overtime - Regular Employees	3	-	188,200	-	195,700	-	203,500	-	211,600	-	220,100
Overtime - Temporary Employees	3	-	6,300	-	6,600	-	6,900	-	7,200	-	7,500
Executive Expense	3	-	2,600	-	2,700	-	2,800	-	2,900	-	3,000
Employee Appreciation Lunches	2	-	5,800	-	5,900	-	6,000	-	6,200	-	6,400
Employee Awards	3	-	2,600	-	2,700	-	2,800	-	2,900	-	3,000
FICA Taxes - Employer's Contr	3	-	369,600	-	384,400	-	399,800	-	415,800	-	432,400
Educational Reimbursement	2	-	6,700	-	6,900	-	7,100	-	7,300	-	7,500
Leave Payouts	3	-	67,500	-	70,200	-	73,000	-	75,900	-	78,900
Retirement - General Plan	2	-	187,100	-	191,800	-	196,600	-	201,500	-	206,500
Retirement - Others	2	-	69,500	-	71,200	-	73,000	-	74,800	-	76,700
Cafeteria Admin. Fee	3	-	-	-	-	-	-	-	-	-	-
Health Insurance	2	-	427,100	-	437,800	-	448,700	-	459,900	-	471,400
Group Life Insurance	2	-	18,500	-	19,000	-	19,500	-	20,000	-	20,500
Accidental Death & Dismemberment	2	-	4,300	-	4,400	-	4,500	-	4,600	-	4,700
Dental Insurance	2	-	21,500	-	22,000	-	22,600	-	23,200	-	23,800
Unemployment Insurance	2	-	-	-	-	-	-	-	-	-	-
Hurricane Related Expenses	2	-	-	-	-	-	-	-	-	-	-
<b>Total Salaries and Related Costs</b>		<b>\$ -</b>	<b>\$ 6,090,700</b>	<b>\$ -</b>	<b>\$ 6,323,200</b>	<b>\$ -</b>	<b>\$ 6,564,800</b>	<b>\$ -</b>	<b>\$ 6,815,700</b>	<b>\$ -</b>	<b>\$ 7,076,400</b>
<b>Operating Expenses</b>											
Self Insured Losses - Dept. Portion	2	\$ -	\$ 10,700	\$ -	\$ 11,000	\$ -	\$ 11,300	\$ -	\$ 11,600	\$ -	\$ 11,900
Professional Services	5	-	172,100	-	177,300	-	182,600	-	188,100	-	193,800
Sanitation Service	5	-	23,400	-	24,100	-	24,800	-	25,500	-	26,300
Accounting and Auditing	2	-	28,300	-	29,000	-	29,700	-	30,400	-	31,200
Rate Case Expenses	2	-	-	-	-	-	-	-	-	-	-
Permits	5	-	4,500	-	4,600	-	4,700	-	4,800	-	4,900
Other Contractual Services	5	-	157,800	-	162,600	-	167,500	-	172,500	-	177,700
Contingency	2	-	71,200	-	73,000	-	74,800	-	76,700	-	78,600
Real Estate Taxes	1	-	-	-	-	-	-	-	-	-	-
Educational Programs	2	-	34,900	-	35,800	-	36,700	-	37,600	-	38,500
Recruiting Expenses	2	-	-	-	-	-	-	-	-	-	-
Travel and Auto Expenses	2	-	40,700	-	41,700	-	42,700	-	43,800	-	44,900
Communication Services	2	-	38,500	-	39,500	-	40,500	-	41,500	-	42,500
Postage	2	-	67,800	-	69,500	-	71,200	-	73,000	-	74,800
Utility Services	4	-	1,514,000	-	1,521,600	-	1,529,200	-	1,536,800	-	1,544,500
Rentals and Leases	2	-	12,400	-	12,700	-	13,000	-	13,300	-	13,600
Insurance and Bonds	2	-	11,400	-	11,700	-	12,000	-	12,300	-	12,600
Repairs and Maintenance Service	7	-	156,600	-	161,300	-	166,100	-	171,100	-	176,200
Promotional Activities	2	-	56,500	-	57,900	-	59,300	-	60,800	-	62,300
Uniform Maintenance Allowance	2	-	42,400	-	43,500	-	44,600	-	45,700	-	46,800
Office Supplies	5	-	18,400	-	19,000	-	19,600	-	20,200	-	20,800

**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2007		2008		2009		2010		2011	
		Adjustment	Year 6	Adjustment	Year 7	Adjustment	Year 8	Adjustment	Year 9	Adjustment	Year 10
Purchasing Card Expenses	1	-	-	-	-	-	-	-	-	-	-
Operating Supplies	7	-	137,300	-	141,400	-	145,600	-	150,000	-	154,500
Purchase of Water from County	2	-	102,500	-	105,100	-	107,700	-	110,400	-	113,200
Books and Memberships	2	-	29,100	-	29,800	-	30,500	-	31,300	-	32,100
Fuels & Lubricants	5	-	3,000	-	3,100	-	3,200	-	3,300	-	3,400
Other Operating Expenses	7	-	500	-	500	-	500	-	500	-	500
Mail Room Copier Expenses	2	-	3,000	-	3,100	-	3,200	-	3,300	-	3,400
Line	5	-	166,800	-	171,800	-	177,000	-	182,300	-	187,800
Chlorine	5	-	215,000	-	221,500	-	228,200	-	235,100	-	242,200
Ammonia	5	-	25,900	-	26,700	-	27,500	-	28,300	-	29,200
Carbon Dioxide	5	-	14,300	-	14,700	-	15,100	-	15,600	-	16,100
Flouride	5	-	46,600	-	48,000	-	49,400	-	50,900	-	52,400
Other Chemicals	5	-	349,700	-	360,200	-	371,000	-	382,200	-	393,700
Sludge Removal	5	-	200,500	-	206,500	-	212,700	-	219,100	-	225,700
Sludge Pit Cleaning	5	-	1,500	-	1,500	-	1,500	-	1,500	-	1,500
Services by Other Depts.	2	-	-	-	-	-	-	-	-	-	-
Maint - Valves, Mains, Services, Hyd	7	-	64,200	-	66,100	-	68,100	-	70,100	-	72,200
Purchase of Inventory	2	-	-	-	-	-	-	-	-	-	-
Uncollectable Accounts	1	-	500	-	500	-	500	-	500	-	500
Maintenance Meters	2	-	100,000	-	102,500	-	105,100	-	107,700	-	110,400
Total Operating Expenses		\$ -	\$ 3,922,000	\$ -	\$ 3,998,800	\$ -	\$ 4,077,100	\$ -	\$ 4,157,800	\$ -	\$ 4,240,700
<b>Total O&amp;M</b>		<b>\$ -</b>	<b>\$ 10,012,700</b>	<b>\$ -</b>	<b>\$ 10,322,000</b>	<b>\$ -</b>	<b>\$ 10,641,900</b>	<b>\$ -</b>	<b>\$ 10,973,500</b>	<b>\$ -</b>	<b>\$ 11,317,100</b>
Renewal and Replacement Projects	2	\$ 100,000	\$ 286,200	\$ 140,000	\$ 433,400	\$ 180,000	\$ 624,200	\$ 220,000	\$ 859,800	\$ -	\$ 881,300
Depreciation	1	-	-	-	-	-	-	-	-	-	-
Subtotal		\$ 100,000	\$ 286,200	\$ 140,000	\$ 433,400	\$ 180,000	\$ 624,200	\$ 220,000	\$ 859,800	\$ -	\$ 881,300
Other Expenses											
Other Debt Service Costs	1	\$ -	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200	\$ -	\$ 8,200
Interest on Deposits	1	-	60,000	-	60,000	-	60,000	-	60,000	-	60,000
Repay Inplant loan made to fireflow	Input	-	200,000	-	200,000	-	200,000	-	200,000	-	200,000
Existing Debt Service	Input	-	652,900	-	652,100	-	650,400	-	652,600	-	653,900
Proposed Debt Service	Input	-	3,500,100	-	3,493,800	-	3,612,700	-	3,831,600	-	4,930,900
Capital Lease Interest	Input	-	46,000	-	46,000	-	46,000	-	46,000	-	46,000
Capital Lease Principal	Input	(52,300)	200,000	-	200,000	-	200,000	-	200,000	-	200,000
Contribution to General Fund	1	-	2,966,900	-	3,135,000	-	3,362,700	-	3,609,300	-	3,875,100
Transfer to Revenue Reserve	1	-	50,000	-	50,000	-	50,000	-	50,000	-	50,000
Transfer to Liability Self-Insur Fund	1	-	125,000	-	125,000	-	125,000	-	125,000	-	125,000
Transfer to Workers Comp Self Ins.	1	-	98,900	-	98,900	-	98,900	-	98,900	-	98,900
Total Other Expenses		\$ (52,300)	\$ 7,908,000	\$ -	\$ 8,069,000	\$ -	\$ 8,413,900	\$ -	\$ 8,881,600	\$ -	\$ 10,248,000
Capital Outlays											
Land	Input	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	Input	-	-	-	-	-	-	-	-	-	-
Improvements Other Than Buildings	Input	-	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Machinery & Equipment	Input	-	137,500	-	137,500	-	137,500	-	137,500	-	137,500
Data Processing Equipment	Input	-	25,000	-	25,000	-	25,000	-	25,000	-	25,000
Financed Equipment	Input	-	288,100	-	288,100	-	288,100	-	288,100	-	288,100
Total Capital Outlays		\$ -	\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600	\$ -	\$ 550,600
<b>TOTAL WATER REQUIREMENTS</b>		<b>\$ (52,300)</b>	<b>\$ 18,471,300</b>	<b>\$ -</b>	<b>\$ 18,941,600</b>	<b>\$ -</b>	<b>\$ 19,606,400</b>	<b>\$ -</b>	<b>\$ 20,405,700</b>	<b>\$ -</b>	<b>\$ 22,115,700</b>

**Schedule 1**  
**Projected Cash Flow Requirements**  
**Water System**

Account	Escalation Factor	2007		2008		2009		2010		2011	
		Adjustment	Year 6	Adjustment	Year 7	Adjustment	Year 8	Adjustment	Year 9	Adjustment	Year 10
<b>Revenue other than Rates</b>											
Partial Carryover from prior years	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bulk Water Sales - WASA	6	-	105,000	-	111,800	-	119,100	-	126,800	-	130,600
Bulk Water Sales - Hallandale	6	-	118,500	-	126,200	-	134,400	-	143,100	-	147,400
Hydrant Rental	6	-	43,900	-	46,800	-	49,800	-	53,000	-	54,600
Admin. To Sewer Division	1	-	35,000	-	35,000	-	35,000	-	35,000	-	35,000
Penalties	6	-	227,500	-	242,300	-	258,000	-	274,800	-	283,000
Backflow Inspection Fee	6	-	35,600	-	37,900	-	40,400	-	43,000	-	44,300
Underground Inspection Fee	6	-	-	-	-	-	-	-	-	-	-
Re-Inspection Fee	6	-	-	-	-	-	-	-	-	-	-
Field Meter & Bench Test Fee	6	-	-	-	-	-	-	-	-	-	-
Water Sampling Fee	6	-	-	-	-	-	-	-	-	-	-
Plan Review Fee - Developers	6	-	-	-	-	-	-	-	-	-	-
Plan Review Fee - Per Project	6	-	-	-	-	-	-	-	-	-	-
Oversized Copy Fee	1	-	-	-	-	-	-	-	-	-	-
Interest on Water Bond Reserves	1	-	-	-	-	-	-	-	-	-	-
Capitalized Interest	1	-	-	-	-	-	-	-	-	-	-
Interest on Pooled Investment	1	-	35,000	-	35,000	-	35,000	-	35,000	-	35,000
Inplant Fees - SBA #2	1	-	-	-	-	-	-	-	-	-	-
Customer Deposits - SBA #4	1	-	140,000	-	140,000	-	140,000	-	140,000	-	140,000
Pooled Interests - SBA #1	1	-	150,000	-	150,000	-	150,000	-	150,000	-	150,000
P.S. BLDG 1st Floor Rent	1	-	14,400	-	14,400	-	14,400	-	14,400	-	14,400
General Fund Rental of Vehicles	1	-	75,000	-	75,000	-	75,000	-	75,000	-	75,000
N.D. Sewer Fund Rental of Vehicles	1	-	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Sale of Surplus Land	1	-	-	-	-	-	-	-	-	-	-
Surplus Equipment Disposals	1	-	-	-	-	-	-	-	-	-	-
Scrap Sales	1	-	-	-	-	-	-	-	-	-	-
Refund of Prior Year Expenditures	1	-	-	-	-	-	-	-	-	-	-
Reimb from NMB Comm Sewer Fund	1	-	-	-	-	-	-	-	-	-	-
Reib/Use of City Employees & Supplies	1	-	100,000	-	100,000	-	100,000	-	100,000	-	100,000
Claim Restitutions	1	-	-	-	-	-	-	-	-	-	-
Other Miscellaneous Revenues	6	-	266,700	-	284,000	-	302,500	-	322,200	-	331,900
Lease Proceeds - Water Fund	1	-	288,100	-	288,100	-	288,100	-	288,100	-	288,100
FY 00 Water Bonds	1	-	-	-	-	-	-	-	-	-	-
TRF from In-Plant Reserves	1	-	-	-	-	-	-	-	-	-	-
TRF from Fireflow Reserves	1	-	-	-	-	-	-	-	-	-	-
Depreciation off-set	1	-	-	-	-	-	-	-	-	-	-
<b>Total Other Revenues</b>		\$ -	\$ 1,734,700	\$ -	\$ 1,786,500	\$ -	\$ 1,841,700	\$ -	\$ 1,900,400	\$ -	\$ 1,929,300

**Schedule 1A**  
**Escalation Reference Factors**  
**Water System**

<u>Category</u>	<u>Escalation Reference</u>	<u>2003 Year 2</u>	<u>2004 Year 3</u>	<u>2005 Year 4</u>	<u>2006 Year 5</u>
Zero	0	-	-	-	-
Constant Factor	1	1.000	1.000	1.000	1.000
General Inflation	2	1.023	1.025	1.025	1.025
Labor Escalator	3	1.040	1.040	1.040	1.040
Customer Growth Factor	4	1.000	1.000	1.000	1.005
Customer Growth / Inflation Factor	5	1.023	1.025	1.025	1.030
Rate Revenue Factor	6	1.023	1.025	1.025	1.050
Supplies / Repairs & Maintenance	7	1.030	1.030	1.030	1.030

**Schedule 1A**  
**Escalation Reference Factors**  
**Water System**

Category	Escalation Reference	2007 Year 6	2008 Year 7	2009 Year 8	2010 Year 9	2011 Year 10
Zero	0	-	-	-	-	-
Constant Factor	1	1.000	1.000	1.000	1.000	1.000
General Inflation	2	1.025	1.025	1.025	1.025	1.025
Labor Escalator	3	1.040	1.040	1.040	1.040	1.040
Customer Growth Factor	4	1.005	1.005	1.005	1.005	1.005
Customer Growth / Inflation Factor	5	1.030	1.030	1.030	1.030	1.030
Rate Revenue Factor	6	1.050	1.065	1.065	1.065	1.030
Supplies / Repairs & Maintenance	7	1.030	1.030	1.030	1.030	1.030



**Schedule 2**  
**Projected User Rate Revenues**  
**Water System**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Billing Charges - Inside</b>					
Single Family	\$ 202,100	\$ 207,400	\$ 213,400	\$ 219,300	\$ 232,300
Multi-Family	132,400	135,800	139,700	143,600	152,100
Non Residential	260,500	267,600	275,200	282,900	299,700
Subtotal	<u>\$ 595,000</u>	<u>\$ 610,800</u>	<u>\$ 628,300</u>	<u>\$ 645,800</u>	<u>\$ 684,100</u>
<b>Billing Charges - Outside</b>					
Single Family	\$ 544,800	\$ 559,200	\$ 575,200	\$ 591,200	\$ 626,300
Multi-Family	282,400	289,900	298,100	306,500	324,800
Non Residential	633,400	650,200	669,000	687,600	728,000
Subtotal	<u>\$ 1,460,600</u>	<u>\$ 1,499,300</u>	<u>\$ 1,542,300</u>	<u>\$ 1,585,300</u>	<u>\$ 1,679,100</u>
<b>Total Billing Charges</b>	<b>\$ 2,055,600</b>	<b>\$ 2,110,100</b>	<b>\$ 2,170,600</b>	<b>\$ 2,231,100</b>	<b>\$ 2,363,200</b>
<b>Consumption Charges - Inside</b>					
Base Consumption					
Single Family	\$ 800,500	\$ 821,800	\$ 843,200	\$ 864,500	\$ 917,100
Multi-Family	754,100	776,500	798,800	821,100	870,100
Non Residential	100,000	102,600	105,300	108,000	114,500
Subtotal	<u>\$ 1,654,600</u>	<u>\$ 1,700,900</u>	<u>\$ 1,747,300</u>	<u>\$ 1,793,600</u>	<u>\$ 1,901,700</u>
First Conservation Blk					
Single Family	\$ 137,900	\$ 141,100	\$ 145,200	\$ 149,200	\$ 158,100
Multi-Family	75,700	77,700	79,700	82,200	87,100
Non Residential	72,500	74,200	76,300	78,400	83,100
Subtotal	<u>\$ 286,100</u>	<u>\$ 293,000</u>	<u>\$ 301,200</u>	<u>\$ 309,800</u>	<u>\$ 328,300</u>
Second Conservation Blk					
Single Family	\$ 88,900	\$ 91,000	\$ 93,600	\$ 96,100	\$ 101,700
Multi-Family	16,000	16,400	16,800	17,200	18,300
Non Residential	647,800	663,300	681,800	700,300	741,000
Subtotal	<u>\$ 752,700</u>	<u>\$ 770,700</u>	<u>\$ 792,200</u>	<u>\$ 813,600</u>	<u>\$ 861,000</u>

**Schedule 2**  
**Projected User Rate Revenues**  
**Water System**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Consumption Charges - Outside</b>					
Base Consumption					
Single Family	\$ 2,318,600	\$ 2,380,400	\$ 2,442,200	\$ 2,504,100	\$ 2,656,400
Multi-Family	2,213,500	2,279,100	2,344,700	2,410,300	2,554,400
Non Residential	192,600	197,700	202,800	208,000	220,600
Subtotal	<u>\$ 4,724,700</u>	<u>\$ 4,857,200</u>	<u>\$ 4,989,700</u>	<u>\$ 5,122,400</u>	<u>\$ 5,431,400</u>
First Conservation Blk					
Single Family	\$ 461,200	\$ 472,100	\$ 485,700	\$ 499,200	\$ 529,000
Multi-Family	107,900	110,700	113,600	117,100	124,100
Non Residential	176,800	181,000	186,200	191,400	202,800
Subtotal	<u>\$ 745,900</u>	<u>\$ 763,800</u>	<u>\$ 785,500</u>	<u>\$ 807,700</u>	<u>\$ 855,900</u>
Second Conservation Blk					
Single Family	\$ 313,500	\$ 321,000	\$ 330,000	\$ 338,900	\$ 358,600
Multi-Family	7,500	7,700	7,900	8,100	8,600
Non Residential	2,461,500	2,520,100	2,590,500	2,660,800	2,815,400
Subtotal	<u>\$ 2,782,500</u>	<u>\$ 2,848,800</u>	<u>\$ 2,928,400</u>	<u>\$ 3,007,800</u>	<u>\$ 3,182,600</u>
<b>Total Consumption Charges</b>	<b>\$ 10,946,500</b>	<b>\$ 11,234,400</b>	<b>\$ 11,544,300</b>	<b>\$ 11,854,900</b>	<b>\$ 12,560,900</b>
<b>Total Revenues</b>	<b>\$ 13,002,100</b>	<b>\$ 13,344,500</b>	<b>\$ 13,714,900</b>	<b>\$ 14,086,000</b>	<b>\$ 14,924,100</b>
<b>Rate Adjustments Above Inflation</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>2.500%</b>

**Schedule 2**  
**Projected User Rate Revenues**  
**Water System**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Billing Charges - Inside</b>					
Single Family	\$ 245,400	\$ 263,200	\$ 282,700	\$ 303,800	\$ 314,500
Multi-Family	160,400	171,900	184,500	198,200	205,000
Non Residential	316,500	339,200	364,300	391,500	405,100
Subtotal	\$ 722,300	\$ 774,300	\$ 831,500	\$ 893,500	\$ 924,600
<b>Billing Charges - Outside</b>					
Single Family	\$ 661,700	\$ 709,600	\$ 762,000	\$ 819,100	\$ 847,800
Multi-Family	343,200	368,200	395,400	425,200	440,000
Non Residential	769,100	824,500	885,300	951,400	984,500
Subtotal	\$ 1,774,000	\$ 1,902,300	\$ 2,042,700	\$ 2,195,700	\$ 2,272,300
<b>Total Billing Charges</b>	<b>\$ 2,496,300</b>	<b>\$ 2,676,600</b>	<b>\$ 2,874,200</b>	<b>\$ 3,089,200</b>	<b>\$ 3,196,900</b>
<b>Consumption Charges - Inside</b>					
Base Consumption					
Single Family	\$ 970,200	\$ 1,040,100	\$ 1,116,000	\$ 1,198,200	\$ 1,242,700
Multi-Family	919,500	986,400	1,059,600	1,139,200	1,179,200
Non Residential	121,100	129,900	139,300	149,600	155,100
Subtotal	\$ 2,010,800	\$ 2,156,400	\$ 2,314,900	\$ 2,487,000	\$ 2,577,000
First Conservation Blk					
Single Family	\$ 167,100	\$ 179,500	\$ 192,800	\$ 207,000	\$ 214,700
Multi-Family	92,000	98,500	105,500	113,100	117,200
Non Residential	87,800	94,300	101,300	108,800	112,800
Subtotal	\$ 346,900	\$ 372,300	\$ 399,600	\$ 428,900	\$ 444,700
Second Conservation Blk					
Single Family	\$ 107,300	\$ 115,200	\$ 123,500	\$ 132,400	\$ 137,400
Multi-Family	19,300	20,700	22,200	23,700	24,600
Non Residential	782,000	839,100	899,900	964,400	1,000,900
Subtotal	\$ 908,600	\$ 975,000	\$ 1,045,600	\$ 1,120,500	\$ 1,162,900

**Schedule 2**  
**Projected User Rate Revenues**  
**Water System**

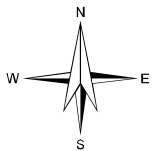
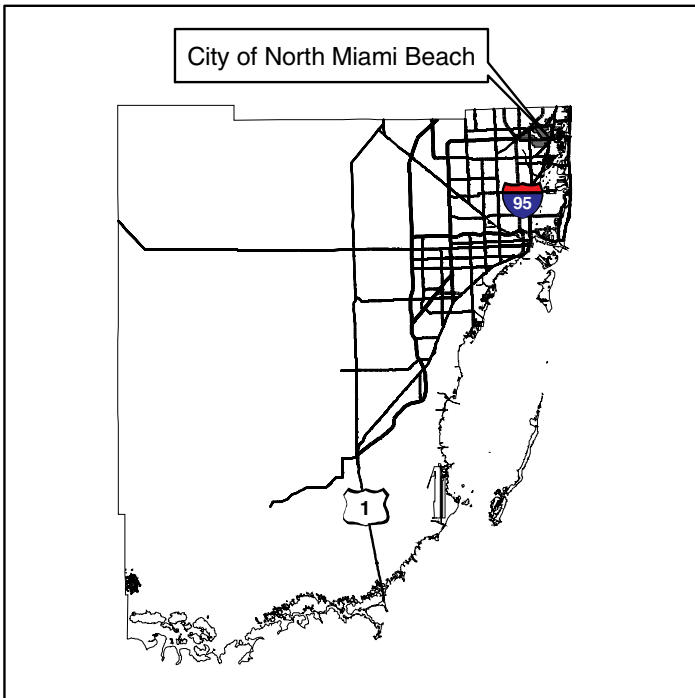
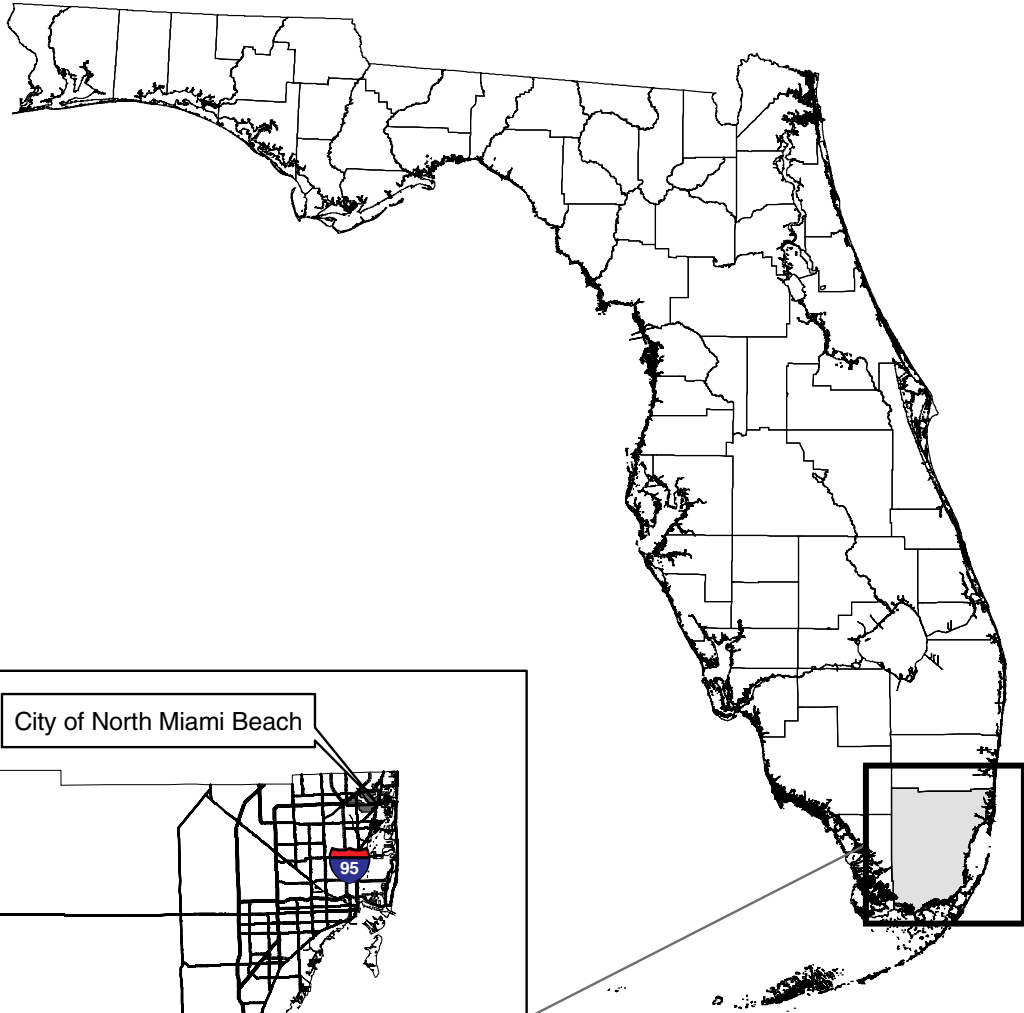
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Consumption Charges - Outside</b>					
Base Consumption					
Single Family	\$ 2,810,200	\$ 3,012,500	\$ 3,232,500	\$ 3,470,500	\$ 3,599,400
Multi-Family	2,699,800	2,896,500	3,111,800	3,345,900	3,463,900
Non Residential	233,400	250,200	268,500	288,200	298,900
Subtotal	<u>\$ 5,743,400</u>	<u>\$ 6,159,200</u>	<u>\$ 6,612,800</u>	<u>\$ 7,104,600</u>	<u>\$ 7,362,200</u>
First Conservation Blk					
Single Family	\$ 559,000	\$ 600,400	\$ 644,900	\$ 692,600	\$ 718,500
Multi-Family	131,100	140,400	150,400	161,300	167,200
Non Residential	214,300	230,100	247,200	265,500	275,400
Subtotal	<u>\$ 904,400</u>	<u>\$ 970,900</u>	<u>\$ 1,042,500</u>	<u>\$ 1,119,400</u>	<u>\$ 1,161,100</u>
Second Conservation Blk					
Single Family	\$ 378,500	\$ 406,200	\$ 435,600	\$ 466,900	\$ 484,600
Multi-Family	9,100	9,700	10,400	11,100	11,600
Non Residential	2,971,500	3,188,600	3,419,700	3,665,000	3,803,800
Subtotal	<u>\$ 3,359,100</u>	<u>\$ 3,604,500</u>	<u>\$ 3,865,700</u>	<u>\$ 4,143,000</u>	<u>\$ 4,300,000</u>
<b>Total Consumption Charges</b>	<b>\$ 13,273,200</b>	<b>\$ 14,238,300</b>	<b>\$ 15,281,100</b>	<b>\$ 16,403,400</b>	<b>\$ 17,007,900</b>
<b>Total Revenues</b>	<b>\$ 15,769,500</b>	<b>\$ 16,914,900</b>	<b>\$ 18,155,300</b>	<b>\$ 19,492,600</b>	<b>\$ 20,204,800</b>
<b>Rate Adjustments Above Inflation</b>	<b>2.500%</b>	<b>4.000%</b>	<b>4.000%</b>	<b>4.000%</b>	<b>0.500%</b>

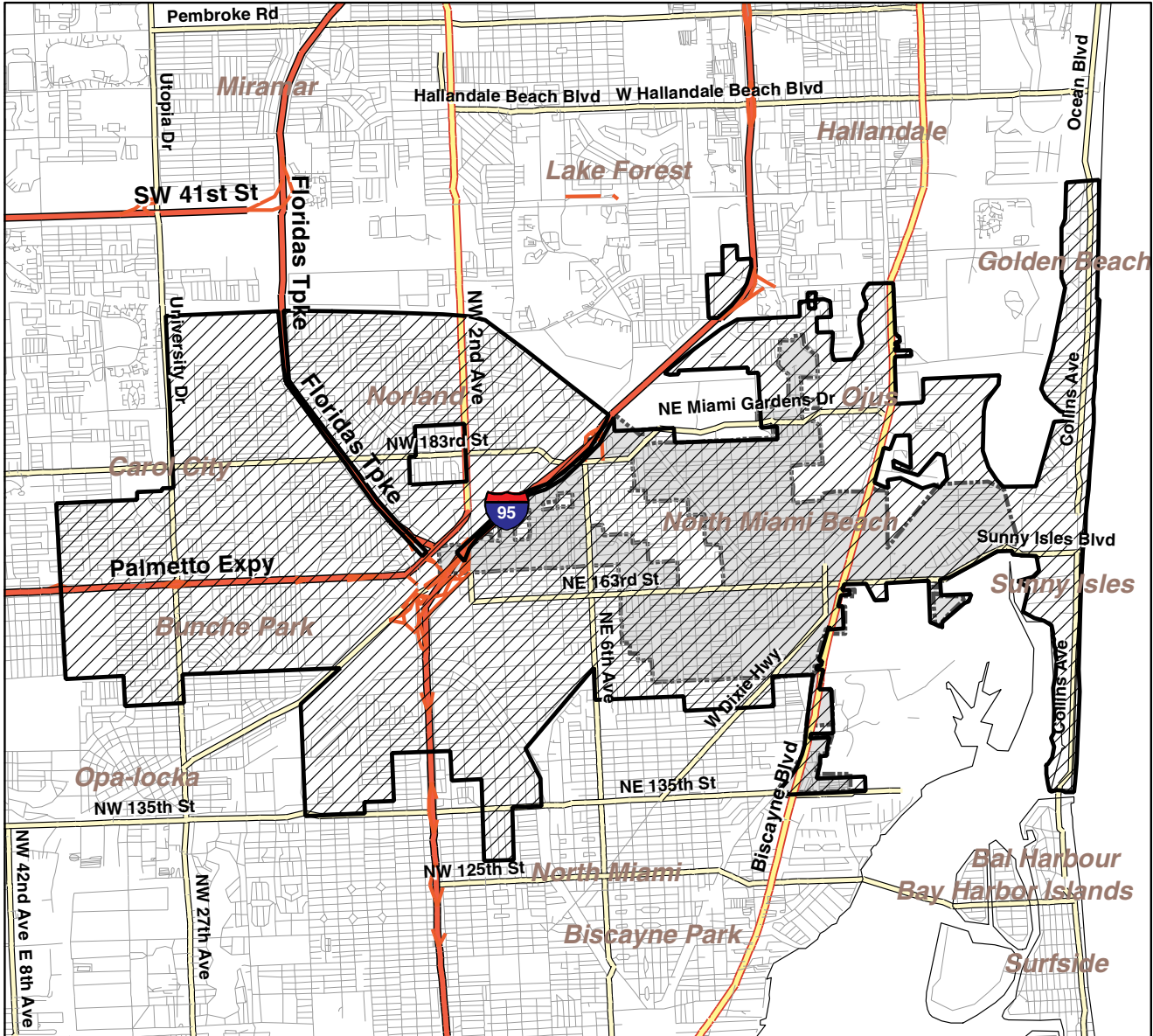
**Schedule 3**  
**Proforma Cash Flow Statement**  
**Water System**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Revenues</b>					
User Fees					
Billing	\$ 2,055,600	\$ 2,110,100	\$ 2,170,600	\$ 2,231,100	\$ 2,363,200
Consumption	10,946,500	11,234,400	11,544,300	11,854,900	12,560,900
Subtotal	\$ 13,002,100	\$ 13,344,500	\$ 13,714,900	\$ 14,086,000	\$ 14,924,100
Other Operating Revenues	4,733,600	7,398,700	7,468,600	6,673,000	1,896,800
<b>Total Operating Revenues</b>	<b>\$ 17,735,700</b>	<b>\$ 20,743,200</b>	<b>\$ 21,183,500</b>	<b>\$ 20,759,000</b>	<b>\$ 16,820,900</b>
O&M Expenses	9,922,400	10,078,400	10,246,200	10,486,700	9,714,100
<b>Net Operating Income</b>	<b>\$ 7,813,300</b>	<b>\$ 10,664,800</b>	<b>\$ 10,937,300</b>	<b>\$ 10,272,300</b>	<b>\$ 7,106,800</b>
<b>Debt Service</b>					
Existing	\$ 371,000	\$ 386,800	\$ 655,300	\$ 651,900	\$ 651,900
Proposed	867,100	3,468,600	3,468,600	3,468,600	3,568,600
<b>Total Debt Service</b>	<b>\$ 1,238,100</b>	<b>\$ 3,855,400</b>	<b>\$ 4,123,900</b>	<b>\$ 4,120,500</b>	<b>\$ 4,220,500</b>
<b>Operating Balance</b>	<b>\$ 6,575,200</b>	<b>\$ 6,809,400</b>	<b>\$ 6,813,400</b>	<b>\$ 6,151,800</b>	<b>\$ 2,886,300</b>
<b>Other</b>					
Renewal and Replacement	\$ 165,000	\$ 168,800	\$ 173,000	\$ 177,300	\$ 181,700
Capital	550,600	550,600	550,600	550,600	550,600
Return on Investment	2,400,000	2,584,800	2,652,900	2,726,500	2,800,300
Other Expenses	1,310,400	1,240,400	1,240,400	1,040,400	841,300
Rate Stabilization From Prior Years	-	(1,504,400)	(2,996,500)	(4,128,500)	(4,599,500)
Total Other	\$ 4,426,000	\$ 3,040,200	\$ 1,620,400	\$ 366,300	\$ (225,600)
Expansion Transfer	644,800	772,700	1,064,500	1,186,000	-
<b>Net Balance</b>	<b>\$ 1,504,400</b>	<b>\$ 2,996,500</b>	<b>\$ 4,128,500</b>	<b>\$ 4,599,500</b>	<b>\$ 3,111,900</b>
<b>Proposed Series 2002 B Debt Service Coverage</b>					
Achieved	9.01	3.07	3.15	2.96	1.99
Required	1.10	1.10	1.10	1.10	1.10
<b>Rate Adj. Above Inflation</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>2.500%</b>



**Schedule 3**  
**Proforma Cash Flow Statement**  
**Water System**

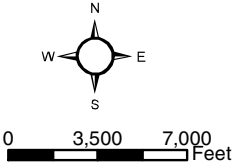
	2007	2008	2009	2010	2011
<b>Revenues</b>					
User Fees					
Billing	\$ 2,496,300	\$ 2,676,600	\$ 2,874,200	\$ 3,089,200	\$ 3,196,900
Consumption	13,273,200	14,238,300	15,281,100	16,403,400	17,007,900
Subtotal	\$ 15,769,500	\$ 16,914,900	\$ 18,155,300	\$ 19,492,600	\$ 20,204,800
Other Operating Revenues	1,734,700	1,786,500	1,841,700	1,900,400	1,929,300
<b>Total Operating Revenues</b>	<b>\$ 17,504,200</b>	<b>\$ 18,701,400</b>	<b>\$ 19,997,000</b>	<b>\$ 21,393,000</b>	<b>\$ 22,134,100</b>
O&M Expenses	10,012,700	10,322,000	10,641,900	10,973,500	11,317,100
<b>Net Operating Income</b>	<b>\$ 7,491,500</b>	<b>\$ 8,379,400</b>	<b>\$ 9,355,100</b>	<b>\$ 10,419,500</b>	<b>\$ 10,817,000</b>
<b>Debt Service</b>					
Existing	\$ 652,800	\$ 652,900	\$ 652,100	\$ 650,400	\$ 652,600
Proposed	3,500,100	3,493,800	3,612,700	3,831,600	4,930,900
<b>Total Debt Service</b>	<b>\$ 4,152,900</b>	<b>\$ 4,146,700</b>	<b>\$ 4,264,800</b>	<b>\$ 4,482,000</b>	<b>\$ 5,583,500</b>
<b>Operating Balance</b>	<b>\$ 3,338,600</b>	<b>\$ 4,232,700</b>	<b>\$ 5,090,300</b>	<b>\$ 5,937,500</b>	<b>\$ 5,233,500</b>
<b>Other</b>					
Renewal and Replacement	\$ 286,200	\$ 433,400	\$ 624,200	\$ 859,800	\$ 881,300
Capital	550,600	550,600	550,600	550,600	550,600
Return on Investment	2,966,900	3,135,000	3,362,700	3,609,300	3,875,100
Other Expenses	788,200	787,300	786,400	790,300	789,400
Rate Stabilization From Prior Years	(3,111,900)	(1,858,600)	(1,185,000)	(951,400)	(1,078,900)
Total Other	\$ 1,480,000	\$ 3,047,700	\$ 4,138,900	\$ 4,858,600	\$ 5,017,500
Expansion Transfer	-	-	-	-	-
<b>Net Balance</b>	<b>\$ 1,858,600</b>	<b>\$ 1,185,000</b>	<b>\$ 951,400</b>	<b>\$ 1,078,900</b>	<b>\$ 216,000</b>
<b>Proposed Series 2002 B Debt Service Cove</b>					
Achieved	2.14	2.40	2.59	2.72	2.19
Required	1.10	1.10	1.10	1.10	1.10
<b>Rate Adj. Above Inflation</b>	<b>2.500%</b>	<b>4.000%</b>	<b>4.000%</b>	<b>4.000%</b>	<b>0.500%</b>





**LEGEND**

-  Water Service Area
-  City of North Miami Beach



**HAT**  
**HARTMAN & ASSOCIATES, INC.**



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